ANNUAL REPORT 2001

IntesaBci

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to interested readers upon written request to
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Report and Consolidated Financial Statements for 2001

IntesaBci Spa
Share capital 3,488,995,258.84 euro fully paid-in
Milano Company Register and Fiscal Code No. 00799960158
Member of the National Interbank Deposit Guarantee Fund - Included in the National Register of Banks No. 5361
Gruppo IntesaBci, included in the National Register of Banking Groups

CONTENTS

GRUPPO INTESABCI
REPORT ON OPERATIONS
AND CONSOLIDATED FINANCIAL STATEMENTS

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

Board of Directors

Chairman	* GIOVANNI BAZOLI
Deputy Chairmen	* GIAMPIO BRACCHI GIANFRANCO GUTTY JEAN LAURENT LUIGI LUCCHINI
Managing Directors/ Chief Executive Officers	* LINO BENASSI * CHRISTIAN MERLE
Directors	GIOVANNI ANCARANI FRANCESCO ARCUCCI MARC ANTOINE AUTHEMAN BENITO BENEDINI ALFONSO DESIATA * GIANCARLO FORESTIERI PAOLO FUMAGALLI JORGE MANUEL J. GONÇALVES * GILLES GRAMAT FRANCO MODIGLIANI GIAN GIACOMO NARDOZZI EUGENIO PAVARANI JEAN-LUC PERRON * AXEL FREIHERR VON RÜDORFFER SANDRO SALVATI ERIC STRUTZ GINO TROMBI MARCO TRONCHETTI PROVERA

** Members of the Executive Committee*

General Manager/ Chief Operating Officer	ROBERTO BRAMBILLA

Board of Statutory Auditors

Chairman	GIANLUCA PONZELLINI
Auditors	FRANCESCO PAOLO BEATO PAOLO ANDREA COLOMBO FRANCO DALLA SEGA BRUNO RINALDI
Independent Auditors	RECONTA ERNST & YOUNG Spa

Chairman's letter

Distinguished Shareholders,

numerous extraordinary, or in any case non-recurring, factors affected the 2001 accounts.

2001 was a difficult year for world economy and for the banking industry, but it was particularly difficult for our Bank. The widespread economic recession, further deepened in the last part of the year by the terrorist attacks in the United States and the Argentinean crisis, had a considerable impact on a bank, such as IntesaBci, with intense operations on the international markets and a long-lasting presence in South America. Therefore, on the one hand, the crash of the Argentinean economy and the negative performance of the Peruvian subsidiary required drastic value adjustments to investments in those Countries. On the other hand, the instability which followed after the attacks of 11th September, intensified the critical situations, sometimes unforeseeable, of primary international groups. The exposures to such groups therefore required substantial write-downs.

Furthermore, in the domestic market, targets were only partly achieved. Both the effort for the simultaneous integration of the structures belonging to the three banks with diverse traditional and cultural backgrounds and the construction of a new bank model based on the divisional structure, affected the operating capacity of the commercial network, due to their highly-innovative content. The interventions adopted have already produced marked improvements in the quality and efficiency of our services, but in the past year economic results could not meet expectations. This is also attributable to negative financial market performance, which severely hindered financial intermediation and asset management activities.

Lastly, the structure used for the acquisition of Banca Commerciale Italiana – an operation of great strategic importance for the development of our Group, greatly desired by all of us, management and shareholders alike, and which is destined to manifest its exceptional significance in the future – generated the need to record substantial provisions to cover the implicit charge of the *Warrants Put IntesaBci* distributed to the shareholders of Banca Commerciale Italiana (even though the charge may be proportionally lower if – as we all hope – in the future the quotation of the IntesaBci share recovers).

The aforementioned extraordinary, or in any case non-recurring, charges were partly offset by extraordinary income from the disposals of bank subsidiaries and branches, (part of a project for the streamlining of the distribution network) and the collection of dividends deriving from the capital gain realised on a private equity transaction.

Consolidated net income for the year therefore amounted to 928 million euro, with a considerable decrease compared to the previous year, while the Parent Company's net income equalled 337 million euro. These results do not enable us to maintain returns on the shares at the same level as last year, therefore the dividends which we propose to distribute are 0.08 euro per saving share and 0.045 euro per ordinary share.

The measures taken at the time of the definition of the targets for 2002, which follow from the significant actions taken last year on the commercial structure and on asset quality, enable us to formulate positive forecasts for the current year. The return to satisfactory profitability conditions may also be favoured by the worldwide economic recovery which is at the horizon and that, according to forecasts, should become evident in the second half of the year.

Giovanni Bazoli

Milano, 28th March 2002

Gruppo IntesaBci in the year 2001

Executive summary

Operations development

2001 was influenced by negative events, which can mainly be considered non-recurring because of their nature, their quantitative effects and their rapid succession in the last months of the year. These heavily affected economic results for the year, which significantly underperformed initial expectations, despite the presence of substantial non-recurring income.

The consequences of the attacks in the US

The terrorist attacks which occurred in September in the US had severe repercussions on market trends in the whole of the last part of 2001 by intensifying pre-existing volatility and increasing the feasibility of a worldwide recession, due to their impact on household consumption propensity and corporate investment propensity.

In addition to negatively affecting all aspects of the financial industry, instability overwhelmed important international groups, some of which operated in the sectors in greater distress and which were already under observation for their pre-existing difficulties, while others were hit unexpectedly, considering their standing in the financial system.

IntesaBci had exposures towards such groups – *Swissair* and *Enron*, in particular – with various types of lending contracts, which had been granted by BCI (like many other international banks), as part of its significant presence on foreign markets. The financial condition of these borrowers led to the decision to register adjustments on such exposures for a total of approximately 440 million euro, which must be considered extremely prudent in view of the write-down criteria applied (80% in the case of *Enron* and 90% for *Swissair*).
A further 40 million euro of losses on financial transactions was also recorded.

Latin America

Again with regard to international activities, the *Sudameris group* is currently exposed to the consequences of the critical situation in Argentina. One of its largest banking subsidiaries, *Banco Sudameris Argentina* (*BSA*), is facing the dramatic economic and political difficulties of that Country and, at the time being, it is very difficult to formulate any reliable forecast on the crisis' evolution. In these circumstances it was deemed prudent – and the decision seems to be shared by the international banking industry – to write-off not only the book value of the equity investment, but also the book value of the subordinated loans granted to the subsidiary for the portion which is not covered by an adequate guarantee and, further, the book value of the credit lines which both IntesaBci and Banque Sudameris had granted to BSA. The value adjustments and the provisions charged to the 2001 statement of income of IntesaBci and Banque Sudameris totalled approximately 420 million euro. A further 60 million euro was recorded, to carry out a 40% write-down of the value of the cross border loans granted to residents in that Country, normally branches or subsidiaries of primary Italian or multinational companies.

Banco Wiese Sudameris, Lima – which was formed from the integration of the pre-existing *Banco de Lima Sudameris group* and *Banco Wiese* – also suffered a significant decrease in profitability due to the deterioration of loan portfolio quality. This led to the need to write off deferred tax assets recorded in its financial statements as well as the write-off of goodwill recorded in the books of Sudameris Paris. The write-off of the equity investment held by Sudameris in the Peruvian sub-group led to an overall charge of 436 million euro.

However, due to the lower book value of the Argentinean and Peruvian equity investments in IntesaBci's consolidated accounts, the charge on the Group's financial statements was limited to approximately 750 million euro.

Operations in Italy

Following the trends recorded by world economy, also the Italian economy suffered from the slowdown in corporate investments, the decline in consumption and the unsolved difficulties of the stock markets. The latter negatively affected the banking industry in two crucial sectors, asset management and financial intermediation. Subsequently signs of a deterioration in loan portfolio quality, which often follow these phenomena, also emerged.

Therefore also IntesaBci's ordinary operations were affected by the lower contributions from commissions on management, dealing and consultancy services, the decline of which was restrained by the practically stable interest margin and the limited increase – despite the implicit costs in the structural changes currently under way – of administrative expenses.

The review of non-performing loans and off-balance sheet risks – carried out by IntesaBci at the time of the integration of the networks of the merged banks – led to net adjustments amounting to a total of 800 million euro, following the application of the estimated realisable value. This was determined using extremely rigorous parameters and in consideration of every possible negative future scenario, also in relation to the specific moment in the economic cycle. Equally severe interventions were necessary for the loan portfolio of IntesaBci Gestione Crediti, the Group company to which doubtful positions were transferred, which recorded a loss for the period in excess of 300 million euro.

Furthermore, valuation effects related to the *Warrants Put IntesaBci,* issued at the time of the acquisition of Banca Commerciale Italiana, must be considered in addition to all these events. In spite of the inversion at the end of the year of the upward trend which was registered during 2001, provisions amounting to 1,158 million euro were in any case recorded to mark-to-market the *Warrants Put IntesaBci*.

As already mentioned, the consequences of the negative factors above were partly offset by extraordinary income. This included the capital gains amounting to approximately 1,760 million euro on the disposals of Banca Carime, Banca di Legnano and of a considerable number of branches. A further 521 million euro derived from dividends indirectly connected with the merchant banking transaction involving Seat Pagine Gialle, which had been closed in previous years by BCI and produced a total income of almost 1.3 billion euro in the years 2000 and 2001. Lastly, the Reserve for general banking risks set up by the Parent Company, amounting to approximately 154 million euro, was entirely re-contributed to the statement of income; this also enabled an adequate coverage of the potential reimbursement of the tax benefits connected to concentration operations provided for by Law 461/98, after the negative opinion on this matter expressed by the European Commission.

2001 financial statements

The facts described above significantly affected consolidated net income, which decreased to 928 million euro, 45% lower than the result generated in 2000. It must however be noted that in certain business areas profitability in 2001 recorded an appreciable improvement, as in the case of lending and deposit collecting, with net interest income which increased to almost 6 billion euro, up by 6.5% compared to the previous year. Equally satisfactory was overall interest margin, up by 1.5% to 6.8 billion euro despite the lower contribution of dividends on equity investments, entirely attributable to the lower non-recurring income distributed in the final liquidation of the stake in Seat.

The aforementioned negative factors had a greater impact on net interest and other banking income, which decreased to 11.1 billion euro (– 3.6%) mostly due to the considerable contraction in commission income and, to a lesser extent, in profits on financial transactions. Both are attributable to the generalised reduction in customer propensity to use such banking services and the lower opportunities in any case offered by financial markets. The declining trend was more marked for operating margin, which decreased by 13.6% to approximately 3.7 billion euro also as a result of the 2.3% rise in operating costs.

The negative effects which occurred in the year also affected income from operating activities – which recorded an almost 2.3 billion euro drop to 260 million euro – with net value adjustments and provisions absorbing revenues for the year for almost 3.5 billion euro (over 1.7 billion euro higher than in the previous year). Net extraordinary income – which was positive for 785 million euro – together with lower income taxes for the year, enabled to partly offset the difference in net income for 2001 compared to that recorded in the previous year.

The Parent Company's net income – which also decreased, to 337 million euro – is responsible for the unfavourable trend in consolidated figures. It must be noted that IntesaBci's accounts did not benefit by the capital gain on the disposal of Banca di Legnano, which had at the time been recorded by BCI directly among shareholders' equity reserves, nor from the higher capital gains on the sale of Banca Carime, due to the lower carrying value of the equity investment in the consolidated financial statements compared to the Parent Company's financial statements. Conversely, the Parent Company's statement of income entirely benefited from the use of the Reserve for general banking risks amounting to approximately 154 million euro, compared to a benefit in the consolidated financial statements of only approximately 14 million euro, due to the lower entity of such reserve in the consolidated accounts.

With regard to balance sheet figures, loans to customers remained almost stable at 183 billion euro while deposits recorded a moderately upward trend, with a 2% growth rate to 185 billion euro. Net interbank funding significantly decreased, with a 23% drop to approximately 37 billion euro also as a result of more effective liquidity management policies. Lastly, the 1.7% decrease to 326 billion euro recorded by indirect customer deposits was influenced by the numerous negative financial and market factors which affected the area in the whole of the year.

The Bank's New Model

In addition to these negative events, 2001 must be remembered as a year of intense efforts and productive work for all who operate in IntesaBci. After the rapid expansion which occurred in previous years, 2001 was entirely dedicated to the realisation of the New Model of divisional bank, to the integration of the merged banks and to the homogenisation of cultures and professional capabilities. The results obtained in terms of organisation and market repositioning – the new divisional and multichannel architecture is already, for the most part, fully operational – provide a significant evidence of efficiency which will certainly produce beneficial effects, also in terms of profitability, in 2002. The recovery of full operating conditions in the corporate-system in all its various aspects represents the best guarantee of a timely achievement of the profitability targets which led to the adoption of the Bank's New Model.

Group management strategies

The results generated in 2001 require a further acceleration in the realisation of the Bank's New Model and a re-assessment of Group management strategies. In particular, the terms of IntesaBci's presence in Latin America must be redefined. The exclusive negotiations for the disposal of Banco Sudameris Brasil reflect the decision to rapidly rationalise the Group's activities in South America.

IntesaBci will at the same time evaluate opportunities for further growth in Central-Eastern Europe and in the Mediterranean basin, attentively considering the current and potential profitability of its presence. IntesaBci acquired the international vocation which had for over a century characterised BCI and does not intend losing this heritage. Similarly, one of the Bank's key features is the capacity to offer a solution for all the funding and investment needs expressed by Italian and international customers. This characteristic will not only be safeguarded but will be further developed, in a context of rigorous control of both profitability and risks.

Forecast for 2002

With regard to the macroeconomic scenario, forecasts for the new year are based on projections of a satisfactory expansion in loans to customers, thanks to the continuing low cost of credit and to renewed household and investor confidence. In the more relaxed context which will commence with economic recovery, forecasts expect a return in investor interest for forms of investment alternative to bank deposits, such opportunities – if confirmed – would produce extremely positive effects on the demand for asset management and securities trading services, in line with the global recovery of world markets forecasted for the middle of the current year.

In addition to these systemic elements, in the case of IntesaBci there are also specific motivations for founded expectations of the return to the full profitability conditions which have always characterised its operations. In a corporate culture centred on value creation, the competitive advantages ensured by close coverage of the various market segments, by the highly-innovative content of its products, business areas and distribution channels, by increased productivity from the streamlining of decision-making processes and more effective distribution structures will become fully effective with the reconversion of the organisational and commercial structure.

On the other hand, the sacrifices suffered in 2001 drastically solved the critical situations which had emerged during the year, considering not only actual losses but also the potential losses which may be reasonably presumed. The extremely prudent criteria used to deal with *Enron*, *Swissair* and the Latin-American subsidiaries in the valuation of the non-performing loan portfolio and in the valuation of the commitment for the potential repurchase of IntesaBci shares ensure that the fiscal year which started on 1st January 2002 will be fully constructive.

Gruppo IntesaBci

Financial highlights

	2001	2000 (1)	Changes	
			amount	%
Statement of income (in millions of euro)				
Net interest income	5,998.1	5,632.1	366.0	6.5
Interest margin	6,813.8	6,712.3	101.5	1.5
Net commissions	3,730.6	4,126.9	(396.3)	(9.6)
Net interest and other banking income	11,125.5	11,541.6	(416.1)	(3.6)
Operating costs	7,392.7	7,223.7	169.0	2.3
including Payroll	*4,046.5*	*3,940.1*	*106.4*	*2.7*
Operating margin	3,732.8	4,317.9	(585.1)	(13.6)
Income from operating activities	259.5	2,543.9	(2,284.4)	(89.8)
Net income for the period	928.2	1,686.2	(758.0)	(45.0)
Balance sheet (in millions of euro)				
Loans to customers	183,356.4	182,871.5	484.9	0.3
Securities	48,895.0	57,955.0	(9,060.0)	(15.6)
including Investment portfolio	*11,238.3*	*12,588.2*	*(1,349.9)*	*(10.7)*
Equity investments	4,594.8	3,794.7	800.1	21.1
Total assets	314,897.5	326,369.9	(11,472.4)	(3.5)
Direct customer deposits	185,104.5	181,556.2	3,548.3	2.0
including Subordinated and perpetual liabilities	*11,687.5*	*9,747.1*	*1,940.4*	*19.9*
Indirect customer deposits	325,578.5	331,071.4	(5,492.9)	(1.7)
including Managed funds	*137,470.8*	*142,730.6*	*(5,259.8)*	*(3.7)*
Customer deposits under administration	510,683.0	512,627.6	(1,944.6)	(0.4)
Due to banks, net	37,135.7	48,056.6	(10,920.9)	(22.7)
Shareholders' equity (2)	14,171.7	13,782.3	389.4	2.8
Operating structure				
Staff (number)	70,182	71,852	(1,670)	(2.3)
Branches (number)	4,231	4,294	(63)	(1.5)
including Italy (3)	*3,302*	*3,351*	*(49)*	*(1.5)*
Abroad	*929*	*943*	*(14)*	*(1.5)*

(1) *Figures restated on a consistent basis, considering changes in the consolidation area.*
(2) *Including net income for the period.*
(3) *This figure includes, in addition to traditional branches (with operating and accounting autonomy), the units in charge of customer relations in IntesaBci's Commercial and Investment banking divisions (actual accounts of the latter are maintained at the reference branches).*

Gruppo IntesaBci

Financial ratios

	2001	2000
Balance sheet ratios (%)		
Loans to customers/Total assets	58.2	56.0
Securities/Total assets	15.5	17.8
Direct customer deposits/Total assets	58.8	55.6
Managed funds/Indirect customer deposits	42.2	43.1
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	61.2	58.2
Net commissions/Net interest and other banking income	33.5	35.8
Operating costs/Net interest and other banking income	66.4	62.6
Net income for the period/Average total assets (ROA) (1)	0.3	0.5
Net income for the period/Average shareholders' equity (ROE) (2)	6.7	13.8
Risk ratios (%)		
Net doubtful loans/Total loans	3.0	3.5
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	59.0	52.2
Capital ratios (%) (3)		
Tier 1 capital/Risk-weighted assets	6.0	5.8
Total capital/Risk-weighted assets	9.3	8.7
Risk-weighted assets (in millions of euro)	246,123	236,291
EPS – Earnings per Share – euro	0.14	0.29

(1) *Based upon the arithmetical average of total assets at the end of the current and previous period.*

(2) *Net income for the period, excluding the change in the reserve for general banking risks, divided by the weighted average of share capital, share premium reserve, revaluation reserves, reserves from retained earnings, negative goodwill arising on consolidation and on application of the equity method and the reserve for general banking risks.*

(3) *Figures for 2001 have been modified compared to the version of the financial statements deposited on 2nd April 2002 following clarifications issued by the Bank of Italy on 16th April 2002 with regard to the capital absorption of the Warrants Put IntesaBci, as specified in section 8 of the Notes to the consolidated financial statements. More specifically the "Tier 1 capital/Risk-weighted assets" ratio moved from 6.2% to 6.0% and the "Total capital/Risk-weighted assets" ratio changed from 9.6% to 9.3%.*

IntesaBci

Financial highlights

	2001	2000 (1)	Changes amount	Changes %
Statement of income (in millions of euro)				
Net interest income	3,681.0	3,571.5	109.5	3.1
Interest margin	5,007.5	5,163.8	(156.3)	(3.0)
Net commissions	2,086.6	2,312.4	(225.8)	(9.8)
Net interest and other banking income	7,298.2	7,817.6	(519.4)	(6.6)
Operating costs	4,409.4	4,315.1	94.3	2.2
including Payroll	*2,331.2*	*2,334.2*	*(3.0)*	*(0.1)*
Operating margin	2,888.8	3,502.5	(613.7)	(17.5)
Income from operating activities	115.4	2,440.6	(2,325.2)	(95.3)
Net income for the period	337.4	1,774.5	(1,437.1)	(81.0)
Balance sheet (in millions of euro)				
Loans to customers	132,055.2	134,753.6	(2,698.4)	(2.0)
Securities	25,905.7	32,692.5	(6,786.8)	(20.8)
including Investment portfolio	*4,521.6*	*6,006.1*	*(1,484.5)*	*(24.7)*
Equity investments	11,824.4	11,643.2	181.2	1.6
Total assets	238,681.3	243,571.5	(4,890.2)	(2.0)
Direct customer deposits	134,440.5	130,195.8	4,244.7	3.3
including Subordinated and perpetual liabilities (2)	*10,934.5*	*8,508.3*	*2,426.2*	*28.5*
Indirect customer deposits	234,856.8	243,119.6	(8,262.8)	(3.4)
including Managed funds	*78,442.2*	*85,671.1*	*(7,228.9)*	*(8.4)*
Customer deposits under administration	369,297.3	373,315.4	(4,018.1)	(1.1)
Due to banks, net	19,607.4	32,415.7	(12,808.3)	(39.5)
Shareholders' equity (3)	13,977.9	14,965.4	(987.5)	(6.6)
Operating structure				
Staff (number) (4)	35,220	39,508	(4,288)	(10.9)
Branches (number) (5)	2,383	2,443	(60)	(2.5)
including Retail banking division	*2,193*	*2,425*		
Corporate banking division	*109*	–		
Private banking division	*53*	–		
Investment banking division	*15*	–		
Abroad	*13*	*18*		

(1) *Figures restated on a consistent basis.*
(2) *The figure for subordinated liabilities indicated in the table differs from that recorded in caption 110 of the balance sheet "Subordinated liabilities" since part of this funding is raised with other banks.*
(3) *Including net income for the period.*
(4) *The figure for 2000 includes 501 employees relative to the branches sold to Banca Popolare di Vicenza (42), Unipol (225) and Carige (234).*
(5) *This figure includes, in addition to traditional branches (with operating and accounting autonomy), the units in charge of customer relations in IntesaBci's Commercial and Investment banking divisions (actual accounts of the latter are maintained at the reference branches). Since the divisionalisation process was implemented during 2001, breakdown of branches by division is available only for 2001.*

IntesaBci

Financial ratios

	2001	2000
Balance sheet ratios (%)		
Loans to customers/Total assets	55.3	55.3
Securities/Total assets	10.9	13.4
Direct customer deposits/Total assets	56.3	53.5
Managed funds/Indirect customer deposits	33.4	35.2
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	68.6	66.1
Net commissions/Net interest and other banking income	28.6	29.6
Operating costs/Net interest and other banking income	60.4	55.2
Net income for the period/Average total assets (ROA) (1)	0.1	0.8
Net income for the period/Average shareholders' equity (ROE) (2)	1.4	15.4
Risk ratios (%)		
Net doubtful loans/Total loans	1.0	1.7
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	46.0	38.5
Capital ratios (%) (3)		
Tier 1 capital/Risk-weighted assets (3) (4)	7.4	10.6
Total capital/Risk-weighted assets (3) (4)	12.7	15.8
Risk-weighted assets (in millions of euro) (3) (4)	190,722	102,752
EPS – Earnings per Share – euro (4)	0.05	0.18

(1) *Based upon the arithmetical average of total assets at the end of the current and previous period. For consistency purposes, 2000 ratio is based on pro forma total assets for 1999 net of assets of former Mediocredito Lombardo.*

(2) *Net income, excluding the change in the reserve for general banking risks, divided by the weighted average of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and for general banking risks.*

(3) *Figures for 2001 have been modified compared to the version of the financial statements deposited on 2nd April 2002 following clarifications issued by the Bank of Italy on 16th April 2002 with regard to the capital absorption of the Warrants Put IntesaBci, as specified in section 8 of the Notes to the consolidated financial statements. More specifically the "Tier 1 capital/Risk-weighted assets" ratio moved from 7.7% to 7.4% and the "Total capital/Risk-weighted assets" ratio changed from 12.9% to 12.7%.*

(4) *Figures for 2000 have not been restated according to the pro forma financial statements.*

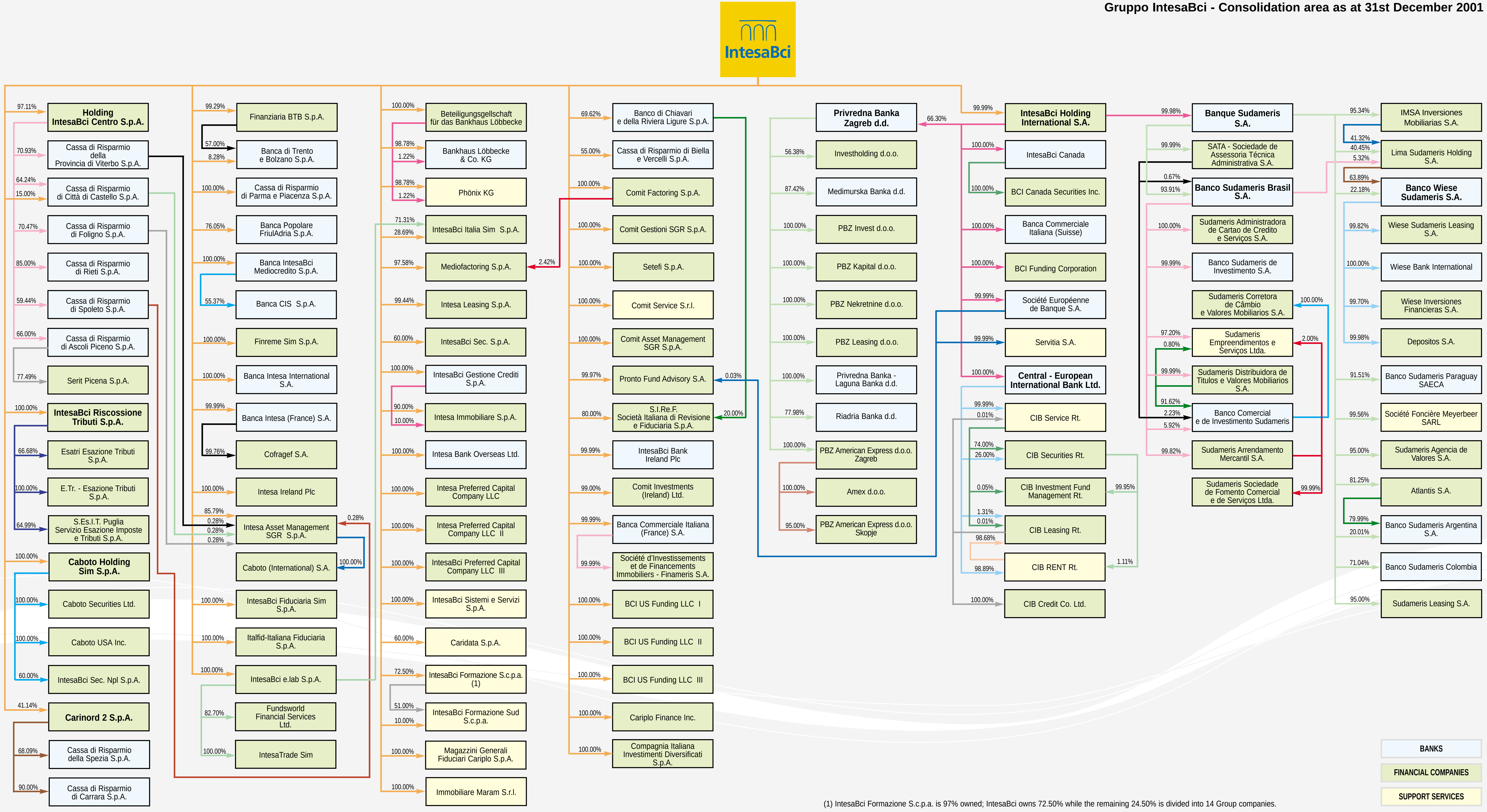
Rating

During 2001 no variations occurred in the rating of IntesaBci's bond issues.

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

In addition to the rating relative to credit risk, there were no variations in the Bank Financial Strength Rating assigned by Moody's (B–) and the Individual Rating assigned by Fitch (C).

Gruppo IntesaBci - Consolidation area as at 31st December 2001



(1) IntesaBci Formazione S.c.p.a. is 97% owned; IntesaBci owns 72.50% while the remaining 24.50% is divided into 14 Group companies.

Gruppo IntesaBci
Report on Operations and Consolidated Financial Statements

Report on Operations

The macroeconomic scenario

World economy

2001 turned to be a crisis year for world economy. Recession hit particularly the United States, Japan and various emerging countries, among which also certain Asian "tigers". To the worsening of the economic cycle contributed the attacks of 11th September, which were responsible for the sharp drop in American economic activity at the beginning of the autumn and further intensified the volatility of international financial markets. Only at the end of the year the first signs of recovery emerged and were so far confined to North America and Europe.

The crisis reached dramatic levels in Argentina where the accumulated structural problems were no longer sustainable. For the whole year the Country tried to prevent the devaluation of the *peso* and the declaration of insolvency, to this end obtaining substantial international loans. However, the attempted rescue co-ordinated by the International Monetary Fund proved to be insufficient to correct a definitively compromised economic and financial situation. After a number of measures which ultimately contributed to aggravate the economic crisis, in December the explosion of street riots determined the fall of the De La Rúa Government, followed by the devaluation of the *peso* and by the suspension of the payments on foreign debt.

In the rest of Latin America, local problems, added to the international crisis, led to a rapid slowdown in the economy. The Brazilian growth rate, restrained by consumption and investments, was under 2%. Notwithstanding that, South America and other Countries potentially at risk, as for example Turkey, overcame Argentina's financial collapse with limited damages.

During the year the growth of the American economy gradually slowed down to become negative in the second half. Recession was contained by the drop in energy prices and by drastic economic policy measures, among which generous tax discounts and a number of cuts in official interest rates. The Federal Reserve moved the target on federal funds from 6.5% to 1.75%, accelerating the pace of interest rate reductions after the September attacks. In December the first signs of recovery and a significant improvement in household confidence emerged.

In the Euro Area the economic crisis showed a lighter tone. Growth became stagnant in the middle of the year and is deemed to have been negative only in the last quarter. The European Central Bank (ECB) reduced official interest rates from 4.75% at the end of 2000 to 3.25%. The reduction in interest rates was slower and less significant than in the United States, because of the better performance of the real economy coupled with an inflation persistently higher than the Central Bank's target.

Financial markets

The expansive orientation of American monetary policy and of ECB policy favoured international bond markets, but only until October. Yields declined along the whole of the curve, touching the minimum levels just after the September attacks. At the same time, a considerable increase in the differential between long- and short-term interest rates was recorded, the latter being more correlated to the reductions in official interest rates. At the end of 2001, in anticipation of the economic recovery, the ten-year and thirty-year yields already returned to the year-beginning levels (4.94% for the *Bund*, 5.11% for the *T-Note*). The rebound was favoured by the acquired awareness that the increases in expenditure and the cuts in taxes decided by the American Federal Administration would have required new bond issues.

The drop in corporate profits, the crisis in investments and the attacks of 11th September could not but make 2001 a very difficult year for stock markets. At the end of the year, the main international indices were down by 20% than twelve months earlier, despite the recovery registered starting from the end of September. At the bottom of the cycle, which occurred in the last ten days of September, the losses suffered by certain European stock markets touched 45% (*Dax* and *Mib30*), showing even greater reductions than those registered on the *Nasdaq* (– 42%).

Relatively better was the performance of the *S&P500*, which at the end of the year recorded an approximately 13% drop with respect to 12 months earlier. The correlation between markets proved relatively high, despite the local connotations of certain shocks. A common factor was the persisting crisis of the technology sector, which was penalised by its high exposure and by the collapse in private investments. Between December and January, a number of cases of financial distress seriously affected the credibility of the American corporate system, contributing to stop the rebound registered by the market after the September panic.

On the currency front, the almost simultaneous slowdown of all world economies drastically reduced volatility in foreign exchange markets. The euro, which again weakened against the US dollar (– 5.3%), the British pound and the Swiss franc, was instead stronger against the yen and the Canadian dollar. At the end of 2001 the Japanese yen entered into a crisis, as it was hit by recession and by the threat of a financial crisis.

The Italian situation

The slowdown in world economy in 2001 also affected Italy. After a still brilliant first quarter, thanks to the good performance of domestic demand, the Italian economy registered a drastic reduction in the dynamics of private consumption and investments. The latter were affected by the “wait and see effect” for the introduction of the incentives provided for by the Tremonti Law, in addition to the repercussions of the high technology expenditures of the 1999-2000 period. The terrorist attacks contributed to prolong the critical phase till the end of the year, despite the recovery signs that emerged during the summer. Notwithstanding that, the growth rate of the Italian economy proved better compared to the other major economies of the Euro Area, with a GNP increase equalling 1.8%.

Despite the economic slowdown, the labour market was positively affected by the reforms in favour of flexibility introduced in the last few years: in 2001 employment rose by 2.0% and unemployment rate decreased from 10.6% in 2000 to 9.5%.

Last spring a blaze in food prices pushed inflation up to 3.1%. Since then, the declining trend in energy prices, strengthened during the autumn, favoured an elimination of inflationary tensions; the average variation of consumer prices stood at 2.7%.

After the deficit recorded in 2000, the current balance in the balance of payments showed continuous improvements, thanks to the decline in oil prices and the good performance of Italian exports in the first months of the year. Such progress more than offset the worsening of the income account generated by the widening of the gap between the yields of the positions detained by foreigners – typically BPT (Italian fixed-rate Government bonds) – and the yields of the foreign positions detained by Italians – mostly shares. Therefore the current balance in terms of percentage of GNP stood at 0.3%, with respect to – 0.5% in 2000. The financial account worsened compared to 2000: in fact a net outflow of capital equalling 4.7 billion euro was recorded, compared to a net inflow of 4.3 billion euro in the same period of 2000. The reduction in portfolio investments made by Italians abroad was not sufficient to offset the drastic drop of foreign investments in Italian securities.

The worsening of the German tax situation with respect to the Italian one shrank the *Btp-Bund* differentials for all maturities. The spread between the respective ten-year bonds decreased from 41 basis points at the end of 2000 to just 26 basis points at the end of 2001.

The economic slowdown and the crisis in the technology sector penalised stock market indices. At the end of 2001 the *Mib30* recorded an approximately 29% loss with respect to the end of 2000, while the *Numtel* stood at levels 50% lower than a year earlier. The very bad market situation was reflected on the number of IPOs (slightly declining after the rises of the previous years) and on the volume of transactions, showing a daily average turnover 24% lower than in 2000.

The market and Gruppo IntesaBci's activities

Monetary policy in the Euro Area

In 2001 the European Central Bank reduced the *refi rate* by a total of 150 basis points, from 4.75% at the end of 2000 to 3.25%. During the first four months monetary policy was characterised by a neutral position, which was due to persisting inflationary tensions, generated by the price trend in the energy and food sectors, as well as to the weakening of the euro exchange rate. Later, as a consequence of the gradual deterioration of the economic situation, the ECB implemented a gradual loosening of monetary conditions, with two reductions in the policy interest rate of 25 basis points each, in May and at the end of August. After the tragic events of 11th September, the expansive position of monetary policy was further strengthened with two successive reductions (17th September and 8th November) which led the official rate to the current level, presumably the lowest level in the loosening phase of the monetary lever.

Bank interest rates

The action taken by monetary authorities was reflected in the gradual decline of market yields for all maturities, in particular on the short-term part of the curve, which is more reactive to interventions on interest rates. Following the indications from market movements, bank interest rates took a declining trend, which continued, without interruptions, for the whole of the year. Notwithstanding that, the annual average levels of bank interest rates resulted higher than those of the previous year; in fact, during 2000 interest rates showed a rising trend, reaching the highest levels in autumn.

More specifically, the nominal lending rate with customers on short-term transactions decreased by 97 basis points from December 2000 to the end of 2001, to 6.53% annual average (+ 27 basis points on the 2000 average). More contained, instead, was the decline of nominal interest rates on medium- and long-term loans which, during the year, lost 70 basis points, closing at a 6.29% average (+ 5 basis points).

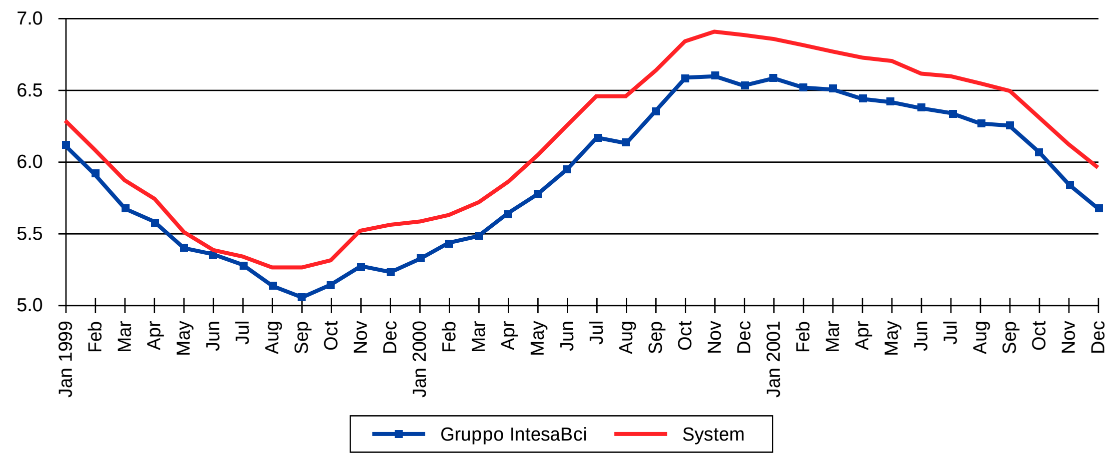
The contraction in funding cost was on average less pronounced than the corresponding reduction in lending yields, also as a consequence of the already contained starting levels. The nominal interest rate offered on average by Italian banks on customer deposits in euro was reduced by 73 basis points over the twelve months, reaching 1.96% as 2001 average (+ 12 basis points on 2000). The average nominal rate on issued bonds decreased by 68 basis points to a 4.67% average, virtually unchanged (+ 1 basis point) with respect to 2000.

In this context, the interest rates applied by Gruppo IntesaBci to its customers – calculated as weighted average of those offered by the main Group banks (1) – registered a trend practically in line with the evolution of the national market. The short-term lending rate decreased during the year by 85 basis points, from 6.51% at the end of 2000 to 5.66% (Graph 1), closing at a 6.26% average, approximately 1/4 point below the aforementioned banking system rate (6.53%). On this point, noteworthy is the structural nature of that difference, which is due to the peculiar geographical distribution of the Group's reference market, characterised by a higher presence in Northern Italy, where, due to a lower risk profile and to stronger market competition, interest rates are more contained on average compared to other regions in the Country.

With reference to medium- and long-term lending, the interest rate applied by Gruppo IntesaBci, although down by 54 basis points in the twelve months, recorded a good performance, as the negative differential against the system decreased from 41 to 27 average basis points.

(1) *IntesaBci, IntesaBci Mediocredito, Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria. These banks represent more than 90% of Gruppo IntesaBci's domestic customer deposits and loans to customers.*

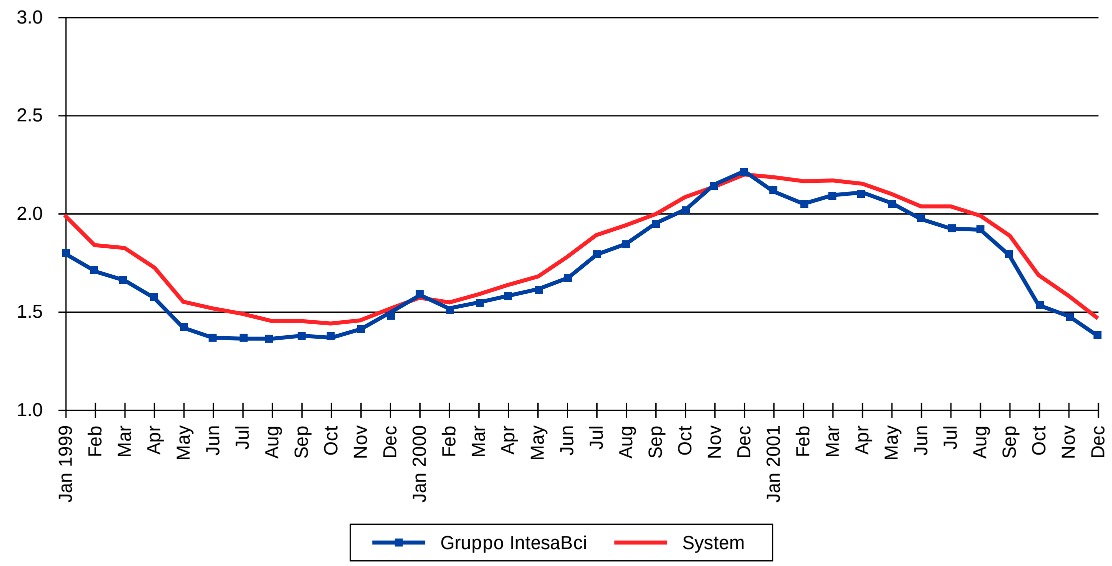
Graph 1 – **AVERAGE INTEREST RATE ON SHORT-TERM LOANS**
(% values)



Source: IntesaBci calculations on Bank of Italy data

With regard to interest rates on customer deposits, Gruppo IntesaBci closed 2001 with a nominal cost of deposits (Graph 2) equalling 1.87% on average (+ 8 basis points on 2000). The interest rate offered by Gruppo IntesaBci on issued bonds, equal to 4.69% on average, registered instead a 14 basis points reduction. With respect to the national average, the Group achieved, for all maturities, a lower average funding cost, in confirmation of the advantage deriving from the solidly rooted presence of its distribution networks.

Graph 2 – **AVERAGE INTEREST RATE ON DEPOSITS**
(% values)

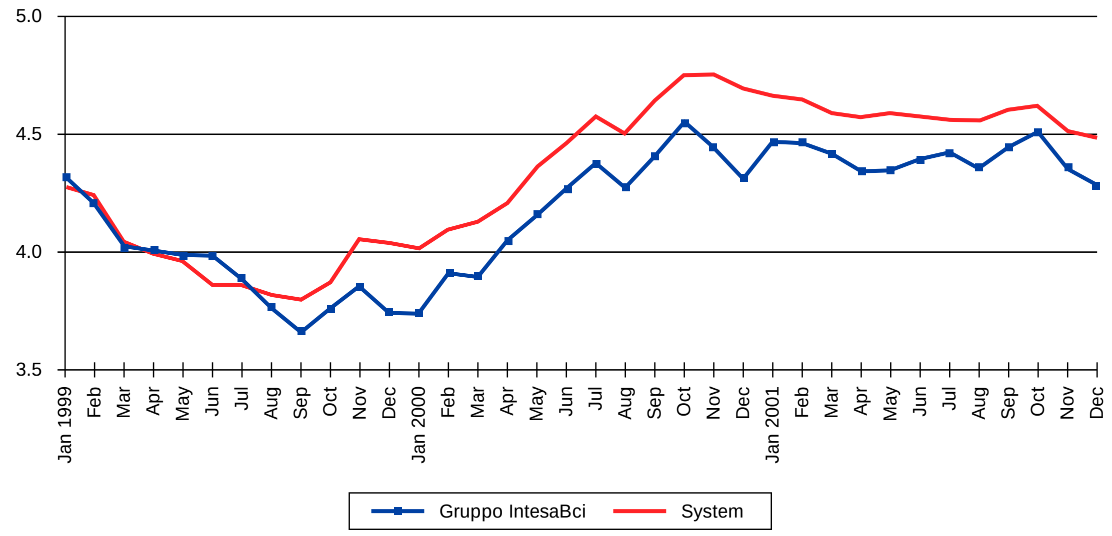


Source: Bank of Italy

Spread

In 2001 Gruppo IntesaBci's short-term spread, reaching 4.39% on average (+ 20 basis points on the 2000 average), was characterised by a rising trend, which touched its maximum level of 4.50% in October (Graph 3). Thanks to the dynamics of lending and funding interest rates, the historically negative differential against the system decreased, with respect to the previous year, from 23 to 18 average basis points.

Graph 3 – **SHORT-TERM SPREAD**



Source: Bank of Italy

Loans

With reference to volumes intermediated by the system, the sustained growth in loans was confirmed in 2001 but was not matched by a similar rise in direct customer deposits. In particular, as in the last few years, the Italian market was characterised by a higher loan demand growth rate than the European average; in December loans to ordinary resident customers (including doubtful loans and repurchase agreements) grew by 6.3% in Italy compared with 5.1% in the whole Euro Area.

Despite the gradual weakening of the economic context, in 2001 performing loans to customers granted by Italian banks increased by 11.1% on average, recording a gradual deceleration in their growth rate only in the last months of the year. With reference to the initial maturity of loans, the short-term component, usually linked to the financing of corporate working capital, registered a 12.3% average rise on an annual basis, as a result of a sustained rise in the first three quarters, followed by a marked slowdown in the last part of the year.
On the contrary, medium- and long-term loans, up by 9.8% on average, showed a less variable growth profile in the twelve months, also as a result of the support given by the demand for the purchase of durable goods and by household investment in real estate.

As to sector breakdown, on average for 2001 [(2)] performing loans to households rose at a lower rate (+ 9.6% on 2000) compared to those to non-financial companies (+ 12.6%), at least until the fourth quarter, when an inversion was observed. The categories of economic players which were the most supportive to the growth in loans were those of the "energy products" and of the "services connected to transports", whereas loan demand from telecommunication companies – already very sustained during 2000 – gradually decreased in 2001.
This was also a consequence of the adoption by the banks of more selective lending policies with customers belonging to sectors potentially at risk.

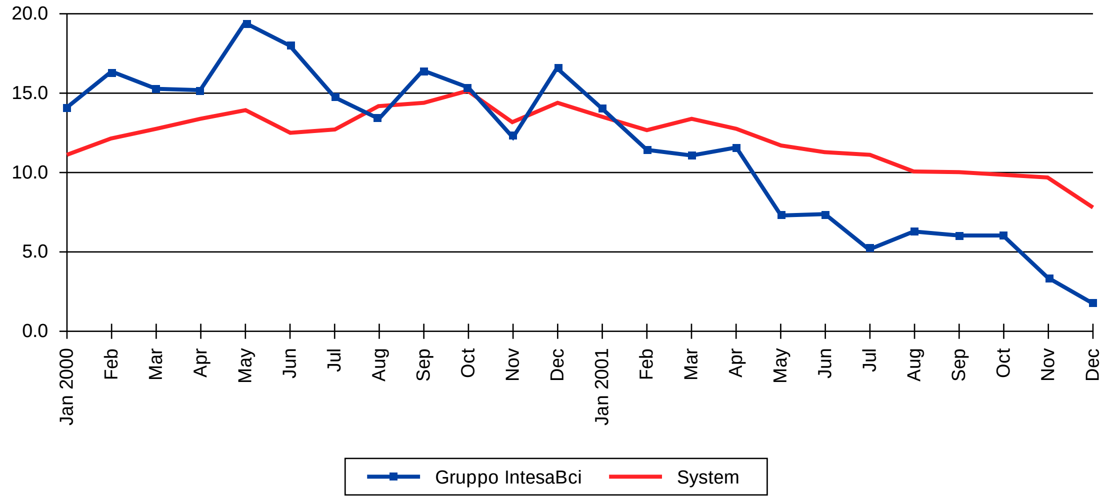
(2) *January-November.*

Group loans

Gruppo IntesaBci's loans – the sum of the volumes indicated by all Group banks [3] – registered a 7.4% average growth rate on an annual basis, lower than the system's, [4] with a consequent 0.9% reduction in market share with respect to the previous year (from 15.8% to 14.9%). The Group was penalised by a particularly weak short-term component (+ 4.8%), due also to its decision to contain positions negotiated at marginal interest rates and to its less aggressive pricing policies.

On the contrary, medium- and long-term loans, increased by a 10.4% average on an annual basis, with a growth rate higher than the national average, in line with commercial policies, aimed at containing risks as well as penetrating the retail segment through the offer of mortgage loans. This was confirmed also by the higher growth rate of long-term loans to households (+ 7.1% on an annual basis) with respect to non-financial companies (+ 6.7%). Consequently, the incidence of the long-term component on Gruppo IntesaBci's total loans reached 48.1% at the end of the year (45.8% at the end of 2000).

Graph 4 – **PERFORMING LOANS**
(% variation on an annual basis)



Source: Bank of Italy

Direct customer deposits

Italian banks' direct customer deposits from residents, determined according to the ECB's harmonised definition, [5] developed with a growth trend lower than the average trend in the Euro Area: at the end of 2001 the Italian aggregate registered a 7.8% growth rate against 8.2% European average.

In particular, the breakdown of customer deposits in Italy by type of contract showed a 2.8% average increase in deposits (including repurchase agreements) and a much more sustained growth in funding through issued bonds and subordinated liabilities (+ 10.9%), which increased

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(3) *IntesaBci, IntesaBci Mediocredito, Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria, Banca di Trento e Bolzano, Banco di Chiavari e della Riviera Ligure, Biverbanca, Cassa di Risparmio di Ascoli, Cassa di Risparmio di Spoleto, Cassa di Risparmio di Foligno, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Viterbo, Cassa di Risparmio di Rieti, IntesaBci Gestione Crediti.*

(4) *The time series used to calculate growth trends are net of the sales of Banca Carime and Banca di Legnano. The exit from the Group of further 138 branches in 2001 induces a marginal effect on growth and market shares (of the order of magnitude of 0.1% both for customer deposits and total loans).*

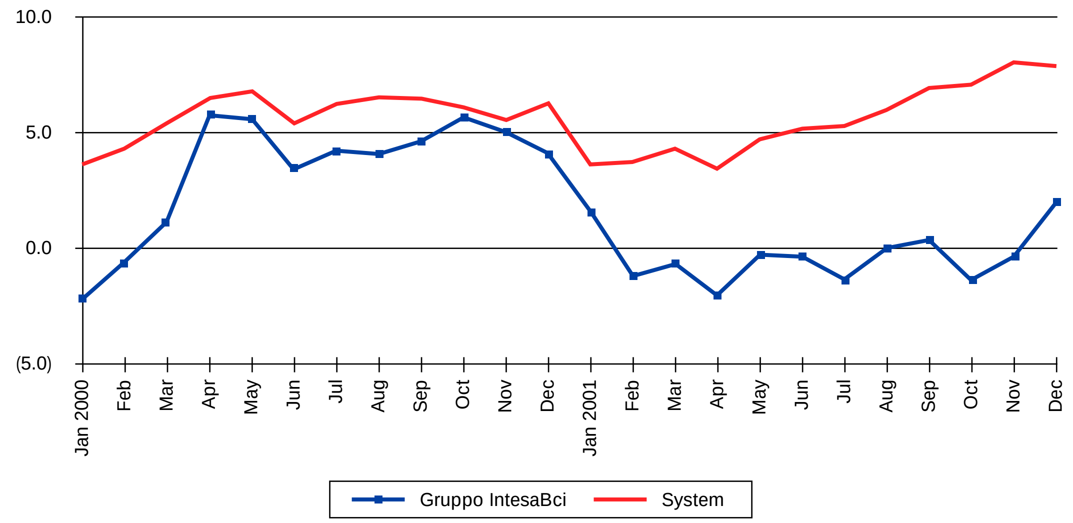
(5) *Deposits (current accounts, saving deposits, certificates of deposit), repurchase agreements and issued bonds (including subordinated liabilities).*

during the whole year at a regular and constant pace, in line with the growth in loans with the same maturity. It is worth noting how the disappointing trend of financial markets and the reduction in money market interest rates favoured, especially in the last part of the year, the marked acceleration of the "repayable on demand" component, with growth trends in interest rates close to those in loans to customers. However, the still considerable difference between the growth rates in lending and funding activities led banks to diversify funding sources, further increasing funding activities abroad, divesting a portion of the securities portfolio and implementing securitisations both on performing and on doubtful loans.

Group customer deposits

For Gruppo IntesaBci the annual average growth rate in funding from customers proved particularly weak (Graph 5): compared to the 2000 average, volumes were virtually stable; however this led to a 0.8% reduction, in the twelve months, in its market share, down to 13.5%. In particular, the reduction in customer deposits is deemed to be affected, on the one hand, by funding policies aimed at containing costs, while, on the other hand, certain, presumably temporary, difficulties which undoubtedly arose as a consequence of the physiological hault which normally takes place in the first phases of a merger of different brands.

Graph 5 – **DIRECT CUSTOMER DEPOSITS**
(% variation on an annual basis)



Source: Bank of Italy

Indirect customer deposits

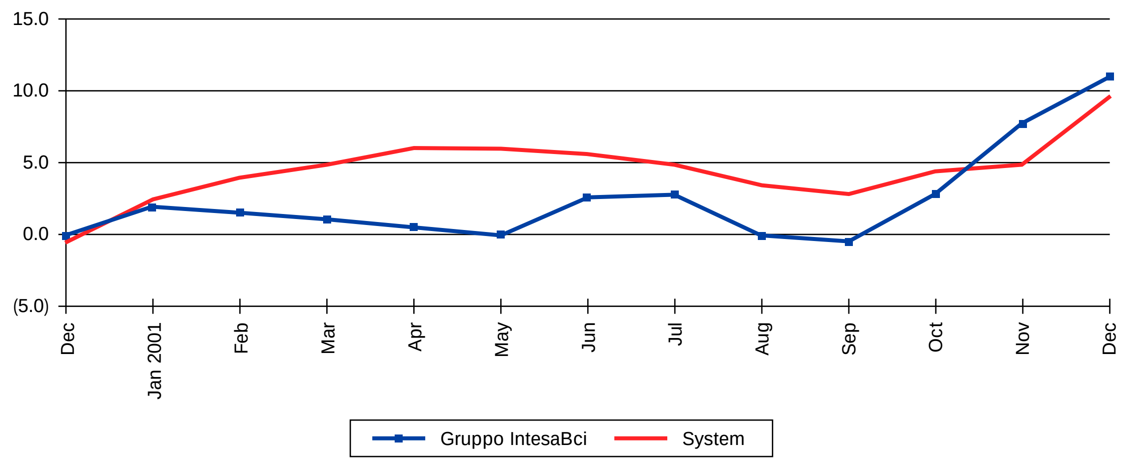
The growth in liquidity in customer financial portfolios, generated by the considerable contraction of direct investments in shares and of asset management demand, produced negative effects on the developments of the so-called "indirect customer deposits", which include customer securities held by banks under management, in administration and in custody.

Within these activities, the growth of Gruppo IntesaBci, leader in asset management, was considerably penalised, as a consequence of the negative trend registered by the asset management segment (individual portfolio management schemes and mutual funds).
With reference to securities under administration and management (at nominal value), [6] the system recorded a 5% average growth rate on an annual basis, whilst the Group recorded

[6] *Third party securities and other assets under custody not issued by the Bank, excluding certificates of deposit and bank bonds.*

a + 2.6% rise in 2001, as a result of a subdued performance in most of the year and of a marked recovery in the last two months (Graph 6). Thanks to this recovery, the Group's market share reversed the declining trend, rising from its minimum level in September (21.6%) up to 22.4% at the end of the year.

Graph 6 – **INDIRECT CUSTOMER DEPOSITS**
(% variation on an annual basis)



Source: Bank of Italy

Prospects for 2002

With regard to the evolution of the market in 2002, a more contained development of bank loans, although at yet satisfactory levels, is expected. In particular, short-term loans, with respect to the last few years, should show growth rates more in line with those of nominal GNP, whilst the average growth rate of loans with longer maturities is not expected to deviate much from that in 2001, because of a persisting moderation of the real borrowing cost, coupled with a gradual improvement of the confidence in the economy, which should facilitate the recovery of investments. To this aim, a further boost to the demand for medium- and long-term loans could also derive from the tax incentives to enterprises provided for by the so-called Tremonti bis Law.

In the first part of the year, direct customer deposits instead should show high growth rates, particularly for the more liquid components, thanks to the persisting uncertainties affecting financial markets and to the still contained opportunity-cost of holding deposits. Starting from late spring, if current projections of robust recovery of the economic cycle are confirmed, with the consequent rise in market yields, it is reasonable to expect a renewed interest by savers in investment products with higher risk/return profiles, with a consequent reduction in more liquid activities. The more long-term component of customer deposits (bond issues in Italy, eurobonds, subordinated loans) should present satisfactory growth rates, also thanks to the positive performance expected for medium- and long-term loans.

As to the statement of income for the banking system in 2002, with respect to the previous year, the growth rate of interest margin is expected to slow down, as a result of a slight contraction in the average differential between lending and funding interest rates and of a reduction in the differential between the growth rates of customer deposits and loans to customers. It is reasonable instead to expect a growth in income from services, thanks to improved prospects for the demand of asset management and securities intermediation services, in line with the projected improvement of the economic and financial environment.

The integration plan and the Group's model

The merger of Banca Commerciale Italiana in Banca Intesa completed the concentration process which had commenced in 2000 with the mergers of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo and led to the formation of a new legal entity, IntesaBci Spa, and the creation of Italy's largest bank, at the head of a Group which is a forefront player not only in the domestic banking system, but also capable of effectively competing with the large banking conglomerates present in the European arena.

The divisional model, deemed to be the most advanced among those proposed by theoretical works for large banking enterprises, was chosen for the integration of the merged banks.
The integration project is the vastest, in terms of resources and structures involved, ever realised in Italy.

As is generally known the key strengths of the divisional structure are essentially managerial autonomy and the consequent responsibilities assigned to the various business areas, in a framework of actions strongly oriented to customer- and product-based objectives. Operations are part of a simplified organisational context in terms of hierarchical levels, so to enable – also thanks to intergroup economies of scale and synergies – effective control of structure costs and therefore greater global efficiency and higher profitability.

The effort dedicated to the realisation of the divisional organisational structures set out in the Group's New Model permitted to reach significant goals often ahead of schedule.
At the end of 2001, the year of the closing of the most complex of the operations foreseen in the concentration projects – the merger between Intesa and BCI – the operating architecture of the chosen divisional and multichannel model was definitive and for the most part already operating. It must also be remembered that far-reaching objectives have been identified together with the new model. Such objectives will require: the redesign of the organisation of the governance and commercial structures; the rationalisation of the Parent Company's financial and capital configuration; the complete reformulation of the strategies in crucial business areas.

The merger between Intesa and BCI

In execution of the resolution of the Extraordinary Shareholders' Meeting held on 1st March 2001, the operations connected to the merger of BCI in Banca Intesa [7] were closed at the end of May 2001, as already mentioned above. In the merger deed – stipulated on 24th April 2001 and registered in the Milano Company Register on 26th April 2001 – the date in which the merger came into legal effects with regard to third parties was postponed to 1st May 2001. Since for accounting and fiscal purposes the merger had backdated effects as of 1st January 2001, the figures in the Parent Company's financial statements include the items generated by BCI, net of those deriving from intercompany relations between Intesa and BCI before the merger date for legal purposes.

Implementation of the Group's model

The organisational structure set out in the new model led to the creation within the Parent Company of three macro-areas (the *Governance centre*, the *Commercial banking divisions – Retail*, *Corporate* and *Private* – and the *Investment banking* and *International banking divisions*) and two business areas (*Italian banks* and *Product companies*). External to the Parent Company there are two areas, one which includes the Service centres and the other, a business centre, includes Asset management activities and the operations of IntesaBci e.lab. The latter are responsible for value creation and

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[7] *The resolution sets out, among other provisions, the change of Banca Intesa Spa's name in Banca Intesa Banca Commerciale Italiana Spa or, in abbreviated form, IntesaBci Spa or also Banca Intesa Comit Spa.*

business development for the specialised Group companies which they have been attributed. Group regulations define the powers and delegated powers with regard to management and credit granting, as well as specific direction and supervisory committees – already operational – for the following sectors: strategic, commercial, credit, infrastructural services and investments, group financial risks, finance.

The structures which carry out strategic direction, co-ordination and control over divisional bodies, business units, product companies and other subsidiaries have been created within the *Governance centre*. Such structures are organised in 14 *Units* and in 4 *Staff units*. The latter are dedicated in some cases even temporarily to support specific projects and/or activities. For all of these structures the internal regulations, the functional organigrams, the assigned resources and the people in charge have been identified as well as the action plans for interventions on logistics and IT systems. Activities regarding the definition of the Governance centre were completed just after the end of the first half, significantly ahead of schedule.

The *Investment banking division* has been charged with the mission of creating value for customers and for the Group in financial activities, with the objective of being a competitive player at domestic and international level also thanks to the synergic support provided by the sub-holding Caboto which is effectively integrated in the production chain and plays a fundamental role in investment banking activities. Divided in 8 *Units*, the Investment banking division is destined to operate all round in key market sectors, such as fixed-income securities and related derivatives, equity market and full brokerage services to customers, retail distribution of financial products, foreign exchange and commodities trading, and private equity. The Division has also been charged with managing liquidity, interest rate and foreign exchange risk for the entire Group, proprietary trading and, lastly, maintaining relationships with Italian and foreign large corporate customers and financial institutions by offering wholesale banking services, structured financial products and financial services such as payment services, custody and settlement of securities and depository and correspondent banking.
The integration processes have mostly been completed. These are aimed at making the Units fully operational as regards logistics, support activities (middle office and back office) and IT systems.
Furthermore the roll out phase of the Service module for large customers has been completed, with the formation – under the direct co-ordination of the *Global relationship banking unit* – of 14 *Large corporate departments* destined to maintain relations with customers under their responsibility, with organisational and operational profiles autonomous with respect to the Corporate banking division and a department dedicated to the management of financial institutions.

The *International banking division* is already operating with its new configuration with two Units, *Multinational banking* and *International banking network*, and supervises over operations development in the Group's entities outside Italy, which include both direct branches and subsidiaries in the banking and/or financial areas. In Luxembourg and Ireland the companies established under local law, with which the merged banks operated singularly, have been concentrated in one legal entity. Analogous integration interventions have already been completed in the direct branches in London, New York, Hong Kong and Singapore as well as in numerous representative offices worldwide.

The three *Commercial banking divisions Retail*, *Corporate* and *Private*, have been given the indispensable managerial and commercial levers for strategy definition and business management in their respective market segments. The territorial presence of the Retail banking division comprises 5 regional units and 38 work areas, for the management of 2,047 branches, in addition to the 146 branches mainly within public entities and companies. The Corporate banking division operates with 5 regional units and 109 corporate branches while the Private banking division is in charge of 53 private branches. The peripheral corporate and private units are in charge of customer relationships; however these are physically maintained at the sister branches of the Retail network. The roll out phase of the model involving the basic structures of the Commercial divisions was finished at the end of October 2001, while that involving the branches, which started at the beginning of 2002, will be completed within next September. Lastly the new model for the management of cross-border import-export financing activities was completed, with the creation of 17 poles and 25 local offices for which the test and roll out phases will be concluded within next October.

Human resource management and re-design of IT structures

The interventions which occurred during the whole of 2001 for the transition to the Group's new model affected both the IT systems of the merged banks and the construction of the support systems of the various entities in the divisional structure. Human resource management required – in addition to initiatives related to operating and Trade Union aspects – numerous interventions aimed at rationalising the various management and development policies.

Human resources

IntesaBci's divisionalisation process led to the reallocation by customer/business segment of approximately 36,000 people employed by the merged banks. The aforementioned completion of the roll out phases for basic structures of the three Commercial divisions led to the assignment of approximately 1,600 resources, while the overall absorption of personnel destined to the networks is of approximately 29,000 elements.
The Units of the Governance centre and the Investment banking and International divisions – with the activation for the latter of mobility plans deriving from the elimination of overlapping branches and representative offices abroad – have been destined approximately 3,700 elements, almost equally divided between the Governance unit and all of the Divisions.

As concerns the number of staff, as at 31st December 2001, Gruppo IntesaBci had 70,182 employees, down by 2.3% compared to the analogous figure for the previous year. [(8)]
Actual turn-over registered for the group equalled minus 2,109 units, with a strong acceleration in the second half of the year.

Resource management policy was characterised by the strong drive for internal efficiency promoted by the evolution processes under way. The most typical traits of the phenomenon can be found – with particular reference to the Parent Company – in the significant reduction in employees with permanent contracts, mostly following incentive-driven exit plans, in the decrease in hiring with this formula and in the increase of reversible temporary and short-term contracts (359 contracts and 921 contracts, respectively, as at 31st December 2001).

The changes necessarily required the collaborative involvement of Trade Union representatives, with which a mutually advantageous negotiation occurred. Among the agreements closed, the most important are those regarding the reabsorption, in terms of regulations and operating practices, of the differences between the various merged banks, as well as those regarding the rebalancing and necessary streamlining of staff in the product companies.

Particularly intense were the activities aimed at programming resource development policies with the start of specific initiatives dedicated to analysing, classifying and assessing roles, evaluating performances and innovating the incentive systems. As concerns the roles, the results of the global analysis will be the basis for the Company's resource management policies, with the implementation of compensation policies and the adoption of bonus systems based on the equity principle for homogeneous roles, and which consider the peculiarities of the individual functions. An analogous approach may be found in the new incentive systems, all inspired by the general principles of economic sustainability, simplicity and transparency in measurement and consistency with the relevant organisational structure. With regard to training, the further strengthening of the collaboration with *IntesaBci Formazione* led to the

(8) *The two figures used for the comparison have been restated on a consistent basis, considering the changes in the consolidation area.*

fruition, during 2001, of over 130,000 man/days of training, of which approximately 50,000 of direct presence (involving almost 23,000 resources) and approximately 80,000 of distance training. Lastly, internal communication activities launched numerous initiatives (house organ, meetings, intranet newsletters and the innovative internal satellite TV system, *Web IntesaBci TV*) for the purpose of ensuring information circulation, knowledge sharing among personnel and the creation of effective stimuli to the development of personnel identification with the company.

IT systems

The IT and organisational bridge systems used enabled to effectively succeed in presenting the different merged networks to the market as a single legal and operating entity, without interrupting operations. Such systems also led to the unification – within 31st October 2001, the deadline agreed upon with the Bank of Italy – of reporting to Supervisory Authorities in the name of the new legal entity formed with the merger.

By no means less important are the objectives related to the migration from the individual IT systems used by the merged banks to a single highly-efficient group platform, capable of effectively satisfying all the requirements related to the introduction of the divisional structure. Also in this area, the current situation shows significant progress. The new system should be operational for customers of the former Cariplo network from the first days of April 2002, greatly in advance with respect to the original schedule which forecasted the completion of interventions around the end of the year. Based on the experiences acquired, a substantial decrease in the timing forecasted for the migration of the former BCI network – initially set at the end of 2003 – is deemed probable.

The reorganisation of the business areas

Strictly related to the Integration plan and in a strategy oriented to high value added services, substantial reorganisation and rationalisation interventions occurred in certain crucial business areas.

Asset management area

As concerns in particular asset management, starting with the new year *Nextra Asset Management Sgr* started operations. The new entity was formed by the integration of the two asset management companies operating in the pre-existing Intesa and BCI Groups. It started operations with assets under management in excess of 110 billion euro – from 1.7 million retail customers and over 100 institutional investors – at the top of the domestic market with a market share close to 19% and in the top 6 positions in Europe. The product range, capable of satisfying practically every customer requirement, comprises 121 mutual funds, 2 index funds, 6 multimanager funds of funds, 8 open-ended pension funds, 64 individual portfolio management portfolios, 1 beta-neutral fund and 3 funds of funds, in addition to dedicated management and consulting services for institutional investors. All products are currently being re-branded as *Nextra*, dedicated asset management sub-companies (Sgr) will be established, one for each of the asset areas managed. Among these new units, *Nextra Alternative Investments Sgr* will operate in hedge funds.

Multichannel bank

The networks of personal financial consultants, merged during the year in the new operating entity *IntesaBci Italia Sim*, were radically reorganised using a totally innovative philosophy. The new company – formed by the merger of the pre-existing specialised companies Genercomit and Intesa Italia Sim, with the largest concentration ever carried out in Italy in financial consultant networks – will count on the collaboration of over 2,000 financial consultants, which will operate in a totally redesigned distribution network, with a specific objective of reaching one million customers and 30 billion euro of assets under administration within the next five years. The most innovative elements are contained in the transformation of IntesaBci Italia Sim in a multichannel bank with an initial network of 150 branches, which is forecasted for the first half of the current year. This will create a structure capable of offering customers, due to its integrated multichannel network, direct access to banking and financial services through traditional, telephone and on-line contacts, with a significant improvement in the bank-customer relationship thanks to the single reference point, simple access and use of various integrated channels, operating flexibility left to the customer as regards the choice of the most convenient and cost-effective instrument.

Innovative areas

The projects in the *Internet* and *Innovative Business* areas were also greatly developed, with an intense rationalisation of the products related to the channels of the pre-existing networks, for the purpose of offering customers unified and technologically-advanced products, distilled from the best practices developed in the various merged banks. The new remote banking products are now in the operational phase under the brand *IntesaBci Contact* (*In-Web* for home banking, *In-Sat* for TV banking, *In-Voice* for telephone banking, *In-Mobile* for SMS banking). Two further projects will be available shortly, the creation of a *Multimedia Contact Centre* and an integrated on-line trading platform which – in the Internet banking sector – will enable to concentrate all personal finance management initiatives under a single financial portal, providing customers with the multichannel access to the specialised platforms for the management of the single products offered.
Market strategies in the Internet area have been remodelled to consider projected developments for this type of bank-customer relationship, destined to remain alongside instead of substituting the other types of contact. *IntesaBci e.lab* is in charge of development and marketing initiatives and of the specialised product companies in this area, such as – in addition to *IntesaTrade – FundsWorld*, which manages the most advanced instrument in Italy providing information and trading in mutual funds; *Shoplà*, the first Italian e-commerce platform which also ensures the fidelisation of small companies, by providing them with access to innovative channels at extremely low prices; *Moneta on-line,* also a cutting-edge instrument for purchases on the Internet.

Medium- and long-term lending

Lastly, the Group's presence in the medium- and long-term lending sector in its various forms was completely redefined. A new product company, called *IntesaBci Mediocredito*, was established for this purpose and continued all the activities previously carried out in this sector by Mediocredito Lombardo, which were initially acquired by IntesaBci and now contributed to the new company. Exclusively focused on its core business, IntesaBci Mediocredito – which uses the Group's structures for direction and support – will also count on the competitive advantages ensured by a simple and effective structure, the specific know-how matured in its long-lasting operating experience and a global vision of its market segment.

Network and asset rationalisation

As already described, the logic of efficiency and rationality at the heart of the adoption of the divisional model led to the implementation of a series of initiatives aimed at simplifying, where necessary, the direct and indirect presence on the domestic market, expanding to new markets as well as curtailing the asset mix in order to improve their risk and liquidity profiles.

The sales of branches and equity investments

As concerns the first aspect, the disposal of 138 branches, of which 102 belonging to the Parent Company, was closed with various counterparties. The sold branches were located in the Italian regions where IntesaBci suffered from excessive overlapping and, therefore, reduced productivity, following the unification of the networks of the merged banks. The units sold had loans to customers for approximately 1 billion euro, direct customer deposits for 1.1 billion euro and various forms of indirect customer deposits for approximately 1.5 billion euro. The disposals – all closed during the year – occurred on the basis of gross goodwill exceeding 560 million euro.

With similar objectives of eliminating non-strategic coverage of territories already rationally served, the controlling equity investments in *Banca di Legnano* and *Banca Carime* were also sold. These transactions generated total capital gains – net of directly attributable charges – of approximately 1,200 million euro. It must be noted for the sake of completeness, that IntesaBci still holds an approximately 25% stake in the share capital of Banca Carime, which will be sold in the near future to Banca Popolare Commercio e Industria Finanziaria with the simultaneous purchase, for the same amount, of an analogous equity stake in the bank resulting from the forecasted merger between Banca Carime and the aforementioned company.

Growth abroad

As part of the projects aimed at developing Group presence on the international markets, in particular in Central-Eastern European Countries, at the end of last November IntesaBci formalised an agreement for the acquisition – through IntesaBci Holding International, Luxembourg – of *Vseobecna Uverova Banka*, Bratislava, which is the second bank in the Slovakian Republic in terms of total assets, holds an extremely strong position in corporate banking and significantly increased its retail banking operations in the past few years, where it has market shares in excess of 20%. The commercial network is made up of approximately 230 branches located all over Slovakia in addition to two branches in the Czech Republic. The Slovakian bank will be able to benefit from the commercial experiences of IntesaBci in all business areas, by using a high quality operating support and a wide and articulated product range and, at the same time, offer Italian companies qualified assistance in their commercial and financial transactions in the Slovakian Republic.

The securitisations

As concerns asset rationalisation, during the year, IntesaBci closed the securitisation through which – pursuant to Law 130/1999 – approximately 7,000 exposures made of mortgages and mortgaged advances in Cariplo's doubtful loan portfolio were sold, with the pro soluto clause (without recourse), to the newly-established special purpose vehicle IntesaBci Sec. Npl. The loans had a net book value of approximately 713 million euro, net of the implicit financial charges in the operation amounting to 103 million euro recorded in the statement of income.

Management and recovery of the securitised loans will be carried out by *Intesa Gestione Crediti Spa*, the Group company which has been appointed servicer in the contract. The special purpose vehicle financed the operation with the issue on the euromarket of bonds of total value 525 million euro, divided in five *tranches* or classes characterised by progressively increasing subordination.
Of these, approximately 159 million euro were underwritten by IntesaBci which, to complete the financial structure of the operation, granted the special purpose vehicle a short-term revolving credit line amounting to 37 million euro, destined to cover any momentary liquidity shortages.
At the end of March 2001 IntesaBci launched a securitisation through credit default swaps amounting to approximately 1 billion dollars, on a portfolio of 125 loans granted to 30 airline companies. Optimisation and diversification of the loan portfolio are the objectives of the operation and are achieved using credit derivatives, financial instruments which enable to manage credit risk and the juridical holder of the loan separately. The operation is absolutely innovative due to the class of assets used and enabled IntesaBci to hedge the possibility of complete or partial default on some of these loans and this at least reduced the effects of the negative consequences which occurred at the end of the year due to the severe distress which hit most of the world's air carriers.
A second synthetic securitisation, amounting to approximately 805 million euro, was launched in the middle of 2001. Thanks to this transaction, a portfolio of 80 credit default swap contracts was hedged. More detailed information is provided in newly-introduced tables contained in the Notes to the consolidated financial statements.

Other interventions on asset quality

All doubtful loans held by BCI were transferred to *IntesaBci Gestione Crediti* for management. The operation involved exposures for a nominal amount of 1,268 million euro, which were transferred with a consideration of 511 million euro.

As part of the decentralisation of support services, to focus on the core business, it was decided to contribute to *IntesaBci Sistemi e Servizi* the business branch made of the complex of tangible and intangible IT assets (software and hardware) belonging to BCI and initially merged in IntesaBci, integrated by the connected infrastructures, as well as the legal relationships with third parties, including those with dedicated resources (1,258 people).

Operating results

Consolidated statement of income

General aspects

2001 was characterised by a contrasting trend, with conditions in the first part of the year allowing appreciable profit margins, in spite of difficulties in certain sectors and certain markets, and with a second semester in which prospects progressively deteriorated. Such deterioration was caused – as already mentioned – by extraordinary events, such as the tragedy of 11th September, by the economic and political crisis in Argentina and, finally, by the collapse of certain important international groups, with subsequent effects on the part of the international banking industry mainly exposed to them.

Gruppo IntesaBci, which is traditionally active in international markets through its widespread geographical presence and by funding major international groups, was affected by these events that have deeply influenced profitability for the year. Certain non-recurring operations have also been concluded which generated extraordinary income and partly offset the impact of the critical events mentioned above.

Consolidated net income equalled 928 million euro, down 45% from the same figure for 2000. In that year IntesaBci recorded particularly favourable profitability due to substantial extraordinary income and the absence of negative extraordinary events.

These comments provide ample information on these issues by analysing the formation of the various income items as recorded in the reclassified statement of income shown in the table that follows.

As regards the reclassification of statement of income figures, we recall that it is exclusively aimed at representing more exhaustively consolidated results and that it is carried out according to criteria widespread within the banking system. Briefly the reclassification involved: a) negative differentials on hedges economically connected to trading positions on equities have been accounted for in the same caption which shows relevant dividends; b) dividends collected from equities in structured portfolios, are booked in the caption Profits on financial transactions to be consistent with the reporting of valuations of such contracts; c) the revenue from the purchase or sale of securities connected to a hedge credit derivative, reduces value adjustments made to align the loan portfolio of the operation to estimated realisable value; d) the amortisation of goodwill arising on consolidation and on application of the equity method is shown in a caption of its own, instead of including it within operating costs.

Gruppo IntesaBci

Reclassified consolidated statement of income

(in millions of euro)

	2001	2000 (1)	Changes amount	Changes %
Net interest income	5,998.1	5,632.1	366.0	6.5
Dividends and other revenues	737.0	1,007.2	(270.2)	(26.8)
Income from investments carried at equity	78.7	73.0	5.7	7.8
Interest margin	**6,813.8**	**6,712.3**	**101.5**	**1.5**
Net commissions	3,730.6	4,126.9	(396.3)	(9.6)
Profits on financial transactions	117.1	193.3	(76.2)	(39.4)
Other operating income, net	464.0	509.1	(45.1)	(8.9)
Net interest and other banking income	**11,125.5**	**11,541.6**	**(416.1)**	**(3.6)**
Administrative costs	(6,655.3)	(6,531.7)	123.6	1.9
including Payroll	*(4,046.5)*	*(3,940.1)*	*106.4*	*2.7*
Adjustments to fixed assets and intangibles	(737.4)	(692.0)	45.4	6.6
Operating margin	**3,732.8**	**4,317.9**	**(585.1)**	**(13.6)**
Adjustments to goodwill arising on consolidation and on application of the equity method	(178.8)	(93.5)	85.3	91.2
Provisions for risks and charges	(576.1)	(324.2)	251.9	77.7
Net adjustments to loans and provisions for possible loan losses	(2,624.8)	(1,348.2)	1,276.6	94.7
Net adjustments to financial fixed assets	(93.6)	(8.1)	85.5	
Income from operating activities	**259.5**	**2,543.9**	**(2,284.4)**	**(89.8)**
Extraordinary income	785.3	183.1	602.2	
Income taxes for the period	(194.7)	(1,104.9)	(910.2)	(82.4)
Use of allowance for risks and charges arising on consolidation	11.2	11.3	(0.1)	(0.9)
Change in the reserve for general banking risks	14.4	38.7	(24.3)	(62.8)
Minority interests	52.5	14.1	38.4	
Net income for the period	**928.2**	**1,686.2**	**(758.0)**	**(45.0)**

(1) *Figures restated on a consistent basis, considering changes in the consolidation area.*

Interest margin

Interest margin equalled 6,814 million euro and recorded a slight increase (+ 1.5%), confirming the good development already recorded in the first half of the year. This moderate growth is all the more significant if one considers the different impact of non-recurring dividends in the two years. Such dividends were distributed by the participated companies *HUIT*, *Investitori Associati* and *Neuf* (521 million euro in 2001 compared to 769 million in 2000). Net of this component growth would have been 5.9%.

(in millions of euro)

Captions	2001	2000	Changes	
			amount	%
Interest income from loans to customers	**11,882.8**	11,136.6	746.2	6.7
Interest income from portfolio securities	**3,051.8**	3,276.5	(224.7)	(6.9)
Interest expense on customer deposits	**(2,891.8)**	(2,758.1)	133.7	4.8
Interest expense on securities issued	**(3,030.3)**	(2,960.5)	69.8	2.4
Interest expense on subordinated liabilities	**(610.3)**	(519.6)	90.7	17.5
Interest expense due to banks, net	**(2,145.2)**	(2,532.8)	(387.6)	(15.3)
Total	**6,257.0**	5,642.1	614.9	10.9
Differentials on hedge contracts	**(289.6)**	(39.2)	250.4	
Other interest (net)	**30.7**	29.2	1.5	5.1
Total net interest income	**5,998.1**	5,632.1	366.0	6.5
Dividends and other revenues	**737.0**	1,007.2	(270.2)	(26.8)
Income from investments carried at equity	**78.7**	73.0	5.7	7.8
Interest margin	**6,813.8**	6,712.3	101.5	1.5

Interest margin had a particularly expansive progression in net interest income (above 6%) as a result of an almost generalised growth achieved by Italian banks as well as banks operating in other Countries. In fact, lending and deposit collecting activity benefited from the good average annual growth rate of net intermediated volumes and from an increasing average spread, even though growing more slowly in the second half of the year. The considerable contraction of net interest expense due to banks derived from a reduction of the debt position more than sufficient to neutralise the fall of interest income from portfolio securities resulting from the reduction of average investments. Also the increase in interest income from structured finance operations alongside a similar growth in negative differentials on hedge derivatives influenced the reduction of net interest expense due to banks.

As regards the component comprising dividends and income from investments carried at equity, the approximately 8% growth of the latter is in contrast with the sharp reduction of the former almost entirely due to lower non-recurring dividends.

Net interest and other banking income

Net interest and other banking income showed a negative growth rate (– 3.6%) compared to the figure for 2000 and equalled 11,125 million euro. This result was especially affected by the decline in net commissions, whilst the falls in profits on financial transactions and other net operating income were less significant. Excluding lower non-recurring dividends, the drop in net interest and other banking income would be limited to 1.6%.

(in millions of euro)

Captions	2001	2000	Changes	
			amount	%
Commission income	**4,389.7**	4,823.5	(433.8)	(9.0)
Commission expense	**(659.1)**	(696.6)	(37.5)	(5.4)
Net commissions	**3,730.6**	4,126.9	(396.3)	(9.6)

The marked contraction in net commissions (– 9.6%), down to 3,731 million euro, is to be ascribed exclusively to the weakness of financial markets during the whole year, which reached their lowest point at the beginning of autumn. This resulted in a fall in commissions on management, dealing and consultancy services (approximately – 22%), a sharp drop in dealing in securities (– 137 million euro; – 67%), portfolio management (– 262 million euro; – 17%), acceptance of trading instructions (– 66 million euro; – 46%), and placement of securities (– 14 million euro; – 14%) which together represent nearly all the contraction of these commissions.

On the contrary, a positive progression was recorded by net commissions related to lending and deposit collecting activity, with rises of 12% for commissions related to the management of current accounts and 14% for commissions on guarantees and commitments.

Profits on financial transactions showed a negative trend, with financial transactions directly influenced by the marked volatility of world stock markets which worsened in the second half of the year. Furthermore, the effects of certain non-repetitive events affected the accounts of the Parent Company for a total of approximately 90 million euro, in relation to the write-downs of securities from the loan securitisation as well as the write-down on *Commerzbank* shares at the time of their transfer from the trading portfolio to equity investments. Conversely, this item benefited from significant positive contributions from the operations of subsidiary companies (in particular Banco Sudameris Brasil and Privredna Banca Zagreb) that have more than offset the negative result of the Parent Company. Therefore, profits on financial transactions equalled 117 million euro, with an approximately 40% drop relative to the 193 million euro of the previous year.

The following table shows the results of the main aggregates that make up the item under consideration.

(in millions of euro)

Captions	2001	2000	Changes	
			amount	%
Securities and securities derivatives				
• results from trading	**136.7**	97.9	38.8	39.6
• valuation effects	**(344.9)**	(136.2)	208.7	
• results from derivatives	**9.4**	58.2	(48.8)	(83.8)
	(198.8)	19.9	(218.7)	
• structured share portfolio	**(127.3)**	(20.6)	106.7	
• restatement of dividends on structured share portfolio	**212.1**	45.1	167.0	
	84.8	24.5	60.3	
Total securities and securities derivatives	**(114.0)**	44.4	(158.4)	
Currencies and currency derivatives	**222.4**	254.5	(32.1)	(12.6)
Other transactions (interest rate derivatives and credit derivatives - trading book)	**8.7**	(105.6)	114.3	
Profits on financial transactions	**117.1**	193.3	(76.2)	(39.4)

This area shows differing results according to the types of activity.
Securities and securities derivatives produced an overall loss of 114 million euro, mainly ascribable to the negative valuation effects amounting to 345 million euro, of which approximately half refers to the Parent Company and 83 million euro refers to write-downs of the securities portfolio of the Peruvian subsidiary. Trading on securities and securities derivatives produced a positive contribution of 146 million euro, also thanks to the satisfactory performances realised by certain branches both in Italy and abroad. Fixed-income activity generally involved low positional risk strategies combined with constant and dynamic trading.

With regard to equities, the maintenance of neutral approaches – also via position protection – often enabled to attain positive results in spite of negative market trends. A further net income of 85 million euro was generated by the structured share portfolio and by the particular trading undertaken near dividend-payment dates.

Currencies and currency derivatives recorded income for 222 million euro. Due to the strong tension in the markets in the last part of the year, positions were taken mainly on primary exchange rates due to their greater liquidity compared to other currencies. On the contrary, every opportunity offered by the strong volatility typical of the July-December period was exploited – also by utilising derivatives – via rapid position-taking.

Interest rate and equity linked derivatives as well as credit derivatives in the trading book closed with a profit of 9 million euro. The income on these activities benefited especially from the significant contribution by the subsidiary Caboto IntesaBci Sim which more than offset the negative result recorded by the Parent Company.

Other net operating income fell by 9% to 464 million euro in spite of the appreciable result achieved by merchant banking activities. However, this positive contribution was absorbed by the decrease of income from almost all other sources.

Operating margin

Operating margin (3,733 million euro; – 13.6%) is obtained by deducting administrative costs of 6,655 million euro, moderately up (+ 1.9%) on the same figure of the end of 2000, and adjustments to fixed assets and intangibles of 737 million euro, up by 6.6% nearly entirely due to the beginning of the depreciation cycle for fixed assets newly-acquired by certain Group subsidiaries.

On the whole the limited rise in administrative costs appears physiological, also in consideration of the reorganisation and commercial development under way in the Parent Company and also in certain more recently-acquired foreign companies as well as in product companies.

(in millions of euro)

Captions	**2001**	**2000**	**Changes**	
			amount	**%**
Administrative costs				
• payroll	**(4,046.5)**	(3,940.1)	106.4	2.7
• other	**(2,608.8)**	(2,591.6)	17.2	0.7
	(6,655.3)	(6,531.7)	123.6	1.9
Adjustments to				
• fixed assets	**(386.8)**	(348.0)	38.8	11.1
• intangibles	**(350.6)**	(344.0)	6.6	1.9
	(737.4)	(692.0)	45.4	6.6
Operating costs	**(7,392.7)**	(7,223.7)	169.0	2.3

More specifically, the rise in payroll – up 2.7% to 4,046 million euro – reflected the limited effects of the reduction of Group resources, which physiologically occurred mainly in the last part of the year.

Other administrative costs, at 2,609 million euro, remained practically stable due, on the one hand, to the contraction of costs strictly related to the centralisation and rationalisation implemented within the Group and, on the other hand, to the rise in costs directly related to the reorganisation under way particularly at the Parent Company, as well as to the last phase of costs of changeover to the euro, entirely charged to the statement of income. More specifically, expenses on professional consultancies and IT services and data processing increased by 17% and 24% respectively, whilst legal expenses and advertising expenses dropped by 24% and 14% respectively.

It must be noted that extraordinary costs related to the formation of the New Model, sustained directly by IntesaBci or by IntesaBci Sistemi e Servizi on the latter's behalf, have been charged to the Allowance for future integration charges – mainly formed by Banca Intesa, Banco Ambrosiano Veneto and Cariplo in the 1999 financial statements and that has therefore been almost totally utilised.

Income from operating activities

Income from operating activities was even more noticeably affected by the negative factors mentioned above. In fact, it decreased from 2,544 million euro in 2000 to 259 million euro in 2001, with a nearly 90% decline. This was mostly attributable to the rapid aggravation of Argentina's economic situation, the deterioration of the credit quality of the portfolio held by the Peruvian subsidiary, and the impelling necessity to cover the risk related to certain positions in specific sectors or with single international groups.

Adjustments to goodwill arising on consolidation and on application of the equity method – excluded from operating costs to be consistent with the choices of other banking groups – nearly doubled their value, exclusively following the write-off of residual goodwill of the subsidiary companies *Banco Wiese Sudameris* and *Banco Sudameris Argentina* (the latter from the acquisition of *Banco Caja de Ahorro*). The profitability conditions at the basis of such goodwill no longer exist following, respectively, the poor performance of the Peruvian subsidiary and the dramatic evolution of the Argentinean crisis.

It was also necessary to adjust the loan portfolio to presumed realisable value as a result, among other things, of the above-mentioned securitisation of doubtful loans by the Parent Company and of the generalised review of non-performing loan positions in the books of IntesaBci and of the controlled company IntesaBci Gestione Crediti, at the time of the integration of the various bank networks merged in IntesaBci. Lower presumed recovery projections also stemmed from the homogenisation of valuation standards applied to the loans granted in the past by Group banks.

(in millions of euro)

Captions	**2001**	**2000**	**Changes**	
			amount	**%**
Adjustments to loans and provisions for guarantees and commitments	**(3,157.5)**	(1,811.4)	1,346.1	74.3
Write-back of adjustments to loans	**566.6**	516.1	50.5	9.8
Provisions for possible loan losses	**(33.9)**	(52.9)	(19.0)	(35.9)
	(2,624.8)	(1,348.2)	1,276.6	94.7
Provisions for risks and charges	**(576.1)**	(324.2)	251.9	77.7
Adjustments to goodwill arising on consolidation and on application of the equity method	**(178.8)**	(93.5)	85.3	91.2
Adjustments to financial fixed assets	**(104.2)**	(41.6)	62.6	
Write-back of financial fixed assets	**10.6**	33.5	(22.9)	(68.4)
Total, net	**(3,473.3)**	(1,774.0)	1,699.3	95.8

The combination of such factors considerably increased the size of net adjustments to loans and provisions for possible loan losses from a total of 1,348 million euro in 2000 to 2,625 million euro in 2001. This included the adjustments of 280 million euro for the *Enron* position and of 160 million euro for the exposure to *Swissair*. Furthermore, again within the costs recorded by IntesaBci, 103 million euro referred to adjustments on the securitisation of doubtful loans originated during the year, and adjustments (800 million euro) following the above-mentioned review of positions from the integration of the various networks within IntesaBci. Considerable net adjustments to loans derived from the write-down of loan positions of the subsidiaries in Argentina (176 million euro) and Peru (166 million euro), as well as adjustments (over 250 million euro) recorded by the subsidiary IntesaBci Gestione Crediti following the ascertained deterioration of the quality of its portfolio.

Approximately one third of provisions for risks and charges (576 million euro) referred to provisions to cover legal disputes and amounts reclaimed and the remaining part referred to other causes, of which 205 million euro related to the worsening of the situation in Argentina and Peru.

Finally, higher net adjustments to financial fixed assets were caused essentially by the write-down recorded by the Parent Company (48 million euro) and by the Sudameris conglomerate (39 million euro) of certain participated companies excluded from the consolidation area, as well as approximately 20 million euro regarding the write-down of the investment portfolio of certain subsidiaries in relation to losses which emerged following both the Argentinean crisis and the default of certain international groups.

Income from extraordinary activities and net income

Net extraordinary income equalled 785 million euro and contributed significantly to profitability for the year.

(in millions of euro)

Captions	2001	2000	Changes	
			amount	%
Extraordinary income Extraordinary charges	**2,352.1** **(1,566.8)**	798.9 (615.8)	1,553.2 951.0	
Extraordinary income, net	**785.3**	183.1	602.2	

On the income side, the more significant items are the following: the 680 million euro capital gain recorded on the sale of Banca Carime to Banca Popolare Commercio e Industria and, in the 2001 consolidated financial statements, the capital gain of 509 million euro obtained from the disposal of Banca di Legnano. The latter had been revalued in BCI's individual accounts in the preceding year and then reversed in the consolidated financial statements as required by methodological criteria used. Finally, over 560 million euro derived from the disposal of branches undertaken as part of the streamlining of the networks of Group banks.

On the charges side, the most important component referred to 1,158 million euro, of which 540 million euro already recorded in the first half, in relation to the marking to market of the *Warrants Put IntesaBci*.

The fiscal burden is far lower than in the previous year – in spite of the fact that no benefits for banking aggregations set forth by Law 461/1998 were recorded – also in relation to the presence of considerable capital gains subject to a reduced tax rate among the revenues of the Parent Company. This situation – which takes into account the deletion of approximately 120 million euro of prepaid taxes related to the Peruvian subsidiary – is merely incidental, producing a negative taxable income that justified the computation by IntesaBci of prepaid taxes for approximately 342 million euro to be utilised for the profitability of future years.

Considering net extraordinary income and the lower fiscal burden, the year closed – after accounting for minority interests – with a net income of 928 million euro, down 45% compared to the previous year.

Quarterly development of operations

The peculiar connotation of events that accompanied and influenced in a very significant way the third quarter and especially the fourth quarter of 2001 makes it difficult to define trends on a consistent basis. However, considering the exceptional events illustrated above, it is possible to recognise their respective effects on the discontinuous development of the figures for each period, as shown in the table attached to this Annual Report.

Net interest income in the first three quarters progressively diminished, whilst it rose to a more substantial figure in the fourth quarter. Instead, income from investments carried at equity and especially dividends showed more irregular developments reflecting the payment of dividends by subsidiaries, with a particularly significant peak in the fourth quarter when the participated company *Neuf* of Luxembourg paid a non-recurring dividend.

The effects of the non-recurring dividend just mentioned were also reflected on the recovery of net interest and other banking income in the fourth quarter. Instead, net interest and other banking income excluding the non-recurring dividend recorded a slight fall in the fourth quarter compared to more stable results of the first half. This is mostly due to the almost constant fall of both net commissions and profits on financial transactions, the latter being influenced also by certain negative exceptional factors illustrated above.

Administrative costs was markedly unchanged during the first half, whilst it showed opposing peaks during the third and fourth quarters. The trend recorded by income from operating activities clearly showed in the fourth quarter the initial signs of the drop that becomes more evident in the following margins.

In fact, after the aforementioned write-off of goodwill, provisions and adjustments to loans and financial fixed assets registered towards the end of the year for the well-known crisis factors, income from operating activities – already halved in the second quarter – reached a break-even point in the third quarter and became markedly negative in the fourth quarter.

In spite of the constantly positive net extraordinary income, with the sole exception of the third quarter and the growing contribution of lower taxation, the year closed, after the high-point reached at the end of the first half, with a marked fall in income that, although mitigated in the fourth quarter by the combined effects of higher dividends and higher extraordinary income, did not allow the yearly result to reach the profitability levels of the first six months.

Gruppo IntesaBci

Reclassified consolidated balance sheet

(in millions of euro)

Assets	31/12/2001	31/12/2000	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**1,948.7**	1,645.0	303.7	18.5
2. Loans				
– loans to customers	**183,356.4**	182,871.5	484.9	0.3
– due from banks	**40,168.7**	47,801.1	(7,632.4)	(16.0)
3. Trading portfolio	**37,656.7**	45,366.8	(7,710.1)	(17.0)
4. Fixed assets				
a) investment portfolio	**11,238.3**	12,588.2	(1,349.9)	(10.7)
b) equity investments	**4,594.8**	3,794.7	800.1	21.1
c) tangible and intangible	**5,185.9**	5,257.3	(71.4)	(1.4)
5. Goodwill arising on consolidation	**463.5**	641.4	(177.9)	(27.7)
6. Goodwill arising on application of the equity method	**45.1**	48.1	(3.0)	(6.2)
7. Other assets	**30,239.4**	26,355.8	3,883.6	14.7
Total Assets	**314,897.5**	326,369.9	(11,472.4)	(3.5)

(in millions of euro)

Liabilities and Shareholders’ Equity	31/12/2001	31/12/2000	Changes	
			amount	%
1. Debts				
– due to customers	**112,602.5**	111,571.3	1,031.2	0.9
– securities issued	**60,814.5**	60,237.8	576.7	1.0
– due to banks	**77,304.4**	95,857.7	(18,553.3)	(19.4)
2. Allowances with specific purpose	**5,430.2**	6,472.9	(1,042.7)	(16.1)
3. Other liabilities	**31,917.8**	27,471.3	4,446.5	16.2
4. Allowances for possible loan losses	**143.4**	225.3	(81.9)	(36.4)
5. Subordinated liabilities	**11,687.5**	9,747.1	1,940.4	19.9
6. Minority interests	**825.5**	1,004.2	(178.7)	(17.8)
7. Shareholders’ equity				
– share capital, reserves and reserve for general banking risks	**13,227.6**	12,077.3	1,150.3	9.5
– negative goodwill arising on consolidation	**15.3**	15.3		
– negative goodwill arising on application of the equity method	**0.6**	3.5	(2.9)	(82.9)
– net income for the period	**928.2**	1,686.2	(758.0)	(45.0)
Total Liabilities and Shareholders’ Equity	**314,897.5**	326,369.9	(11,472.4)	(3.5)

Guarantees, commitments and credit derivatives	**141,282.4**	156,471.4	(15,189.0)	(9.7)
Indirect customer deposits	**325,578.5**	331,071.4	(5,492.9)	(1.7)

Figures for 2000 have been restated on a consistent basis, considering changes in the consolidation area.

Loans to customers

Loans to customers, which amounted to 183,356 million euro, showed an appreciable stability, considering their erosion due to certain particular operations which affected the year. The following were particularly significant: the sale of branches which occurred as part of the project for the streamlining of territorial presence, the securitisation of a significant portion of loans and the effects related to the devaluation of the Brazilian currency.

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000	Changes	
			amount	%
Current accounts	**32,844.3**	31,762.3	1,082.0	3.4
Mortgages	**54,520.0**	50,282.4	4,237.6	8.4
Advances and other loans	**86,050.3**	89,955.5	(3,905.2)	(4.3)
Repurchase agreements	**4,385.0**	4,419.5	(34.5)	(0.8)
Doubtful loans	**5,556.8**	6,451.8	(895.0)	(13.9)
Total loans	**183,356.4**	182,871.5	484.9	0.3
including with residents in Italy	***139,487.1***	*140,743.6*	*(1,256.5)*	*(0.9)*
with residents in other EU Countries	***15,804.1***	*17,388.2*	*(1,584.1)*	*(9.1)*
with residents in non-EU Countries	***28,065.2***	*24,739.7*	*3,325.5*	*13.4*

As concerns the breakdown of loans by contract type, current accounts and mortgages increased (+ 3.4% and + 8.4% respectively), advances and other loans decreased (– 4.3%), and repurchase agreements and securities lending remained practically stable.
Doubtful loans recorded a considerable drop (– 14%) for the reasons illustrated below.

Geographic breakdown of loans granted to customers resident in Italy, which represented 76% of the total, confirms the absolute prevalence of North-West Italy though the other areas are also adequately covered – in relation to the respective operating opportunities – with percentages in line with the previous year.

As concerns loans to non-resident customers, over a third were granted to borrowers resident in the EU, while the rest referred to other Countries, with a net prevalence of borrowers resident in Central-Eastern Europe and South America.

Non-performing loans and Country risk

Breakdown of loans based on credit quality is shown in the table below.

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000	Changes	
			amount	%
Doubtful loans	**5,556.8**	6,451.8	(895.0)	(13.9)
Substandard loans	**3,526.9**	2,800.7	726.2	25.9
Restructured loans and loans under restructuring	**467.2**	492.4	(25.2)	(5.1)
Loans subject to Country risk	**1,074.5**	928.6	145.9	15.7
Performing loans	**172,731.0**	172,198.0	533.0	0.3
Total loans	**183,356.4**	182,871.5	484.9	0.3

Doubtful loans which equalled – net of value adjustments – 5,557 million euro decreased by approximately 14%. This trend reflects various factors: the rigorous homogeneous valuation procedures adopted at the time of the integration of the bank networks in IntesaBci, the higher value adjustment requirements in the loan portfolio of certain Group companies and, lastly, the aforementioned securitisation of doubtful loans. Such factors positively influenced the doubtful loans to total loans to customers ratio, which equalled approximately 3% compared to 3.5% of the previous year. Considering gross doubtful loans, total value adjustments ensure a degree of coverage of approximately 60%.

On the contrary, substandard loans equalled 3,527 million euro and recorded an approximately 26% growth rate, partly attributable to the deterioration of the situation of companies operating in the sectors which were more severely involved in the events of September 2001 and partly to the completion of the alignment of the classification procedures used in the various bank networks which were merged in IntesaBci.

A decrease – though far lower in absolute terms – was recorded by the total of restructured loans and loans under restructuring, which dropped to 467 million euro (– 5%).

Loans subject to Country risk showed a gross non-guaranteed exposure of 2,190 million euro, with a decrease in excess of 5% compared to the previous year (the figure for 2000 has been reclassified to ensure a consistent comparison). Value at risk – determined as 15% of commercial non-guaranteed loans plus total other non-guaranteed loans, including debt securities in the investment portfolio – amounted to 968 million euro with an approximately 4% growth rate. Considering total value adjustments on such positions – which equalled 277 million euro – the degree of coverage of non-guaranteed exposures totalled approximately 13% for both on-balance sheet and off-balance sheet loans.

(in millions of euro)

Countries	**31/12/2001**				**31/12/2000**			
	Non-guaranteed exposure (1)	**Value at risk** (2)	**Adjustment**	**Net amount**	**Non-guaranteed exposure** (1)	**Value at risk** (2)	**Adjustment**	**Net amount**
Russia	**22.5**	**21.0**	**5.3**	**17.2**	141.8	131.9	76.5	65.3
Brazil	**1,135.9**	**370.1**	**105.9**	**1,030.0**	861.9	328.5	86.3	775.6
Indonesia	**47.5**	**47.5**	**14.8**	**32.7**	60.4	60.0	24.0	36.4
Venezuela	**51.0**	**47.6**	**9.5**	**41.5**	98.6	95.4	19.1	79.5
Egypt	**46.4**	**24.6**	**3.6**	**42.8**	42.1	13.1	2.0	40.1
Republic of South Africa	**14.2**	**7.2**	**1.1**	**13.1**	35.8	22.7	3.4	32.4
Dutch Antilles	**72.7**	**45.7**	**9.1**	**63.6**	13.0	13.0	2.6	10.4
Argentina	**212.3**	**211.5**	**84.5**	**127.8**	416.4	104.5	26.1	390.3
Lebanon	**58.6**	**11.2**	**1.7**	**56.9**	61.2	11.9	2.3	58.9
Peru	**211.4**	**45.6**	**9.1**	**202.3**	236.0	37.5	9.4	226.6
Columbia	**143.4**	**45.4**	**9.1**	**134.3**	104.4	29.0	5.8	98.6
Uruguay	**17.8**	**3.4**	**0.7**	**17.1**	59.8	13.8	2.0	57.8
Other Countries	**155.9**	**86.8**	**22.2**	**133.7**	185.0	69.7	18.5	166.5
Total	**2,189.6**	**967.6**	**276.6**	**1,913.0**	**2,316.4**	**931.0**	**278.0**	**2,038.4**
including **On-balance sheet exposures**								
Customers	**1,191.4**	**405.8**	**116.9**	**1,074.5**	991.5	269.1	62.9	928.6
Banks	**366.0**	**164.2**	**41.5**	**324.5**	547.5	217.5	58.7	488.8
Securities portfolio	**150.0**	**150.0**	**51.1**	**98.9**	185.4	185.3	93.6	91.8
Off-balance sheet exposures								
Customers	**86.4**	**36.5**	**10.5**	**75.9**	37.8	19.6	5.2	32.6
Banks	**395.8**	**211.1**	**56.6**	**339.2**	554.2	239.5	57.6	496.6

(1) *Calculated as the value of loans and securities in the investment portfolio net of guarantees admitted by the Bank of Italy.*

(2) *Calculated as the value of loans and securities in the investment portfolio considered as the basis for the application of lump-sum adjustments, with the exclusion of 85% of nominal amount of commercial loans.*

As part of gross on-balance sheet exposures, which represented approximately 80% of the total, the most significant contractions referred to due from banks (– 33%) and securities portfolio (– 19%), while exposures to customers recorded an approximately 20% growth rate. Total off-balance sheet positions, in line with the general trend, also showed a drop close to 20%.

The exposures under examination have normally varied due to the usual factors such as the changes in the risk classes of the various Countries in the area under observation, the alternation between reimbursements and new disbursements, debt renegotiations and foreign exchange differences. In particular, the Countries which recorded the most important variations are Russia (the exposure decreased due to the sale of securities) and Brazil (the rise reflected higher disbursements). In the case of Argentina the decrease is related to the write-off of the credit line granted to Banco Sudameris Argentina.

Value at risk reflects the exclusion of loans to certain Countries (Bermuda, Cayman Islands, Virgin Islands) for which the judgement of creditworthiness is confirmed by their positive market quotations based on expectations of full debt repayment. The same approach was adopted with regard to a primary counterparty resident in Russia, whose exposure is supported by sound reimbursement sources outside the Country. Also securities held in the trading portfolio were excluded from the risk calculation as they had been already marked to market. For supervisory purposes, all these loans at risk – which totalled 676 million euro for on-balance sheet loans and 23 million euro for off-balance sheet loans – were considered under the direct coverage of shareholders' equity, with a capital absorption of 118 million euro. The absorption of a further 689 million euro referred to the local component of positions granted by companies resident in the Countries at risk (2,745 million euro) to central governments and public sector entities and denominated in or indexed to foreign currencies.

Customer funds

Customer deposits, in its various components, reached 185,104 million euro, with a slight growth rate (+2%) compared to the figure as at 31st December 2000. The most traditional deposit aggregates showed, in total, moderate growth rates both in due to customers and debt securities, following diverse trends in the respective contract types, as described in detail below. Instead, subordinated liabilities recorded a significant growth rate.

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000	Changes	
			amount	%
Deposits	**10,614.6**	10,161.8	452.8	4.5
Current accounts and other	**87,679.0**	86,725.0	954.0	1.1
Bonds	**40,561.3**	38,123.9	2,437.4	6.4
Certificates of deposit	**17,469.6**	17,919.5	(449.9)	(2.5)
Other	**6,588.1**	8,219.6	(1,631.5)	(19.8)
Repurchase agreements	**10,504.4**	10,659.3	(154.9)	(1.5)
Subordinated and perpetual liabilities	**11,687.5**	9,747.1	1,940.4	19.9
Total direct deposits (*)	**185,104.5**	181,556.2	3,548.3	2.0
Indirect customer deposits	**325,578.5**	331,071.4	(5,492.9)	(1.7)
Customer deposits under administration	**510,683.0**	512,627.6	(1,944.6)	(0.4)
(*) including with residents in Italy	***134,586.6***	*131,659.9*	*2,926.7*	*2.2*
with residents in other EU Countries	***17,970.0***	*19,925.3*	*(1,955.3)*	*(9.8)*
with residents in non-EU Countries	***32,547.9***	*29,971.0*	*2,576.9*	*8.6*

In fact, as shown in detail in the preceding table, current accounts and bonds maintained their prevailing contribution. The former recorded a moderate growth rate while the latter registered a good growth rate (+ 6.4%). Deposits increased (+ 4.5%) and, as already noted, subordinated liabilities (issued for the purpose of improving capital ratios) also grew. Conversely, certificates of deposit decreased (– 2.5%). Repurchase agreements remained practically stable.

Most of the deposits with resident customers collected by the Group's network, approximately 75% of the total, is attributable to the North-West Italy. This situation is similar to that of loans to customers even though it is less evident. The North-West Italy has a slightly lower incidence which is counterbalanced by a somewhat greater impact of the North East and Central areas.

As concerns deposits with non-residents, over a third referred to customers resident in the EU, while the rest referred to other Countries, with a net prevalence of depositors resident in Central-Eastern Europe and South America.

Including indirect customer deposits, customer deposits under administration almost reached 511 billion euro, practically stable compared to the previous year.

Indirect customer deposits

The Group's indirect customer deposits equalled 326 billion euro with a decrease under 2% mostly attributable to asset management, in its various forms, which declined from 143 billion euro in 2000 to 137 billion euro as at 31st December 2001 (– 3.7%). The drop was also influenced by the reduction in market value of securities and the effects of the sale of branches.

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000	Changes	
			amount	%
Individual portfolio management schemes	**60,116.9**	68,995.3	(8,878.4)	(12.9)
Asset managed by mutual funds	**99,684.8**	111,455.3	(11,770.5)	(10.6)
Insurance products	**12,786.1**	10,262.1	2,524.0	24.6
minus Funds from individual portfolios placed in mutual funds	**(35,117.0)**	(47,982.1)	(12,865.1)	(26.8)
Total managed funds	**137,470.8**	142,730.6	(5,259.8)	(3.7)
Assets under administration and in custody	**188,107.7**	188,340.8	(233.1)	(0.1)
Indirect customer deposits	**325,578.5**	331,071.4	(5,492.9)	(1.7)

More specifically, within asset management on behalf of customers, insurance products recorded a substantial growth rate (+ 25% approximately) – connected to investor propensity for safer forms of investment especially in periods of high financial market volatility – while the other forms of asset management, both individual and collective, registered a total decline of approximately – 6%.

Financial activities

Securities portfolio

The securities portfolio at the end of 2001 was approximately equal to 49,000 million euro, with an approximately 16% decline compared to the figure for 2000.

(in millions of euro)

Subcaptions	31/12/2001		Implicit gains/losses	31/12/2000		Implicit gains/losses
	Book value	Market value		Book value	Market value	
Investment portfolio	**11,238.3**	**11,248.8**	**10.5**	12,588.2	12,387.2	(201.0)
Trading portfolio						
– debt securities	**35,945.6**	**36,017.4**	**71.8**	42,915.1	42,948.0	32.9
– shares, quotas and other forms of capital	**1,711.1**	**1,724.5**	**13.4**	2,451.7	2,524.4	72.7
Total trading portfolio	**37,656.7**	**37,741.9**	**85.2**	45,366.8	45,472.4	105.6
Securities	**48,895.0**	**48,990.7**	**95.7**	57,955.0	57,859.6	(95.4)

The reduction referred to both the trading portfolio, down by approximately 7,700 million euro, as part of the general repositioning to higher return assets, and the investment portfolio, which registered a 1,350 million euro decrease. The contraction in investment securities reflected analogous movements which occurred in the Parent Company due to both the reimbursement of a significant amount of securities and the sale of a portion of the securities given in guarantee of the *Warrants Put IntesaBci*, replaced with securities partly recorded also in the trading portfolio.

The comparison with market value shows implicit capital gains of 96 million euro mainly on the trading portfolio and relative, for a good portion, to implicit capital gains on unlisted securities or securities listed on unregulated markets, which were not recorded for prudential purposes.

Off-balance sheet transactions

With regard to derivatives, trading was particularly dynamic, both with regard to more traditional instruments and to those connected to structured portfolios, constructed for the purpose of satisfying the increasingly-sophisticated needs expressed by customers and the market.

The following table summarises the various types of off-balance sheet transactions.
For more detailed indications please refer to the tables included in the Notes to the consolidated financial statements.

(in millions of euro)

Contract type (notional amounts)	**31/12/2001**	**31/12/2000**	**Changes**	
			amount	**%**
Trading				
Interest rate and equity linked derivatives	**1,266,292.9**	754,238.7	512,054.2	67.9
Foreign currencies purchases and sales	**76,548.3**	87,966.8	(11,418.5)	(13.0)
Foreign currencies derivatives	**12,684.8**	13,499.9	(815.1)	(6.0)
Securities derivatives	**3,097.5**	9,286.2	(6,188.7)	(66.6)
Total	**1,358,623.5**	864,991.6	493,631.9	57.1
Hedging				
Interest rate and equity linked derivatives	**45,247.5**	74,221.9	(28,974.4)	(39.0)
Foreign currencies purchases and sales	**9,530.5**	17,203.1	(7,672.6)	(44.6)
Foreign currencies derivatives	**2,509.9**	4,376.4	(1,866.5)	(42.6)
Securities derivatives	**1,481.0**	433.9	1,047.1	
Total	**58,768.9**	96,235.3	(37,466.4)	(38.9)

in addition to Credit derivatives (trading book)	**66,438.8**	56,671.5	9,767.3	17.2

Interest rate and equity linked derivatives remained the most significant component both of trading and hedging contracts. Such contracts reached a total notional amount of 1,312 billion euro, almost entirely attributable to the operations of the Parent Company in this segment. The increase in trading in these instruments was stimulated by the high volatility which characterised all major international financial markets and the consequent interventions on interest rate levels repeatedly enacted by the various monetary authorities.

Total notional amount of trading transactions amounted to 1,359 billion euro with a 57% growth rate, which reflected the considerable expansion of interest rate derivatives versus the decline of other contract types. Hedging transactions dropped by approximately 39% to a notional amount of 59 billion euro, which reflected an analogous trend recorded by the Parent Company which mostly involved interest rate and equity linked derivatives. This last reduction was more than offset by an increase in internal hedging deals which are excluded in the table under examination.

Credit derivatives – sector in which the Group has a forefront presence – also increased with a notional amount, for the trading book, of 66 billion euro (+ 17%).

Interbank position

The net interbank position highlighted an inversion in its trend, with a considerable decrease (approximately – 23%) even though it confirmed its traditionally negative balance which equalled 37,136 million euro. The contraction was more intense for the “on demand” component (– 48.5%) compared to the “with notice period” component (– 10.6%).

(in millions of euro)

Captions	31/12/2001	31/12/2000	Changes	
			amount	%
Due from banks repayable on demand	**3,658.1**	4,479.4	(821.3)	(18.3)
Due to banks repayable on demand	**11,595.4**	19,887.6	(8,292.2)	(41.7)
Net interbank position repayable on demand	***(7,937.3)***	*(15,408.2)*	*(7,470.9)*	*(48.5)*
Due from banks with notice period	**36,510.6**	43,321.7	(6,811.1)	(15.7)
Due to banks with notice period	**65,709.0**	75,970.1	(10,261.1)	(13.5)
Net interbank position with notice period	***(29,198.4)***	*(32,648.4)*	*(3,450.0)*	*(10.6)*
Net interbank position	**(37,135.7)**	(48,056.6)	(10,920.9)	(22.7)

Capital adequacy

Shareholders' equity

The Group's shareholders' equity, excluding net income for the year, amounted to 13,244 million euro with a 9.5% growth rate which reflected: the allocation to reserve of the undistributed net income for 2000, the goodwill arising on the merger of Banca Commerciale Italiana and the related capital increase carried out by the Parent Company. For the reconciliation of shareholders' equity in the two years please refer to the table contained in the Notes to the consolidated financial statements.

(in millions of euro)

Captions	31/12/2001	31/12/2000	Changes	
			amount	%
Share capital	**3,489.0**	3,014.2	474.8	15.8
Share premium reserve	**4,075.1**	6,044.6	(1,969.5)	(32.6)
Reserves	**5,185.0**	2,609.6	2,575.4	98.7
a) legal reserve	**772.9**	772.9		
b) reserve for own shares	**6.4**	–	6.4	
c) statutory reserves	**150.5**	12.9	137.6	
d) other reserves	**4,255.2**	1,823.8	2,431.4	
Revaluation reserves	**385.5**	302.2	83.3	27.6
Reserve for general banking risks	**93.0**	106.7	(13.7)	(12.8)
Negative goodwill arising on consolidation	**15.3**	15.3		
Negative goodwill arising on application of the equity method	**0.6**	3.5	(2.9)	(82.9)
Total shareholders' equity	**13,243.5**	12,096.1	1,147.4	9.5
Net income for the period (excluding minority interests)	**928.2**	1,686.2	(758.0)	(45.0)
Shareholders' equity	**14,171.7**	13,782.3	389.4	2.8
Minority interests	**825.5**	1,004.2	(178.7)	(17.8)
Subordinated liabilities	**11,687.5**	9,747.1	1,940.4	19.9

Shareholders' equity for supervisory purposes equalled 21,330 million euro against risk-weighted assets of 246,123 million euro. Therefore the total solvency ratio equalled 9.3% and the Tier 1 ratio totalled 6.0%.

Risk-weighted assets and capital ratios have been modified compared to the version of the financial statements deposited on 2nd April 2002 following clarifications issued by the Bank of Italy on 16th April 2002 with regard to the capital absorption of the *Warrants Put IntesaBci*, as specified in section 8 of the Notes to the consolidated financial statements. Previously risk-weighted assets totalled 237,882 million euro, the "Total capital/Risk-weighted assets" ratio equalled 9.6% and the "Tier 1 capital/Risk-weighted assets" ratio equalled 6.2%.

For a more detailed illustration of the single items which make up shareholders' equity for supervisory purposes absorbed to cover credit and market risks, as well as the details on the various levels of computation of subordinated liabilities, please refer to the tables in the Notes to the consolidated financial statements.

Reconciliation of the consolidated financial statements and the Parent Company's financial statements

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

(in millions of euro)

Items	**Shareholders' equity**	**including net income for the period as at 31/12/2001**
Balance as at 31st December 2001 of Parent Company shareholders' equity	13,977.9	337.4
Effect of full and proportional consolidation	(44.7)	(483.8)
Effect of consolidation of subsidiaries carried at equity	40.8	97.8
Adjustments to capital gains following the sale of equity investments	–	582.2
Reversal of write-downs on equity investments	943.7	943.7
Reversal of provisions recorded for fiscal purposes	134.2	(15.4)
Amortisation of goodwill arising on consolidation and application of the equity method	(708.5)	(71.7)
Use of allowance for risks and charges arising on consolidation	22.5	11.2
Revaluation of real estate	298.3	(8.6)
Adjustment of goodwill	(59.8)	104.9
Dividends collected during the period	–	(18.4)
Dividends accrued, net of fiscal effects	(454.8)	(454.8)
Other changes	22.1	(96.3)
Consolidated shareholders' equity as at 31st December 2001	**14,171.7**	**928.2**

Activities on financial markets (*)

This sector of corporate activities deserves particular details in consideration of its strategic objectives, linked to the stabilisation and diversification of the operating revenue mix as well as to its prospective growth aiming for the European market.

As mentioned several times, financial activities developed in a global scenario characterised by the marked reduction in US interest rates, while more or less significant reductions involved also interest rates in the Euro Area and in Japan, with the aim of favouring the recovery of national economies. Other equally noteworthy aspects are directly connected to the uncertainties following the attacks in the United States, which profoundly perturbed the markets and also produced, among other things, a considerable widening of interest rate spreads.

Treasury activities

After the various phases of the unification and reorganisation of the operating desks were completed in the first part of the year, the Group's commitment was focused on market activities, where the strong volatility characterising the July-December period suggested to benefit from rapid position-taking. As regards the money market in particular, market making activities were strengthened especially on derivatives, with the aim of consolidating IntesaBci's domestic leadership in this segment and of promoting its positioning at the European level. In terms of profitability, the volatility generated by the reiterated interventions by Monetary Authorities enabled the desks in charge of managing positions in derivative contracts in euro and other currencies to achieve satisfactory results.

In view of the inflow of interbank volumes previously managed by the merged banks, already from the first months of the year the Group prolonged the average maturity of interbank deposits, reducing shorter-term components with consequent benefits for overall liquidity management. For the area in charge of interbank payment systems the development plan of the CLS (Continuous Linked Settlement) project was completed, perfectly in line with the estimated realisation time-schedule.

As regards the management of settlement and liquidity risks, the critical situation faced in autumn on payments and on liquidity in dollars and in euro was effectively managed, thanks to the Bank's ability to operate with flexibility on various markets, with a diversified range of funding instruments. The liquid securities portfolio was maintained at contained levels, with a duration lower than one year.

The historically low level touched at the end of the third quarter by short- and medium- and long-term interest rates allowed to generate a positive performance, thanks to the adoption of a series of hedges on pre-existing loans aimed, among other things, at guaranteeing a substantial reduction in exposure to interest rate risks.

Proprietary trading activities

Operations in the fixed-income segment were characterised by lower directional risk-taking, through opening positions on various segments of the yield curve (short- and medium- and long-term) and on various currencies. A dynamic and constant trading on Government and corporate securities – coupled with the rapid creation and disposal of positions on securities with 1-2 year maturity mostly in dollars – gave a decisive contribution to the achievement of Group's objectives. Another contribution came from the selective, but significant, participation to the primary market of corporate issuers. Capital losses generated by the two aforementioned factors – the marked reduction in interest rates triggered by American monetary policy and the widening of interest rate spreads following the September events – were entirely offset by trading activities during the subsequent 2-3 months.

(*) *This section refers to the Parent Company.*

In the equities sector a market neutral approach was maintained, which allowed to obtain satisfactory results notwithstanding the negative market trend. On this basis the following strategies were developed: a) *Long/Short Equity – Relative Value*, according to which portfolios holding Italian and foreign shares benefited from position protection oriented at buying volatility on indices and individual shares. In the *long/short relative* approach stock picking allowed to obtain a good performance; b) *Convertible Arbitrage*, which produced satisfactory results especially in the first part of the year, by profiting from broad differentials existing between market volatility and volatility implicit in convertible bonds, as well as from the attractive new issues sector. In the second half of the year, in particular after the autumn events, business opportunities were drastically reduced, also affected by the widening of interest rate spreads; c) *Merger Arbitrage*, with limited success due to the unfavourable conditions virtually over the whole year, which heavily jeopardised business opportunities; d) *Volatility Trading*, realised through re-positioning of *gamma positive* positions for portfolio protection during the high volatility phase, following the recalled September events; e) *Futures Trading*, sector where high volatility enabled to operate with satisfactory results.

Activities on foreign exchange and commodities

Activities on foreign exchange and raw materials became fully operational only in the second half of 2001, especially foreign exchange operations. Greater importance was given to options rather than to spot transactions: in this area the risk control systems were improved, considering that trading activities were extended to so-called exotic options. In view of strong tensions affecting markets in the last part of the year, positions were concentrated on main foreign exchange rates due to their higher liquidity compared to less important currencies. Also operations on raw materials were initiated and are so far exclusively limited to oil futures contracts but are destined to take off, during 2002, also towards other commodities.

Alternative instruments

The proprietary *Hedge Funds* portfolio grew in notional terms by approximately 80%, giving priority to the Dollar Area in particular – which represents approximately three quarters of the whole portfolio – in confirmation of strategies of business diversification with respect to domestic activities, concentrated on the local markets of the Euro Area. Diversification by *asset class* presents one fifth of the portfolio allocated to the *long/short equity* strategy, followed by *convertible arbitrage*, *merger arbitrage*, *fixed-income arbitrage* strategies and by the equity component of *CDOs (Collateralised Debt Obligations)*.

In the first five months of the year Fund values in all managed strategies recorded generalised rises. In June, the performance of the Fund portfolio was heavily affected by the failure of an already publicly announced important merger (*GE-Honeywell*) while in subsequent months, due to the deterioration of the credit market, also the *CDO* component negatively affected overall performances. However, the other positions generally showed, although with alternate results, satisfactory levels of risk diversification on a global basis.

Equity origination activities

The primary stock market was undoubtedly affected by the economic cycle (*Mibtel* index –24.63%, *Numtel* index –45.57% on an annual basis). With respect to 2000, IPOs and private placements on Borsa Italiana (the Italian Stock Exchange) approximately halved both in value (7 billion euro, from approximately 13 billion euro) and in number (20 *ex* 48, most of which in the first half); a similar drop was recorded by tender offers (approximately 6 billion euro on 20 operations, against approximately 12 billion euro on 30 tender offers). Listed companies decreased from 297 to 294. Only capital increases recorded higher volumes (doubled to almost 7 billion euro compared to approximately 4 billion euro raised a year earlier).

In such context the Bank anyhow consolidated its market position, safeguarding at the same time – even with a lower number of interventions – its profitability, also thanks to its increasing qualification strategies in terms of participation in management and guarantee operations, as well as to the increase of commissions collected on capital operations, caused by higher stock exchange volatility and by greater selling efforts required as a consequence of low market liquidity.

In short, the following interventions were made: 19 IPOs (*ex* 46), in 3 (*ex 6*) as *global co-ordinator* or *lead manager* and one (as in 2000) as member of the management committee; 9 (*ex* 15) private placements reserved to Italian and foreign institutional investors, of which one as *joint global co-ordinator;* 6 rights issues (as in 2000) of which one as *global co-ordinator*, one as *senior underwriter* and one as *advisor*; 6 tender offers (*ex* 10) of which 5 (*ex* 4) in charge of collecting acceptances; 2 appointments as *sponsor* for the IPO and one as *specialist* to ensure liquidity (against respectively 5 and 3 in the previous year).

M&A and advisory

During the second quarter of the year activities were initiated for the offer of financial consultancy services in the area of mergers, acquisitions and restructurings (M&A). These services are addressed to customers who need to focus on their core business by disposing of non-strategic areas, or who identified external growth for their development. With each customer the assistance provided by the Bank is based on one or more mandates lasting approximately twelve months on average, renewable. Such mandates foresee a retainer and a success fee. During the year the Bank took part in 11 M&A operations, for a countervalue of approximately 2.5 billion euro.

Structured finance activities

During 2001 activities in the structured finance sector recorded a strong growth, both in terms of magnitude of the operating area and of dedicated resources and in terms of volume of operations. To date IntesaBci is the only Italian bank endowed with an organisational structure capable of originating and managing structured finance operations, with high levels of expertise. The chosen model is articulated on units broken down by industrial sector (*power*, *oil & gas*, *shipping*, *TMT* and so on) and by operating function (*securitisations*, *acquisitions*, *credit derivatives*, and so on), according to the sequence *origination – structuring – distribution*. This area – which is supported by offices strategically located in Italy and abroad, within the network of direct and indirect branches – is organised as a global business, with specialised capabilities offered to domestic and international customers and global competitive capacity in specific niches. This enabled the Bank to considerably increase the number of operations in which it played the role of arranger.

Credit derivatives

Within the operating sectors of the structured finance units, IntesaBci consolidated its position in credit derivatives, as one of the main players on the international market. These activities were developed in a dynamic risk management framework, as confirmed by the already-mentioned synthetic securitisation named *Leonardo,* implemented on a portfolio of loans granted to air carriers amounting to 1 billion US dollars. As to *trading* activities, the objective was to implement operations with low risk profiles and mostly short maturities, in order to contain volatility of yields. These operations included the already-mentioned synthetic securitisation of a credit derivatives portfolio, destined to the market, amounting to approximately 800 million euro.

Securitisations

In the *securitisation* market, IntesaBci was the only bank to obtain the role of *arranger* for both operations proposed by the Italian State on the lotteries “Lotto” and “SuperEnalotto” (3 billion euro) as well as on the real estate properties of seven Pension Institutions (2.3 billion euro), in co-operation with other Italian and foreign banks. Other operations, always with the role of *arranger*, allowed the securitisation of assets – represented by loans under various types of contracts – totalling almost 1,400 million euro (of which 366 million euro originated from the Group).

Syndication activities

Equally significant were the developments of activities in the syndication market, where also the *underwriting* activity was favoured. In 2001 IntesaBci participated as *joint lead arranger* and *underwriter* for the loans to *Lecta group* (925 million euro), one of the largest acquisition finance operations in Italy/Europe, and to *Industrie Ilpea* (172 million euro in addition to 87.5 million dollars), being also in charge of fully organising the loan to *Guala Closures* (173 million euro).

In the *corporate loans* sector noteworthy is the syndication – made in co-operation with *Citibank* – of the *Fiat-GM Powertrain* operation worth one billion euro. In the second half of the year the Telecom sector recorded a partial recovery, while the M&A financing sector maintained its positive trend, particularly in the power and utilities segment. As to the latter, IntesaBci played the role of co-ordinating bank and *joint bookrunner* for the new 5.5 billion euro *Wind* operation.

In the M&A financing sector, IntesaBci was *Mandated Lead Arranger* and *Bookrunner* for the Italenergia operation originally worth 6.5 billion euro, mainly destined to finance the acquisition of the Montedison group by the Fiat group. Furthermore, the Bank participated as *Mandated Lead Arranger* and *Underwriter* for the 1.8 billion euro operation in favour of Olimpia, to support the acquisition of Telecom by the Pirelli group.

Overall distribution activity performed by the Bank – which includes the syndication desks of Milano, London, Hong Kong and New York – led to an improvement of the Bank's position in the rankings prepared by *Dealogic Loanware* relatively to the *Syndication Agent/Bookrunner* roles. In fact, as of 31st December 2001, IntesaBci rose, in terms of volume, to first position at Italian level (*ex* second at the end of 2000), to fifteenth place at European level (*ex* seventeenth) and to thirty-second position at world level (*ex* thirty eighth).

Asset&Liability activities and acquisition of financial resources

The management of interest rate and structural liquidity risks associated with the Bank's banking book is performed by a single *Strategic Finance* organisational structure. Interest rate risk is monitored by measuring how market values of various assets change in function of interest rates for various maturities. Within an integrated management approach, hedging is used only when asset and liability risk profiles are not self-balanced in a natural way. Risk exposure is always maintained at very low levels: even significant movements in the yield curve generate in this way virtually negligible variations in market value vis-a-vis capital requirements.

To manage the structural liquidity risk, cash balances – split up according to different time bands – generated by traditional funding and lending activities are monitored. A particular attention is given to imbalances on medium/long maturities, which are utilised to make directives and decisions regarding bond issues.

As regards customer deposits, the bonds issued by IntesaBci during 2001 – domestic and foreign bonds – totalled 8.2 billion euro, with a marked increase in the last months of the year thanks to the start-up of the Medium Term Notes programme, which was launched with an initial operation amounting to one billion euro.

The total amount of IntesaBci's domestic bond issues equalled 5.1 billion euro. With reference to issued bonds, the fixed rate bond component was markedly prevailing (65% of total) while the incidence of floating rate bonds and structured bonds stood at 19% and 16% respectively. Breakdown by maturity showed a concentration on 2-3 year maturities (with a 65% incidence) whereas 28% is represented by 4-6 year securities and the remaining 7% by 7-10 year bonds. Among domestic bonds, subordinated securities were placed totalling 1.6 billion euro, equal to 31% of the global amount. Of these, 72% was represented by Lower Tier 2 securities against 28% of Tier 3 issues.

Bond issues placed on foreign markets, both within the Euro Medium Term Notes programme (operational since 3rd July 2001) and stand-alone, totalled 3.1 billion euro. In particular, such amount consisted of 1.9 billion euro for floating rate issues and 0.7 billion euro for structured bonds. Within such classification, subordinated operations amounted to 250 million euro, broken down in 50 million euro of Lower Tier 2 bonds and 200 million euro of Tier 3 bonds. As to maturity, 97% had a maturity up to and including 5 years and the residual 3.1 billion euro was represented by a Tier 1 capital operation, a fixed rate perpetual finalised in July 2001 for 0.5 billion euro with a call at the end of the tenth year. The issue was made through a *Special Purpose Vehicle* (*IntesaBci Preferred Capital Company LLC III*, *Delaware*).

Within medium- and long-term funding activities on foreign markets the Bank closed an interbank loan amounting to 60 million euro with ten-year maturity. For 2002, issues for approximately 10 billion euro are foreseen – with a slightly higher recourse to the domestic market – which will presumably also include Lower Tier 2 subordinated loans.

Private equity activities

The *Private equity* sector was characterised by the gradual slowdown of investment activities, after three-year growth with particularly positive rates. The reasons are essentially macroeconomic, that is the objectively subdued international economic situation. IntesaBci's operations were conducted along two main directives: the integration of the two business units active in the Private Equity sector and the development of the Bank's position in the market, where it is one of the leaders among the investment teams.

The integration of operations was the focus of specific initiatives aimed at analysing, comparing and unifying the various procedures adopted for operations in all their phases, from origination and the investment decision, to the management of the equity investment, up to the final divestment. The resulting structure – operational in 2002 – will represent an evolution of the models used so far.

Private equity activities performed during the year resulted in 10 new investments totalling approximately 73 million euro, plus 16 million euro of further investments on initiatives already existing or decided upon in the previous year. Among new investments noteworthy are those in *Bolzoni Spa,* company operating in the field of equipment for lifting trolleys and of logistics (12.4 million euro); in *Epiclink Spa,* joint venture with primary national industrial players in the Information Technology sector (10.8 million euro); in *Ilpea Equity LLC*, in the framework of the creation of a world leader in automotive components (8.9 million euro); in *Merloni Termosanitari Spa,* primary player on thermo-sanitary products (22 million euro); in *Mirror International Holding Sarl*, holding company of a group operating in the satellite services industry (24.5 million euro). As to divestments, 7 significant ones were finalised, totalling 100 million euro. At year-end, the *private equity* portfolio held 57 equity investments for an overall investment of approximately 280 million euro, plus approximately 41 million euro for loans to shareholders.

Moreover, investment activities in *Private Equity Funds* continued with the dual aim of benefiting from high expected returns and of strengthening operating links with main national and international professional teams.

The *Private equity* structure was also involved in the large financial investments made by IntesaBci, in the acquisitions or transfers of the controlling stakes of strategically important groups for Italy's economy. The acquisitions of the stakes in *Italenergia* and *Olimpia*, already described above, are part of this strategy.

The controls system (*)

The internal controls system and auditing

During the year the integration of the various auditing structures of the banks merged in IntesaBci was undertaken in line with the directives of the Group Model, according to a model allowing for the division by process of the controls function so as to intervene via specialised know-how, and obtain an in-depth understanding of the particular risks of the different areas of company activity. The controls function performs direct surveillance on all the Bank, as well as "audit in service" duties and indirect surveillance on the internal auditing structures of the other Group entities. Furthermore, the audit on integration processes is assured according to the guidelines of the Supervisory Authorities.

Thus, the Internal Auditing function monitors the orderly progress of operations, processes and risks of the Group via the appraisal of a) the running of the overall internal controls system designated to guarantee the effectiveness and efficiency of company processes; b) the validity of control points for the safeguard of asset values and for the protection from losses; c) the reliability and integrity of accounting and management information available; d) the compliance of operations to internal and external regulations as well as to the policies defined by Top Management; e) the adequacy of the internal controls system in relation to money laundering.

The activity is carried out via:

- the control on the operating processes of the Networks and on the Units of the Governance centre, with checks on the compliance to internal and external regulations, on the reliability of operating structures and of delegating mechanisms, on the correctness of information available in the various activities and on its correct use. Furthermore, auditing guarantees direct support to the heads of the Commercial banking divisions through its own dedicated structures for each Commercial banking division;
- the appraisal of the adequacy and effectiveness of the processes of development and management of IT systems to ensure their reliability, safety and functionality;
- the surveillance on credit granting and credit management verifying their adequacy in relation to the risk control system and the calculation techniques used;
- the surveillance on financial operations processes and the adequacy of the risk control systems related to them;
- a check on the compliance to company policy and on the correctness of procedures adopted for investment services as well as to rules in force regarding the accounting and administrative firewalls and the separation of assets belonging to customers;
- the direction and control on Internal Auditing functions of all the Group subsidiaries in Italy and abroad with the appraisal of the planning – prepared by the individual companies – and with checks regarding the effectiveness of structure, quality of employees and positioning in the subsidiary's organisation chart. Furthermore, internal auditing is directly carried out via service contracts with certain companies or in any case when considered relevant;
- the check at Group level of the adequacy of internal controls concerning money laundering legislation both in Italy and abroad, taking into account differing national legal systems. As regards Group structures in Italy, the controls function is supplemented by consulting-assistance on legal issues as well as monitoring on operations and on execution of compulsory requirements.

Preliminary methods of analysis of risks within various areas are used when executing the above duties, and the planning of actions to be taken on the basis of assessments and priorities is undertaken. In any case, an adequate level of hedging is constantly guaranteed. The administration and control bodies are periodically informed of assessments arising from the checks.

As regards 2001 no significant deficiency emerged in the internal controls system.

(*) *This section refers to the Parent Company.*

Credit granting process

Within the New Model credit is placed – as well as in the Governance centre – within single Divisions where uniform units undertake, within predetermined autonomy and decision-making limits, first level credit granting and monitoring activity as well as the management of their problem loans.

The *Credit risk unit* of the Governance centre establishes – through the definition of rules, instruments and processes that guide credit granting and management – the direction of Group credit policies and the surveillance on the overall quality of the loan portfolio. The Unit also examines the positions reserved to the Granting bodies of the Group, and co-ordinates and addresses relations with so-called Large corporate clients as well as, in any case, transactions of considerable size and/or complexity. In order to avoid excessive concentration of risk for these clients, their global positions are monitored centrally to verify their compatibility with the maximum credit risk levels admitted by Gruppo IntesaBci. Group companies with high credit lines are expected to consult the Parent Company on their loan positions, so that the Parent Company also provides an assessment on the possibility of execution of transactions by financial companies/banks of the Group. Finally, the Credit risk unit manages problem loans exceeding certain limits either directly for Divisions, or based on specific mandates for other Group companies.

Credit granting processes are constantly aimed at improving loan portfolio quality, with the adoption of precise guidelines for all the phases of loan management (analysis, granting, monitoring, managing problem loans).The control of the risk profile of the loan portfolio is obtained via checks on the existence of the necessary conditions for creditworthiness (current and future capacity of the client to produce satisfactory income and considerable financial flows), and via the assessment of the nature and size of proposed loans by taking into account the actual requirements of the party requesting the loan, the course of the relationship already in progress with the Group, the presence of any relationship between the client and other borrowers, the search for credit line structure favouring the flow of bank business and, finally, the possibility to perform cross-selling of banking products/services.

Credit risk control

Surveillance and monitoring is based on an internal controls system aimed at optimally managing credit risk via the effective integration of line controls, specific management controls, and internal auditing. In particular, control and surveillance is executed through the use of measurement methods and performance controls summarised by a risk index obtained from the whole of management processes (periodic reviews, credit lines, problem loans), of control processes (control framework, auditing, management control), and of planning and development processes (budget, marketing). All fiduciary positions are nevertheless subject to a specific periodic review carried out for each counterparty/economic group by the competent central or peripheral structures based on the credit line limits. Furthermore, an *ad hoc* automatic audit procedure is in place for fiduciary relationships of small amounts and with low risk indices.

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

As far as problem loans are concerned, surveillance makes use of processes aimed at integrating and harmonising criteria of interception and management of non-performing positions based on the severity of the negative symptoms and/or compromising events occurred, and according to a framework divided into time phases, relevant parties and responsibilities. The steps of the process start from the identification of interventions for the solution of operational problems arising from risk positions – with pre-defined allocation and/or timing of the classification of each position in the different non-performing loan classes, up to the doubtful loan stage – to the identification of specific solution objectives, with updates of expected losses arising from unsolved problems or the worsening of the risky relation. Within the Divisions specific processes defined in relation to the organisation and operating structures, as well as in relation to the peculiarities of clients assigned to them are in place. Direct intervention by the Credit risk unit in the management of problem loans occurs over certain amounts.

A dedicated largely-automated IT procedure supports the problem loan process and enables to constantly monitor all the predefined management phases for non-performing positions, with the aim of promptly activating the branch network to the commercial recovery of relations, involving complementary know-how in the definition of the most effective actions to be taken starting from the initial difficulties in the management of a relationship, establishing the timing for the execution of the actions and verifying their outcome.

Among the new methodologies for the assessment of credit risk, currently plans are under way aimed essentially at utilising systems similar to the ones used for the control of market risks (VaR), as well as internal rating systems for calculating the default probabilities of corporate clients.

Risk management

In May the Bank of Italy recognised the validity of the internal model developed by BCI, permitting its use to report the capital requirement for generic risk on debt securities, and specific and generic risk on equities. The project to extend the model to the whole IntesaBci aggregate is at an advanced stage of development, in line with the timing and the methods indicated by the Supervisory Authorities. This project was completed at the end of last October for portfolios of Intesa and BCI, and will be completed by the middle of 2002 by including the positions of the Caboto sub-group. In order to intervene in timely fashion, the Risk management unit has been appointed to co-ordinate the relevant company functions as well as to prepare specific feasibility studies with detailed action plans.

Market risk

As shown in the following table, Value at Risk [(1)] for market risks equalled 15.7 million euro at the close of the year, with a significant 4.5 million euro drop compared to the previous year. The decrease was the combined effect of greater diversification of risk factors by approximately 30%, as well as the different mix of risk factors. In fact, the increase in interest rate risk, which is now the major component of portfolio risk, contrasted the reduction of equity and foreign exchange risks.

The rise in interest rate risk was caused by the significant inflow in the trading portfolio of former Intesa positions with mainly this type of risk. The decrease in equity risk essentially reflected the repositioning of the portfolio, with the elimination of exposure to certain shares and the reorganisation of the alternative investment portfolio formed by stakes in mutual funds. The results of foreign branches were absolutely regular without peaks or exceeding their limits, with a marginal contribution to the overall risk profile of the Bank.

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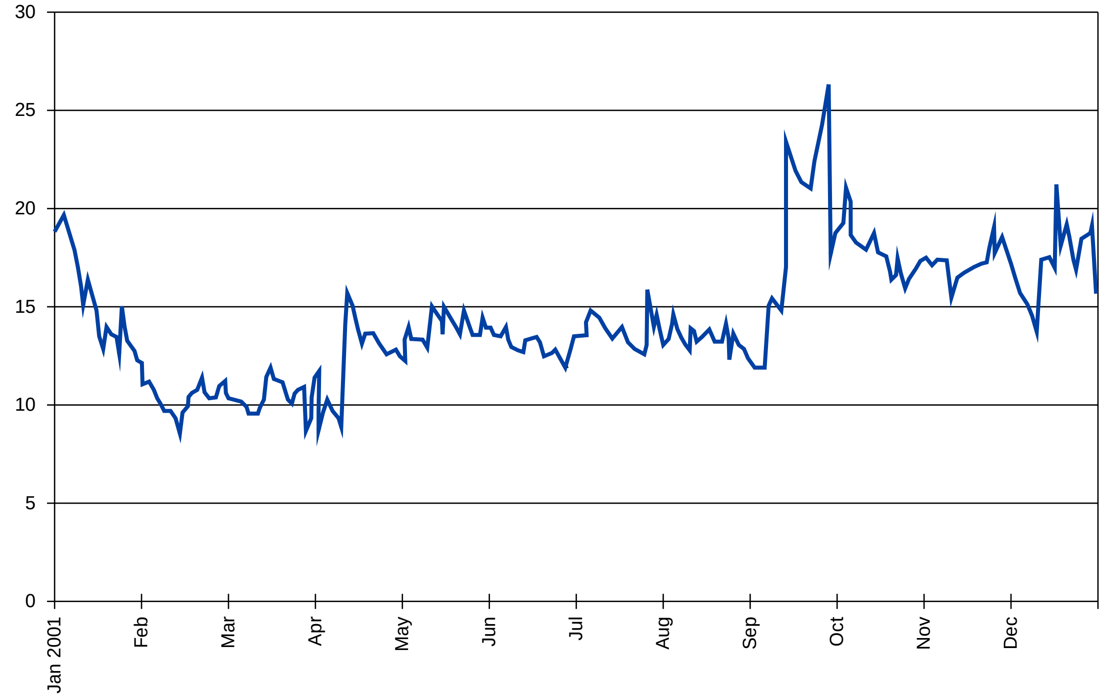
(1) *VaR is calculated by a parametric approach that takes into account existing correlations between the risk factors considered, resorting to Monte Carlo simulations only for the options portfolio. VaR is calculated assuming a one working day holding period and a 99% confidence level.*

VALUE AT RISK OF THE TRADING PORTFOLIO (*) (in millions of euro)				
Risk factors	31st December 2001	31st December 2000		
	IntesaBci	Intesa	BCI	IntesaBci
Interest rate	11.9	2.0	6.8	8.8
Equity	9.7	1.4	11.6	13.0
Foreign exchange	0.2	0.1	2.0	2.1
Total	**15.7**	**3.5**	**16.7**	**20.2**

(*) *The sum of individual values is greater than the total because the method used to aggregate the risks of individual activities takes into account the correlations that exist between the different risk factors.*

The evolution of daily Value at Risk in the graph below, shows that year-end figure was far lower than the highest value for the year (equal to 26.1 million euro) recorded at the time of the terrorist attacks of last September. The marked peak was caused exclusively by the greater risk implicit in financial positions – even though unchanged in size and features – after the instability generated in money and bond markets by the terrorist events. Although overall limits were not exceeded, some sub-portfolios exceeded their limits. Nevertheless, thanks to appropriate hedging absorbed capital, progressively diminished.
It is customary to support, on a weekly basis, risk analysis of portfolios with estimates of changes in value following extreme scenarios. As well as standard scenarios (shifts in yield curves), scenarios of a collapse in equity indices (equity shocks) with simultaneous scenarios of reductions in returns (fly to quality) are simulated. It must be underlined that the situation typical of the last part of the year essentially originated from the events of 11th September.

DEVELOPMENT OF DAILY VALUE AT RISK
(in millions of euro)



The effectiveness of the calculation model is monitored daily by backtesting analysis comparing forecasted Value at Risk (VaR) with actual Profit and loss results (P&Ls).
As expected, in September following market tensions due to the terrorist attacks cluster P&Ls exceeded VaRs, but they remained within the range calculated by stress testing exercises.

At former *Caboto Holding*, year-end risk control analysis showed an exposure to interest rate risk with a sensitivity of – 51,508 euro in relation to open bonds and derivatives positions, with a strong component among non-Government bonds. Instead, the exposure to emerging Countries was limited (less than 1% of the overall position) and in any case did not include foreign exchange risk on bonds issued in local currency. Interest rate risk from the bonds position, with an overall sensitivity of – 67,187 euro, was mitigated by hedging in financial derivatives. Furthermore, interest rate derivatives generated a volatility sensitivity (vega 1%) of 481,000 euro. Foreign exchange exposure fell during the year, showing at year-end a delta risk (as equivalent position) equal to 5.4 million euro and a volatility sensitivity (vega 1%) of 44,000 euro.

In the case of former *Caboto Sim*, year-end equity risk showed an extremely small overall VaR (16,433 euro) with a 1% vega position of – 96,000 euro.

New methodologies in credit risk control

The Risk management unit has been assigned to organise the measurement and management of credit risk in the context of research and experimentation of the most advanced methodologies in the control of credit risks mentioned above. Following the divisional approach, two entities have been formed dedicated to the analysis of operations, assigned respectively to the Commercial banking divisions Retail, Private and Corporate and the Investment banking and International divisions – Large corporate clients and Financial Institutions, in the traditional credit components, credit derivatives, financial derivatives. This has been done for the purpose of controlling different types of risks associated to single counterparties with specialised know-how, whilst still maintaining a unitary vision of risk profiles at company level.

Among the activities of the Risk management unit, a crucial role is attributed to the definition of portfolio models with management characteristics aimed at the introduction of a system of credit risk limits determined with the CreditVaR approach, consistent with the solutions already adopted by the Bank for market risks. A further activity involves the consolidation of the system measuring risk in terms of internal ratings of managed counterparties, in line with current institutional and Supervisory approaches, among which the proposal for the definition of a New Accord on Risk formulated at the beginning of 2001 by the Basle Committee.

The monitoring of CreditVar for credit derivatives (in the trading and in the banking book) continued during the year. At the same time, the process of analysis and authorisation of collateralised debt obligations (CDO) operations has been formalised. The process assigns to the Risk management unit the overall valuation of risk and control of autonomy limits.

Operational risk

In April IntesaBci commenced the *ORIGIN (Operational Risk Gruppo IntesaBci)* project, with the aim of creating an integrated system for identifying, measuring, monitoring and controlling operational risk.

The approach used entails the development of a model managing risks capable of satisfying both the requirements of Supervisory Authorities (being defined within the New Accord on Capital being discussed by the Basle Committee), and the start of internal processes aimed at improving performance through a greater awareness of operational risks taken.
The first phase has terminated in which the organisational model (structures and governance processes) has been defined as well as quantitative and qualitative risk valuation methodologies, with experimental application on certain test areas. Also the design and implementation of the information system dedicated to integrated risk control has been

arranged. In parallel, efforts have been made to increase awareness inside the operating structures, particularly for the people who within each Business Unit will follow operational risk management by interacting with the Risk management unit.

Already during 2002 the gradual consolidation of processes and methodologies will commence, with great attention to constant compliance to the regulations under definition, with the aim of adopting a standard model for operational risk as soon as new regulations become effective. The internal model solution will be adopted as soon as the necessary pre-conditions are satisfied.

Research and development activities

Research activities aimed at conquering new customer and market segments, at maintaining competitive positions and constantly improving customer satisfaction, have been delegated to a specific Strategic marketing department, which therefore represents the Group's knowledge centre for analysing the external competitive environment, for monitoring market positioning and formulating common guidelines in commercial policies.

During 2001 the proposal for the Group's strategic marketing plan was formalised with the purpose of integrating planning also with regard to commercial and distribution strategies, adequately highlighting the projects deemed to have high return potential. The plan was supported by a SWOT (strengths, weaknesses, opportunities, threats) analysis of positioning and, at the same time, monitoring of the evolution of market shares, detailed by customer segment, geographic area – domestic and foreign – and distribution channel. International benchmarking analyses on commercial strategies were also conducted, with in-depth research on cases which were particularly significant from a competitive viewpoint or for specific market areas. Targeted research was also carried out on certain foreign cases of virtual channels and restructuring of branch operations.

CRM (Continuous Relationship Marketing) was also implemented. It is a customer management application derived from industrial companies which uses customer data for profiling – with high segmentation and personalisation features – for the purpose of anticipating and satisfying customer needs over time. This business process has the objective of making the relationship with the customer profitable and long-lasting by maintaining high customer satisfaction through the use of a co-ordinated set of operating structures, organisational measures and technological instruments. Activities progressed along two lines: on the one hand, the definition of the Group's CRM target system; on the other hand, the timely release of operating supports destined to the Divisions' commercial activities, which were already implemented in December.

Lastly, the first customer satisfaction analysis was carried out by IntesaBci – extended not only to the private segment but also to companies with turnover under 40 million euro – while a specific Market research department has been formed for the purpose of optimising the purchase of research and consulting in this area as well as effectively distributing the information acquired to the Divisions and the Group's minor banks.

As part of the integration process, the complete census of all products offered by the absorbed networks and the identification of overlapping services was completed. Other rationalisation interventions referred to the alignment to a single standard of terms, tariffs and corporate agreements practised by the pre-existing Group banks to their respective customers.

Performance of main consolidated companies by operating sectors and geographic areas

Gruppo IntesaBci is an articulated multinational structure, which operates not only in Italy – where it is one of the largest banking entities – but also abroad, thanks to a large number of equity investments strategically co-ordinated to integrate the operations managed by the Parent Company.

In particular with regard to foreign activities, presence in the Eastern-European Countries is becoming of strategic importance, since their strong economic expansion and the convergence towards the European Union drives a growing demand for efficient, diversified and international banking structures. These objectives are met by the controlling equity investments held in the *Central-European International Bank group* of Budapest as well as in the *Privredna Banka Zagreb* group, and the recent acquisition of the controlling stake in one of the most important Slovakian banks, *Vseobecna Uverova Banka* of Bratislava.

Relevant in the past, due to a presence in the Latin-American area which dates back to the first decades of the last century, the *Sudameris conglomerate* has a widespread presence in many of the local markets, and has shared their alternating trends and economic crises.
In consideration of the gradual overall worsening of the contexts in which the Sudameris group operates, it was decided to commence negotiations for the disposal of activities in Brazil as well as perform a strategic review of the other entities in South America.

A summary of the results achieved in 2001 by the Parent Company and the main consolidated subsidiaries is shown hereunder.

The Parent Company

Reclassified statement of income

General aspects

After remaining at more than satisfactory levels in the first half of the year – also benefited by a generally favourable economic environment – already at the beginning of the second half operations were negatively affected by warning signals in certain sectors and geographic areas which, towards the end of the year, worsened under the influence of dramatic and exceptional negative events. Such events – directly or indirectly related to the terrorist attacks in the US in September – severely influenced global economies, greatly affecting the financial markets and certain companies, and also impacted on the final results of IntesaBci.

As explained in the comments to the consolidated financial statements, operations were affected first of all by the value adjustments to loans to international companies, such as *Swissair* and *Enron*, which were granted finance in the past by BCI, as part of its significant international operations. In addition, the economic crisis which emerged in Argentina, combined with the serious difficulties experienced by the indirect banking subsidiaries operating in Peru, required substantial adjustments to the carrying value of *IntesaBci Holding International*, which is the parent company of the subsidiaries operating in those areas. The worldwide crisis also determined considerable slowdowns in the domestic growth rate and consequently loan portfolio quality deteriorated and thus required substantial value adjustments.

All these negative non-recurring factors absorbed operating revenues amounting to approximately 1.3 billion euro. Operations were also affected by the lower contributions of commissions on asset management and financial intermediation, both areas being affected by the slump and the extreme volatility of the stock market which, though present previously, were intensified by the autumn events. Lastly, it must be noted that the considerable charge (almost 1.2 billion euro) connected to the marking to market of the *Warrants Put IntesaBci* issued at the time of the acquisition of the controlling stake in BCI, reflects the quotation – currently particularly low – of the underlying asset, that is the IntesaBci share. If quotations on the IntesaBci share return to levels which more correctly represent its value, current provisions will be proportionally released.

Certain non-recurring operations also occurred which partly limited the effects of the negative events described above. In particular, dividends amounting to approximately 521 million euro paid by the equity investments acquired by BCI in its merchant banking operations, for the liquidity deriving from the sale of the stake in the capital of Seat Pagine Gialle (in 2000 BCI had collected dividends of 769 million euro for the same operation). Substantial capital gains – approximately 919 million euro – derived from the disposal of the controlling stake in *Banca Carime* and the sale of certain branches, both as part of the streamlining of the commercial network following the mergers. Furthermore the entire Reserve for general banking risks was completely contributed to the statement of income. The out-of-period income, equal to 154 million euro, enabled to neutralise the almost equivalent provisions required to integrate the pre-existing allowance for taxation, in case of an eventual request to return the tax benefits granted by the Italian law to banks which carried out concentrations, following the negative opinion expressed on this matter by the European Commission.

Net income for 2001 decreased to approximately 337 million euro, 80% lower than in the previous year. The “line by line” analysis carried out hereafter enables a more detailed identification of the contributions coming from the Bank’s various operating sectors.

Reclassification and comparison criteria

In presenting the reclassified statement of income, the important company operations which involved IntesaBci during the year must be recalled – in particular the merger with BCI and the contribution of the medium- and long-term lending operations to *IntesaBci Mediocredito* – since they also had a considerable impact on the comparability of figures with those for 2000. It was therefore decided, to ensure comparability, to restate the figures for 2000 backdating to that date the aforementioned company operations. On the contrary, the sales of branches which occurred in the year – 102 units, compared to 60 units spun-off in 2000 – had marginal effects, due to their limited incidence on total aggregates. In any case these effects are described in the comments to the captions which were more directly affected by the aforementioned operations.

The reclassification was carried out for the purpose of greater transparency and completeness of information by using presentation criteria which are deemed to better define the areas in which overall profitability is generated, and varying and reaggregating the contents of the items included in the compulsory forms, according to the principles of operations consistency and not only of formal representation of the Bank's economic situation. According to such criteria, widespread within the banking system:

– recovery of the cost of personnel seconded from IntesaBci to other Group companies has been transferred from "Other operating income" and deducted from "Payroll". Payroll therefore records the effective costs sustained for staff working at the Parent Company;

– provisions to the internal supplementary pension funds have been directly deducted from the returns generated by the investments. The difference between captions 65 and 85 of the compulsory forms – representing operating expenses – has been accounted for in "Administrative costs";

– financial lease receivables have been recorded with the financial method, by recording within interest both the leasing instalments and the value adjustments on the leased assets;

– negative differentials on hedges economically connected to trading positions on equities have been accounted for in the same caption which shows relevant dividends;

– dividends collected from equities in structured portfolios – for which valuation effects are recorded in "Profits (Losses) on financial transactions" – have been recorded in that caption;

– the revenue from the purchase or sale of securities connected to a hedge credit derivative, accounted for in "Profits (Losses) on financial transactions", have been recorded by reducing the value adjustment which adjusts the overall credit risk of the operation to its estimated realisable value;

– provisions to the reserve pursuant to Legislative Decree 124/93 carried out in 2000 have been accounted for in extraordinary items.

Based on these criteria, the table below shows the reclassified statement of income and the single captions are commented hereafter.

(in millions of euro)

Captions	2001	2000 pro forma	Changes amount	Changes %
Net interest income	**3,681.0**	3,571.5	109.5	3.1
Dividends and other revenues	**1,326.5**	1,592.3	(265.8)	(16.7)
Interest margin	**5,007.5**	5,163.8	(156.3)	(3.0)
Net commissions	**2,086.6**	2,312.4	(225.8)	(9.8)
Profits (Losses) on financial transactions	**(64.6)**	46.1	(110.7)	
Other operating income, net	**268.7**	295.3	(26.6)	(9.0)
Net interest and other banking income	**7,298.2**	7,817.6	(519.4)	(6.6)
Administrative costs	**(4,163.1)**	(4,005.0)	158.1	3.9
including Payroll	***(2,331.2)***	*(2,334.2)*	*(3.0)*	*(0.1)*
Adjustments to fixed assets and intangibles	**(246.3)**	(310.1)	(63.8)	(20.6)
Operating margin	**2,888.8**	3,502.5	(613.7)	(17.5)
Provisions for risks and charges	**(233.8)**	(128.3)	105.5	82.2
Net adjustments to loans and provisions for possible loan losses	**(1,557.9)**	(843.2)	714.7	84.8
Net adjustments to financial fixed assets	**(981.7)**	(90.4)	891.3	
Income from operating activities	**115.4**	2,440.6	(2,325.2)	(95.3)
Extraordinary income (loss)	**(77.7)**	265.9	(343.6)	
Income taxes for the period	**146.0**	(932.0)	1,078.0	
Change in the reserve for general banking risks	**153.7**	–	153.7	
Net income for the period	**337.4**	1,774.5	(1,437.1)	(81.0)

Interest margin

Interest margin equalled 5,008 million euro, with a 3% decrease compared to the previous year. This net effect reflected, on the one hand, the increase in net interest income (+ 3.1%) and, on the other hand, a 16.7% reduction in dividends collected or accrued in the year in which controlled companies register their income. Net of the effect determined by the different contribution in the two years of the investment in Seat Pagine Gialle, interest margin would have recorded an approximately 2% growth rate.

The single components which make up interest margin are detailed in the table below.

(in millions of euro)

Captions/subcaptions	2001	2000 pro forma	Changes amount	Changes %
Interest income from loans to customers	**8,121.6**	7,665.9	455.7	5.9
Interest income from portfolio securities	**1,595.5**	1,814.9	(219.4)	(12.1)
Interest expense on customers deposits	**(2,443.4)**	(2,381.3)	62.1	2.6
Interest expense on securities issued	**(2,194.3)**	(1,945.8)	248.5	12.8
Interest expense due to banks, net	**(1,190.2)**	(1,620.6)	(430.4)	(26.6)
Total	**3,889.2**	3,533.1	356.1	10.1
Differentials on hedge contracts	**(229.3)**	23.6	(252.9)	
Other interest, net	**21.1**	14.8	6.3	42.6
Total net interest income	**3,681.0**	3,571.5	109.5	3.1
Dividends and other revenues	**1,326.5**	1,592.3	(265.8)	(16.7)
Interest margin	**5,007.5**	5,163.8	(156.3)	(3.0)

Total net interest income

Total net interest income also increased in 2001 and continued the recovery which had commenced in the second half of 2000. Net interest income, as already mentioned, increased to 3,681 million euro, with a 110 million euro rise (+ 3.1%) compared to the previous year.

The improvement is attributable to both the progress in intermediation with customers, and the effectiveness of actions aimed at reducing – via flow rebalancing and streamlining interventions – net interbank funding, which in the last part of 2000 and in the first months of 2001 had reached particularly high levels.

Operations with customers produced a 4% increase in net interest income, due to both the rise in intermediated volumes – especially those related to loans to customers – and in average interest rate spreads. After a first half in which volumes recorded satisfactory growth rates and, especially, the spread markedly improved – in particular in the short-term component – in the second part of the year volumes were stable and spreads registered a slight contraction.

Average short-term loans granted to customers resident in Italy recorded a 5% annual growth rate while medium- and long-term loans showed a more marked progression (+ 12%). Average interest rates applied to loans, though decreasing during the year in terms of average for the year, remained higher than in 2000 and equalled 6.20% for the short-term component and 6.18% for medium- and long-term loans (respectively + 26 basis points and + 16 basis points compared to the previous year).

Customer deposits – again in terms of average volumes – recorded a contained growth rate, due to the contraction in short-term contracts, offset by a substantial increase in bond issues and subordinated liabilities. Interest rates on deposits, which also decreased during 2001, remained at higher average values than in 2000 (1.77%, + 8 basis points, for short-term and 4.62%, + 20 basis points for medium- and long-term).

As a result of the aforementioned trends, the spread on operations with customers increased by 18 basis points (from 4.25% to 4.43%) for short-term operations, and remained practically unchanged (from 1.60% to 1.56%) for medium- and long-term.

The aforementioned asset allocation interventions generated a considerable reduction in average volumes invested in securities, with a consequent contraction (– 219 million euro) of the relevant interest. This was correlated to a similarly significant contraction in net interbank funding, with a positive effect, in terms of lower net charges of 430 million euro. This last figure also reflected the rise in structured portfolios, which generated an increase in interest income from banks deriving from a similar increase in negative differentials on hedge derivatives.

The trend of net interest income inevitably suffered from the effects of the sale of branches which occurred both in 2000 and 2001. Net of the components attributable to sold branches, the growth in net interest income would have exceeded 4%.

Dividends

Dividends accounted for in the year (including the tax credit) amounted to 1,327 million euro, with a 266 million euro drop compared to 2000. The drop is mostly ascribable to the different amounts (521 million euro, *ex* 769 million euro) collected from the distribution of the income realised by the participated companies *HUIT*, *Investitori Associati* and *Neuf* (the latter formed following the spin-off of HUIT) on the sale of the stake in Seat Pagine Gialle.

Dividends on subsidiaries – as in the past accounted for in the period when the relevant company generates the net income – totalled 622 million euro and the most significant refer to *Cassa di Risparmio di Parma e Piacenza* (234 million euro), *Intesa Asset Management* (51 million euro), *Banca Commerciale Italiana France* (43 million euro), *Mediofactoring* (41 million euro) and *Banca Popolare FriulAdria* (36 million euro). Among dividends from other equity investments, accounted for on collection, which equalled 705 million euro, *Neuf* (429 million euro) and *Investitori Associati* (92 million euro) paid out the most significant amounts.

Net interest and other banking income

Net interest and other banking income for 2001 equalled 7,298 million euro, with a 6.6% contraction [(1)] attributable to the drop in dividends – only partly offset by the improvement in net interest income – and the decline in commissions on management, dealing and consultancy services, in addition to the lower results on financial transactions. With regard to breakdown of net interest and other banking income, net interest income reached approximately 50% of the total (+ 5 percentage points) while the contribution of net commissions equalled 29%, on the same levels as the previous year.

Commissions

(in millions of euro)

Captions	2001	2000 pro forma	Changes amount	Changes %
Commission income	**2,377.8**	2,592.0	(214.2)	(8.3)
Commission expense	**(291.2)**	(279.6)	11.6	4.1
Net commissions	**2,086.6**	2,312.4	(225.8)	(9.8)

[(1)] *The contraction decreases by approximately one percentage point by considering the economic effects of sold branches and almost four percentage points also considering the different contribution in the two years of the investment in Seat Pagine Gialle.*

As shown in the table above, net commissions from services to customers decreased to 2,087 million euro (– 9.8%), with a satisfactory recovery in the last quarter that partially offset the more pronounced negative trend of the first nine months.

Commission income equalled 2,378 million euro, falling by 8.3%. Such a decrease was caused mainly by the marked influence of financial markets on securities trading with customers, on the volumes of various types of asset management, and on profits on financial transactions. Commissions on management, dealing and consultancy services – that represented nearly half of commission income – in fact diminished by 18.7%, mainly due to a substantial contraction (– 65%) of dealing in securities and acceptance of trading instructions. However, the comparison between the two years showed the effects of the particularly brilliant performance of 2000, thanks to the positive performance of markets in the first half of that year. Instead, always within commissions on management, dealing and consultancy services, the reductions in commissions from asset management (– 25%), from placement of bonds (– 14%) and from foreign exchange trading (– 12%) were less pronounced. On the contrary, the trend showed by commission income on lending and deposit collecting was positive: commissions from current accounts grew by 11%, commissions for guarantees given rose by 10%, and commissions related to collection and payment services rose by 4%.

Commission expense (291 million euro) showed a slight increase, especially because of greater volumes from collection and payment services and greater commissions paid on hedge credit derivatives.

Also the sale of branches influenced the progress of net commissions on management, dealing and consultancy services. If we compare the two years net of the effects of these operations, the resulting fall of net commissions would be more contained: 8.4% with respect to 9.8%.

Profits on financial transactions

Profits on financial transactions was influenced, as already mentioned, by persisting financial market volatility, by contingent situations as well as by the write-down of securitised bonds purchased following agreements regarding the disposal by BCI of the stake in Fonspa.

The following table shows the breakdown of results on financial transactions in the securities, currency and derivative components, differentiating furthermore the economic effects determined by dealing activities from those deriving from year-end valuations.

It is moreover appropriate to make a general preliminary consideration. Financial transactions are becoming progressively more complex and the economic effects of “structured” operations normally influence several economic captions. Hence, the reclassification of “elementary” income components becomes necessary in order to correlate positive and negative effects. The following table represents a rational attempt to classify with large aggregate items the results of structured financial transactions.

(in millions of euro)

Captions/subcaptions	2001	2000 pro forma	Changes amount	Changes %
Securities and securities derivatives				
• results from trading	**(8.5)**	53.8	(62.3)	
• valuation effects	**(170.1)**	(83.4)	86.7	
• results from derivatives	**25.5**	(10.5)	36.0	
	(153.1)	(40.1)	113.0	
• structured share portfolio	**(127.3)**	(20.6)	106.7	
• restatement of dividends on structured share portfolio	**212.1**	45.0	167.1	
	84.8	24.4	60.4	
Total securities and securities derivatives	**(68.3)**	(15.7)	52.6	
Currencies and currency derivatives	**74.2**	71.3	2.9	4.1
Other transactions (interest rate derivatives and credit derivatives - trading book)	**(70.5)**	(9.5)	61.0	
Profits (Losses) on financial transactions	**(64.6)**	46.1	(110.7)	

Operations on financial transactions produced losses of 65 million euro, compared to profits of 46 million euro for 2000.

As mentioned above, this result was decisively influenced by the capital losses (35 million euro) recorded on bonds in the securitisation related to *Fonspa*. Finally, a non-recurring loss was recorded in relation to the write-down of *Commerzbank* shares (51 million euro), due to regulations regarding to the transfer of shares from the trading portfolio to equity investments. Excluding these and other particular situations, profits on financial transactions was positive for approximately 60 million euro.

Looking at individual components, currencies and currency derivatives showed a positive result (74 million euro), due to transactions with customers in major currencies. Total securities and securities derivatives produced a negative result of 68 million euro, mainly caused by the non-recurring write-downs mentioned above. More specifically, results from trading – which as stated at the beginning was considered net of profits of 57 million euro from the purchase of securities connected to a hedge credit derivative – produced an overall income of 76 million euro, thanks to shares trading executed near dividend-payment dates. Instead, year-end valuation effects showed overall net capital losses of 170 million euro.

Interest rate and equity linked derivatives as well as credit derivatives in the trading book closed with a total loss of 71 million euro. The result from trading and valuation of credit derivatives was negative by 8 million euro, whilst the result from other financial derivatives (– 63 million euro) arose entirely from the activity of foreign branches. Such a result is to be attributed mainly to the London branch in relation to arbitrage activity consisting of the purchase of high-yield and/or near-to-maturity Government bonds simultaneously hedged with futures contracts or term deposits. These strategies – aimed at benefiting from the spread between the return on the portfolio and its funding cost – although resulting in significant capital losses on the bonds and other financial instruments part of the structured portfolio (approximately 93 million euro, shown in the above table as part of Other transactions), improved the interest margin (approximately 103 million euro) due to high coupon returns.

Operating costs

(in millions of euro)

Captions/subcaptions	2001	2000 pro forma	Changes amount	Changes %
Administrative costs				
• payroll	**(2,331.2)**	(2,334.2)	(3.0)	(0.1)
• other	**(1,831.9)**	(1,670.8)	161.1	9.6
	(4,163.1)	(4,005.0)	158.1	3.9
Adjustments to				
• fixed assets	**(147.2)**	(166.6)	(19.4)	(11.6)
• intangibles	**(99.1)**	(143.5)	(44.4)	(30.9)
	(246.3)	(310.1)	(63.8)	(20.6)
Operating costs	**(4,409.4)**	(4,315.1)	94.3	2.2

Operating costs at 4,409 million euro registered an overall growth rate of 2.2%.

The merger of BCI and the subsequent centralisation to *IntesaBci Sistemi e Servizi* of numerous administrative activities (management of IT systems, infrastructures, procurement), previously performed directly by BCI, led to a change in operating cost structure. In particular, the transfer to *IntesaBci Sistemi e Servizi* of both hardware and software and relevant personnel determined, on the one hand, a reduction in payroll and depreciation and, on the other hand, a rise in administrative costs because of fees paid to IntesaBci Sistemi e Servizi for its services. The effect on the overall cost structure is thus estimated at approximately 55 million euro of reduced payroll and approximately 49 million euro of reduced depreciation and amortisation. Their sum of approximately 104 million euro is the increase of administrative costs related to the transfer.

Personnel costs (2,331 million euro) remained virtually unchanged, since the increase due to the necessary contractual harmonisation of the personnel of the merged banks (quantifiable in approximately 80 million euro) was offset by the lower costs following the reduction of staff. To calculate the latter costs, no secondments to other Group companies were considered while secondments coming from Group companies were included.

During the year, employees (35,220 as at 31st December 2001) decreased by approximately 4,300 units as a result of approximately 1,495 recruits and of approximately 5,800 lays-off, while the staff (34,635 at year-end) dropped by almost 2,500 units as a consequence of the mentioned moves of personnel, coupled with a reduction of approximately 1,800 seconded employed units. However, it is worth noting that the personnel reduction took place during the whole year and therefore the statement of income did not fully benefit from the relevant savings.

The considerable contraction of staff is due to various factors, among which incentive-driven exit plans (over 800), the sale of 501 branches, the aforementioned transfer of former BCI personnel (1,258) to IntesaBci Sistemi e Servizi.

Other administrative costs (1,832 million euro) showed a rise of 161 million euro (+ 9.6%) mainly due to the effects of the new cost structure following the mentioned transfer of activities to IntesaBci Sistemi e Servizi. Net of this element, the increase of administrative costs stood at 3.4%. With reference to the service charges paid to the mentioned company, they started to incorporate depreciation of the investments made by that company for the implementation of the target system, which is in gradual use.

As regards the various expense items, a considerable increase was registered in consultancies (+ 54%) – attributable to the reorganisation activities under way for the realisation of the divisional model and to the various activities connected with the last phase of the changeover to the single European currency which were entirely charged in 2001 – and in expenses for the development of the IT procedures (+ 19%) – related to the connection of the various IT systems of the merged banks before the migration to the target system. The changeover to the euro also significantly raised the expenses for the transportation of valuables, up by 25%, as well as the expenses for personnel training, up by 10%.

The progressive centralisation of supply contracts, instead, generated savings in cleaning costs, maintenance costs, information costs and lighting and heating costs. Advertising and legal expenses were more contained compared to the previous year.

The amortisation of intangibles and the depreciation of tangible fixed assets, equalled 246 million euro and showed an over 20% contraction attributable not only to the transfer to IntesaBci Sistemi e Servizi of technological supports, but also to the lower amortisation of goodwill recorded in the financial statements, because of the attribution to the equity investment in *IntesaBci Mediocredito* of the residual goodwill recorded in the 2000 balance sheet following the merger in IntesaBci of Mediocredito Lombardo.

Excluding the effects of the sold branches, the rise of operating costs overall would stand at approximately 3.4%.

Operating margin

Operating margin amounted to 2,889 million euro, with a 17.5% reduction from the previous year. Net of the effects of the sold branches the difference between the two years only marginally changed, down to 17.1%.

Adjustments, write-backs and provisions

(in millions of euro)

Captions	**2001**	**2000 pro forma**	**Changes**	
			amount	**%**
Adjustments to loans and provisions for guarantees and commitments	**(1,650.2)**	(916.1)	734.1	80.1
Write-back of adjustments to loans	**126.5**	136.0	(9.5)	(7.0)
Provisions for possible loan losses	**(34.2)**	(63.1)	(28.9)	(45.8)
	(1,557.9)	(843.2)	714.7	84.8
Provisions for risks and charges	**(233.8)**	(128.3)	105.5	82.2
Adjustments to financial fixed assets	**(1,001.3)**	(124.6)	876.7	
Write-back of financial fixed assets	**19.6**	34.2	(14.6)	(42.7)
Total, net	**(2,773.4)**	(1,061.9)	1,711.5	

For the reasons described in the introduction, the valuation of loans, guarantees and financial fixed assets had a heavily negative impact on the 2001 statement of income.
Total net adjustments and provisions more than doubled compared to the previous year, from 1,062 million euro to over 2,770 million euro.

More specifically, net adjustments to loans and provisions for guarantees and commitments rose to 1,558 million euro: 897 million euro for doubtful loans, 528 million euro for substandard loans and restructured loans, 92 million euro for provisions for guarantees and commitments and the remaining part for adjustments against so-called Country risk as well as for provisions to cover the intrinsic risk of performing loans and overdue interest.

Net adjustments to doubtful loans and to substandard loans recorded an almost 900 million euro increase from the previous year, first of all due to the deterioration of certain important positions linked to the air service sector (*Swissair*), coupled with the sudden and almost complete collapse of *Enron Corporation*, multinational company thus far considered creditworthy by the international banking system. A very rigorous valuation policy was adopted for both positions, with adjustments to non-guaranteed positions equalling 90% and 80% respectively, with a charge related to the on-balance sheet exposure amounting to 360 million euro. It must be stated that, after the above adjustments, the overall on-balance sheet exposure to the aforementioned companies was recorded at the residual value of 20 million euro for *Swissair* and of approximately 74 million euro for *Enron*.

Always with regard to adjustments to doubtful loans, it must be recalled that the securitisation of doubtful mortgages granted by former Cariplo – which was described in detail in the chapter on the integration plan – determined, for the financial factors implicit in the divestment, the necessity to make adjustments to the transferred portfolio amounting to 103 million euro. Finally, further adjustments for approximately 80 million euro referred to loans acquired from the banking subsidiaries sold during the year (Banca Carime and Banca di Legnano) in compliance with specific contractual provisions.

Provisions for guarantees and commitments included also a 27 million euro allocation to cover the risk connected to a credit default swap contract linked to the *Enron* position.

Fears of a world recession induced by the September events emerged also in Italy, making an already stagnant economic situation more uncertain. Consequently the quality of the loan portfolio generated strong signs of tension, which required – in the review of non-performing loans following the unification of the merged networks – to adopt prudent and rigorous valuation criteria and to make net adjustments to on-balance sheet loans and to guarantees and commitments for approximately 800 million euro.

Provisions for risks and charges (234 million euro) was mainly related to the possibility of a negative conclusion for legal actions taken against the Bank (97 million euro) or for pending legal proceedings with customers and with employees (36 million euro).

Also net adjustments to equity investments registered very considerable increases, up to 982 million euro, almost exclusively due to the events regarding the two subsidiaries *IntesaBci Holding International* and *IntesaBci Gestione Crediti*. The 591 million euro write-down of the former reflected the corresponding operating loss incurred by *Banque Sudameris SA*, as a consequence of the critical situations of its subsidiaries *Banco Sudameris Argentina SA*, due to the well-known economic and social conditions of that Country, and of *Banco Wiese Sudameris SA.*

In the case of IntesaBci Gestione Crediti, lower expected recoveries on the doubtful loan portfolio are partly due to the same economic reasons indicated above for the Parent Company, but mostly attributable to the redefinition and harmonisation of valuation methodology, which was made necessary by the expanded size, the diversity and the complexity of the loan portfolio gradually acquired from Group banks. The review implemented according to realistically prudent criteria, concurred to determine a considerable loss for the year and a consequent write-down of the subsidiary equalling 302 million euro.

By a lower amount, also the book value of *IntesaBci e.lab* (32 million euro) was adjusted in view of the loss incurred during the year, which was prudentially recorded although it was attributable to the company's start-up.

Therefore, as a result of the described adjustments, income from operating activities decreased to 115 million euro against 2,441 million euro in 2000.

Income from operating activities

Income from extraordinary activities and net income

(in millions of euro)

Captions	2001	2000 pro forma	Changes	
			amount	%
Extraordinary income Extraordinary charges	**1,327.1** **(1,404.8)**	565.7 (299.8)	761.4 1,105.0	
Extraordinary income (loss), net	**(77.7)**	265.9	(343.6)	
Income taxes for the period	**146.0**	(932.0)	1,078.0	
Change in the reserve for general banking risks	**153.7**	–	153.7	
Net income for the period	**337.4**	1,774.5	(1,437.1)	(81.0)

Also the contribution from extraordinary activities was negative (– 78 million euro) in 2001, compared with a positive one (266 million euro) in the previous year.

Also extraordinary activities were affected during the year by important and non-recurring events. On the revenues side, 1,052 million euro referred to capital gains earned from various sales of financial and tangible fixed assets. Among them, the most important were the sale of 75% of Banca Carime (510 million euro, net of direct charges) and the sale of the equity investment in Montedison (89 million euro), as part of the operations for the transfer of the controlling stake to new shareholders. 16 million euro stemmed from the sale of the stake in *HypoVereinsbank*, Prague, which was no longer of strategic interest after the acquisition of *Vseobecna Uverova Banka*, operating in the same area. The sale of 102 branches, deemed to exceed the needs of a network rationally distributed in the Italian territory, generated significant profits (409 million euro).

Other important extraordinary income derived from the effects connected to the Fonspa spin-off (82 million euro) – which however also generated charges for 78 million euro – and from prepaid taxes accrued in previous years and recorded in 2001 (82 million euro) to set former BCI's accounting procedures in line with the Group's criteria.

Among extraordinary charges (1,405 million euro) the most important component (1,158 million euro) was connected with the marking to market of the *Warrants Put IntesaBci* issued at the time of the Tender Offer for 70% of the share capital of Banca Commerciale Italiana. In addition to the 540 million euro of capital losses already recorded in the Half-Year Report as at 30th June 2001, a further 618 million euro was added in the second half due to the poor performance of financial markets during the summer and, in particular, after the September events. As a consequence of these events the IntesaBci share struck the lowest prices of last few years, an eventual recovery of the share price and a correlated reduction of the market value of the Warrants, would generate extraordinary income in 2002.

Lastly, other extraordinary components referred to the charges related to the integration process among the merged banks, for the amount (47 million euro) exceeding the specific reserve amounting to 269 million euro set up in 1999 and later fully used.

The 2001 statement of income shows a positive income tax balance for 146 million euro, essentially due to the registration of 342 million euro of assets from prepaid taxes for the fiscal loss of the year. This situation was determined by the low economic performance of the year as well as by the application of the reduced 19% tax rate – instead of the ordinary rate – on the substantial capital gains derived from the sale of tangible and financial fixed assets (equity investment in Banca Carime and branch network), as provided for by Legislative Decree 358/1997 and subsequent amendments, and by the application of the reduced tax rate on the dividends distributed by *Neuf SA*. The registration of prepaid taxes was made on the basis of a reasonable prediction that the Group will return, already in 2002, to full profitability. The entire use of the mentioned fiscal loss may in any case occur in the 5-year period provided for by the law.

It must be noted that, following the judgement of non-admissibility made by the European Commission, the tax incentives provided for by Legislative Decree 153/99 (the so-called Ciampi Law) were prudentially not considered in the determination of the Bank's tax position. To cover the tax benefits used by IntesaBci in the last few years – in legitimate application of the mentioned Decree which is now disputed by the European Commission – the Bank recorded total provisions amounting to 263 million euro, of which 143 million euro charged to the 2001 statement of income also for the correlated legal interest and 120 million euro liberated in the Allowance for taxation, following the cancellation (because unfounded) of pending litigations with the Tax Authorities regarding merger goodwills and the interpretation of Dual Income Tax Regulations. As already mentioned at the beginning, the charge generated by the said EU decision was covered also through the use of the Reserve for general banking risks.

Reclassified balance sheet

(in millions of euro)

Assets	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
1. Cash and deposits with central banks and post offices	**829.0**	774.0	55.0	7.1
2. Loans				
– loans to customers	**132,055.2**	134,753.6	(2,698.4)	(2.0)
– due from banks	**44,964.2**	42,871.0	2,093.2	4.9
3. Trading portfolio	**21,384.1**	26,686.4	(5,302.3)	(19.9)
4. Fixed assets				
a) investment portfolio	**4,521.6**	6,006.1	(1,484.5)	(24.7)
b) equity investments	**11,824.4**	11,643.2	181.2	1.6
c) tangible and intangible	**3,012.4**	3,470.6	(458.2)	(13.2)
5. Other assets	**20,090.4**	17,366.6	2,723.8	15.7
Total Assets	**238,681.3**	243,571.5	(4,890.2)	(2.0)

(in millions of euro)

Liabilities and Shareholders' Equity	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
1. Debts				
– due to customers	**77,137.2**	78,531.1	(1,393.9)	(1.8)
– securities issued	**46,368.8**	43,156.3	3,212.5	7.4
– due to banks	**64,571.6**	75,286.7	(10,715.1)	(14.2)
2. Allowances with specific purpose	**3,345.4**	4,632.2	(1,286.8)	(27.8)
3. Other liabilities	**21,850.4**	17,667.2	4,183.2	23.7
4. Allowances for possible loan losses	**88.5**	187.3	(98.8)	(52.7)
5. Subordinated liabilities	**11,341.5**	9,145.3	2,196.2	24.0
6. Shareholders' equity				
– share capital and reserves	**13,640.5**	13,190.9	449.6	3.4
– net income for the period	**337.4**	1,774.5	(1,437.1)	(81.0)
Total Liabilities and Shareholders' Equity	**238,681.3**	243,571.5	(4,890.2)	(2.0)

Guarantees, commitments and credit derivatives	**111,875.7**	123,012.1	(11,136.4)	(9.1)
Indirect customer deposits	**234,856.8**	243,119.6	(8,262.8)	(3.4)

Lending and deposit collecting activities

Lending

The trend of lending and deposit collecting activities with customers was significantly influenced by the extraordinary transactions completed during the year. As already outlined in the information regarding the Group's New Model, doubtful loans amounting to 1,300 million euro have been divested – either through direct sale or securitisation. Noteworthy are also the effects deriving from the sale of 102 branches, which influenced total lending aggregates for approximately 600 million euro and direct and indirect customer deposits for approximately 650 million euro and 1,100 million euro respectively.

In this context, intermediation with customers registered a good growth rate in funding and a decline in loans. With respect to the figures of December 2000, the former recorded a 3.3% increase (approximately 1% in terms of average volumes, for the portion related to Italian branches), conversely loans showed a slight decrease (– 2%) in terms of year-end figures, with a significant expansion in terms of average volumes (8% for the portion related to Italian branches).

Loans to customers

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000 pro forma	Changes	
			amount	%
Current accounts	**28,440.2**	27,349.5	1,090.7	4.0
Mortgages	**34,746.4**	31,989.6	2,756.8	8.6
Advances and other loans	**62,562.4**	67,655.6	(5,093.2)	(7.5)
Repurchase agreements	**5,038.2**	5,440.4	(402.2)	(7.4)
Doubtful loans	**1,268.0**	2,318.5	(1,050.5)	(45.3)
Total loans	**132,055.2**	134,753.6	(2,698.4)	(2.0)
including with residents in Italy	***107,374.1***	*109,487.6*	*(2,113.5)*	*(1.9)*
with residents in other EU Countries	***11,865.3***	*14,466.8*	*(2,601.5)*	*(18.0)*
with residents in non-EU Countries	***12,815.8***	*10,799.2*	*2,016.6*	*18.7*

As shown in the table above, total loans as at 31st December 2001 equalled 132,055 million euro following the diverse trends recorded by the various contract types. Among these, the significant drop in doubtful loans related to the aforementioned sale of non-performing loans (in detail, 712 million euro referred to the securitisation and 575 million euro to the transfer to IntesaBci Gestione Crediti). In consistent terms – eliminating these items and the effects of the sale of branches – total loans to customers would be practically unchanged compared to as at 31st December 2000.

As concerns other loan categories, the positive trends recorded by mortgages (+ 8.6%) and current accounts (+ 4%) offset the reductions in advances and other loans (– 7.5%) and in the more “financial” loan categories, such as repurchase agreements (– 7.4%).

Geographic areas - Italy	31/12/2001	31/12/2000 pro forma
North West	**64.8%**	62.7%
North East	**12.7%**	13.4%
Centre	**13.2%**	14.0%
South and Isles	**9.3%**	9.9%
Loans - Italy	**100.0%**	100.0%

Loans granted by IntesaBci to customers resident in Italy represented an extremely significant portion (over 80%) of total loans. Within this category, with respect to last year, a slight growth rate is recorded in the North West that, due to the significant presence of the networks of merged banks, continues to represent the area with the greatest use of overall credit.

Approximately half of the loans to non-resident customers has been granted to EU borrowers, while only 10% of total loans has been granted to non-EU residents. In this last category, non-guaranteed exposures with borrowers who are resident in non-OECD Countries amounted to just 123 million euro (0.1% of total loans), as described in greater detail hereafter.

In the table below, loans to customers are broken down based on the regularity of reimbursement.

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000 pro forma	Changes	
			amount	%
Doubtful loans	**1,268.0**	2,318.5	(1,050.5)	(45.3)
Substandard loans	**2,515.8**	1,666.1	849.7	51.0
Restructured loans and loans under restructuring	**330.1**	329.2	0.9	0.3
Loans subject to Country risk	**95.5**	94.2	1.3	1.4
Performing loans	**127,845.8**	130,345.6	(2,499.8)	(1.9)
Total loans	**132,055.2**	134,753.6	(2,698.4)	(2.0)

Non-performing loans recorded a substantial drop in doubtful loans, down to 1,268 million euro, following the aforementioned securitisation and the sales to IntesaBci Gestione Crediti. Net of the effects of these disposals, doubtful loans would show an increase, which for almost a third is attributable to the portion which has not been written down of the exposure to the *Enron Corporation*, that also refers to the guaranteed portion.

Gross doubtful loans amounted to 2,347 million euro and is covered by value adjustments for 1,079 million euro, with a percentage coverage of 46%. The incidence of doubtful positions (doubtful short-term loans are sold every year to IntesaBci Gestione Crediti, the Group's doubtful loan recovery company) on total loans to customers equalled 1%, with a considerable drop compared to the ratio in 2000 (1.7%), also attributable to the aforementioned disposals.

The growth in substandard loans (+ 51%) is partly due to the difficult situations which are emerging in certain companies operating in the sectors more severely hit by the difficult economic context and the events of last 11th September and partly to the activation also in the former BCI network of the "Problem loan process" – already implemented in the former Banco Ambrosiano Veneto and Cariplo networks – described in this Report in the chapter dedicated to credit granting, monitoring and management. The implementation of this process enabled to identify with greater timeliness and precision, also via the use of sophisticated IT procedures, critical situations and consequently take fast and adequate actions for the management of the positions. The experiences in the former Banco Ambrosiano Veneto and Cariplo networks testify that, after a first phase in which non-performing positions increase, there is a significant contraction due to the more attentive management and the greater timeliness of interventions.

Restructured loans and positions subject to Country risk remained at contained levels: the former equalled 330 million euro, while the latter amounted to 95 million euro. Both aggregates were practically stable with respect to as at 31st December 2000.

Lastly, with reference to performing loans, that is loans which present no critical elements, it must be noted that the aggregate is covered by provisions in the generic reserve of 546 million euro, which guarantees a degree of coverage of performing loans, net of repurchase agreements and loans granted to Group companies, equal to 0.5%.

Country Risk

As regards more in general loans subject to Country risk, the table below shows both overall exposure (comprising on-balance and off-balance sheet loans and securities in the investment portfolio) and so-called value at risk, complemented by the relevant adjustments.

The table excludes loans (on-balance sheet and off-balance sheet) to certain Countries (*Bermuda*, *Cayman Islands*, *Virgin Islands*) for which the judgement of creditworthiness is confirmed by their positive market quotations based on expectations of full debt repayment. The same approach was adopted with regard to a primary counterparty resident in Russia, whose exposure is supported by sound reimbursement sources outside the Country.
Also securities held in the trading portfolio were excluded from the risk calculation as they had been already marked to market. For supervisory purposes, all these loans at risk – which totalled 493 million euro for on-balance sheet loans and 12 million euro for off-balance sheet loans – were considered under the direct coverage of shareholders’ equity, with a capital absorption of 82 million euro.

(in millions of euro)

Countries	31/12/2001			31/12/2000 pro forma		
	Non-guaranteed exposure [1]	Value at risk [2]	Adjustment	Non-guaranteed exposure [1]	Value at risk [2]	Adjustment
Brazil	**199.1**	**183.9**	**59.3**	255.8	230.7	61.8
Lebanon	**56.0**	**10.8**	**1.6**	61.2	11.9	2.3
Argentina	**53.6**	**52.8**	**21.1**	30.1	17.6	4.4
Indonesia	**47.5**	**47.5**	**14.8**	59.9	59.8	23.9
Venezuela	**46.6**	**45.2**	**9.0**	35.9	34.3	6.8
Egypt	**45.8**	**24.6**	**3.6**	39.9	12.5	1.8
Jordan	**43.3**	**26.7**	**4.0**	38.4	13.9	3.5
Dutch Antilles	**25.1**	**25.1**	**5.0**	12.4	12.4	2.4
Republic of South Africa	**14.1**	**7.1**	**1.0**	35.8	22.7	3.4
Russia	**12.3**	**10.8**	**2.7**	122.0	120.7	72.1
Other Countries	**99.3**	**38.3**	**10.8**	115.1	40.1	10.9
Total	**642.7**	**472.8**	**132.9**	806.5	576.6	193.3
including						
• *On-balance sheet exposures*						
– *customers*	***123.1***	***116.9***	***27.6***	*115.7*	*96.0*	*21.5*
– *banks*	***150.1***	***126.1***	***32.3***	*114.0*	*103.6*	*32.7*
– *securities portfolio*	***53.6***	***53.6***	***30.7***	*141.8*	*141.8*	*82.2*
• *Off-balance sheet exposures*						
– *customers*	***10.1***	***9.5***	***1.6***	*16.5*	*15.4*	*4.1*
– *banks*	***305.8***	***166.7***	***40.7***	*418.5*	*219.8*	*52.8*

(1) *Calculated as the value of loans and securities in the investment portfolio net of guarantees admitted by the Bank of Italy.*
(2) *Calculated as the value of loans and securities in the investment portfolio considered as the basis for the application of lump-sum adjustments, with the exclusion of 85% of nominal amount of commercial loans.*

Non-guaranteed exposure with residents in non-OECD Countries decreased by 164 million euro. On-balance sheet exposures with customers and banks recorded a 44 million euro rise (in total up to 273 million euro), whilst off-balance sheet exposures decreased by 119 million euro and exposure on securities dropped by 88 million euro. Considering the different Countries, Brazil and Russia recorded the most substantial decreases. The former declined mostly as a result of the reduction in the surety granted to the subsidiary Banco Sudameris Brasil and the latter decreased due to the sale of securities following the restructuring of the Russian debt. As concerns the increase of the exposure to Argentina, it must be noted that it is accompanied by a substantial rise in specific value adjustments with an increase in coverage from 15% to 40% in net non-guaranteed exposure. The increase in exposure with that Country is partly due to the inclusion in the calculation of the risk referred to the subordinated loans issued by the subsidiary Banco Sudameris Argentina.

Total adjustments for Country risk dropped by approximately 60 million euro (– 31%) and ensured a coverage of non-guaranteed exposures of 22% with reference to on-balance sheet loans, of 13% relatively to off-balance sheet loans and over 57% as concerns securities.

Customer funds

(in millions of euro)

Subcaptions	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
Deposits	**2,846.6**	3,097.7	(251.1)	(8.1)
Current accounts and other	**67,179.7**	69,145.9	(1,966.2)	(2.8)
Bonds	**31,936.8**	28,503.2	3,433.6	12.0
Certificates of deposit	**12,999.3**	13,076.9	(77.6)	(0.6)
Other	**1,621.7**	1,956.0	(334.3)	(17.1)
Repurchase agreements	**6,921.9**	5,907.8	1,014.1	17.2
Subordinated and perpetual liabilities	**10,934.5**	8,508.3	2,426.2	28.5
Total direct deposits (*)	**134,440.5**	130,195.8	4,244.7	3.3
Indirect customer deposits	**234,856.8**	243,119.6	(8,262.8)	(3.4)
Customer deposits under administration	**369,297.3**	373,315.4	(4,018.1)	(1.1)
(*) including with residents in Italy	***106,053.6***	*100,516.7*	*5,536.9*	*5.5*
with residents in other EU Countries	***12,541.2***	*14,762.4*	*(2,221.2)*	*(15.0)*
with residents in non-EU Countries	***15,845.7***	*14,916.7*	*929.0*	*6.2*

Direct customer deposits as at 31st December 2001 amounted to 134,441 million euro, with a 3.3% growth rate. Excluding the effects of the sale of branches, the increase would have been just under 4%.

Particularly positive trends were recorded by issued bonds (+ 12%) and subordinated liabilities [2] (+ 28.5%), the latter also to improve capital ratios, while the stability of certificates of deposit was attributable to the substantial amounts issued by the New York branch, which offset the physiological decline of this instrument in the Italian branches.

The drop in deposits and current accounts, partly ascribable to the sale of branches, was partly offset by the increase in repurchase agreements, also determined by a transfer – to the London branch – of funding which was previously more concentrated on banking counterparties.

Geographic areas - Italy	31/12/2001	31/12/2000 pro forma
North West	**61.1%**	61.0%
North East	**12.0%**	12.0%
Centre	**12.4%**	13.0%
South and Isles	**14.5%**	14.0%
Deposits - Italy	**100.0%**	100.0%

(2) *The figure for subordinated liabilities shown in the table differs from that in caption 110 “Subordinated liabilities” in the balance sheet since part of such funds are raised with banks.*

The table above shows geographic distribution of direct customer deposits (excluding bonds) from counterparties resident in Italy, which represented almost 70% of the total and which did not record significant variations compared to the previous year.

Indirect customer deposits

Indirect customer deposits as at 31st December 2001 amounted to 234,857 million euro, with a 3.4% decrease with respect to 2000, which is the combined effect of a growth rate exceeding 2% in average nominal volumes offset by a marked decrease in their market value.

Managed funds – which represented 33% indirect customer deposits – dropped to 78,442 million euro, down by 8.4%. Excluding the effects of the sale of branches, the decrease in indirect customer deposits and managed funds would have equalled 2.9% and 8% respectively. The decrease in this aggregate – which in the last months of the year started to show comforting signs of an inversion in the trend – was significantly affected by the unfavourable stock market trends, which produced a contraction in asset management, in addition to the aforementioned decrease in market value of securities under management.

Financial activities

Securities portfolio

(in millions of euro)

Subcaptions	**31/12/2001**			**31/12/2000 pro forma**		
	Book value	**Market value**	**Implicit gains/losses**	**Book value**	**Market value**	**Implicit gains/losses**
Investment portfolio	**4,476.2**	**4,470.3**	**(5.9)**	5,447.7	5,339.5	(108.2)
Trading portfolio						
– debt securities	**20,212.5**	**20,230.2**	**17.7**	24,941.3	24,975.3	34.0
– shares, quotas and other forms of capital	**1,171.6**	**1,180.6**	**9.0**	1,570.6	1,571.1	0.5
Total trading portfolio	**21,384.1**	**21,410.8**	**26.7**	26,511.9	26,546.4	34.5
Pension fund investments						
– Investment portfolio	**45.4**	**45.4**	**–**	558.4	586.7	28.3
– Trading portfolio	**–**	**–**	**–**	174.5	242.9	68.4
Total pension fund investments	**45.4**	**45.4**	**–**	732.9	829.6	96.7
Total	**25,905.7**	**25,926.5**	**20.8**	32,692.5	32,715.5	23.0

The securities portfolio as at 31st December 2001 decreased to 25,906 million euro, with an almost 6,800 million euro decline compared to as at 31st December 2000. It is made up of investment securities for 4,476 million euro, and securities held for trading for 21,384 million euro and by securities belonging to the Internal pension funds of former Cariplo tax collection employees amounting to 45 million euro.

The investment portfolio recorded a 972 million euro decrease, which is significantly attributable (for over 670 million euro) to the operations for the gradual substitution of the securities given as guarantee of the *Warrants Put IntesaBci* issued at the time of the Tender Offer, with other with residual life no lower than the exercise period for such warrants (15th November 2002). During the year reimbursements amounted to 471 million euro and purchases 267 million euro.

Implicit net capital losses of 6 million euro were not recorded on the investment portfolio.

The trading portfolio recorded a decrease in excess of 5,000 million euro, also as a result of policies which, given peculiar market conditions, privileged – as described in greater detail in the preceding pages – dynamic trading and the reduction of lower return positions. In addition, the portfolio reflected the aforementioned policy aimed at reducing due to banks, which had been structurally high in the past. As a result of unified access to the financial markets, it was possible to attain greater efficiency conditions and higher homogeneity in the Bank's financial situation. As to the composition of the portfolio, it was mainly made up of Buoni Ordinari del Tesoro (short-term Government bonds) for 1,502 million euro, corporate bonds for 10,240 million euro, securities in structured portfolios for 7,342 million euro and lastly by shares, quotas and other forms of capital for 1,172 million euro.

Implicit net capital gains of 27 million euro were not recorded on the trading portfolio.

Securities in the portfolio of the Internal pension funds recorded a substantial drop, since the assets of one of the pre-existing funds were transferred during the year to an external fund, in application of specific Trade Union agreements.

Off-balance sheet transactions

The table below shows notional amounts of derivatives as at 31st December 2001.

(in millions of euro)

Contract type (notional amounts)	**31/12/2001**	**31/12/2000 pro forma**	**Changes**	
			amount	**%**
Trading				
Interest rate and equity linked derivatives	**1,074,470.1**	585,147.3	489,322.8	83.6
Foreign currencies purchases and sales	**72,096.5**	76,059.7	(3,963.2)	(5.2)
Foreign currencies derivatives	**7,631.3**	4,176.8	3,454.5	82.7
Securities derivatives	**757.0**	2,015.5	(1,258.5)	(62.4)
Total	**1,154,954.9**	667,399.3	487,555.6	73.1
Hedging				
Interest rate and equity linked derivatives	**52,053.8**	73,190.7	(21,136.9)	(28.9)
Foreign currencies purchases and sales	**9,103.2**	16,437.6	(7,334.4)	(44.6)
Foreign currencies derivatives	**2,377.1**	3,387.8	(1,010.7)	(29.8)
Securities derivatives	**1,112.5**	462.5	650.0	
Total	**64,646.6**	93,478.6	(28,832.0)	(30.8)

in addition to Credit derivatives (trading book)	**68,076.6**	57,435.9	10,640.7	18.5

Trading transactions increased to 1,155 billion euro, with an approximately 70% rise entirely attributable to the substantial expansion of interest rate and equity linked contracts, which represent over 90% of total operations. Increased trading, mostly dedicated to Overnight

Interest Rate Swaps and Forward Rate Agreements, is connected – as already illustrated in detail in the paragraphs dedicated to financial activities in the year – to the general objectives of consolidating IntesaBci's role as market maker for this segment of the Italian market, in addition to its future promotion in Europe. Operating developments were favoured by high market volatility, due to the repeated interventions on interest rates enacted by the monetary authorities.

Conversely, hedging transactions recorded a drop exceeding 30%, again mostly in interest rate derivatives, which also in the case of hedging activities represented the most significant component. This contraction was more than counterbalanced by the simultaneous increase in internal deals closed for hedging purposes (which are not included in the table above), following the centralised access to markets through specialised units.

The progressive consolidation in the credit derivatives market continued; as concerns trading, notional amounts of contract outstanding reached 68 billion euro, with an approximately 11 billion euro increase compared to as at 31st December 2000. Particularly active in this area, IntesaBci closed two synthetic securitisation transactions, the first amounting to one billion dollars, on a portfolio of loans granted to airline companies and the second on a portfolio of credit default swaps of 805 million euro. These securitisations – called respectively *Leonardo* and *Scala 3* – are described in detail in the Notes to the consolidated financial statements.

For the sake of completeness the notional amount of the *Warrants Put IntesaBci* (2,576 million euro) issued at the time of the Tender Offer for Banca Commerciale Italiana shares must be added to the transactions contained in the table above.

Interbank position

(in millions of euro)

Captions	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
Due from banks repayable on demand	**4,034.7**	4,109.0	(74.3)	(1.8)
Due to banks repayable on demand	**13,606.2**	22,247.5	(8,641.3)	(38.8)
Net interbank position repayable on demand	***(9,571.5)***	*(18,138.5)*	*(8,567.0)*	*(47.2)*
Due from banks with notice period	**40,929.5**	38,762.0	2,167.5	5.6
Due to banks with notice period	**50,965.4**	53,039.2	(2,073.8)	(3.9)
Net interbank position with notice period	***(10,035.9)***	*(14,277.2)*	*(4,241.3)*	*(29.7)*
Net interbank position	**(19,607.4)**	(32,415.7)	(12,808.3)	(39.5)

As at 31st December 2001 the net interbank position had a negative balance of 19,607 million euro, with a considerable decrease compared to the previous year.

As already described above, the contraction is attributable to the strategies aimed at improving the Bank's liquidity situation and thus reducing bank funding – which had in the past reached particularly high levels – also via the reduction of lower-return financial investments. The sums collected in relation to the sales of equity investments and branches which occurred during the year also had beneficial effects on liquidity.

Equity investments

As at 31st December 2001 total equity investments amounted to 11,824 million euro. Of this, 8,668 million euro referred to Group companies, while 3,156 million euro referred to other equity investments.

Important initiatives taken during the year had significant effects on the rise in equity investments in Group companies. Among these, the most important in terms of share capital (approximately 1 billion euro) refers to the establishment of *IntesaBci Investimenti*, [3] company incorporated under Italian law destined to operate on portfolios of quotas issued by foreign *Sicavs* with high return potentials, for the purpose of offering the Group's primary customers advantageous alternative investment opportunities.

More specifically, the operations of the new company will enable IntesaBci to invest in the variable capital of one or more *Sicavs*, by purchasing them from a primary foreign bank with which IntesaBci will simultaneously sign a commitment to resell the shares at a later date, at a predetermined price. Specific swap contracts will insure that the investment bears an adequate profitability. At the same time, IntesaBci will replicate the operation – again using repurchase agreements – with IntesaBci Investimenti, which will purchase the quotas of the *Sicavs* cash with the commitment to resell them forward. Customers in turn may invest, with the typical repurchase agreement contract, in the shares of IntesaBci Investimenti.

With purely financial objectives IntesaBci acquired equity stakes in two new legal entities, established at the time of the change in the controlling interest in the Montedison and Telecom groups. In relation to the latter, IntesaBci acquired – with a disbursement of 520 million euro – 10% of the share capital of *Olimpia* (a special purpose vehicle in which Pirelli holds a 60% stake), which acquired a controlling interest in the Telecom Italia group, through the holding company Olivetti. Specific put&call options ensure IntesaBci the possibility, after a five-year period, to exit from the investment at the conditions provided for by the specific cap&floor clauses.

In the case of Montedison, IntesaBci acquired – with the integral reinvestment of the consideration of 190 million euro, received for the simultaneous sale of its equity interest in the company – a 5.99% [4] stake in the share capital of *Italenergia*, a newly-established legal entity with a corporate purpose for specific industrial operations in the sector, with which the property of the Montedison group was transferred to the new reference shareholders. IntesaBci's investment – which considers the important potential operating developments for the Bank, also in relation to the standing of the partners involved – will enable the company to play a forefront role in the energy supply sector.

Lastly it must be noted that the 1.21% equity stake in *Commerzbank* – previously accounted for in the trading portfolio – was booked in equity investments, in consideration of the fact that it had become strategic because it is part of a long-lasting relationship. It must be noted that – in compliance with the joint regulations issued by Consob and Banca d'Italia – the transfer occurred at a value of 148 million euro, determined using the average price struck by the share in the thirty days prior to the date (25th September 2001) in which the Executive Committee resolved for the transfer, and charging to the statement of income 51 million euro for the difference compared to the initial cost of the equity investment.

As part of the rationalisation of the organisational structure and of the business areas, new investments – via contributions of business branches – also involved *IntesaBci Mediocredito* (819 million euro) and *IntesaBci Sistemi e Servizi* (89 million euro). 500 million euro were instead invested to strengthen the capital base of *IntesaBci Holding International*, also in consideration of the performances of the South-American subsidiaries.

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(3) *Formerly Compagnia Italiana Investimenti Diversificati.*

(4) *7.16% of voting rights.*

Among the decreases, we recall the sales of *Banca Carime* and *Banca di Legnano*, for a total book value of 1,862 million euro.

Particularly significant among other equity investments, private equity activities led to the acquisitions of new stakes for a total of 73 million euro, in addition to 16 million euro of greater investments in already-participated companies. Disposal of equity interests in the year amounted to approximately 100 million euro.

Group companies' performance

In Italy

Gruppo IntesaBci operates in Italy through the Parent Company and 50 companies, of which 16 perform banking activities, 27 financial and distribution activities and, finally, 7 auxiliary support activities.

Banking area

Main Group banks

In its current structure, ***Cassa di Risparmio di Parma e Piacenza*** represents the entity generated by the spin-off of the homonymous bank of the "old" company which was subsequently merged into the Parent Company.
The analysis of the various statement of income components during the year points out a net income of 160 million euro, 53% higher than the previous year's. Despite difficulties raised by the economic slowdown, interest margin rose to 370.3 million euro (approximately +5%), thanks to the positive developments of intermediated volumes and the effective action taken to support spreads. Net commissions from services performed less satisfactorily and the approximately 13% reduction – particularly in the asset management component – was only partly offset by the positive performance of commissions not linked to securities dealing and of profits on financial transactions. The attentive cost containment policy and the actions aimed at recovering productivity determined an approximately 10% reduction in total administrative costs, leading to appreciable improvements (+ 12%) of operating margin, up to 282.8 million euro. Provisions for potential risks and adjustments to loans stood at physiological values, while a significant contribution to net income was given by capital gains realised from the sale of certain branches, in the framework of the streamlining of the Group's sale network and in line with the indications of the Antitrust Authorities.

As to the balance sheet, both loans to customers (8,576 million euro) and direct customer deposits (10,464 million euro) recorded significant developments, respectively of 8% and 10.2%. Instead, indirect customer deposits registered a decline to 21,418 million euro (– 10.6%), also as a consequence of the shift in customer preferences from financial markets to other types of investments.

Banca Popolare FriulAdria recorded a net income for the period of approximately 35 million euro, with an approximately 29% rise, which is also connected to the structural and organisational changes implemented, among other things, with the acquisition in 2000 of 60 branches belonging to Banco Ambrosiano Veneto.

The expansion of the company's size determined considerable improvements for all income components. Interest margin increased by approximately 24% to 132 million euro, while net interest and other banking income – mainly supported by a substantial rise in commissions from services and by the return to profits on financial transactions – reached 221 million euro, with an increase exceeding 36%. The marked rise in general expenses, mostly due to restructuring operations, coupled with higher requirements for the coverage of possible loan losses and other risks, were easily absorbed, allowing to reach an operating margin (80.1 million euro) and, subsequently, an income from operating activities (65.7 million euro) reflecting an extremely positive performance (+ 73% and + 79%, respectively).

As to the balance sheet, loans to customers and direct customer deposits stood both at around 2.6 billion euro with higher rises on loans (approximately + 13%) and lower increases on deposits (approximately + 6%). Indirect customer deposits were influenced by the lower market value of securities and equalled 5,027 million euro (approximately – 11%).

In the general redefinition of the Group's presence in the medium- and long-term lending sector, a new product-company, named ***IntesaBci Mediocredito***, was established through the contribution of part of the activities formerly performed by Mediocredito Lombardo, which was merged in IntesaBci. The new company benefits from the competitive advantages deriving from the long-lasting experience in that sector as well as from the assistance of Group structures for the governance and support functions. In its new configuration, the company closed its first year with a net income of 29.3 million euro, which received a significant contribution from interest margin (91.6 million euro), confirming the quick take off of ordinary operations. Operating costs resulted particularly contained (23.5 million euro) also due to the organisational synergies with the Parent Company.

As at 31st December 2001 IntesaBci Mediocredito showed loans to customers totalling 12,316 million euro.

The other Regional banks

Among the other Regional banks, ***Banco di Chiavari e della Riviera Ligure*** virtually confirmed, with 17.5 million euro, the net income achieved in the previous year. The rise in interest margin to 65 million euro (approximately + 2%) – mainly due to the development of loans to customers, with slightly declining interest rate spreads – was offset by the contraction in net commissions and in profits on financial transactions, as a combined effect of unfavourable market conditions on asset management and securities intermediation activities. This fact determined slight reductions both in net interest and other banking income (– 1.9%) and in operating margin, down to 36.4 million euro (– 3.4%) despite an efficient containment of administrative and structural costs. After greater net adjustments to loans, net income for the year rose to the previous year's level, thanks to the contribution from extraordinary activities and to a more contained tax burden.

As to the balance sheet, the increase to 1,420 million euro (+ 9.7%) of loans to customers was accompanied by the rise exceeding 16% of direct customer deposits, up to 1,670 million euro, mainly due to the strong increase in current accounts and bond issues. By contrast, indirect customer deposits decreased to 3,129 million euro (– 3.8%), also as a result of the contraction in the market value of underlying securities.

The statement of income of ***Banca di Trento e Bolzano*** recorded a 4.8% rise in interest margin, which determined – jointly with satisfactory profits on financial transactions, although partly eroded by a marked drop in net commissions – the stability of net interest and other banking income (72.6 million euro) at a slightly higher level than a year earlier. On the contrary, income from operating activities declined to 6.4 million euro (*ex* 8.5 million euro) also as a result of write-downs on the investment portfolio aimed at prudentially marking to market their value and also reflecting the solvency of the issuer. The statement of income closed, thanks to the use of the reserve for general banking risks, with a net income of 9.5 million euro, in line with the previous year.

As to the balance sheet, loans to customers recorded a sustained growth (1,333 million euro; + 14.6%) and also customer deposits registered a positive but more contained performance (1,479 million euro; approximately + 3%). On the contrary, indirect customer deposits decreased (– 8%) as a consequence of the negative stock market performance which directed investors towards other types of investments.

The return of ***Banca Cis*** to full profitability, with a net income of 14.5 million euro, was particularly significant. Operations were affected by the strong increase in its activities as concessionary bank for the assessment of investment projects developed in compliance with various national and regional laws. In economic terms, this fact is reflected in the considerable rise of net commissions, in the virtual stability of interest margin and in a physiological rise in operating costs, despite the reorganisation plans currently under way. The above led to an operating margin of 35 million euro, approximately 12% higher than a year earlier. Considerable benefits to the statement of income derived from the strong reduction in net adjustments to loans, also as a result of the transfer of the doubtful loan portfolio to IntesaBci Gestione Crediti.

Balance sheet figures are summarised in a 13.9% reduction in loans to customers, partly due to the mentioned transfer of the doubtful loan portfolio, and in a parallel contraction (approximately – 10%) of direct customer deposits, mostly due to the reduced bond component.

Other Saving banks

Cassa di Risparmio di Biella e Vercelli recorded highly positive results with a net income for the year reaching 36.2 million euro (*ex* 13 million euro). Very significant was the contribution of interest margin (+17%), which was reflected practically unchanged on net interest and other banking income as a result of the considerable increase in profits on financial transactions and in other net operating income, the rise of which basically neutralised the marked drop in net commissions. The success of the cost containment policy (– 2.5%) contributed to achieve an operating margin of 43.5 million euro, with a 40.7% rise from the previous year. Lower adjustments for credit risks and substantial contributions from extraordinary activities finally led to the mentioned net result.

As to the balance sheet, both loans to customers (1,627 million euro; + 3.3%) and direct customer deposits (1,946 million euro; + 4%) recorded equally positive performances, while indirect customer deposits registered a 6.7% drop to 2,658 million euro.

The Saving banks reporting to ***Carinord 2***, the new holding company formed by the total spin-off of Carinord Holding, improved the good economic results which had been already achieved in the previous year. ***Cassa di Risparmio di Carrara***, in particular, closed the year with a net income of 5.2 million euro (+ 13%), thanks to a good growth of both net interest income and commissions and to a contained reduction of operating costs. At virtually the same level was the result achieved by ***Cassa di Risparmio della Spezia*** (5.1 million euro), although in the latter case with a much lower growth rate (approximately + 6%), due to the rises in interest margin and in profits on financial transactions which offset the reduction in net commissions.

Balance sheet figures showed differentiated results in different local situations, but anyhow confirm or improve the previous year’s positions regarding loans to customers, while direct customer deposits presented a slight rise for both companies and indirect customer deposits showed a reduction, more significant for Cassa di Risparmio di Carrara.

The Saving banks in Central Italy – reunited under the control of ***Holding IntesaBci Centro*** – considerably increased their annual results, mainly thanks to the generalised improvement of loan portfolio quality, which allowed to eliminate the main cause of low or zero profitability registered in 2000. Net incomes, also in relation to the size of each bank’s operations, range from the highest values of 13.7 million euro for ***Cassa di Risparmio di Rieti*** and of 28.1 million euro for ***Cassa di Risparmio della Provincia di Viterbo***, to the more contained but nonetheless significant values of ***Cassa di Risparmio di Spoleto*** (3.9 million euro), of ***Cassa di Risparmio di Foligno*** (3.4 million euro), of ***Cassa di Risparmio di Città di Castello*** (1.1 million euro) and of ***Cassa di Risparmio di Ascoli Piceno*** (8.8 million euro).

Loans to customers granted by the Saving banks of Holding IntesaBci Centro totalled 2,661 million euro (+ 6.5%), while direct customer deposits rose by 0.8% to 3,496 million euro. Indirect deposits declined to 3,526 million euro (– 5.5%).

Financial activities

Securities trading

At the end of the year, with effect as of 1st January 2001, *Caboto Holding Sim* and *Caboto Sim* implemented a radical reorganisation of the Group's securities house through the integration in a single entity named ***Caboto IntesaBci Sim***. In addition to maintaining and expanding the most significant activities of its own *core business*, the new company acquired the responsibility of managing certain strategic sectors of the Parent Company, utilising the various experiences and professional capabilities in a synergic way. The company confirmed its position among the major players in Europe in the bond issues market and resulted particularly active also in securitisations, derivative instruments and equity activities. During the year the spin-off of the *IntesaTrade* division, which acquired autonomous legal status, was completed.

During the whole of 2001 the company was influenced by the uncertainties of the financial markets, which contributed to slow down activities in its specific operating area, with unfavourable repercussions both on interest margin and, above all, on net commissions. Income from ordinary operations totalled 143.1 million euro, with a 25.9% reduction only partly offset by the contraction of administrative costs, in terms of both personnel costs (approximately – 11%, following a reduction in the average number of staff) and other administrative costs (approximately – 13%, following an effective cost containment action). The effects on operating margin were inevitably negative, with an overall net income for the year contained to 5.2 million euro, compared to a net income of approximately 24 million euro in 2000.

Asset Management

In the framework of the reorganisation of the business areas, the asset management area was subject to deep rationalisation interventions, which substantially led to the merger, effective from 1st January 2002, into the single operating company ***Nextra Investment Management Sgr*** – the top Italian company in the asset management sector, with a market share close to 19% – of the activities performed separately in the pre-existing Intesa and BCI Groups, by *Intesa Asset Management Sgr* (IAM) and *Comit Asset Management Sgr* (CAM). In 2001, the activities autonomously managed by the two companies, were considerably affected by stock market volatility, which determined a negative balance in net capital inflows. This however only marginally impacted on total managed funds, which remained at very high levels. In fact, including individual portfolio management schemes, direct or delegated, total funds managed by the mentioned Sgrs (asset management companies) almost reached, net of duplications, 110 billion euro (approximately – 8%). The contraction was mostly due to a reduction in mutual funds and Sicavs, which was only marginally offset by increases in pension funds, individual portfolio management schemes and real estate funds. The net incomes of the two companies – equalling 51.5 million euro for IAM and 14.6 million euro for CAM (against respectively 78 million euro and 26 million euro in 2000) – must however be considered highly appreciable, considering the objective difficulties raised by the market.

Activities of Product companies

Intesa Leasing – which completed the organisational restructuring following the integration of the relevant activities formerly of BCI and the merger of *Fiscambi Locazioni Finanziarie* – maintained its second position among Italian players, in a market characterised by satisfactory growth rates. The particularly favourable dynamics of the real estate sector was reflected on the contracts stipulated by the Company, which rose, in terms of value, by approximately 23% up to over 2,400 million euro. Total leased assets thus reached 7,055 million euro. Operating margin rose considerably, while net income resulted – due to higher adjustments to loans – basically in line with the previous year (16.7 million euro; *ex* 17.4 million euro).

In the factoring sector, 2001 was characterised for ***Mediofactoring*** by certain particularly important events. In fact, in addition to the complete technological upgrade of the IT system, the integration with *Comit Factoring* was completed, through the contribution of the business branch in charge of operations. The operation led to a 1.3 million euro capital increase,

the recording of 13.6 million euro of goodwill and the acquisition of 55 employees.
It determined a strong growth in operations with a turnover nearing 28 billion euro, which enabled the subsidiary to easily maintain its leadership in the Italian market. As to the statement of income, net income equalled 29.7 million euro, exceeding by over 4% the already appreciable result achieved in 2000.

The Group's two networks of financial consultants which reported to *Intesa Italia Sim* and *Genercomit Distribuzione Sim* were contributed last August to a new entity, ***IntesaBci Italia Sim***, the first really multichannel Italian bank, mainly targeted to affluent customers and with distribution channels guaranteed not only by financial consultants and direct branches but also by on-line and telephone banking services, integrated in a logic of high quality standards of services offered. In addition to start-up costs, the company was inevitably affected by the sector's unfavourable situation, registering a significant drop in placement commissions and, as a consequence, in net income, which decreased to approximately one million euro, against over 18 million euro jointly achieved by the pre-existing entities in 2000.

Among the main other Product companies, ***Setefi*** – the company specialised in the management of credit card payment systems – raised its net income to 18 million euro, with an 11% increase. This positive result derived from the remarkable development of proprietary and managed cards, which rose by over 116,000 units to exceed 1,500,000 cards. Also the number of installed POS machines recorded a marked growth and reached 66,662 units (*ex* 49,727) with a number of managed transactions up by 43.6% (over 98 million transfers).

In 2001 collected premiums from the life-insurance market – in which the Group is present with ***Carivita*** – totalled approximately 47 billion euro (+ 10%), in a scenario characterised by changes in tax regulations and by persisting stock market volatility, which had positive effects on the sector starting from June. Moreover, the well-known September events strengthened the attractiveness of insurance products and made savers more aware of financial risks.
The new premiums collected in 2001 showed the greater appeal of guaranteed products: revalued policies, unit linked policies with guaranteed capital and index linked policies which represented 71% of the market, and showed a 65% growth rate, while unit linked policies without guarantee – leading product in the last two years – dropped by 35% to approximately 7 billion euro.

With the aim of rebalancing the portfolio mix, the subsidiary chose, already from mid 2000, to introduce innovative products with respect to index linked policies, such as unit linked policies with guaranteed capital. Furthermore, during 2001 Carivita made efforts to relaunch branch 1 products, determining an incidence of revaluable policies equalling 50% of the total portfolio. To complete the offer of unit linked products, the company distributed to the market a unit linked policy made up of accurately selected foreign mutual funds. Despite the slowdown in sales registered during the year (1,037 million euro), technical reserves rose to 6,132 million euro, with a 14% increase from 2000. Net income for the year rose to 22.2 million euro, with a 21% improvement from the previous year, while the ratio between net income and average shareholders' equity stood at 14.1%.

The company ***IntesaBci e.lab*** – which was assigned the task of acquiring, managing and developing strategic equity investments and partnerships in the strategic e-banking/e-commerce sector, with particular focus on home banking and on-line trading services, in co-ordination with the analogous activities performed within the Group – realised almost all foreseen projects, which were attributed to business units, established with company status, specialised by market segment.

Among these, the on-line trading platform ***IntesaTrade Sim*** at the end of 2001 had approximately 65,000 customers, involved in approximately 500,000 transactions for an overall counter-value of almost 1,900 million euro, while ***FundsWorld***, specialised in the sale of mutual funds, detained managed assets equalling approximately 22 million euro. In the electronic commerce sector – in which the ***Shoplà*** platform enables over 1,300 small- and medium-sized enterprises, Group customers, to place their products via the Internet – over 51,000 transactions were managed in 2001 for a total value of 8.3 million euro. The "electronic ticket office" will instead be managed by the company ***Charta***, which is developing the interesting opportunities offered by that sector for which specific regulations are expected shortly.
Finally *Moneta on-line* must be mentioned, an electronic rechargeable card usable to purchase via the Internet in absolutely secure conditions.

The statements of income of the companies reporting to *IntesaBci e.lab* are obviously still negative (approximately 30 million euro) as they were heavily affected by the high start-up costs of the various initiatives.

Activities of Service companies

As already mentioned in the introduction, ***IntesaBci Gestione Crediti*** – which has the specific mission of acquiring and managing doubtful loans from Group companies – closed the year with a loss of approximately 303 million euro, after the use of approximately 6 million euro from the reserve for general banking risks. The company recorded net commission income equalling 9 million euro and other operating income equalling 135 million euro, including 78 million euro related to the recovery of write-downs on loans recorded before their purchase. Such resources could not offset the considerable net adjustments to the proprietary portfolio (approximately 332 million euro, which dropped to 254 million euro considering the above recovery) coupled with approximately 76 million euro of operating costs, 32 million euro of net financial charges and 13 million euro of tax charges. The Parent Company's intervention will restore the company's Shareholders' equity.
As at 31st December 2001 the loan portfolio exceeded 10 billion euro at nominal value (acquired for 3.4 billion euro) and an additional 4.4 billion euro of loans were collected via an administration mandate given by other Group companies.

IntesaBci Sistemi e Servizi is responsible for the centralised functions of data processing, management of IT systems and acquisition of goods and services instrumental to the activities performed by Group banks and financial companies. In 2001 the company gave priority to the realisation of the IT structures connected with the construction and operational activation of the Group's New Model and also to the completion of the activities aimed at providing infrastructures, services and IT systems for the management of the changeover to the euro. The year closed with a net income of 0.6 million euro, in line with the pricing policy adopted with users, all within the Group.

In the tax collection sector, in accordance with the Group's industrial plan for the sector and with the development of the radical reform regarding tax collection activities started in 1999, the holding company ***IntesaBci Riscossione Tributi*** and the subsidiaries ***Esa.Tri.***, ***E.Tr.*** and ***S.Es.I.T.*** continued their respective projects of company reorganisation, even if they were often hindered by several doubts concerning the enforcement of new regulations. Notwithstanding that, the results achieved by the tax collection companies were appreciable (approximately 15 million euro total contribution to consolidated financial statements), especially because they represented an inversion with respect to the negative results of the previous years.
The positive result was achieved mainly thanks to the structural containment of operating costs, with actions both on the network of branches (with closure of 53 further units) and on labour costs, utilising instruments such as solidarity contracts and incentive-driven exit plans (164 staff reduction).

However, certain preoccupations derive from the fact that the remuneration system with concessionaires expired as at 31st December 2001, generating extreme uncertainties on the achievement and on the maintainment of the future economic breakeven of the sector. Should a fair review of the remuneration mechanism not be possible, the Group's tax collection sector would bear losses next year. Anyway, the envisaged scenario highlights that it is not possible to return to stable positive results only through an increase in revenues. It is, in fact, necessary to continue efforts aimed at containing operating costs, with the objective of achieving the structural, organisational and operational reductions necessary to ensure profitability of operations – although maintaining adequate efficiency and effectiveness of services – as soon as possible.

Abroad

Gruppo IntesaBci is present abroad with 75 companies, 23 of which performing banking activities, 46 financial or commercial activities and 6 auxiliary activities. Almost all foreign subsidiaries report to ***IntesaBci Holding International***, Luxembourg, which therefore had to bear the capital losses suffered during the year by Banque Sudameris, Paris, intermediate holding company which in turn was penalised by negative results of its networks in Peru and Argentina. As a consequence of these facts, IntesaBci Holding International closed the year with a loss of 644 million euro.

The Latin-American area and the Sudameris group

The macroeconomic context, in which the *Sudameris group* operates, showed in 2001 very different situations in the various Countries. The Brazilian economy confirmed its persisting recovery, the socio-economic conditions in Colombia and in Peru proved still fragile – with the latter being aggravated by a political crisis only now under resolution – whilst the situation registered a dramatic and rapid deterioration in Argentina, which was hit by a deep economic depression and by a political crisis producing heavy repercussions on the entire society and with no solutions currently envisaged.

In particular, Brazil succeeded in effectively containing the consequences of a serious energy crisis and the effects of the economic turbulences affecting Latin America in 2001. The Central Bank made timely interventions with successive rises in interest rates, restraining domestic demand and so preventing the return of inflation. Also the value of the *real* with respect to the dollar recovered most of the lost ground, after the drastic devaluation which reached its peak in the wake of 11th September events. The negative effects on public debt were counter-balanced by the relaunch of exports and the return to positive balance of trade figures. The ***Sudameris Brasil group*** pursued a policy mainly aimed at rationalising resources and company structures, creating a pole specialised in corporate activities and targeting a continuous improvement of the standard of services offered to customers. This generated a marked increase of the Group's performance, with a considerable rise in loans to customers, whereby the Group became the leader among the foreign banks operating in import-export financing and maintained the high quality of its portfolio. As at 31st December 2001, loans to customers almost reached 3,800 million euro (approximately + 14%, excluding the foreign exchange effect). Instead, direct customer deposits declined by approximately 11% (always on a net basis) to approximately 3,500 million euro, while indirect customer deposits equalled 3,956 million euro and confirmed the previous year's figures.

The improved operating conditions considerably re-launched the economic performance of the Sudameris Brasil group, which closed 2001 with a net income of approximately 60 million euro, a significant improvement compared to the loss of the previous year (– 133 million euro). In particular, substantial increases were recorded by net interest and other banking income, up by two and a half times to 640 million euro mostly for the contribution of interest margin. Operating margin was also considerably higher, now positive for 180 million euro, against a 220 million euro loss in 2000.

However, as already mentioned previously, ***Argentina*** is the Country which was hit with extreme virulence by a recession which – having shown the first signs in 1999 and despite the support given by the International Monetary Fund in 2000 – gradually worsened into a structural crisis with a very uncertain way out. In fact, the largely insufficient tax policy led the State and the Provinces to a condition of insolvency and to a generalised crisis of confidence which, especially at year-end, forced the restructuring of domestic public debt and the suspension of payments on foreign debt. The flight of deposits and the consequent legal restrictions aimed at limiting savers' access to their own funds, the end of the peso/dollar parity, the conversion in local currency of all domestic bank customer loans and deposits, created serious social tensions and political instability. Therefore, the banking system had to operate in a very critical scenario, not only having to face a liquidity crisis but also to absorb the impact on its statement of income both of the transformation of public securities in Government loans with longer maturities and lower interest rates, and of the conversion in pesos of assets and liabilities at differentiated foreign exchange rates imposed by the Central Bank. The deterioration of the economic situation had inevitably heavy repercussions on the solvency of companies and forced banks to allocate higher provisions for possible loan losses. For ***Banco Sudameris Argentina*** such events occurred concurrently with the final phase of the integration process of *Banco Caja de Ahorro* and with higher expenses linked to the organisational and IT restructuring. Considering that the exceptional situation induced the Central Bank – also following the persisting uncertainty on the real outcome of certain Government interventions aimed at mitigating sacrifices imposed to the banking system – to defer the legal terms governing the closure of financial statements, the Argentinean subsidiary prepared an *ad hoc* "situation of accounts". The "situation of accounts" was properly adjusted, as described in the Notes to the consolidated financial statements, and used for consolidation.

In ***Peru*** the economy, although not in a crisis, showed signs of a marked slowdown. Virtually no growth was recorded in 2001, mainly because of extremely weak domestic demand and stagnant foreign demand, which led to a balance of trade practically unchanged from the previous year. Other main economic indices show inflation under control and a slight strengthening of the local currency with respect to the US dollar. The banking system was characterised by a reduction of interbank interest rates, both in dollars and in local currency, and by a decline in loans to customers against a rise of customer deposits. The average quality of loans remained mediocre, even if the average delay on repayment presented some improvement. The measures taken by local authorities to revive the demand for loans do not appear, at least so far, to have produced the hoped effects.

The local subsidiary, ***Banco Wiese Sudameris***, was heavily affected by the stagnant economy and experienced a considerable deterioration of the quality of its loan portfolio, so that expired loans and refinanced and restructured loans increased respectively by 25% and 37%. In such situation, the French parent company *Banque Sudameris* decided to write off the asset value of its investment in the Peruvian subsidiary. In the financial statements of *Banque Sudameris* the contribution of the Peruvian subsidiary – for the portion pertaining to the group – was negative for a total of approximately 431 million euro.

After a long recession, during 2001 ***Colombia*** consolidated the process of economic development started in the previous year, even if the contraction of exports – partly due to a slowdown in the devaluation of the national currency against the US dollar – determined lower growth rates for GNP. After a particularly negative 2000, the local banking system returned to a more satisfactory profitability, mostly thanks to the improved quality of the loan portfolio. Also the operations of ***Banco Sudameris Colombia*** registered a generalised progress, returning virtually to breakeven after the loss of 14 million euro in 2000, as a result of an increase in loans to corporate customers, of a more satisfactory asset quality and of particular attention devoted to the containment of general costs.

As regards the other Countries in the area where the Sudameris group has a less significant presence, ***Banco Sudameris Paraguay*** (net income of 2.2 million euro) registered a satisfactory result, in spite of the difficult local economic situation, while the group's direct branch in ***Uruguay*** recorded an unfavourable economic performance, closing with a loss of approximately 5 million euro.

The financial statements of the holding bank ***Banque Sudameris***, Paris – which records equity investments as well as overseas branches without autonomous legal status – reflected not only the results of its mainly financial activities, but also the capital losses suffered by its various equity investments. In particular, the Argentinean situation required value adjustments and provisions for risks and charges totalling 440 million euro, of which 256 million euro for the write-off of the financial investment and 184 million euro for adjustments to loans.
As to Peru, the charge equalled 436 million euro for the write-off of the equity investment, while a further 25 million euro was allocated to provisions for various risks linked to the particular situation of the Country. These extremely peculiar events led to a loss for the year close to 900 million euro. As to the balance sheet, loans to customers reached 2,031 million euro (approximately + 15%) and customer deposits recorded equally interesting developments, rising to almost 2,500 million euro (approximately + 11%).

Considering the above situations, the consolidated statement of income of the ***Sudameris group*** registered almost stable revenues, summarised in net interest and other banking income, which stood at 1,150 million euro, virtually in line with the previous year, despite the devaluation of the Brazilian currency which, although partly recovered at year-end, reached 11% from December 2000. This favoured administrative costs which, also thanks to a firm containment policy, decreased by approximately 2% to 815 million euro. The other operating margins inevitably reflected the highly negative effects of the crisis of entire Countries in the area or of single equity investments. As already mentioned, these facts commanded, with regard to Argentina in particular, the registration of considerable charges – totalling 354 million euro – against the investments and the exposures related to that Country. In the case of the Peruvian subsidiary, adjustments amounting to 490 million euro were made, to take account both of possible loan losses and of the write-off of the residual goodwill of *Banco Wiese Sudameris*. These exceptional charges, added to the charges incurred for ordinary operations, led to a loss from operating activities equalling 856 million euro. Such loss was further aggravated by the elimination, for approximately 120 million euro, of deferred tax assets relative to the Peruvian subsidiary for which reasonable chances of recovery are not foreseen.
After attribution to minority shareholders of their portion of the loss, the residual loss pertaining to the *Sudameris group* amounted to 784 million euro.

As to the main balance sheet figures, total loans declined by approximately 6% to 12,436 million euro, whereas direct customer deposits showed a good resistance and slightly rose to approximately 17,000 million euro. Indirect customer deposits more satisfactorily rose by 5.8% to almost 5,750 million euro.

The Sudameris group's loss will require the intervention of Shareholders to restore the bank's capitalisation. To this end the Board of IntesaBci on 28th March approved a Shareholders' loan of 600 million euro to be granted through IntesaBci Holding International.

Eastern Europe

2001 registered a new step forward of the Hungarian economy towards the entry into the European Union, with which the Country now realises approximately 75% of its commercial trade. The good results achieved in the convergence process induced Monetary Authorities to introduce full convertibility of the Hungarian florin, the strengthening of which with respect to the euro also contributed to ease the rise in consumer prices and therefore to slow down inflation (9.2% on average). The contraction of domestic demand due to the unfavourable economic situation worldwide determined a reduction of the Country's growth rate, which equalled 3.9% and is in any case much higher than that achieved on average by the other European Countries.

In such context, the ***Central-European International Bank group*** confirmed its strategies aimed at expanding the market segments where it is present, in addition to large corporate customers. The group increased its intermediated volumes and further consolidated its position in the local banking system, where it qualifies as one of the main players.
The difficulties of the stock market, that also affected Hungary, reduced profits on financial transactions to levels below expectations, while the worsened economic situation required an increase in provisions for certain exposures. The group, anyhow, closed 2001 with a net income of 34.1 million euro, slightly lower than in 2000. As at 31st December 2001 loans to customers amounted to 1,832 million euro (+ 30%) and customer deposits equalled 1,786 million euro (+ 82%).

In Croatia the recovery of the national economy continued, although at a lower pace especially in the last part of the year, and consequently favoured GNP, which rose, while foreign debt and the unemployment rate remained practically stable. In 2001 the ***Privredna Banka Zagreb (PBZ) group*** continued the reorganisation and rationalisation of its distribution channels, focusing in particular on the innovative sectors which were more appreciated by customers (credit cards and electronic and Internet banking services). With regard to financial activities, the PBZ group stands leader – or anyhow among the leading players – in trading portfolio, brokerage and asset management operations. Strong rises were registered both by customer deposits, which reached 3,245 million euro, with an approximately 40% growth rate, and by loans to customers, which touched 1,797 million euro, with an over 25% rise. Profitability reflected the favourable reference context, with a net income for the year of approximately 79 million euro, with a considerable increase compared with 54 million euro a year earlier.

The newly-acquired ***Vseobecna Uverova Banka*** must be mentioned even though in 2001 it was included in the consolidated financial statements with the cost method. The good results achieved in 2001 by the second Slovakian bank for turnover, with a branch network which covers the whole national territory, showed total assets close to 4,200 million euro, of which approximately 950 million euro related to loans to customers and approximately 2,100 million euro invested in securities and equity investments, also in relation to the loan consolidation plans co-ordinated by the local Government. As to liabilities, total customer deposits exceeded 3,200 million euro, while shareholders' equity reached 360 million euro of which approximately 33 million euro representing net income for the year.

Western Europe

In Germany, ***Bankhaus Löbbecke*** continued its strategy aimed at gradually reducing traditional lending activities in favour of a greater attention to the asset management sector and to services offered to medium-sized and large customers, even if results were affected by the unfavourable financial market conditions. A boost was given to global capital market activities, with credit default swaps, asset swaps and syndications on primary and secondary markets. Economic results anyhow met expectations, with a generalised growth of operating margins, thanks to the particular attention given to general costs. Net income however was heavily affected by high adjustments to loans, which led to a net income for the year virtually at breakeven (net income of 0.5 million euro, against 8.7 million euro a year earlier).

In Luxembourg, ***Société Européenne de Banque*** continued developing according to its mission, in financial services to corporate and private customers and in asset management activities. Activities performed during the year on the local financial market produced appreciable economic results, with a net income of 11.2 million euro (+ 6%). This result is even more significant considering the charges linked to the integration with *Banca Intesa International,* with legal effects as of 1st January 2002.

In Switzerland, ***Banca Commerciale Italiana (Suisse)*** recorded a marked contraction of intermediated volumes on behalf of customers, due to the unfavourable financial market conditions. The consequent lower inflow of relevant commissions – even if partly offset by profits on financial transactions, which rose thanks to the favourable opportunities for speculative trading given by high market volatility – negatively affected net income for the year, down to approximately 9 million euro (approximately – 28%).

In an economic context where subdued trends prevailed, the Group subsidiaries operating in France achieved differentiated results. In particular ***Banca Commerciale Italiana (France)*** continued the development of its corporate banking activities in favour of multinational customers or customers anyhow linked to the France-Italy trade, as well as the origination of high value added operations with wholesale characteristics. The expansion of operating volumes and an attentive cost control policy enabled the French subsidiary to close the year with a net income of 44.5 million euro, over 40% higher than a year earlier.

In the same operating context, also the other Group company ***Banca Intesa (France)*** during the year achieved appreciable improvements in net commissions, which were totally absorbed by the need of prudent provisions for certain exposures. The year therefore closed with a net loss of 1.4 million euro.

Also Ireland was affected by the negative economic situation worldwide, which induced a slowdown in the growth rate of the Country's economy. Within the process of rationalisation of the Group's local presence, the integration of the two pre-existing operating entities was concluded. In fact, *Banca Commerciale Italiana (Ireland)*, now re-named ***IntesaBci Bank Ireland***, absorbed all the operations of *Intesa Ireland,* in liquidation. The new bank – now centralising the whole of the Group's financial services offering on the local market – confirmed its focus on large international companies, as well as on the development of loans linked to structured portfolios. Despite the substantial increase in the bank's operating margin (approximately + 39%), considerable adjustments to certain important loans – which deteriorated also as a consequence of the 11th September events – forced the subsidiary to close the year virtually at breakeven.

The North-American area

The uncertainties linked to the American economic situation produced their effects also in Canada. ***IntesaBci Canada*** reacted with an attentive selection of corporate loans which allowed to improve the overall economic performance of the sector, despite the contraction in intermediated volumes. Retail activities continued with regularity through the 12 branches of the sales network, which consolidated its target in this specific segment with satisfactory results on services to customers and on funding activities.
The positive contributions from all operating sectors led to a net income of 4.3 million euro, which compares with the negative performance in 2000, when high provisions led to a loss of 6.7 million euro.

Foreign branches

In addition to equity investments, the Group's presence worldwide is ensured by the network of 13 ***direct branches*** operating in the main Countries, formed by the merger in BCI's branches of Banca Intesa's co-existing units (London, New York, Hong Kong, Singapore and Grand Cayman). During the year the economic performance of foreign branches proved satisfactory, with a gross operating margin above expectations even if the slowdown of the main world economies and the deterioration of certain exposures penalised income before taxation, which remained in any case positive (70 million euro).

Shareholder base

The following table shows the situation as at 31st December 2001 of the ordinary shares vested in the syndicate by the participants to the agreement in force among IntesaBci's main shareholders, signed on 15th April 1999 – modified and/or integrated on 11th April 2000 – and expiring on 15th April 2002. On 15th October 2001 the Voting syndicate was tacitly renewed until 15th April 2005, save for *Abaxbank* and *Credito Emiliano* – which belong to the *Lombardo group* – who expressed their decision to recede. Following their exit, which according to the Regulations of the Voting syndicate is effective as of 15th April 2002, the stake of the Lombardo group included in the syndicate on total shares issued decreases from 3.52% to 3.30% and the holdings vested in the syndicate decrease by the same amount.

Name	**Shares included in the Voting syndicate**	**Shares not included in the Voting syndicate**	**Total shares**	**% of shares included in the Voting syndicate on total**	**% of shares held on total**
Crédit Agricole SA	814,986,054	171,532,142	986,518,196	13.89	16.81
Fondazione Cariplo	498,125,809	–	498,125,809	8.49	8.49
Generali group	317,005,757	24,687,860	341,693,617	5.40	5.82
including					
• *Assicurazioni Generali*	*45,915,297*	*3,114,075*	*49,029,372*		
• *Alleanza Assicurazioni*	*184,523,983*	*810,664*	*185,334,647*		
• *Other companies*	*86,566,477*	*20,763,121*	*107,329,598*		
Fondazione Cariparma	234,775,952	7,563,771	242,339,723	4.00	4.13
Lombardo group	206,870,866	2,541,213	209,412,079	3.52	3.57
including					
• *Banca Lombarda e Piemontese*	*130,198,395*	*190,080*	*130,388,475*		
• *IOR*	*42,917,536*	*1,050,900*	*43,968,436*		
• *Mittel*	*20,427,036*	–	*20,427,036*		
• *Abaxbank*	*8,327,899*	–	*8,327,899*		
• *Credito Emiliano*	*5,000,000*	*1,300,233*	*6,300,233*		
Commerzbank group	186,317,187	64,041,572	250,358,759	3.17	4.26
including					
• *Commerzbank AG*	*66,194,071*	*64,041,572*	*130,235,643*		
• *Commerzbank International SA*	*120,123,116*	–	*120,123,116*		
Total Shareholders in the syndicate	2,258,081,625	270,366,558	2,528,448,183	38.47	43.08
Total other Shareholders	–	3,340,950,614	3,340,950,614		56.92
Total	2,258,081,625	3,611,317,172	5,869,398,797		100.00

Stock option plan

With the Board of Directors' approval of the relevant regulations – which occurred on 24th April 2001 – the first of the assignment cycles provided for in the three-year stock option plan approved by the Shareholders' Meeting on 1st March 2001 commenced. With this resolution, the Board of Directors was in fact authorised, as provided for by Art. 2443 of the Italian Civil Code, to increase share capital to serve the stock option plan – with the exclusion of pre-emptive rights for existing shareholders as provided for by Art. 2441 of the Italian Civil Code – for a maximum amount of 29,954,500.16 euro through the issue of 57,604,808 IntesaBci ordinary shares of nominal value 0.52 euro each.

A total of 10,210,000 personal and non-transferrable options in their name, were offered to IntesaBci's Managing Directors and to 97 other Group managers. The options give the right to subscribe the same number of new ordinary shares at a price of 4,258 euro corresponding, according to the regulations of the plan, to the arithmetic average of the official stock market prices struck by the IntesaBci's ordinary share in the period from 24th March to 24th April 2001. The assignment was conditional upon the achievement of at least 95% of the Group's target ROE for 2001.

Since, based on the results contained in the consolidated financial statements, this condition has not been met, the Board of Directors will acknowledge this fact on the first occasion after the Shareholders' Meeting has examined the 2001 financial statements.

Relationships between Group companies and related parties

Within Gruppo IntesaBci, the relationships among its various economic entities are inspired to centralisation criteria as regards basic management and control activities, integrated with direction and assistance activities performed through consultancies in the fields of law, economic analysis, organisation and resource management. For the services supporting banking activities a marked decentralisation is pursued, in application of a policy aimed at concentrating each company's energies and resources on the realisation of its own core business.

To this aim specialised support companies were established, responsible for activities such as: supply of goods and services necessary for banking activities – ranging from the management of the IT and data processing systems to back-office services, from the management and recovery of doubtful loans originated by Group banks to personnel training – in relation of the needs emerged in the various operating units. Instead, product companies have the task of managing financial products and services – from mutual funds to bancassurance products and to fiduciary services, or near-bank services, such as leasing, factoring and long-term credit – and are assigned to the sales networks of Group companies.

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

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

In the area of insurance products placed through bank networks, the co-operation with Alleanza Assicurazioni, as well as the banking relationships with companies and/or economic groups managed by Directors, continue. All the aforementioned relationships are authorised in compliance with the specific provisions set forth by the Banking Law and regulated at standard market conditions.

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

Significant subsequent events

The offer for Banco Sudameris Brasil

At the end of last December IntesaBci received from Banco Itaù SA – primary Brazilian bank – an irrevocable offer for the purchase of the entire equity investment in Banque Sudameris SA (equal to 99.975%), indirectly held through IntesaBci Holding International. IntesaBci had granted Banco Itaù an exclusivity negotiation period until 15th February 2002, which was subsequently prorogated until 8th March 2002.

At that date the proposal was reformulated in a new irrevocable offer for the purchase of 94.57% of the capital of Banco Sudameris Brasil held by Banque Sudameris. The final purchase price offered is the sum of adjusted book value of Banco Sudameris Brasil as at 31st December 2001 plus a goodwill component of 925 million dollars. IntesaBci favourably considered the new terms of the offer and prorogated the exclusivity period for negotiations with Banco Itaù until 30th April 2002.

IntesaBci will submit the offer to the Board of Directors of Banque Sudameris so that the latter and Banco Itaù carry out negotiations on the proposed operation. Obviously, no definitive contract will be closed until the parties will have complied with the applicable laws and regulations. The simplified structure of the new offer will enable to accelerate the realisation of the proposed operation in the interest of all the parties involved.

It must be noted that as at 31st December 2001 the unadjusted book value of 94.57% of the capital of Banco Sudameris Brasil amounted to approximately 590 million euro. At the same date the equity investment in the Brazilian bank had a carrying value of approximately 890 million euro on the balance sheet of Banque Sudameris and approximately 560 million euro on the consolidated balance sheet of IntesaBci, since exchange and consolidation differences had been charged to consolidated shareholders' equity.

Other significant events

From the beginning of 2002 until the approval date of this Report on operations, no significant subsequent events, which may affect Group's strategies and operations, occurred.

Forecast for 2002

Gruppo IntesaBci's strategies

The structure of the banking industry is continuously evolving, both in the domestic and in the international markets. In Italy a new important concentration phase commenced, in which certain of the major groups further strengthened their position and aggregations between medium-large players started. The major protagonists of the most recent concentrations, in Italy and in Europe, are undertaking consolidation and rationalisation processes aimed at achieving the forecasted synergies, which are all the more urgent in the weak market context that is hindering revenue growth. With the return to more favourable market conditions, the competitive scenario in the medium-term should in any case show a progressively-increasing internationalisation and the realisation of pan-European aggregations.

In this context, IntesaBci pursues first of all the consolidation of its leadership on the Italian market, leveraging on the commercial strengthening deriving from the fact that the divisional structure is fully operational. The strong coverage of the domestic market is the necessary precondition to attain an adequate positioning in Europe in terms of value creation, market share, product and service quality, completeness of product range.

The objectives of optimising capital allocation and value creation – which IntesaBci is aiming to reach in the next few years, particularly thanks to the divisional structure – will be essentially pursued through the strengthening of customer relations and innovation of the product portfolio and of marketing instruments also through the extensive use of advanced customer relationship management and wealth management techniques and via the development of business opportunities offered by the multichannel integrated structure. As important will be the achievement of the best practice in efficiency, notwithstanding substantial investments in high value added areas.

Foreign presence will be adequately rationalised, also through a selective development of international activities, with an attentive monitoring of investment opportunities in higher potential growth areas. In 2001 presence in the South-American area – which had in the past generated significant benefits – started being reconsidered since it seems no longer capable of ensuring adequate returns for the increasing amount of capital required. Instead, as already mentioned above, in the past few years the Eastern-European markets offer far more interesting opportunities. The Group already has a strategically important presence in this area and it will not miss any new, favourable opportunities which should arise.

Cost reduction and increased productivity remain a priority at the Group's attention. These objectives are pursued with determination through the interventions agreed upon in the budget for 2002. Structure streamlining also via rationalisation of distribution channels, integration of IT and operating structures, simplification of decision-making processes will contribute to considerably improve efficiency and productivity.

At the Parent Company, the commercial effectiveness of the Divisions and the high quality offering will strengthen efforts aimed at developing revenues. The new initiatives regarding wealth management, the integration of the asset management companies and the reorganisation of the operating structure carrying out investment banking are the pillars supporting the forecasted recovery of commission income. In particular, as regards asset management, both the unexpressed internal potential and the significant growth opportunities for private banking in Italy will be the growth drivers in the next three years.

The new multichannel bank will contribute to the achievement of these objectives. It is the Group's answer to the evolution in the relationship between the investor and the financial system, based on strong product innovation and high service quality.

The Group's key-strengths – among which its large size, the widespread and well-rooted distribution network, the vast customer base, the complete range of products and services, the extensive know-how, the diversified sources of income – justify founded expectations of increase and stabilisation in profitability, also sustained by continuing investments aimed at innovating processes, products and distribution channels, necessary to face the growing market competition.

Expectations for 2002

The part of the Report dedicated to the general macroeconomic situation describes the future scenario in which the banking industry will operate, that is a satisfactory, though not rapid, growth in the economy and therefore in the demand for credit and, especially, a more relaxed financial market situation. Interest margins – despite the slight reduction in the spread – should moderately rise, while net interest and other banking incomes are forecasted to record more significant growth rates, due to the expected recovery of the markets which, by restoring customer propensity of securities, will favour the rise of asset management and the relevant commissions.

The guidelines of the budget for 2002 have been defined using differentiated responsibilities and commercial plans in terms of objectives and operating levers, according to the philosophy of the adopted divisional model. Therefore, in the Retail sector, profitability targets focus on actions aimed at recovering market shares through the development of new relationships and the increase of intermediated volumes, focusing in particular on asset management and exploiting demand for insurance products. Increases in operating efficiency will be pursued – with a "reduction in the cost to serve" objective – redirecting certain operations on complementary channels (such as the Multimedia contact centre). In the segment of small- and medium-sized or artisan enterprises unit profitability will benefit by higher volumes in collection and payment services and the selective increase in loans, with campaigns targeted to segments which have not yet been granted credit lines.

The development of the Private segment will lead to concrete actions aimed at increasing customer funds under administration to be subsequently transformed in asset management, thanks to products tailored to meet specific customer needs and asset management instruments with a higher return/value-added combination. Customer acquisition and fidelisation will require, first and foremost, a widening in the range of services offered, with an increase in consulting contents (especially with regard to real estate and fiscal) and greater emphasis on the after-sale relationship.

In the Corporate segment – in which it will be possible to exploit the competitive advantage deriving from a long-lasting tradition – objectives refer to the development of specific commercial initiatives, both by product (interest rate and foreign exchange hedges, asset management, and so on) and by segment (extension of intermediated volumes with customers which have multiple bank relationships, cross selling, and so on) which will permit significant growth of unit net interest and other banking income. From this point of view the interaction with product companies (leasing, factoring, medium- and long-term lending) and the synergies with investment banking activities will play a decisive role.

This last sector has been assigned high-standing goals – with regard to both more traditional activities (primary and secondary markets) and innovative finance operations (corporate and structured finance) – thanks to the creation of organisational structures capable of satisfying in Italy and abroad the entire range of financial and/or commercial needs of every customer, via the unified management of the relationship. An adequate use of the captive networks, together with the aforementioned synergies with corporate activities, will lead to fully exploit the structure's origination capabilities, which will also be further strengthened by desks and teams specialised in specific products or customer segments.

Lastly, utmost attention was paid to operating costs in general – and to the containment of personnel costs in particular – for the purpose of significantly reducing the cost/income ratio compared to previous years. However, cost containment was combined with the challenge coming from the market for the continuous improvement in service quality. Consistently with the Group's strategic objectives considerable investments will continue in high value added areas, such as multichannel capabilities, training of the sales network and instruments to support management of customer relations.

For the Group's foreign subsidiaries, activities currently under way will continue. These are aimed at consolidating development in the different customer/product segments typical of the host Countries, illustrated above in the comments on Group companies' performance.

Budget forecasts for 2002 are therefore positive both for the interest margin, thanks to expansion of volumes, and for income from services. The latter will benefit from a significant improvement in net commissions due to the positive trends forecasted for asset management and operations on behalf of customers on the financial markets.

The forecasted contraction in operating costs and the attentive management of loan portfolio quality in all business areas, together with the good dynamics of other margins, will lead to an appreciable increase in net income, which will generate positive effects in terms of consolidated return on equity.

Proposals to the Shareholders' Meeting

Distinguished Shareholders,

we submit to Your approval the financial statements for the fiscal year 1st January - 31st December 2001, which are made up of the Balance sheet, the Statement of income and the Notes to the financial statements, as well as the relative attachments and the Report on operations.

In particular, we propose to Your approval the allocation of the merger surplus of 1,918,343,553.27 euro deriving from the merger of Banca Commerciale Italiana to the following shareholders' equity subcaptions:

to the Revaluation reserve pursuant to Law 74/52	€	14,205.23
to the Revaluation reserve pursuant to Law 576/75	€	111,365.91
to the Revaluation reserve pursuant to Law 72/83	€	8,162,566.32
to the Revaluation reserve pursuant to Law 413/91	€	242,565,930.78
to the Revaluation reserve pursuant to Law 342/00	€	455,511,008.28
to the Contribution reserve pursuant to Law 218/90, Art. 7	€	301,530,560.88
to the Reserve pursuant to Law 218/90, Art. 7, Par. 3	€	16,761,524.84
to the Reserve pursuant to Legislative Decree 124/93	€	676,262.36
to the Reserve pursuant to Legislative Decree 153/99	€	285,395,631.81
to the Legal reserve for foreign branches	€	20,494,978.11
to the Reserve fund pursuant to Presidential Decree 917/86, Art. 55	€	368,218.79
to the Reserve for reinvested capital gains pursuant to Law 169/83	€	7,772,425.92
to the Reserve for consortium companies pursuant to Law 787/78	€	4,329,329.07
to Share premium reserve	€	574,649,544.97

with the specification that the Revaluation reserves pursuant to Law 576/75 and pursuant to Law 72/83 – respectively amounting to 20,578,896.02 euro and 108,455,948.81 euro – already accounted for by Banca Commerciale Italiana to increase share capital, are transferred with their respective tax regimes in the share capital of IntesaBci.

Furthermore we propose the distribution of a dividend of 0.08 euro to each saving share and of 0.045 euro to each ordinary share and, consequently, to allocate net income of 337,381,275.72 euro – which includes the use of the Reserve for general banking risks for 153,726,494.76 euro – as follows:

Net income for the period	€	337,381,275.72
Distribution of a dividend of 0.08 euro (calculated in accordance with Art. 27 of the Articles of Association) to all 840,207,470 saving shares, for a total of	€	67,216,597.60
Distribution of a dividend of 0.045 euro to all 5,869,398,797 ordinary shares, for a total of	€	264,122,945.87
Therefore total dividends equal	€	331,339,543.47
Allocation to Legal reserve for foreign branches	€	123,759.64
Allocation to the allowances for charitable and social contributions	€	2,500,000.00
Residual income to be allocated to the Extraordinary reserve	€	3,417,972.61

We would like to point out that distributed income includes the maximum tax credit allowed, that is 56.25%, without any legal restriction.

Finally, we propose that dividends for the amounts stated above are paid in compliance with current regulations as of 23rd May 2002 (with presentation of the coupons on 20th May) through the authorised intermediaries.

If the financial statements and the proposal for the allocation of net income for the year obtain Your approval, the Parent Company's shareholders' equity at the date of the approval of the Annual Report 2001 will be the following (in millions of euro):

Shareholders' equity	**Annual Report 2001**	**Increase after the allocation of net income**	**Shareholders' equity after the allocation of net income**
Share capital			
• ordinary	3,052	–	3,052
• saving	437	–	437
Total share capital	3,489	–	3,489
Share premium reserve	4,075	–	4,075
Reserves	5,090	4	5,094
Revaluation reserves	987	–	987
Total reserves	10,152	4	10,156
Reserve for general banking risks	–	–	–
Total	**13,641**	**4**	**13,645**

The Board of Directors

Milano, 28th March 2002

Independent Auditors' Report on the Consolidated Financial Statements

RECONTA ERNST & YOUNG

INTESABCI S.P.A.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2001

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

RECONTA ERNST & YOUNG

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

To the Shareholders
of IntesaBci S.p.A.

1. We have audited the consolidated financial statements of IntesaBci S.p.A. as of and for the year ended 31 December 2001. These financial statements are the responsibility of IntesaBci S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency)[1]. In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of certain consolidated subsidiaries, which respectively represent approximately 26% of consolidated total assets and approximately 33% of consolidated net interest and related income, have been examined by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the data included in the consolidated financial statements relating to these subsidiaries, is based also on the reports of the other auditors.

   As indicated in the notes to the consolidated financial statements, the Company has restated the amounts related to the prior year consolidated financial statements to take into consideration the changes in the consolidation area. This financial information has not been examined by us. For our opinion on the consolidated financial statements of the prior year as originally presented, which are enclosed as attachments to the consolidated financial statements, reference should be made to our report dated 30 March 2001.

3. In our opinion, the consolidated financial statements of IntesaBci S.p.A. comply with the Italian[1] regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of IntesaBci S.p.A. as of 31 December 2001, and the consolidated results of its operations for the year then ended.

Milan, 10 April 2002

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

[1] Words added in translation from the original Italian text

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Report of the Board of Statutory Auditors to the Shareholders' Meeting

INTESABCI Spa
REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING

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

– took part in all the Shareholders' Meetings, Board of Directors' Meetings and Executive Committee Meetings which occurred in the year and we received from Directors periodic information regarding their activity and the most significant transactions carried out by IntesaBci or by its subsidiaries;
– acquired all the information on the development of the Group's integration plan and organisational model which, as described in the Board of Directors' Report on operations, follows the priority objective of realising the integration of the banks after the concentration process which started in 2000 with the merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo and was completed with the merger of Banca Commerciale Italiana Spa in 2001 and led to the formation of the new corporate entity within IntesaBci Spa. This last merger and the consolidation of those which occurred in the past led to significant initiatives in the year in terms of both management actions and adaptation of IT systems and introduction of new governance and control procedures. The supervision on the development of the organisation was carried out through verifications, information gathering from heads of the relevant units as well as exchange of data and information with the Independent Auditors Reconta Ernst & Young Spa;
– supervised over the functioning of the internal auditing and bookkeeping and accounting systems for the purpose of evaluating their adequacy vis-à-vis management requirements, as well as the reliability of the bookkeeping and accounting system for the representation of operating activities;
– verified the application of regulations regarding the preparation of the Parent Company's financial statements and the Group's consolidated financial statements and the Reports on operations, via direct verifications as well as specific information obtained from the Independent Auditors.

Furthermore, in compliance with the aforementioned Consob Communication of 6th April 2001, we provide you with the following information:

1. The most significant transactions in financial, statement of income and balance sheet terms carried out by IntesaBci or by its subsidiaries, have occurred according to the law and the Articles of Association. Based on the information we have gathered, we have verified that such transactions are not manifestly imprudent, hazardous, or in conflict of interest or in any case such as to compromise the integrity of the company's shareholders' equity.
2. We did not find any uncharacteristic and/or unusual transactions, carried out with third parties, related parties or intergroup.
   In their Reports on operations and in the Notes to the financial statements, the Directors indicate and illustrate the most significant transactions with third parties, related parties or intergroup by describing their characteristics and economic effects. Furthermore, we ascertained the existence of operating procedures, in force within the Group, capable

of guaranteeing that commercial operations with the aforementioned parties are concluded at standard market conditions.

3. We deem that the information on the transactions described in point 2 above, provided by the Directors in their Report on operations, is adequate.
4. The Report of the Independent Auditors Reconta Ernst & Young Spa, issued on 10.04.2002, on the Parent Company's financial statements and on the consolidated financial statements as at 31.12.2001 does not contain any exceptions or information paragraphs.
5. No suits pursuant to Art. 2408 of the Italian Civil Code have been presented.
6. During 2001, the Board of Statutory Auditors received from four parties, four allegations concerning asserted irregularities or anomalies which occurred in the relations between Bank officials, Banca IntesaBci Spa and/or its subsidiaries. The investigations on this matter carried out by the Board of Statutory Auditors, also through the Internal auditing unit, did not find any omissions, reprehensible facts or irregularities.
7. During 2001 IntesaBci Spa gave mandates to Reconta Ernst & Young Spa, in addition to the legal auditing (pursuant to Articles 155 and 165 of Legislative Decree 58/1998) and the review of the Half-Year Report. The compensation for these engagements is set out in the table below, excluding reimbursed expenses and VAT (in thousands of euro):

Type of engagement	Beneficiary	Total compensation
Various engagements (comfort letters, limited reviews, accounting opinions)	IntesaBci Spa	407.6*

* of which charged to third parties 253.1

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

Type of engagement	Beneficiary	Total compensation (in thousands of euro)
- Organisational consulting	IntesaBci Spa	41.3
- Other assistance (accounting, tax, legal)	(branches in USA, Spain, Singapore, UK, Hong Kong)	352.2
Total		393.5

9. In 2001, Reconta Ernst & Young Spa, issued the following opinions pursuant to the law:
- congruity opinion on the exchange ratio of the IntesaBci Spa and Banca Commerciale Italiana Spa shares (Art. 2501 quinquies of the Italian Civil Code) for a compensation of 671.4 thousand euro;
- congruity opinion on the issue price of shares with the exclusion of pre-emptive rights pursuant to Art. 2441 of the Italian Civil Code for a compensation of 51.6 thousand euro.

The Board of Statutory Auditors expressed its opinion pursuant to Art. 2386 of the Italian Civil Code on the occasion of the appointment of a Director by the other Directors in office during the meeting of 18th December 2001. The Board of Statutory Auditors, also expressed its consent, as required by Art. 136 of Legislative Decree 385/1993 (Testo Unico delle Leggi in Materia Bancaria e Creditizia – Combined banking regulations), on 47 transactions stipulated, directly or indirectly, by Bank officials with the Bank.

10. In 2001 the Board of Directors met 11 times, the Executive Committee met 19 times. The Board of Statutory Auditors met 24 times during 2001; furthermore it took part to all the Ordinary and Extraordinary Shareholders' Meetings, Executive Committee Meetings and Board of Directors' Meetings.
11. We have no particular observations to make with regard to the respect of fair management principles, which seem to be constantly observed.
12. As already mentioned and described in detail in the Report on operations which accompanies the Group's consolidated financial statements as at 31.12.2001, significant progress was made in certain organisational interventions, aimed first of all, at implementing the complex integration of the merged banks according to the divisional model, as well as realising a unified IT system.
    We acknowledge that the Bank's organisational structure also in the transitory configurations taken during the year, effectively considered the pursuit of the priority objectives indicated by the Board of Directors and the Executive Committee.
13. Even considering inertia connected to the organisational interventions currently under way, mentioned in paragraph 12 above, we deem that the internal auditing system is adequate for the dimensions and characteristics of company activities. In particular, the numerous checks operating for the control and limitation of the intrinsic risks of the Bank's operations identified with timeliness the arising of critical situations, which were faced by the Bank's Top Management, the Executive Committee and the Board of Directors.
14. Considering the size of the Bank and its Group, and considering also the modifications which have occurred and are currently being implemented in the bookkeeping and accounting system, we deem that the basic procedures and the IT solutions which have been transitorily adopted by the Bank (the so-called "bridge systems"), illustrated by the Directors in their Report on operations, enable to draw up the Company's accounts in order to fairly represent its operations.
15. We have no observations to formulate on the adequacy of information flows from the subsidiaries to the Parent Company aimed at ensuring the timely compliance to communication requirements provided for by the law.
16. During the periodic exchange of information between the Board of Statutory Auditors and the Independent Auditors, pursuant to Art. 150, par. 2 of Legislative Decree 58/1998, no relevant aspects to be brought to the attention of the Shareholders' Meeting emerged.
17. As concerns the rules regarding the "governance" of the Bank and its Group please refer to the Code of conduct contained as one of the attachments.
18. In conclusion we point out that from our supervisory activity no significant omissions, reprehensible facts or irregularities emerged, which must be mentioned to the Supervisory Authorities or to this Shareholders' Meeting.
19. Lastly we express our positive opinion to the approval of the 2001 financial statements as presented by the Board of Directors with the Report on operations and the allocation of net income proposed by the same Board.

Milano, 11th April 2002

The Board of Statutory Auditors

Gruppo IntesaBci
Consolidated Financial Statements
as at 31st December 2001

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet

(in thousands of euro)

	Assets	31/12/2001	31/12/2000	Changes amount	Changes %
10.	Cash and deposits with central banks and post offices	1,948,715	1,645,038	303,677	18.5
20.	Treasury bills and similar bills eligible for refinancing with central banks	5,340,533	4,247,595	1,092,938	25.7
30.	Due from banks	40,168,687	47,801,088	(7,632,401)	(16.0)
	a) repayable on demand	*3,658,118*	*4,479,389*	*(821,271)*	*(18.3)*
	b) other	*36,510,569*	*43,321,699*	*(6,811,130)*	*(15.7)*
40.	Loans to customers	183,356,383	182,871,543	484,840	0.3
	including				
	– with public funds under administration	*47,259*	*47,930*	*(671)*	*(1.4)*
50.	Bonds and other debt securities	41,835,530	51,255,724	(9,420,194)	(18.4)
	a) public entities	*19,442,876*	*31,074,852*	*(11,631,976)*	*(37.4)*
	b) banks	*11,497,027*	*11,190,700*	*306,327*	*2.7*
	including				
	– own bonds	*1,030,654*	*1,958,057*	*(927,403)*	*(47.4)*
	c) financial institutions	*6,802,508*	*4,472,346*	*2,330,162*	*52.1*
	including				
	– own bonds	*3,155*	*–*	*3,155*	
	d) other issuers	*4,093,119*	*4,517,826*	*(424,707)*	*(9.4)*
60.	Shares, quotas and other forms of capital	1,718,956	2,451,721	(732,765)	(29.9)
70.	Equity investments	3,800,445	2,711,487	1,088,958	40.2
	a) carried at equity	*610,773*	*445,470*	*165,303*	*37.1*
	b) other	*3,189,672*	*2,266,017*	*923,655*	*40.8*
80.	Investments in Group companies	794,402	1,083,185	(288,783)	(26.7)
	a) carried at equity	*182,925*	*950,255*	*(767,330)*	*(80.7)*
	b) other	*611,477*	*132,930*	*478,547*	
90.	Goodwill arising on consolidation	463,473	641,404	(177,931)	(27.7)
100.	Goodwill arising on application of the equity method	45,123	48,103	(2,980)	(6.2)
110.	Intangibles	734,715	778,061	(43,346)	(5.6)
	including				
	– start-up costs	*46,347*	*61,895*	*(15,548)*	*(25.1)*
	– goodwill	*24,114*	*35,879*	*(11,765)*	*(32.8)*
120.	Fixed assets	4,451,224	4,479,211	(27,987)	(0.6)
140.	Shares or own quotas *(nominal value 1,221,862.20 euro)*	6,362	5	6,357	
150.	Other assets	25,721,082	21,235,960	4,485,122	21.1
160.	Accrued income and prepaid expenses	4,511,854	5,119,768	(607,914)	(11.9)
	a) accrued income	*4,043,977*	*4,342,247*	*(298,270)*	*(6.9)*
	b) prepaid expenses	*467,877*	*777,521*	*(309,644)*	*(39.8)*
	including				
	– discounts on securities issued	*80,253*	*94,016*	*(13,763)*	*(14.6)*
	Total Assets	**314,897,484**	**326,369,893**	**(11,472,409)**	**(3.5)**

Figures for 2000 have been restated on a consistent basis, considering changes in the consolidation area.

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet

(in thousands of euro)

	Liabilities and Shareholders' Equity	31/12/2001	31/12/2000	Changes	
				amount	%
10.	Due to banks	77,304,391	95,857,650	(18,553,259)	(19.4)
	a) repayable on demand	*11,595,439*	*19,887,564*	*(8,292,125)*	*(41.7)*
	b) time deposits or with notice period	*65,708,952*	*75,970,086*	*(10,261,134)*	*(13.5)*
20.	Due to customers	112,516,016	111,484,782	1,031,234	0.9
	a) repayable on demand	*78,007,705*	*79,048,980*	*(1,041,275)*	*(1.3)*
	b) time deposits or with notice period	*34,508,311*	*32,435,802*	*2,072,509*	*6.4*
30.	Securities issued	60,814,513	60,237,813	576,700	1.0
	a) bonds	*40,561,254*	*38,123,906*	*2,437,348*	*6.4*
	b) certificates of deposit	*17,469,636*	*17,919,525*	*(449,889)*	*(2.5)*
	c) other	*2,783,623*	*4,194,382*	*(1,410,759)*	*(33.6)*
40.	Public funds under administration	86,511	86,555	(44)	(0.1)
50.	Other liabilities	27,021,729	22,039,942	4,981,787	22.6
60.	Accrued expenses and deferred income	4,895,954	5,431,401	(535,447)	(9.9)
	a) accrued expenses	*4,263,609*	*4,403,852*	*(140,243)*	*(3.2)*
	b) deferred income	*632,345*	*1,027,549*	*(395,204)*	*(38.5)*
70.	Allowance for employee termination indemnities	1,409,580	1,404,690	4,890	0.3
80.	Allowances for risks and charges	4,020,598	5,068,198	(1,047,600)	(20.7)
	a) pensions and similar commitments	*335,669*	*1,096,409*	*(760,740)*	*(69.4)*
	b) taxation	*1,808,214*	*2,603,259*	*(795,045)*	*(30.5)*
	c) risks and charges arising on consolidation	*77,537*	*88,763*	*(11,226)*	*(12.6)*
	d) other	*1,799,178*	*1,279,767*	*519,411*	*40.6*
90.	Allowances for possible loan losses	143,442	225,290	(81,848)	(36.3)
100.	Reserve for general banking risks	92,977	106,661	(13,684)	(12.8)
110.	Subordinated liabilities	11,687,484	9,747,086	1,940,398	19.9
120.	Negative goodwill arising on consolidation	15,255	15,302	(47)	(0.3)
130.	Negative goodwill arising on application of the equity method	648	3,506	(2,858)	(81.5)
140.	Minority interests	825,470	1,004,169	(178,699)	(17.8)
150.	Share capital	3,488,995	3,014,194	474,801	15.8
160.	Share premium reserve	4,075,130	6,044,635	(1,969,505)	(32.6)
170.	Reserves	5,185,047	2,609,556	2,575,491	98.7
	a) legal reserve	*772,872*	*772,872*		
	b) reserve for own shares	*6,362*	*5*	*6,357*	
	c) statutory reserves	*150,566*	*12,914*	*137,652*	
	d) other reserves	*4,255,247*	*1,823,765*	*2,431,482*	
180.	Revaluation reserves	385,500	302,226	83,274	27.6
200.	Net income for the period	928,244	1,686,237	(757,993)	(45.0)
	Total Liabilities and Shareholders' Equity	**314,897,484**	**326,369,893**	**(11,472,409)**	**(3.5)**

Figures for 2000 have been restated on a consistent basis, considering changes in the consolidation area.

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet

(in thousands of euro)

	Guarantees and Commitments	31/12/2001	31/12/2000	Changes	
				amount	%
10.	Guarantees given	32,094,401	39,656,213	(7,561,812)	(19.1)
	including				
	– *acceptances*	*742,952*	*669,871*	*73,081*	*10.9*
	– *other guarantees*	*31,351,449*	*38,986,342*	*(7,634,893)*	*(19.6)*
20.	Commitments	64,752,718	78,040,935	(13,288,217)	(17.0)
	including				
	– *for sales with commitment to repurchase*	*15,194*	*342*	*14,852*	
30.	Credit derivatives	44,435,252	38,774,263	5,660,989	14.6
	Total Guarantees and Commitments	**141,282,371**	**156,471,411**	**(15,189,040)**	**(9.7)**

Figures for 2000 have been restated on a consistent basis, considering changes in the consolidation area.

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated statement of income

(in thousands of euro)

		2001	2000	Changes	
				amount	%
10.	Interest income and similar revenues	17,303,266	17,005,498	297,768	1.8
	including from				
	– *loans to customers*	*11,882,774*	*11,136,617*	*746,157*	*6.7*
	– *debt securities*	*3,051,752*	*3,276,521*	*(224,769)*	*(6.9)*
20.	Interest expense and similar charges	(11,409,704)	(11,483,428)	(73,724)	(0.6)
	including on				
	– *deposits from customers*	*(2,891,833)*	*(2,758,105)*	*133,728*	*4.8*
	– *securities issued*	*(3,555,773)*	*(3,479,951)*	*75,822*	*2.2*
30.	Dividends and other revenues	1,053,574	1,162,283	(108,709)	(9.4)
	a) from shares, quotas and other forms of capital	*459,405*	*320,063*	*139,342*	*43.5*
	b) from equity investments	*156,579*	*840,163*	*(683,584)*	*(81.4)*
	c) from investments in Group companies	*437,590*	*2,057*	*435,533*	
40.	Commission income	4,389,720	4,823,543	(433,823)	(9.0)
50.	Commission expense	(659,092)	(696,652)	(37,560)	(5.4)
60.	Profits (Losses) on financial transactions	(38,290)	148,241	(186,531)	
65.	Gross returns on investment of the allowances for pensions and similar commitments	22,763	99,022	(76,259)	(77.0)
70.	Other operating income	635,940	778,873	(142,933)	(18.4)
80.	Administrative costs	(6,658,030)	(6,532,295)	125,735	1.9
	a) payroll	*(4,046,458)*	*(3,940,143)*	*106,315*	*2.7*
	including				
	– *wages and salaries*	*(2,839,279)*	*(2,719,181)*	*120,098*	*4.4*
	– *social security charges*	*(823,294)*	*(845,334)*	*(22,040)*	*(2.6)*
	– *termination indemnities*	*(183,013)*	*(184,982)*	*(1,969)*	*(1.1)*
	– *pensions and similar commitments*	*(80,136)*	*(78,559)*	*1,577*	*2.0*
	b) other	*(2,611,572)*	*(2,592,152)*	*19,420*	*0.7*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(20,018)	(98,380)	(78,362)	(79.7)
90.	Adjustments to fixed assets and intangibles	(916,180)	(785,529)	130,651	16.6
100.	Provisions for risks and charges	(576,133)	(324,194)	251,939	77.7
110.	Other operating expenses	(171,982)	(269,816)	(97,834)	(36.3)
120.	Adjustments to loans and provisions for guarantees and commitments	(3,214,287)	(1,811,395)	1,402,892	77.4
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	566,605	516,100	50,505	9.8
140.	Provisions for possible loan losses	(33,926)	(52,891)	(18,965)	(35.9)
150.	Adjustments to financial fixed assets	(104,188)	(41,581)	62,607	
160.	Write-back of financial fixed assets	10,619	33,484	(22,865)	(68.3)
170.	Income (Loss) from investments carried at equity	78,794	73,044	5,750	7.9
180.	**Income from operating activities**	**259,451**	**2,543,927**	**(2,284,476)**	**(89.8)**
190.	Extraordinary income	2,352,047	798,853	1,553,194	
200.	Extraordinary charges	(1,566,761)	(615,754)	951,007	
210.	**Extraordinary income (loss), net**	**785,286**	**183,099**	**602,187**	
220.	Use of allowance for risks and charges arising on consolidation	11,226	11,269	(43)	(0.4)
230.	Change in the reserve for general banking risks	14,367	38,695	(24,328)	(62.9)
240.	Income taxes	(194,654)	(1,104,931)	(910,277)	(82.4)
250.	Minority interests	52,568	14,178	38,390	
260.	**Net income for the period**	**928,244**	**1,686,237**	**(757,993)**	**(45.0)**

Figures for 2000 have been restated on a consistent basis, considering changes in the consolidation area.

Notes
to the Consolidated Financial Statements

Introduction

Information on specific issues

Incentives provided for by Law 461/98

As already described in detail in previous annual and interim reports, the concentration process which formed Gruppo IntesaBci in its current structure led to considerable income tax benefits introduced by Legislative Decree 153/99, which applied Law 461/98 (so-called Ciampi Law). (1) In the case of Gruppo IntesaBci, as at 31st December 2000, such benefits reached, net of those recorded by Banca Carime and Banca di Legnano, a total of approximately 252 million euro on a consolidated basis, with the consequent allocation of income exceeding 1 billion euro to a special reserve provided for by the law.

In the case of the Parent Company IntesaBci, such benefits reached as at 31st December 2000 a total of approximately 247,521 thousand euro, with the consequent allocation of income of 1,017,016 thousand euro to a special reserve provided for by the law.

Provisions contained in the so-called Ciampi Law were suddenly declared suspended with a joint communication issued on 3rd April 2000 by the Ministry of the Treasury and the Ministry of Finance, following the receipt of a similar request made by the European Commission which – as published in the Official Gazette of the European Union on 10th February 2001 – subsequently provided for the opening of a procedure against the Italian Government for breach of Community regulations regarding State subsidies.

On 11th December 2001 the European Commission issued its opinion in which it declared that the incentives in favour of Italian banks introduced with Law 461/98 are not admissible since they represent State subsidies and, as such, are incompatible with EU regulations, because potentially capable of artificially altering competition, due to their selective and discriminatory characteristics. The Italian Government appealed to the European Court of Justice against the judgement, while analogous initiatives have been proposed – under the co-ordination of ABI (Italian Bankers' Association) - also by the banks that, having applied a regular Italian law correctly and *in bona fide*, deem to have been unjustly penalised in their legitimate interests. Also IntesaBci, which due to the size and complexity of the concentrations it carried out is among the main beneficiaries of the incentives under examination, presented its individual appeal to the competent Law court in Luxembourg.

The outcome of this initiative will affect the Parent Company and the other Italian banks of the Group which benefited from the law.

In consideration of the developments of this matter it was decided – in addition to excluding the benefits provided for by the aforementioned Law from the calculation of income taxes for 2001 – to allocate a substantial prudential integration to the Allowance for taxation, so to reach the complete coverage of the aforementioned amount of 247,521 thousand euro. The integration was carried out by allocating, in addition to the excess amounts which emerged in the Allowance for taxation, provisions recorded in the 2001 statement of income amounting to 127,521 thousand euro, plus 15,423 thousand euro of legal interest accrued since then. On this

(1) *These regulations were, among other things, expressly aimed at creating favourable conditions for banks which decided to integrate various pre-existing entities (via mergers, contributions and spin-offs) or realise opportune organisational or structural co-ordination following the acquisition of controlling interests. Incentives consisted essentially in the possibility to tax with a 12.50% substitution rate, over a five-year period, the portion of income allocated to a special reserve, up to a maximum of 1.2% of the overall aggregate of debts and credits recorded in the last financial statements of the banks taking part in the operation, excluding those referred to the largest bank. The consequent tax benefit could have been either used entirely by the parent bank or proportionally shared among the various entities taking part in the integration.*

matter, it must be recalled that the objections of the European Commission are not tax infringements according to Italian law and that therefore no monetary sanctions will be due.

It must be pointed out that in the consolidated financial statements it was decided – in addition to excluding these benefits in the calculation of income taxes for 2001 – to allocate a substantial prudential integration to the Allowance for taxation, so to reach the complete coverage of any reimbursement request on the aforementioned 252 million euro, in addition to approximately 16 million euro relative to the legal interest matured since then.

Subsidised mortgages as per Law 133/1999 and unsubsidised fixed rate mortgages

The problems relative to interest on mortgages almost exclusively refer to the Parent Company, with absolutely negligible effects on other Group banks.

Anatocism

The Group's Italian banks, like the entire banking system, have received requests for the re-calculation of interest applied on current accounts and for the return of sums, which in the opinion of the client have been unduly collected, as a result of anatocism. The Constitutional Court with Sentence 425 of 17th October 2000 declared unconstitutional, for excess delegation of powers, Legislative Decree 342 of 4th August 1999 (Art. 25, par. 3), in the part where it "condones" for the past the banking practice of anatocism. In line with the general orientation of the Italian banking system, the Group is convinced that the conduct it adopted is legally correct, and at the same time expresses the conviction that the Legislative authority will take action as soon as possible to resolve the legislative void produced by the aforementioned declaration of constitutional illegitimacy. Based on these considerations, Group banks decided – like in the past – not to make any provisions for future charges related to anatocism.

Explanation added for the English translation

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

Attachments to the Consolidated Financial Statements

The following documentation is attached to the consolidated financial statements:

Gruppo IntesaBci
- Consolidated financial statements as at 31st December 2001 compared to as at 31st December 2000 - not restated
- Statement of cash flows
- Quarterly development of the statement of income
- Quarterly development of the balance sheet

IntesaBci
- Powers of IntesaBci's Administrative Bodies
- Code of conduct of IntesaBci
- Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000
- Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
- Methodological notes on the preparation of the pro forma financial statements of IntesaBci Spa as at 31st December 2000

Accounting criteria

Consolidated financial statements

2001 consolidated financial statements have been prepared in compliance with the provisions contained in Legislative Decree 87 of 27th January 1992 and in the instructions of the Governor of the Bank of Italy of 16th January 1995, and subsequent amendments, the last of which was issued on 7th August 1998.

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

Accounting and valuation criteria did not vary compared to those used to prepare the financial statements as at 31st December 2000, with the exception of certain changes regarding the securities portfolio. As of 1st January 2001 IntesaBci adopted the continuous average cost method, already used by BCI, instead of the LIFO method using annual layers. This change did not produce any economic effects on listed securities, while the effects on unlisted securities were immaterial. A second change refers to the criteria for the transfer of securities from the investment to the trading portfolio, with the adoption of the new instructions jointly issued by the Bank of Italy (Letter dated 8th June 2001) and Consob (Communication of 15th June 2001). According to the new instructions, the transfer of securities from the trading to the investment portfolio (including equity investments) must not occur at book value but – in compliance with international accounting principles – at market value, to be determined on the basis of the criteria used in the original portfolio. The adoption of this new criterium led to the registration of total capital losses of 50.5 million euro.

As of 1st April 2001 IntesaBci adopted the euro as the currency used for bookkeeping purposes. Following this change, financial statements in the Annual Report 2001, as well as figures for 2000, have been prepared in euro. Similarly in the Notes to the consolidated financial statements, unless otherwise specified, all amounts are stated in thousands of euro.

Reconta Ernst & Young Spa audited the financial statements as at 31st December 2001.

Pro forma figures

Figures reported in the 2001 consolidated financial statements are compared with those as at 31st December 2000, restated to consider the variations in the consolidation area. In compliance with the principle of continuity in the shareholders’ equity pertaining to the Group, figures for the period used for comparison have been restated using a methodology which does not alter consolidated shareholders’ equity recorded at the reference date.

In particular:

– for companies which were fully consolidated for the first time in the period, the balance sheet figures of the previous periods have been aggregated and both shareholders’ equity and net income for those periods have been attributed to minority shareholders;
– for companies which have been excluded from the consolidation area, instead, the relevant balance sheet and statement of income aggregates have been eliminated. The residual equity investment in Banca Carime has been carried at equity.

Consolidated income recorded by BCI in 2000, including net income pertaining to third parties, has been entirely attributed to the Group – since the merger came into accounting and legal effects as of 1st January 2001 – and the Parent Company’s financial statements registered the entire income generated by the merged company. A similar approach was followed in the registration of BCI's shareholders' equity pertaining to third parties, which was reclassified in Gruppo IntesaBci's shareholders' equity. The comparison between figures as at 31st December 2001 and not restated figures as at 31st December 2000 is included as one of the attachments.

Consolidation criteria

The policies adopted for the preparation of the consolidated financial statements comply with the aforementioned 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 2000.

Consolidation area

The area of consolidation includes the Parent Company, IntesaBci, and the significant equity investments which have been listed in a specific table included in the Notes. This section also includes changes occurred in the consolidation area.

Full consolidation

This method involves the “line by line” aggregation of the individual amounts reported in the balance sheets and statements of income of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests in equity (except for the “Allowances for possible loan losses” and the “Revaluation reserves”) and the results for the period, the residual value is eliminated against the book value of the subsidiaries concerned. Any differences arising on consolidation are allocated where possible, to the assets and liabilities of the consolidated subsidiary; positive differences are also offset against the “Allowances for possible loan losses” and the “Revaluation reserves” pertaining to the Group. Residual differences are allocated to “Goodwill/Negative goodwill arising on consolidation” or “Other reserves”. The captions used are determined, respectively, with reference to the situation at the time the 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 risks and charges arising on consolidation”, considering the unfavourable performance forecasted for the participated bank at the time of its purchase before its integration in the Group enables it to generate profits. This allowance generates income over a number of years. The reference parameter is the difference, if negative, between Banca Cis' net income for the period and that deemed to be satisfactory.
This difference was estimated at the time of the acquisition and determined the lower price paid compared to the corresponding book value of shareholders' equity (badwill).

Proportional consolidation

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

Valuation using the equity method

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

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

Other consolidation techniques

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

If shareholders' equity belonging to the Group results negative, the complete write-off of the equity investment is carried out and any residual negative amount remaining is covered using the "Allowances for risks and charges".

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

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

Dividends, adjustments and write-backs are reversed if they relate to consolidated companies.

Adjustments, write-backs and provisions accounted for by consolidated companies for fiscal purposes are reversed in order to more fairly reflect the financial and operating position of the Group; provision is made for the related deferred taxation. Accordingly, the consolidated financial statements do not include any entries recorded solely for fiscal purposes.

In consolidation, following matching balances, all intercompany assets and liabilities, income and expenses offset each other. Residual amounts are allocated to the statement of income or the balance sheet, in accordance with the instructions issued by the Bank of Italy on 16th January 1995.

Financial lease receivables were stated according to the financial method.
This means, essentially, that the cost of the leased asset represents the value of the loan at the start of the leasing contract while, subsequently, each instalment payment is treated as a loan repayment comprising both principal and interest and determined using the internal rate of return of each contract. Leasing transactions between consolidated companies are reversed by redetermining 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 the Group's operations are fully consolidated.

Exceptions refer to certain minor equity investments as well as to *Vseobecna Uverova Banka* for which, in consideration of the recent acquisition (closing date: 19/11/2001), it was not possible to enact the usual and necessary technical and organisational interventions, which enable "line by line" integration of the accounts. Furthermore, since the final acquisition price depends on the due diligence provided for by the relevant contracts and still under way, the Slovakian group was recorded at cost, using the initial price.

Companies which are subject to joint control are consolidated according to the proportional method. Subsidiaries whose activities are dissimilar to the above (banking, financial and auxiliary) and associated companies in which the Group has a significant equity investment are stated with reference to the Group's interest in the shareholders' equity, including net income for the period.

Equity investments in Sicavs and those related to merchant banking are valued at purchase cost.

For the purpose of consolidation, or of valuation according to the equity method, the draft financial statements as at 31st December 2001 drawn up by the Directors of subsidiary companies have been used. For certain companies which are not part of the Group, financial statements as at 31st December 2001 were not available and therefore such companies have been valued according to the equity method using the last balance sheet situation available.

The consolidated financial statements as at 31st December 2001 have been used for the following groups: Banque Sudameris group, Central-European International Bank group, Privredna Banka Zagreb group, Agricola Investimenti group and Banco de Investimento Imobiliario group.

The draft financial statements as at 31st December 2001 of the consolidated companies have been prepared by the respective Boards of Directors prior to the approval of the Group's consolidated financial statements by IntesaBci's Board of Directors and will be submitted to the approval of the competent Shareholders' Meetings which will meet in dates prior to that of the Parent Company's Shareholders' Meeting.

The consolidation of Banco Sudameris Argentina

Due to Argentina's political and financial situation and the uncertainty, also regulatory, which reigns in the Country, *Banco Sudameris Argentina*, controlled through *Banque Sudameris*, could not draw up the definitive financial statements for 2001 in time to consider its effects on the Group's consolidated figures.

In the books of *Banque Sudameris* the carrying value of the equity investment in *Banco Sudameris Argentina* (in part held directly and in part indirectly, through the holding company *Atlantis*) was written off, assuming that the loss for 2001 will exceed the subsidiary's shareholders' equity. The effects of the value adjustment carried out by the French sub-holding company were transferred to the accounts of IntesaBci Holding International, which controls *Banque Sudameris*, and from the latter to the accounts of the Parent Company IntesaBci.

In the consolidated financial statements, also in consideration of the marginal contribution of the Argentinean subsidiary (the latter's total assets can be estimated to represent approximately 0.5% of consolidated total assets), it was decided to proceed as follows:

- *Banco Sudameris Argentina* prepared a "situation of accounts" as at 31st December 2001 by applying to assets and liabilities expressed in US dollars an exchange rate of 1.6 which represented the foreign exchange rate prevailing on the market after the reopening of negotiations after the revocation of the fixed peso/dollar parity;
- the "situation of accounts" was adjusted to ensure its compliance to the Group's accounting principles and valuation criteria.

PART A: VALUATION CRITERIA

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

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

Section 1 - Accounting policies adopted for Parent Company and Group companies accounts

1. Loans, guarantees and commitments

1.1 Due from banks

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

Amounts due from certain banks are written down with reference to their solvency conditions; other amounts due from non-resident banks are written down by general reserves that reflect the possible difficulties in servicing external debt faced by the Countries concerned.

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

1.2 Loans to customers

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

Loans are stated at their estimated realisable value, which is determined by deducting expected losses at period-end from the principal outstanding. Expected losses are determined as follows, considering the solvency of customers and any guarantees available:

– a detailed review is made of doubtful loans and other non-performing accounts; this may be integrated by lump-sum adjustments related to the positions of lower risk and size;
– yields and the basis and timing of repayments are considered with regard to consolidated or restructured loans;
– an overall estimate is made in relation to performing loans to customers located in Countries at risk, also considering the general indications of the banking industry.

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

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

1.3 Guarantees and commitments

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

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

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

The securities portfolio is divided into Investment portfolio and Trading portfolio.

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

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

2.1 Investment portfolio

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

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

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

2.2 Trading portfolio

Securities in the trading portfolio have been accounted for according to the continuous average cost method.

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. In particular, for subordinated securities from loan securitisations, estimated realisable value is calculated considering the forecasted recoveries on the loan portfolio sold. The solvency of the issuer and the resident Country's difficulty in servicing debt is also considered;
- for quotas of undertakings in collective investments in tradable securities (UCITS):
  - at period-end market value, in presence of quotations expressed by regulated markets, or obtained from communications to the market of management companies published by specialised channels;
  - at the lower between cost or market value, if those parameters are not available. Market value, in these cases, is represented by estimated realisable value, determined according to the procedure indicated above for securities other than quotas.

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

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

In particular:

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

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

Book value of zero-coupon securities includes accrued interest.

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

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

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

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

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

Market value for derivative contracts has been calculated on the basis of the official end-of-period quotation for derivatives traded in regulated markets and according to estimated 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, while 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 in “Other assets” and “Other liabilities” without offsetting.

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

- internal derivatives included in the portfolios held by specialised companies or business units are valued at market prices similarly to other trading contracts held by such companies and units;

– internal derivatives held by companies/units which are not authorised to operate directly on the market are accounted consistently with assets and liabilities hedged and are therefore valued at cost, since internal derivatives are used exclusively as hedges of assets and liabilities carried at cost.

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

3. Equity investments

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

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

In this regard, the book value of investments held as at 31st December 1992 (which includes any revaluations carried out according to specific regulations) is deemed to represent their cost at that date, as permitted by Art. 8.4 of Legislative Decree 87/92. Book value is written down to reflect any impairment in the value of equity investments. However, the original value may be written back in subsequent periods, to the extent that the reasons for any write-downs cease to apply.

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

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

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

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

Off-balance sheet transactions in foreign currencies including derivative contracts are valued as follows:

– for transactions related to unsettled spot contracts, market prices have been calculated using spot exchange rates at the end of the period;
– for transactions related to forward contracts, market prices 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, market prices 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 in any case which vary based on the foreign exchange rate of the currencies which are part of the euro, have been translated into euro by applying the respective conversion exchange rates.

The results of the valuations are recorded in the caption “Profits (Losses) on financial transactions” in the statement of income, while in the balance sheet currencies to be collected or delivered are accounted for in “Other assets/liabilities”.

Differentials between the spot and forward rates of hedge 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.

5. Fixed assets

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

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

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

In particular:

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

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

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

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

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

6. Intangibles

Intangibles are stated at purchase cost net of accumulated amortisation.

This caption comprises:

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

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

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

7. Other policies

7.1 Accruals and deferrals

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

7.2 Deposits and public funds under administration

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

7.3 Securities issued

Mortgage bonds, other bonds, certificates of deposit and bank cashiers' cheques are stated at their nominal values. Zero-coupon securities have been stated at issue price plus accruals at period-end.

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

7.4 Allowance for employee termination indemnities

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

7.5 Allowances for risks and charges

This caption comprises:

– "Allowances for pensions and similar commitments"
  Have been set up as a consequence of specific contracts and are deemed to adequately guarantee the payment of pensions for which the Bank is liable.

– "Allowance for taxation"
  The provision for income taxes is determined with reference to a prudent estimate of the current, prepaid and deferred taxation. In particular, prepaid and deferred taxes are determined irrespective of temporal limits and according to all temporary differences between book value attributed to assets or liabilities and the corresponding values for fiscal purposes.

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

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

  Prepaid and deferred taxes are accounted for in the balance sheet with open balances and without offsetting effects, the former in the "Other assets" caption and the latter in the "Allowances for risks and charges - allowance for taxation" caption.

In addition, this account reflects the deferred taxation on consolidation adjustments, if it is likely that the taxes concerned will become payable by a Group company.
These taxes essentially reflect:

– those arising from the reversal, on consolidation, of adjustments and provisions recorded for fiscal purposes;
– those arising from the allocation of positive consolidation differences in the assets of the consolidated company.

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

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

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

– "Other allowances"
This caption comprises provisions to cover known or 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 any asset captions. The allowances reflect the best estimate of the charges to be incurred, based on available information.

7.6 Allowances for possible loan losses

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

7.7 Subordinated liabilities

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

Section 2 - Adjustments and provisions recorded for fiscal purposes

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

PART B: INFORMATION REGARDING THE CONSOLIDATED BALANCE SHEET

Section 1 - Loans

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

Subcaptions	
Cash	1,524,925
Deposits with	
– central banks	387,622
– post offices and other entities	33,978
– other	2,190
Total	**1,948,715**

Breakdown of caption 30 "Due from banks"

Subcaptions	
a) Repayable on demand	
– current accounts for services rendered	*1,059,125*
– deposits	*2,299,570*
– other	*299,423*
Total a)	3,658,118
b) Other loans	
to central banks	
– compulsory reserve requirement	*1,240,055*
– other	*2,337,503*
to banks	
– time deposits	*12,069,230*
– loans	*5,045,157*
– repurchase agreements	*14,635,738*
– doubtful loans	*2,142*
– other	*1,180,744*
Total b)	36,510,569
Total	**40,168,687**

1.1 Analysis of caption 30 "Due from banks"

a) Due from central banks	3,577,558
b) Bills eligible for refinancing with central banks	2,596
c) Financial lease receivables	2,642
d) Repurchase agreements	14,635,738
e) Securities lending	203,029

Breakdown of caption 40 "Loans to customers"

Subcaptions	
Mortgages	54,519,977
Current accounts	32,844,263
Other loans	55,472,944
Loans for factoring activities	7,555,346
Doubtful loans	5,556,829
Financial lease receivables	6,129,614
Discounted portfolio risk	3,816,594
Repurchase agreements	4,384,998
Other	13,075,818
Total	**183,356,383**

1.2 Analysis of caption 40 "Loans to customers"

a) Bills eligible for refinancing with central banks	82,217
b) Financial lease receivables	6,129,614
c) Repurchase agreements	4,384,998
d) Securities lending	1,106,638

1.3 Secured loans to customers

a) Loans secured by mortgages	46,629,826
b) Loans secured by pledge on	
1. cash deposits	*1,496,915*
2. securities	*6,916,812*
3. other valuables	*832,437*
	9,246,164
c) Loans secured by guarantees from	
1. Governments	*359,952*
2. other public agencies	*524,239*
3. banks	*3,114,429*
4. other operators	*29,732,136*
	33,730,756
Total	**89,606,746**

1.4 Doubtful loans (including overdue interest)

Doubtful loans	
a) Customers	5,556,829
b) Banks	2,142
Total	**5,558,971**

1.5 Overdue interest

a) Doubtful loans	225,993
b) Other loans	33,263
Total	**259,256**

Breakdown of on-balance sheet loans

Loans to customers

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	19,842,825	(9,217,423)	10,625,402
A1. doubtful loans	*13,550,264*	*(7,993,435)*	*5,556,829*
A2. substandard loans	*4,515,282*	*(988,395)*	*3,526,887*
A3. loans under restructuring	*99,520*	*(12,604)*	*86,916*
A4. restructured loans	*486,371*	*(106,096)*	*380,275*
A5. loans subject to Country risk	*1,191,388*	*(116,893)*	*1,074,495*
B. Performing loans	173,934,863	(1,203,882)	172,730,981
Total	**193,777,688**	**(10,421,305)**	**183,356,383**

Due from banks

Categories	Gross exposure	Total adjustments	Net exposure
A. Non-performing loans	401,208	(74,477)	326,731
A1. doubtful loans	*35,151*	*(33,009)*	*2,142*
A2. substandard loans	–	–	–
A3. loans under restructuring	–	–	–
A4. restructured loans	–	–	–
A5. loans subject to Country risk	*366,057*	*(41,468)*	*324,589*
B. Performing loans	39,842,237	(281)	39,841,956
Total	**40,243,445**	**(74,758)**	**40,168,687**

Loans to customers - Changes in non-performing loans

		Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A.	**Initial gross exposure**	**13,496,741**	**3,293,906**	**58,338**	**583,914**	**991,518**
A1.	*including overdue interest*	*3,263,673*	*99,886*	*–*	*11,196*	*–*
B.	**Increases**	**3,193,966**	**3,801,172**	**85,831**	**127,052**	**1,101,202**
B1.	*inflows from performing loans*	*1,218,797*	*3,296,671*	*76,240*	*16,372*	*41,867*
B2.	*overdue interest*	*404,369*	*38,189*	*–*	*1,281*	*53*
B3.	*transfers from other non-performing loan categories*	*715,499*	*89,934*	*6,960*	*67,336*	*27*
B4.	*other increases*	*855,301*	*376,378*	*2,631*	*42,063*	*1,059,255*
C.	**Decreases**	**(3,140,443)**	**(2,579,796)**	**(44,649)**	**(224,595)**	**(901,332)**
C1.	*outflows to performing loans*	*(122,819)*	*(796,499)*	*–*	*(10,009)*	*(6,618)*
C2.	*write-offs*	*(1,220,363)*	*(97,921)*	*(10,153)*	*(19,751)*	*(1)*
C3.	*repayments*	*(765,569)*	*(633,793)*	*(5,325)*	*(121,847)*	*(34,192)*
C4.	*credit disposals*	*(516,503)*	*(20,094)*	*–*	*–*	*–*
C5.	*transfers to other non-performing loan categories*	*(93,088)*	*(715,201)*	*(10,847)*	*(60,620)*	*–*
C6.	*other decreases*	*(422,101)*	*(316,288)*	*(18,324)*	*(12,368)*	*(860,521)*
D.	**Final gross exposure**	**13,550,264**	**4,515,282**	**99,520**	**486,371**	**1,191,388**
D1.	*including overdue interest*	*3,209,481*	*113,891*	*–*	*11,032*	*53*

Loans to customers - Changes in total adjustments

		Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A.	**Initial total adjustments**	**7,044,905**	**493,171**	**23,893**	**125,959**	**62,965**	**1,064,389**
A1.	*including overdue interest*	*2,930,512*	*76,673*	*–*	*7,023*	*–*	*7,005*
B.	**Increases**	**2,796,880**	**805,249**	**6,766**	**37,106**	**149,030**	**361,248**
B1.	*adjustments*	*2,286,328*	*702,294*	*3,915*	*22,875*	*74,951*	*282,224*
B1.1	*including overdue interest*	*398,931*	*19,738*	*–*	*93*	*–*	*506*
B2.	*uses of allowances for possible loan losses*	*100,301*	*9*	*–*	*195*	*–*	*3*
B3.	*transfers from other loan categories*	*169,472*	*62,473*	*1,583*	*10,697*	*–*	*16,667*
B4.	*other increases*	*240,779*	*40,473*	*1,268*	*3,339*	*74,079*	*62,354*
C.	**Decreases**	**(1,848,350)**	**(310,025)**	**(18,055)**	**(56,969)**	**(95,102)**	**(221,755)**
C1.	*write-back of adjustments*	*(121,452)*	*(28,529)*	*–*	*(1,133)*	*(32,349)*	*(38,300)*
C1.1	*including overdue interest*	*(13,429)*	*(29)*	*–*	*–*	*–*	*(7)*
C2.	*write-backs on repayments*	*(168,311)*	*(30,452)*	*(284)*	*(8,423)*	*(6,111)*	*(7,367)*
C2.1	*including overdue interest*	*(28,523)*	*(708)*	*–*	*–*	*–*	*(217)*
C3.	*write-offs*	*(1,205,714)*	*(97,760)*	*(10,153)*	*(19,635)*	*(1)*	*(12,996)*
C4.	*transfers to other loan categories*	*(41,935)*	*(121,535)*	*(7,032)*	*(24,249)*	*(59)*	*(66,082)*
C5.	*other decreases*	*(310,938)*	*(31,749)*	*(586)*	*(3,529)*	*(56,582)*	*(97,010)*
D.	**Final total adjustments**	**7,993,435**	**988,395**	**12,604**	**106,096**	**116,893**	**1,203,882**
D1.	*including overdue interest*	*2,983,488*	*101,848*	*–*	*7,311*	*–*	*3,444*

Due from banks - Changes in non-performing loans

		Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A.	**Initial gross exposure**	**28,197**	**4,708**	**–**	**–**	**547,570**
A1.	*including overdue interest*	*707*	*228*	*–*	*–*	*–*
B.	**Increases**	**7,834**	**–**	**–**	**–**	**1,347,298**
B1.	*inflows from performing loans*	*146*	*–*	*–*	*–*	*63,998*
B2.	*overdue interest*	*202*	*–*	*–*	*–*	*–*
B3.	*transfers from other non-performing loan categories*	*4,708*	*–*	*–*	*–*	*–*
B4.	*other increases*	*2,778*	*–*	*–*	*–*	*1,283,300*
C.	**Decreases**	**(880)**	**(4,708)**	**–**	**–**	**(1,528,811)**
C1.	*outflows to performing loans*	*–*	*–*	*–*	*–*	*(267)*
C2.	*write-offs*	*(654)*	*–*	*–*	*–*	*–*
C3.	*repayments*	*(201)*	*–*	*–*	*–*	*(13,878)*
C4.	*credit disposals*	*–*	*–*	*–*	*–*	*–*
C5.	*transfers to other non-performing loan categories*	*–*	*(4,708)*	*–*	*–*	*–*
C6.	*other decreases*	*(25)*	*–*	*–*	*–*	*(1,514,666)*
D.	**Final gross exposure**	**35,151**	**–**	**–**	**–**	**366,057**
D1.	*including overdue interest*	*1,137*	*–*	*–*	*–*	*–*

Due from banks - Changes in total adjustments

		Doubtful loans	Substandard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A.	**Initial total adjustments**	**25,459**	**4,484**	**–**	**–**	**58,776**	**418**
A1.	*including overdue interest*	*707*	*228*	*–*	*–*	*–*	*–*
B.	**Increases**	**8,229**	**–**	**–**	**–**	**25,884**	**291**
B1.	*adjustments*	*965*	*–*	*–*	*–*	*3,369*	*281*
B1.1	*including overdue interest*	*202*	*–*	*–*	*–*	*–*	*–*
B2.	*uses of allowances for possible loan losses*	*–*	*–*	*–*	*–*	*–*	*–*
B3.	*transfers from other loan categories*	*4,484*	*–*	*–*	*–*	*–*	*–*
B4.	*other increases*	*2,780*	*–*	*–*	*–*	*22,515*	*10*
C.	**Decreases**	**(679)**	**(4,484)**	**–**	**–**	**(43,192)**	**(428)**
C1.	*write-back of adjustments*	*–*	*–*	*–*	*–*	*(6,182)*	*(427)*
C1.1	*including overdue interest*	*–*	*–*	*–*	*–*	*–*	*–*
C2.	*write-backs on repayments*	*–*	*–*	*–*	*–*	*(967)*	*–*
C2.1	*including overdue interest*	*–*	*–*	*–*	*–*	*–*	*–*
C3.	*write-offs*	*(654)*	*–*	*–*	*–*	*–*	*–*
C4.	*transfers to other loan categories*	*–*	*(4,484)*	*–*	*–*	*–*	*–*
C5.	*other decreases*	*(25)*	*–*	*–*	*–*	*(36,043)*	*(1)*
D.	**Final total adjustments**	**33,009**	**–**	**–**	**–**	**41,468**	**281**
D1.	*including overdue interest*	*1,137*	*–*	*–*	*–*	*–*	*–*

Section 2 - Securities

2.1 Investment portfolio

Subcaptions		**Book value**	**Market value**
1.	Debt securities	11,230,493	11,240,929
1.1	Government securities	4,712,233	4,778,447
	– listed	*4,641,699*	*4,714,745*
	– unlisted	*70,534*	*63,702*
1.2	Other securities	6,518,260	6,462,482
	– listed	*5,220,936*	*5,165,584*
	– unlisted	*1,297,324*	*1,296,898*
2.	Shares, quotas and other forms of capital	7,842	7,842
	– listed	*–*	*–*
	– unlisted	*7,842*	*7,842*
Total		**11,238,335**	**11,248,771**

The amount recorded in shares, quotas and other forms of capital is referred to quotas of mutual funds held by Group companies.

Differences between principal repayment and book value

Positive	327,169
Negative	63,041

2.2 Changes in the investment portfolio

A.	**Initial amount**	**12,588,208**
B.	**Increases**	**1,699,248**
B1.	*purchases*	*1,641,305*
B2.	*write-backs*	*9,069*
B3.	*transfers from the trading portfolio*	*–*
B4.	*other changes*	*48,874*
C.	**Decreases**	**(3,049,121)**
C1.	*sales*	*(1,458,787)*
C2.	*principal repayments*	*(927,573)*
C3.	*adjustments*	*(14,915)*
	including	
	– permanent write-downs	*(14,915)*
C4.	*transfers to the trading portfolio*	*(17,859)*
C5.	*other changes*	*(629,987)*
D.	**Final amount**	**11,238,335**

2.3 Trading portfolio

Subcaptions		Book value	Market value
1.	Debt securities	35,945,570	36,017,369
1.1	Government securities	12,606,692	12,606,692
	– listed	*12,207,668*	*12,207,668*
	– unlisted	*399,024*	*399,024*
1.2	other securities	23,338,878	23,410,677
	– listed	*6,807,529*	*6,807,529*
	– unlisted	*16,531,349*	*16,603,148*
2.	Shares, quotas and other forms of capital	1,711,114	1,724,456
	– listed	*1,242,166*	*1,242,166*
	– unlisted	*468,948*	*482,290*
Total		**37,656,684**	**37,741,825**

2.4 Changes in the trading portfolio

A.	**Initial amount**	**45,366,831**
B.	**Increases**	**660,431,100**
B1.	*purchases*	*659,470,517*
	– debt securities	*619,491,569*
	• Government securities	*363,070,963*
	• other securities	*256,420,606*
	– shares, quotas and other forms of capital	*39,978,948*
B2.	*write-backs and revaluations*	*238,013*
B3.	*transfers from the investment portfolio*	*17,859*
B4.	*other changes*	*704,711*
C.	**Decreases**	**(668,141,247)**
C1.	*sales and principal repayments*	*(666,112,216)*
	– debt securities	*(626,275,779)*
	• Government securities	*(371,781,079)*
	• other securities	*(254,494,700)*
	– shares, quotas and other forms of capital	*(39,836,437)*
C2.	*adjustments*	*(674,868)*
C3.	*transfers to the investment portfolio*	*–*
C5.	*other changes*	*(1,354,163)*
D.	**Final amount**	**37,656,684**

C5 includes the transfer of Commerzbank shares to equity investments.
The operation determined the registration of a write-down amounting to 50.5 million euro.

Section 3 - Equity investments

Variation in the consolidation area

1) As at 31st December 2000, in relation to its acquisition at year-end, the Privredna Banka Zagreb group was consolidated using the parent company's financial statements, adjusted by the valuation of its subsidiaries with the equity method.
In these financial statements, the PBZ group is fully consolidated and the following companies pass, thereby, from the valuation using the equity method to full consolidation:

AMEX (former Atlas American Express)	Pbz Invest
Investholding	Pbz Leasing
Medimurska Banka	Pbz Nekretnine
Pbz American Express - Skopje	Privredna Banka - Laguna Banka
Pbz American Express - Zagreb	Riadria Banka
Pbz Kapital	

2) Other variations:

Companies subject to full/proportional consolidation

INCLUSIONS

IntesaBci Investimenti, former Compagnia Italiana Investimenti Diversificati	Newly-established financial company
IntesaBci Sec. Npl	Formerly carried at equity
Intesa Immobiliare	Newly-established auxiliary support company
Banca IntesaBci Mediocredito	Spin-off of the business branch belonging to IntesaBci which occurred on 2nd July 2001
IntesaBci Preferred LLC III	Newly-established vehicle for the issue of subordinated loans
IntesaTrade	Spin-off of the business branch belonging to Caboto Sim which occurred on 2nd July 2001

EXCLUSIONS

Banca Carime	Reduction in the equity stake
Banca di Legnano	Sale
Cassa di Risparmio di Alessandria	Reduction in the equity stake
La Centrale Consulenza	Carried at equity

Companies carried at equity

INCLUSIONS

Banca Carime	Formerly subject to full consolidation
Charta	Acquisition
Conser	Newly-established company
IAIS 4	Newly-established company
La Centrale Consulenza	Formerly subject to full consolidation
Loyalty Group	Newly-established company
Parmafactor	Formerly valued at cost
Pbz Croatia Osiguranje	Newly-established company
Selezione Terza	Acquisition

EXCLUSIONS

Bank Austria Creditanstalt Czech Republic, Prague	Sale
Chiari & Forti	Sale
IntesaBci Sec. Npl	Fully consolidated
Mediocredito dell'Umbria	Sale

3.1 Significant equity investments

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
A. Consolidated companies							
Parent Company							
IntesaBci Spa Capital euro 3,488,995,258.84 in shares of euro 0.52		13,977,890	337,381				
A. 1 Companies subject to full consolidation							
1 Amex doo - Ljubljana Capital SIT 2,500,000	1	165	82	PBZ American Express	100.00		
2 Atlantis Sociedad Anonima - Buenos Aires Capital ARP 78,574,090 in shares of ARP 1	1	290,856	(10,528)	Banque Sudameris	81.25		
3 Banca Cis Spa - Cagliari Capital euro 170,276,569.35 in shares of euro 51.65	1	236,111	14,532	Banca IntesaBci Mediocredito	55.37		
4 Banca Commerciale Italiana (France) SA - Paris Capital euro 188,000,000 in shares of euro 17.07	1	236,283	44,531	IntesaBci	99.99		
5 Banca Commerciale Italiana (Suisse) - Zürich Capital CHF 100,000,000 in shares of CHF 1,000	1	88,954	8,703	IntesaBci Holding International	100.00		
6 Banca di Trento e Bolzano Spa - Trento Capital euro 51,167,583 in shares of euro 0.52	1	121,130	9,533	IntesaBci Finanziaria BTB	8.28 57.00		
7 Banca Intesa (France) SA - Paris Capital euro 39,636,744 in shares of euro 15.24	1	50,169	(1,459)	IntesaBci	99.99		
8 Banca Intesa International SA - Luxembourg Capital euro 35,000,000 in shares of euro 1,000	1	43,843	1,030	IntesaBci	100.00		
9 Banca IntesaBci Mediocredito Spa - Milano Capital euro 500,000,000 in shares of euro 1	1	855,645	29,345	IntesaBci	100.00		
10 Banca Popolare FriulAdria Spa - Pordenone Capital euro 101,975,060 in shares of euro 5	1	434,736	34,669	IntesaBci	76.05		
11 Banco Comercial e de Investimento Sudameris SA - São Paulo Capital R$ 844,367,472 in shares without nominal value	1	491,916	87,206	Sudameris Distribuidora de Titulos e Val. Banco Sudameris Brasil SATA	91.62 5.92 2.23	87.94 10.44 1.48	
12 Banco di Chiavari e della Riviera Ligure Spa - Chiavari (*Genova*) Capital euro 36,400,000 in shares of euro 0.52	1	210,783	17,533	IntesaBci	69.62		
13 Banco Sudameris Argentina SA - Buenos Aires Capital ARP 122,023,900 in shares of ARP 100	1	258,641	1,349	Banque Sudameris Atlantis Sociedad Anonima	20.01 79.99		
14 Banco Sudameris Brasil SA - São Paulo Capital R$ 1,138,689,238 in shares without nominal value	1	628,940	59,555	Banque Sudameris SATA	93.91 0.67	94.38 0.65	
15 Banco Sudameris Colombia - Santa Fé de Bogotá Capital COP 22,521,792,000 in shares of COP 400	1	41,150	(305)	Banque Sudameris	71.04		
16 Banco Sudameris de Investimento SA - São Paulo Capital R$ 12,504,650 in shares without nominal value	1	7,067	1,713	Banco Sudameris Brasil	99.99	99.98	
17 Banco Sudameris Paraguay SAECA - Asunciòn Capital PYG 38,613,335,000 in shares of PYG 1,000	1	17,520	2,253	Banque Sudameris Sudameris Immobiliaria	91.51 0.36		
18 Banco Wiese Sudameris SA - Lima Capital PEN 806,161,469.76 in shares of PEN 0.18	1	410,453	(19,100)	Lima Sudameris Holding Banque Sudameris	63.89 22.18	64.66 22.45	
19 Bankhaus Löbbecke & Co. KG - Berlin Capital euro 85,947,560.88	1	424,337	539	IntesaBci Beteiligungsgesellschaft für das Bankhaus Löbbecke	98.78 1.22	74.00 26.00	
20 Banque Sudameris SA - Paris Capital euro 545,152,937 in shares without nominal value	1	913,117	(890,780)	IntesaBci Holding International	99.98		
21 BCI Canada Securities Inc (in liquidation) - Toronto Capital CAD 200,000 in shares of CAD 500	1	(197)	(14)	IntesaBci Canada	100.00		
22 BCI Funding Corporation - Wilmington (*Delaware*) Capital USD 10,000 in shares of USD 1	1	447	100	IntesaBci Holding International	100.00		
23 BCI US Funding LLC I (c) - Wilmington (*Delaware*) Capital USD 10,000,000 in "common shares" of USD 10,000	1	11,347	–	IntesaBci	100.00		
24 BCI US Funding LLC II (d) - Wilmington (*Delaware*) Capital euro 27,500,000 in "common shares" of euro 1,000	1	27,500	–	IntesaBci	100.00		
25 BCI US Funding LLC III (e) - Wilmington (*Delaware*) Capital GBP 6,000,000 in "common shares" of GBP 1,000	1	9,860	–	IntesaBci	100.00		
26 Beteiligungsgesellschaft für das Bankhaus Löbbecke - Berlin Capital euro 1,583,419.83	1	2,753	20	IntesaBci	100.00		
27 Caboto (International) SA - Lugano Capital CHF 10,000,000 in shares of CHF 1,000	1	8,156	1,182	Intesa Asset Management	100.00		
28 Caboto Holding Spa - Milano Capital euro 162,500,000 in shares of euro 52	1	229,925	5,212	IntesaBci	100.00		
29 Caboto Securities Ltd - London Capital GBP 10,000,000 in shares of GBP 1	1	16,221	(746)	Caboto Holding	100.00		
30 Caboto USA Inc - New York Capital USD 2,000,000 in shares of USD 100	1	2,172	(4)	Caboto Holding	100.00		
31 Caridata Spa - Milano Capital euro 1,040,000 in shares of euro 0.52	1	7,607	1,716	IntesaBci	60.00		
32 Cariplo Finance Inc - Delaware Capital USD 1,000 in shares of USD 1	1	148	(37)	IntesaBci	100.00		
33 Cassa di Risparmio della Provincia di Viterbo Spa - Viterbo Capital euro 49,407,056.31 in shares of euro 0.51	1	92,042	28,125	Holding IntesaBci Centro	70.93	79.09	
34 Cassa di Risparmio di Ascoli Piceno Spa - Ascoli Piceno Capital euro 70,755,020 in shares of euro 258.23	1	163,092	8,788	Holding IntesaBci Centro	66.00		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
35 Cassa di Risparmio di Biella e Vercelli Spa - Biella Capital euro 117,500,000 in shares of euro 1	1	223,058	36,190	IntesaBci	55.00		
36 Cassa di Risparmio di Città di Castello Spa - Città di Castello (*Perugia*) Capital euro 23,750,000 in shares of euro 0.50	1	42,112	1,061	IntesaBci Holding IntesaBci Centro	15.00 64.24		
37 Cassa di Risparmio di Foligno Spa - Foligno (*Perugia*) Capital euro 17,720,820 in shares of euro 0.52	1	58,761	3,393	Holding IntesaBci Centro Carivita	70.47 0.06		
38 Cassa di Risparmio di Parma e Piacenza Spa - Parma Capital euro 500,000,000 in shares of euro 1	1	878,427	160,027	IntesaBci	100.00		
39 Cassa di Risparmio di Rieti Spa - Rieti Capital euro 47,339,291 in shares of euro 51.65	1	159,098	13,679	Holding IntesaBci Centro	85.00		
40 Cassa di Risparmio di Spoleto Spa - Spoleto (*Perugia*) Capital euro 35,070,334 in shares of euro 1	1	53,700	3,903	Holding IntesaBci Centro	59.44	65.31	
41 Central-European International Bank Ltd - Budapest Capital HUF 23,500,000,000 in shares of HUF 1,000	1	261,967	32,262	IntesaBci Holding International	100.00		
42 CIB Credit Co. Ltd - Budapest Capital HUF 50,000,000 in shares of HUF 1,000,000	1	202	(2)	CIB Leasing	100.00		
43 CIB Investment Fund Management Rt - Budapest Capital HUF 20,000,000 in shares of HUF 10,000	1	2,043	909	CIB Securities CIB Service	99.95 0.05		
44 CIB Leasing Rt - Budapest Capital HUF 1,520,000,000 in shares of HUF 10,000	1	7,295	1,254	Central-European International Bank CIB Rent CIB Service	1.31 98.68 0.01		
45 CIB Rent Rt - Budapest Capital HUF 1,800,000,000 in shares of HUF 10,000	1	8,175	640	Central-European International Bank CIB Securities	98.89 1.11		
46 CIB Securities Rt - Budapest Capital HUF 4,400,000,000 in shares of HUF 10,000	1	24,676	2,301	Central-European International Bank CIB Service	26.00 74.00		
47 CIB Service Rt - Budapest Capital HUF 16,333,500,000 in ordinary shares of HUF 10,000	1	62,594	(1,802)	Central-European International Bank CIB Leasing	99.99 0.01		
48 Cofragef SA - Paris Capital Frf 250,000 in shares of Frf 100	1	102	(8)	Banca Intesa (France)	99.76		
49 COMIT Asset Management Sgr Spa - Milano Capital euro 7,747,500 in shares of euro 51.65	1	36,477	14,607	IntesaBci	100.00		
50 COMIT FACTORING Spa - Milano Capital euro 51,060,000 in shares of euro 0.51	1	8,919	(10,576)	IntesaBci	100.00		
51 COMIT GESTIONI Sgr Spa - Milano Capital euro 10,329,137.98 in shares of euro 516.46	1	11,668	170	IntesaBci	100.00		
52 Comit Investments (Ireland) Ltd - Dublin Capital euro 6,000 in shares of euro 60	1	52,393	3,651	IntesaBci	99.00		
53 COMIT SERVICE Srl - Milano Capital euro 27,500,000	1	26,770	(1,175)	IntesaBci	100.00		
54 Depositos SA - Lima Capital PEN 36,035,670 in shares of PEN 10	1	13,003	174	Banco Wiese Sudameris	99.98		
55 E.Tr. - Esazione Tributi Spa - Cosenza Capital euro 10,000,000 in shares of euro 1	1	6,924	(6,252)	IntesaBci Riscossione Tributi	100.00		
56 Esa.Tri. - Esazione Tributi Spa - Milano Capital euro 18,049,586.88 in shares of 0.52	1	56,603	16,868	IntesaBci Riscossione Tributi	66.68		
57 Finanziaria BTB Spa - Trento Capital euro 56,832,922 in shares of euro 0.52	1	59,916	2,389	IntesaBci	99.29		
58 Finreme Sim Spa - Milano Capital euro 15,600,000 in shares of euro 52	1	16,601	135	IntesaBci	100.00		
59 FundsWorld Financial Service Ltd - Dublin Capital euro 229,140 in shares of euro 1	1	7,997	(10,700)	IntesaBci e.lab	82.70		
60 Holding IntesaBci Centro Spa - Spoleto (*Perugia*) Capital euro 560,259,150 in shares of euro 1	1	604,949	32,277	IntesaBci	97.11		
61 Immobiliare Maram Srl - Milano Capital euro 4,625,000	1	4,759	8	IntesaBci	100.00		
62 IMSA - Inversiones Mobiliarias SA - Lima Capital PEN 517,426,017 in shares of PEN 1	1	103,300	(85,844)	Banque Sudameris	95.34		
63 Intesa Asset Management Sgr - Milano Capital euro 46,668,752 in shares of euro 52	1	202,806	51,581	IntesaBci C.R. della Provincia di Viterbo C.R. di Città di Castello C.R. di Foligno C.R. di Spoleto	85.79 0.28 0.28 0.28 0.28		
64 Intesa Bank Overseas Ltd - Grand Cayman Capital USD 10,000,000 in shares of USD 1	1	13,625	417	IntesaBci	100.00		
65 Intesa Immobiliare Spa - Milano Capital euro 5,000,000 in shares of euro 1	1	4,927	(73)	IntesaBci IntesaBci Gestione Crediti	90.00 10.00		
66 Intesa Ireland Plc (in liquidation) - Dublin Capital IEP 500,000 in shares of IEP 1	1	7,905	7,397	IntesaBci	100.00		
67 Intesa Leasing Spa - Milano Capital euro 33,875,895.56 in shares of euro 0.52	1	187,168	16,675	IntesaBci	99.44		
68 Intesa Preferred Capital Company LLC (f) - Wilmington (*Delaware*) Capital euro 46,000,000 in "common shares" of euro 1	1	43,944	(670)	IntesaBci	100.00		
69 Intesa Preferred II Capital Company LLC (g) - Wilmington (*Delaware*) Capital euro 4,000,000 in "common shares" of euro 1	1	3,858	(99)	IntesaBci	100.00		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
70 IntesaBci Bank Ireland Plc - Dublin Capital euro 8,000,000 in shares of euro 50	1	374,975	542	IntesaBci	99.99		
71 IntesaBci Canada - Toronto Capital CAD 107,900,000 in shares without nominal value	1	77,739	4,346	IntesaBci Holding International	100.00		
72 IntesaBci e.lab Spa - Milano Capital euro 179,400,000 in shares of euro 52	1	144,536	(32,165)	IntesaBci	100.00		
73 IntesaBci Fiduciaria Sim Spa - Milano Capital euro 5,200,000 in shares of euro 52	1	9,975	3,457	IntesaBci	100.00		
74 IntesaBci Formazione Scpa - Milano Capital euro 104,000 in shares of euro 52	1	672	3	IntesaBci Banca di Trento e di Bolzano Banca Popolare FriulAdria Caboto Holding C.R. della Provincia di Viterbo C.R. di Ascoli Piceno C.R. di Città di Castello C.R. di Parma e Piacenza C.R. di Rieti Intesa Leasing IntesaBci Fiduciaria Sim IntesaBci Gestione Crediti IntesaBci Italia Sim IntesaBci Sistemi e Servizi Italfid Italiana Fiduciaria	72.50 3.00 3.00 3.00 1.00 1.00 1.00 5.00 1.00 1.00 0.50 0.50 1.00 3.00 0.50		
75 IntesaBci Formazione Sud Scpa - Napoli Capital euro 103,300 in shares of euro 51.65	1	145	15	IntesaBci IntesaBci Formazione	10.00 51.00		
76 IntesaBci Gestione Crediti Spa - Milano Capital euro 260,000,000 in shares of euro 52	1	16,349	(302,706)	IntesaBci	100.00		
77 IntesaBci Holding International SA - Luxembourg Capital euro 2,563,296,256 in shares of euro 512	1	1,955,842	(644,508)	IntesaBci	99.99		
78 IntesaBci Investimenti (former Compagnia Italiana di Investimenti Diversificati Spa) (#) - Milano Capital euro 1,000,000,000 in shares of euro 1,000	1	1,000,698	698	IntesaBci	100.00		
79 IntesaBci Italia Sim Spa - Assago (*Milano*) Capital euro 36,244,000 in shares of euro 52	1	49,594	986	IntesaBci IntesaBci e.lab	28.69 71.31		
80 IntesaBci Preferred Capital Company LLC III - Wilmington (*Delaware*) Capital euro 11,000,000 in shares of euro 1	1	10,534	(466)	IntesaBci	100.00		
81 IntesaBci Preferred Securities Investor Trust - New York Capital euro 1,000 in shares of euro 1,000	1	1	–	IntesaBci Preferred Capital Company LLC III	100.00		
82 IntesaBci Riscossione Tributi Spa - Milano Capital euro 76,500,000 in shares of euro 0.51	1	89,182	11,327	IntesaBci	100.00		
83 IntesaBci Sec. Spa - Milano Capital euro 100,000 in shares of euro 100	1	120	20	IntesaBci	60.00		
84 IntesaBci Sec. Npl Spa - Milano Capital euro 100,000 in shares of euro 100	1	131	14	Caboto Holding	60.00		
85 IntesaBci Sistemi e Servizi Spa - Milano Capital euro 296,566,400 in shares of euro 52	1	297,843	581	IntesaBci	100.00		
86 IntesaTrade Sim - Milano Capital euro 30,000,000 in shares of euro 16	1	19,862	(15,630)	IntesaBci e.lab	100.00		
87 Invest Holding doo - Karlovac Capital HRK 30,000,000	1	5,774	(975)	Privredna Banka Zagreb	56.38		
88 Italfid - Italiana Fiduciaria Spa - Milano Capital euro 1,040,000 in shares of euro 52	1	1,447	74	IntesaBci	100.00		
89 Lima Sudameris Holding SA - Lima Capital PEN 1,346,202,850 in shares of PEN 1	1	278,829	(200,102)	Banque Sudameris Banco Sudameris Brasil IMSA	40.45 5.32 41.32		
90 Magazzini Generali Fiduciari Cariplo Spa - Milano Capital euro 10,400,000 in shares of euro 0.52	1	19,404	2,519	IntesaBci	100.00		
91 Medimurska Banka dd - Čakovec Capital HRK 127,900,000 in shares of HRK 400	1	20,542	280	Privredna Banka	87.42	88.94	
92 Mediofactoring Spa - Milano Capital euro 53,696,032 in shares of euro 52	1	170,996	29,728	IntesaBci Comit Factoring	97.58 2.42		
93 PBZ American Express doo - Zagreb Capital HRK 1,000,000	1	7,813	6,299	Privredna Banka Zagreb	100.00		
94 PBZ American Express i dr doo - Skopje Capital DEM 10,000 in shares without nominal value	1	58	12	PBZ American Express - Zagreb	95.00		
95 PBZ Invest doo - Zagreb Capital HRK 1,000,000	1	643	415	Privredna Banka Zagreb	100.00		
96 PBZ Kapital doo - Zagreb Capital HRK 400,000	1	212	119	Privredna Banka Zagreb	100.00		
97 PBZ Leasing doo - Zagreb Capital HRK 20,000	1	1,663	1,212	Privredna Banka Zagreb	100.00		
98 PBZ Nekretnine doo - Zagreb Capital HRK 250,000	1	490	417	Privredna Banka Zagreb	100.00		
99 Phönix KG - Berlin Capital euro 43,459,809.90	1	43,944	170	IntesaBci Beteiligungsgesellschaft für das Bankhaus Löbbecke	98.78 1.22		
100 Privredna Banka Zagreb - Zagreb Capital HRK 1,666,000,000 in shares of HRK 100	1	375,712	70,542	IntesaBci Holding International	66.30		
101 Privredna Banka - Laguna Banka dd - Porec Capital HRK 60,014,000 in shares of HRK 3,700	1	10,367	1,124	Privredna Banka Zagreb	100.00		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
102 Prontofund Advisory SA - Luxembourg	1	2,153	2,001	IntesaBci	99.97		
Capital euro 75,000 in shares of euro 25				Société Européenne de Banque	0.03		
103 Riadria Banka dd - Rijeka Capital HRK 165,813,000 in shares of HRK 300	1	23,626	3,783	Privredna Banka Zagreb	77.98	85.01	
104 SATA - Sociedade de Assessoria Técnica e Administrativa SA - São Paulo Capital R$ 4,250,000 in shares of R$ 1	1	(3,910)	(3,305)	Banque Sudameris	99.99		
105 S.Es.I.T. Puglia - Servizio Esazione Imposte e Tributi Spa - Bari Capital euro 2,600,000 in shares of euro 1	1	2,454	(146)	IntesaBci Riscossione Tributi	64.99		
106 Serit Picena Spa - San Benedetto del Tronto (*Ascoli Piceno*) Capital euro 2,589,600 in shares of euro 520	1	3,078	167	C.R. di Ascoli Piceno	77.49		
107 Servitia SA - Luxembourg Capital euro 1,000,000 in shares without nominal value	1	1,572	133	Société Européenne de Banque	99.99		
108 Setefi Spa - Milano Capital euro 8,450,000 in shares of euro 52	1	46,545	18,037	IntesaBci	100.00		
109 Società Italiana di Revisione e Fiduciaria - S.I.Re.F. Spa - Milano	1	4,389	1,368	IntesaBci	80.00		
Capital euro 1,560,000 in shares of euro 0.52				Banco di Chiavari	20.00		
110 Société d'Investissements et de Financements Immobiliers - FINAMERIS SA - Paris Capital FRF 5,000,000 in shares of FRF 100	1	(1,210)	(539)	Banca Commerciale Italiana (France)	99.99		
111 Société Européenne de Banque SA - Luxembourg Capital euro 45,000,000 in shares without nominal value	1	92,363	11,202	IntesaBci Holding International	99.99		
112 Société Foncière Meyerbeer Sarl - Paris Capital euro 180,000 in shares of euro 40	1	599	399	Banque Sudameris	99.56		
113 Sudameris - Sociedade de Fomento Comercial e de Serviços Ltda - Barueri (*São Paulo*) Capital R$ 2,200,000 in quotas of R$ 1	1	4,101	3,542	Sudameris Arrendamento Mercantil	99.99		
114 Sudameris Administradora de Cartão de Crédito e Serviços SA - Barueri (*São Paulo*) Capital R$ 5,550,000 in shares without nominal value	1	7,803	1,536	Banco Sudameris Brasil	100.00		
115 Sudameris Agencia de Valores SA - Santiago	1	1,157	181	Banque Sudameris	95.00		
Capital CLP 253,849,219 in 1,000 shares without nominal value				Inversiones Sudameris Chile	5.00		
116 Sudameris Arrendamento Mercantil SA - Alphaville (*São Paulo*) Capital R$ 199,748,686.43 in shares without nominal value	1	109,054	23,001	Banco Sudameris Brasil	99.82		
117 Sudameris Corretora de Câmbio e Valores Mobiliários SA - São Paulo Capital R$ 6,200,000 in shares without nominal value	1	11,874	769	Banco Comercial e de Investimento Sudameris	100.00		
118 Sudameris Distribuidora de Títulos e Valores Mobiliários SA - São Paulo Capital R$ 1,063,560,000 in shares without nominal value	1	465,269	80,200	Banco Sudameris Brasil	99.99		
119 Sudameris Empreendimentos e Serviços Ltda - Santo Amaro (*São Paulo*)	1	59,367	(217)	Banco Sudameris Brasil	97.20		
Capital R$ 100,000,000 in quotas of R$ 1				Sudam. Arrendamento Mercantil	2.00		
				Sudam. Distribuidora de Títulos ...	0.80		
				Sudam. Corretora de Câmbio e ...	n.s.		
				Sudam. Sociedade de Fomento ...	n.s.		
120 Sudameris Leasing SA - Santiago	1	3,936	725	Banque Sudameris	95.00		
Capital CLP 1,494,123,851 in 1,000 shares without nominal value				Inversiones Sudameris Chile	5.00		
121 Wiese Bank International - George Town (*Cayman Islands*) Capital USD 21,678,000 in shares of USD 1,000	1	28,787	(1,589)	Banco Wiese Sudameris	100.00		
122 Wiese Inversiones Financieras SA - Lima Capital PEN 10,472,078 in shares of PEN 1	1	16,826	(1,020)	Banco Wiese Sudameris	99.70		
123 Wiese Sudameris Leasing - San Isidro (*Lima*) Capital PEN 140,000,000 in shares of PEN 50	1	55,204	2,856	Banco Wiese Sudameris	99.82		
A. Consolidated companies							
A. 2 Companies subject to proportional consolidation							
1 Carinord 2 - Milano Capital euro 110,754,644 in shares of euro 0.52	7	219,373	6,490	IntesaBci	41.14		
2 Cassa di Risparmio della Spezia - La Spezia Capital euro 76,180,000 in shares of euro 0.52	7	185,216	5,114	Carinord 2	68.09		
3 Cassa di Risparmio di Carrara - Carrara Capital euro 31,762,290 in shares of euro 516.46	7	93,871	5,171	Carinord 2	90.00		
B. Companies carried at equity							
B. 1 Controlled							
1 Adria Investing dd (in liquidation) - Zagreb	1	13,481	(2,053)	Riadria Banka	44.73	51.50	
Capital HRK 97,104,600 in shares of HRK 900				Privredna Banka Zagreb	41.21	47.44	
2 Agricola Investimenti Spa - Milano Capital euro 5,100,000 in shares of euro 1	1	3,742	(1,423)	IntesaBci	99.99		
3 Allevamenti Le Colombaie Srl - Milano	1	17,180	196	IntesaBci	20.00		
Capital euro 18,156,000				Agricola Investimenti	80.00		
4 Azienda Agricola Ballottino Srl (in liquidation) - Milano	1	1,721	1,011	IntesaBci	49.00		
Capital euro 724,000				Allevamenti Le Colombaie	51.00		
5 C.G.M. International Spa (in liquidation) (1) - Milano Capital lire 5,000,000,000 in shares of lire 1,000	1	5	1	IntesaBci	80.00		

	Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	Investment % held	Votes available at Shareholders' Meeting (%) (*)	Book value
6	Carivita Spa - Milano Capital euro 100,000,000 in shares of euro 5	1	164,364	22,150	IntesaBci	80.00		
7	Charta Srl - Sant'Agata sul Santerno (*Ravenna*) Capital euro 37,500	1	84	4	IntesaBci e.lab	70.00		
8	CIB Insurance Broker Kft - Budapest Capital HUF 10,000,000	1	56	15	CIB Leasing	100.00		
9	CIB Real Estate Leasing Rt - Budapest Capital HUF 50,000,000 in shares of HUF 1,000,000	1	18	(186)	CIB Leasing	100.00		
10	Conser Spa - Bari Capital euro 200,000 in shares of euro 1	1	266	66	S.Es.I.T. Puglia	51.00		
11	Fiduciaria Sudameris SA - FIDUAMERIS - Santa Fé de Bogotá Capital COP 3,368,187,000 in shares of COP 1,000	1	1,884	231	Banco Sudameris Colombia Banque Sudameris	94.99 5.01		
12	IAIS4 Spa - Cosenza Capital euro 1,530,000 in shares of euro 1	1	1,269	(279)	E.Tr. - Esazione Tributi	70.00		
13	IntesaBci Learning Spa - Foligno (*Perugia*) Capital euro 104,000 in shares of euro 52	1	110	2	IntesaBci C.R. di Foligno C.R. di Spoleto	96.50 1.50 0.50		
14	Intesa Renting Spa - Milano Capital euro 3,000,0000 in shares of euro 1	1	1,923	(1,077)	Intesa Leasing	65.00		
15	La Centrale Consulenza Srl - Milano Capital euro 15,000 in shares of euro 0.50	1	117	89	IntesaBci	100.00		
16	Liburnavest doo (in liquidation) - Rijeka Capital HRK 400,000 in shares without nominal value	1	63	–	Riadria Banka	100.00		
17	Palazzo Legnazzi Srl (in liquidation) - Milano Capital euro 2,550,000	1	517	(12)	IntesaBci Agricola Investimenti	24.50 65.50		
18	PBZ Croatia Osiguranje Plc - Zagreb Capital HRK 40,000,000 in shares of HRK 1,000	1	4,873	(585)	Privredna Banka Zagreb	50.00		
19	Shoplà Spa - Milano Capital euro 6,610,000 in shares of euro 10	1	5,928	(3,010)	IntesaBci e.lab	50.00		
20	Slavonija Drvna Industrija doo (1) - Slavonski Brod Capital HRK 35,325,700	1	4,059	21	Investholding - Zagreb	100.00		
21	Sudameris Asset Management - Alphaville - Barueri Capital R$ 400,000	1	455	259	Banco Comercial e de Investimento Sudameris SATA	 90.00 10.00		
22	Sudameris Valores SA Sociedad de Bolsa - Buenos Aires Capital ARP 3,619,500 in shares of ARP 1	1	3,425	482	Banco Sudameris Argentina	99.99		
23	Wiese Sudameris Fondos SA - Lima Capital PEN 7,881,816 in shares of PEN 1	1	1,106	(1,435)	Banco Wiese Sudameris	100.00		
24	Wiese Sudameris Sociedad Agente de Bolsa SA - Lima Capital PEN 7,454,462 in shares of PEN 1	1	1,631	(844)	Banco Wiese Sudameris	100.00		
25	Wiese Sudameris Sociedad Titulizadora SA - Lima Capital PEN 22,593,000 in shares of PEN 1	1	8,149	474	Banco Wiese Sudameris	100.00		
B.	**2 Associated**							
1	Agos Itafinco Spa - Milano Capital euro 57,307,200 in shares of euro 520	8	104,729	15,866	IntesaBci	30.00		
2	ASSIBA - Società di Assicurazioni Spa - Milano Capital euro 100,000,000 in shares of euro 5	8	132,446	24,069	IntesaBci Banco di Chiavari	49.00 1.00		
3	Banca Carime Spa - Cosenza Capital euro 819,323,160 in shares of euro 0.51	8	903,287	25,222	IntesaBci	24.92		
4	Banco de Investimento Imobiliario (and its group) - Lisboa Capital euro 94,500,000 in shares of euro 1	8	59,174	9,776	IntesaBci	50.00		
5	Car World Italia Spa (1) - Milano Capital lire 6,000,000,000 in shares of lire 100,000	8	10,900	884	IntesaBci	30.00		
6	Caralt Spa - Alessandria Capital euro 2,582,500 in shares of euro 51.65	8	5,322	1,125	IntesaBci	35.00		
7	Cassa di Risparmio della Provincia di Chieti Spa - Chieti Capital euro 52,000,000 in shares of euro 0.52	8	158,866	4,387	IntesaBci	20.00		
8	Cassa di Risparmio della Provincia di Teramo Spa - Teramo Capital euro 26,000,000 in shares of euro 0.52	8	227,479	9,434	IntesaBci	20.00		
9	Cassa di Risparmio di Fermo Spa - Fermo (*Ascoli Piceno*) Capital euro 39,241,087.50 in shares of euro 51.65	8	136,027	3,940	IntesaBci	33.33		
10	Cassa di Risparmio Terni e Narni Spa - Terni Capital euro 21,000,000 in shares of euro 6	8	79,573	9,485	IntesaBci	35.00		
11	Compagnie Monégasque de Banque SAM - Monte Carlo Capital euro 111,110,000 in shares of euro 200	8	207,721	24,232	IntesaBci Holding International	33.86		
12	Companhia de Credito Financiamento e Investimento Renault do Brasil SA - Bela Vista (*São Paulo*) Capital R$ 47,800,000 in shares without nominal value	8	27,855	566	Banco Comercial e de Investimento Sudameris	39.83	40.00	
13	Dante Prini Spa (1) (in liquidation) - Montano Lucino (*Como*) Capital lire 10,000,000,000 in shares of lire 1,000	8	(11,917)	(8,095)	IntesaBci	32.50		
14	Ente Nazionale Sementi Elette - Milano Endowment fund lire 65,971,115	8	34	–	IntesaBci	49.41		

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
15 Euromilano Srl - Milano Capital lire 12,500,000,000	8	14,080	1,154	IntesaBci	37.50		
16 FIDIA - Fondo Interbancario d'Investimento Azionario Spa - Milano Capital euro 15,600,000 in shares of euro 520	8	16,115	2	IntesaBci	25.00		
17 First Skelligs International Finance Company Ltd - Dublin Capital lire 1,500,000,000 in shares of lire 1,000	8	67,018	3,815	IntesaBci	33.33		
18 Lo.Se.Ri. - Lombarda Servizi di Riscossione Spa - Cremona Capital euro 2,777,166 in shares of euro 0.52	8	3,339	485	IntesaBci	30.50		
19 Loyalty Group Italia Spa - Milano Capital euro 100,000 in shares of euro 1	8	94	(6)	IntesaBci	50.00		
20 Luxicav Conseil SA - Luxembourg Capital euro 75,000 in shares of euro 25	8	152	69	Société Européenne de Banque	50.00		
21 Luxiprivilège Conseil SA - Luxembourg Capital euro 75,000 in shares of euro 25	8	275	192	Société Européenne de Banque	50.00		
22 Parmafactor Spa (1) - Collecchio (*Parma*) Capital euro 5,160,000 in shares of euro 10	8	6,515	587	IntesaBci C.R. di Parma e Piacenza	10.00 10.00		
23 Po Vita Assicurazioni Spa (1) - Parma Capital euro 36,000,000 in shares of euro 1	8	31,433	761	C.R. di Parma e Piacenza	50.00		
24 PREVINET - Servizi per la previdenza - Mogliano Veneto (*Treviso*) Capital euro 5,164,600 in shares of euro 516.46	8	10,539	3,108	IntesaBci	45.50		
25 PROMINVESTMENT Spa - Roma Capital euro 520,000 in shares of euro 0.52	8	877	31	IntesaBci	25.00		
26 Selezione Terza Srl - Milano Capital euro 10,000	8	(1,069)	(1,356)	IntesaBci	50.00		
27 Servizi Assicurativi Padano Srl (1) - Parma Capital lire 180,000,000	8	143	11	C.R. di Parma e Piacenza	40.00		
28 Sim Co.Ge.F. Spa - Milano Capital euro 4,000,000 in shares of euro 500	8	2,944	(1,188)	IntesaBci	50.00		
29 So.Ri.T Spa (1) - Foligno (*Perugia*) Capital euro 2,590,000 in shares of euro 2.59	8	(810)	(2,802)	C.R. di Città di Castello C.R. di Foligno C.R. di Spoleto	7.02 12.47 3.46		
30 Sudameris Generali C.ia de Seguros e Previdência Privada (2) - São Paulo Capital R$ 3,900 in shares without nominal value	8	6,134	1,929	Banco Sudameris de Investimento	50.00		
31 Termomeccanica Spa (1) - La Spezia Capital euro 3,096,000 in shares of euro 5.16	8	30,098	3,704	IntesaBci	32.32		

C. Other significant investments

C. 1 Controlled

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
1 América do Sul Fomento Comercial Ltda (in liquidation) (*) (1) - São Paulo Capital R$ 170	1	639	190	Banco Comercial e de Investimento Sudameris	97.65		624
2 BCILUX CONSEIL SA (*) - Luxembourg Capital euro 75,000 in shares of euro 25	1	839	756	Banca Commerciale Italiana (Suisse) Société Européenne de Banque	50.00 50.00		74
3 Bil Servizi Finanziari Spa (*) - Milano Capital euro 160,000 in shares of euro 1	1	241	9	IntesaBci	100.00		150
4 Biverbroker Srl (*) (1) - Biella Capital euro 46,800	1	141	46	C.R. di Biella e Vercelli	55.00		25
5 Capital Servis as (@) - Bratislava Capital SKK 1,000,000 in shares of SKK 10,000	1	26	47	Realitna Spolocnost	100.00		–
6 Centro Aurelia Srl (in liquidation) (**) - Milano Capital euro 100,234	1	44	(23)	IntesaBci	100.00		67
7 Consul Service Srl (in liquidation) (**) - Cagliari Capital euro 16,320	1	(375)	18	Banca Cis	98.41		–
8 Consult-Ameris SA (*) - Montevideo Capital USD 8,000 in shares of USD 100	1	16	1	Banque Sudameris	100.00		2
9 Cormano Srl (*) - Olgiate Olona (*Varese*) Capital euro 25,800	1	24	4	IntesaBci	70.82		–
10 Del Mar SA (*) - Miraflores Capital PEN 52,170,440 in shares of PEN 10	1	14,021	(2,759)	Banco Wiese Sudameris	56.69		7,945
11 Finanziaria Colonna Srl (*) - Roma Capital euro 10,000	1	460	(33)	IntesaBci	100.00		460
12 Finech as (@) - Bratislava Capital SKK 46,000,000 in shares of SKK 100,000	1	467	(37)	Realitna Spolocnost Vseobecna Uverova Banka	91.30 8.70		–
13 Intermodal Cargo SA (*) (5) - Lima Capital PEN 100,720 in shares of PEN 10	1	(352)	(25)	Depositos	69.50	69.50	–
14 International Business Consulting Zao ($) - Moscow Capital RUR 60,000,000 in shares of RUR 3,000,000	1	2,234	–	IntesaBci	55.00		1,260
15 Inversiones Sudameris CA (*) (3) - Caracas Capital VEB 300,000,000 in shares of VEB 1,000	1	731	21	Banque Sudameris	99.97		345
16 Inversiones Sudameris Chile Ltda (*) - Santiago Capital CLP 38,040,000 in shares without nominal value	1	201	1	Banque Sudameris Sudameris Inmobiliaria	83.33 16.67		128
17 Invest Holding doo (in liquidation) (**) - Zagreb Capital HRK 35,000,000	1	–	(3)	Privredna Banka Zagreb	100.00		–
18 La Bufalina Srl (in liquidation) (**) - Milano Capital euro 79,046	1	26	(16)	IntesaBci	100.00		26
19 Leasreal as (@) - Bratislava Capital SKK 1,000,000 in shares of SKK 10,000	1	77	(11)	VUB Leasingova	100.00		–

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
20 Löbco Immobilien- und Handelsgesellschaft (*) - Berlin Capital euro 51,129.18	1	132	47	Bankhaus Löbbecke	100.00		51
21 MEBA dd (*) - Čakovec Capital HRK 739,000	1	168	(14)	Medimurska Banka	100.00		101
22 Neuf SA (*) - Luxembourg Capital euro 1,099,800 in shares of euro 26	1	27,190	161	IntesaBci	99.99		13,598
23 PBZ Im - Und Export Handel Service GmbH (in liquidation) (**) - Frankfurt am Main Capital DEM 256,422.55	1	1,020	(52)	Privredna Banka Zagreb	100.00		118
24 PBZ Trading (in liquidation) (**) - Moscow Capital RUR 11,860	1	n.a.	n.a.	PBZ Im - Und Export Handel Service	100.00		–
25 PBZ Trading Sro (in liquidation) (**) - Mliecany Capital SKK 200,000	1	n.a.	n.a.	PBZ Im - Und Export Handel Service	100.00		–
26 Petrochemical Investments Ltd (*) - George Town (*Cayman Islands*) Capital USD 22,000,000 in shares of USD 1	1	27,210	942	IntesaBci	100.00		25,270
27 Realitna Spolocnost VUB Spol Sro (@) - Bratislava Capital SKK 230,000,000	1	4,188	(1,400)	Vseobecna Uverova Banka	100.00		–
28 RS as (@) - Bratislava Capital SKK 1,000,000 in shares of SKK 100,000	1	1	(23)	Vseobecna Uverova Banka	100.00		–
29 Scala Advisory SA (*) - Luxembourg Capital euro 75,000 in shares of euro 25	1	159	(6)	IntesaBci Société Européenne de Banque	99.97 0.03		74
30 SEB Trust Ltd (*) (1) - St Helier - Jersey Capital GBP 250,000 in shares of GBP 1	1	345	(65)	Société Européenne de Banque	99.99		410
31 Skuda dd (in liquidation) (**) - Zagreb Capital HRK 9,334,200 in shares of HRK 100	1	1,633	42	Privredna Banka Zagreb	83.35	86.07	1,062
32 Slavonija Drvna Industrija doo - Tvornica namjestaja za proizvodnjui i trgovinu doo ($) (1) - Slavonski Brod Capital HRK 20,000	1	1	1	Slavonjia Drvna Industrija	100.00		–
33 Slavonija Drvna Industrija doo - Tvornica parketa za proizvodnjui i trgovinu doo ($) (1) - Slavonski Brod Capital HRK 20,000	1	–	–	Slavonjia Drvna Industrija	100.00		–
34 Slavonija Drvna Industrija doo - Tehničko odrzavanje sredstava - TOS doo ($) (1) - Slavonski Brod Capital HRK 20,000	1	4	1	Slavonjia Drvna Industrija	100.00		–
35 Sphera Sarl (*) (6) - Paris Capital euro 7,622	1	7	(1)	Banca Intesa (France)	100.00		8
36 Spolocnost Pre Bankovu Ochranu as (@) - Zilina Capital SKK 40,000,000 in shares of SKK 1,000,000	1	892	62	Vseobecna Uverova Banka	100.00		–
37 Sudameris Aministradora de Fondos Mutuos SA (*) - Asunción Capital PYG 1,305,000,000 divided in shares of PYG 1,000	1	363	44	Banco Sudameris Paraguay	70.00		225
38 Sudameris Capital Markets SA (*) - Buenos Aires Capital ARP 178,650 in shares of ARP 1	1	1,038	729	Banque Sudameris	99.72		–
39 Sudameris Inmobiliaria SA (*) - Panama Capital USD 100,000 in shares of USD 100	1	116	(76)	Banque Sudameris	100.00		97
40 Sudameris Inversiones y Proyectos (*) - Santa Fé de Bogotá Capital COP 344,490,000 in shares of COP 1,000 nominal value	1	167	–	Banque Sudameris Sudameris Inmobiliaria	94.99 5.00		329
41 Sudameris Inversora Argentina Sociedad Gerente de Fondos Comunes de Inversion SA (*) - Buenos Aires Capital ARP 130,000 in shares of ARP 1	1	297	184	Banco Sudameris Argentina Atlantis Sociedad Anonima	99.99 0.01		73
42 Sudameris Investment Chile SA (*) - Santiago Capital CLP 2,439,082,818 in shares without nominal value	1	7,190	1,949	Banque Sudameris Inversiones Sudameris Chile	99.99 0.01		3,266
43 Sudpar International Inc (*) - George Town (*Cayman Islands*) Capital USD 125,000 in shares of USD 1	1	340	(2)	Banque Sudameris	100.00		230
44 Sudameris Securities Inc ($) - Miami Capital USD 5,000	1	6	–	Banque Sudameris	100.00		5
45 Sviluppo Garibaldi - Repubblica Spa ($) - Milano Capital euro 300,000 in shares of euro 1	1	300	–	IntesaBci	50.00		150
46 Technicky Servis as (@) - Bratislava Capital SKK 7,000,000 in shares of SKK 100,000	1	155	(6)	Vseobecna Uverova Banka	100.00		–
47 Vseobecna Uverova Banka as (@) - Bratislava Capital SKK 12,978,108,000 in shares of SKK 1,000	1	371,540	33,400	IntesaBci Holding International	94.47		550,000
48 VUB Asset Management Sprav. Spol as (@) - Bratislava Capital SKK 50,000,000 in shares of SKK 100,000	1	456	(274)	Vseobecna Uverova Banka	100.00		–
49 VUB Factoring as (@) - Bratislava Capital SKK 361,630,000 divided in shares of SKK 290,000	1	960	(1,266)	Vseobecna Uverova Banka	84.28		–
50 VUB Leasingova as (@) - Bratislava Capital SKK 50,000,000 in shares of SKK 100,000	1	471	(707)	Vseobecna Uverova Banka	100.00		–
51 VUB Real as (@) - Bratislava Capital SKK 1,000,000 in shares of SKK 100,000	1	29	3	Realitnà Spolocnost	100.00		–
C. 2 Associated							
1 Alstom Power doo (*) - Karlovac Capital HRK 27,821,000	8	n.a.	n.a.	Investholding - Karlovac	20.06		–
2 Asociacion Los Portales de Ceres (2) (*) - Lima Capital PEN 5,152,500 in shares without nominal value	8	2,899	367	Banco Wiese Sudameris	20.00		346
3 Bci Soditic Trade Finance Ltd (*) (4) - London Capital USD 5,000,000 in shares of USD 1	8	4,317	516	IntesaBci Holding International	50.00		2,344

Companies	Type of relationship (a)	Shareholders' equity	Net income (loss) (b)	Investment direct ownership	% held	Votes available at Shareholders' Meeting (%) (*)	Book value
4 Camigliati Scuola Management Territoriale (*) Scrl - Spezzano della Sila (*Cosenza*) Capital euro 10,329.10	8	2	(8)	IntesaBci Formazione Sud	20.00		2
5 Cantiere Darsena Italia Spa (in liquidation) (**) - Viareggio (*Lucca*) Capital euro 2,550,000 in shares of euro 0.51	8	(10,067)	88	IntesaBci	20.00		–
6 Castello di Udine Spa (1) (*) - San Giorgio di Nogaro (*Udine*) Capital euro 7,752,000 in shares of euro 0.51	8	6,214	(779)	Banca Popolare FriulAdria	30.00		620
7 Companhia de Arrendamento Mercantil Renault do Brasil SA (*) - São Paulo Capital R$ 7,000,000 in shares without nominal value	8	3,636	(145)	Banco Comercial e de Investimento Sudameris	39.77	39.79	1,361
8 E. Gilardi & C. Srl (in liquidation) (**) (1) - Novara Capital lire 99,000,000	8	(237)	3,501	C.R. di Biella e Vercelli	30.00		–
9 Editrade SAC (*) (1) - San Isidro (*Lima*) Capital PEN 11,659,600 in shares of PEN 100	8	(816)	(1,222)	Wiese Inversiones Financieras	22.50		–
10 Galileo Holding Spa (in liquidation) (**) - Marghera (*Venezia*) Capital lire 4,500,000,000 in shares of lire 1,000	8	(24,742)	(6,090)	IntesaBci C.R. della Provincia di Viterbo	20.04 5.88		–
11 GENSEB - Gen. & SEB Risk Service SA (*) - Luxembourg Capital euro 250,000 in shares of euro 25	8	132	(7)	Société Européenne de Banque	50.00		125
12 Giraglia Immobiliare Spa (§) (1) - Milano Capital euro 3,500,000 in shares of euro 1	8	(1,989)	(21,270)	IntesaBci	20.02		701
13 Immobiliare Lombarda Spa (§) - Milano Capital euro 239,912,727.60 in shares of euro 0.40	8	223,635	(19,104)	IntesaBci Banco di Chiavari	29.15 0.65		26,854
14 Immobiliare Palvareto Srl (in liquidation) (**) - Cremona Capital euro 10,400	8	83	(2)	IntesaBci	50.00		–
15 Infocorp SA (*) (2) - San Isidro (*Lima*) Capital PEN 4,485,265 in shares of PEN 1	8	3,202	1,057	Wiese Bank International	20.73		480
16 Ipef Partners Ltd (*) - London Capital GBP 1,000 in shares of GBP 1	8	423	4	IntesaBci	40.50		1
17 Monte Mario 2000 Srl (*) - Roma Capital lire 99,000,000	8	282	(20)	Finanziaria Colonna	47.50		
18 Neubor Glass Spa (*) - San Vito al Tagliamento (*Pordenone*) Capital euro 1,550,000 in shares of euro 1	8	1,550	–	Banca Popolare FriulAdria	26.66		413
19 Obiettivo NordEst Sicav Spa (*) - Venezia Capital euro 3,000,000 in shares of euro 5	8	5,203	–	IntesaBci	37.94		2,000
20 Procesos Mc Perù SA (2) (*) - Lima Capital PEN 15,299,336 in shares of PEN 1	8	3,602	(703)	Banca Wiese Sudameris	50.00		1,800
21 Saper Empreendimentos Imobiliarios Ltda (*) - São Paulo Capital R$ 363.63 in shares of R$ 0.000364	8	1,303	154	SATA	37.89		161
22 Sci Les Guynames (*) - Bellerive sur Allier Capital euro 152.45	8	(8)	(8)	Finameris	38.00		–
23 Sider Corp SA (*) (2) - Santa Anita (*Lima*) Capital PEN 105,263,000 in shares of PEN 1,000	8	178,918	(11,287)	Wiese Inversiones Financieras	36.79		9,376
24 Sudameris Casa de Bolsa SA (*) - Asunción Capital PYG 100,000,000 in shares of PYG 1,000,000	8	72	22	Banco Sudameris Paraguay	49.00		–
25 The Maple Gas Development Corporation (*) - San Isidro (*Lima*) Capital USD 15,000 in shares of USD 1	8	32,799	2,041	Wiese Inversiones Financieras	33.33		9,391

Notes:

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

(a) *Type of relationship:*
1 - control, as defined by Art. 2359 1.1 of the Italian Civil Code (majority of voting rights at Ordinary Shareholders' Meeting);
2 - control, as defined by Art. 2359 1.2 of the Italian Civil Code (dominant influence at Ordinary Shareholders' Meeting);
3 - control, as defined by Art. 23, par 2, n. 1 of the Combined regulations on investment services (agreements with other Shareholders);
4 - other forms of control;
5 - common management as defined in Art. 26.1 of the "Decree";
6 - common management as defined in Art. 26.2 of the "Decree";
7 - joint control;
8 - associated company.

(b) *Amount included in the "Shareholders' equity" column.*
(c) *Considering the "preferred shares" issued by BCI US Funding Trust for a total of USD 200,000,000, the equity stake equals 4.76%.*
(d) *Considering the "preferred shares" issued by BCI US Funding Trust for a total of euro 550,000,000, the equity stake equals 4.76%.*
(e) *Considering the "preferred shares" issued by BCI US Funding Trust for a total of GBP 120,000,000, the equity stake equals 4.76%.*
(f) *Considering the "preferred shares" issued for a total of euro 200,000,000, the equity stake equals 18.70%.*
(g) *Considering the "preferred shares" issued for a total of euro 150,000,000, the equity stake equals 2.60%.*

(#) *Waiting to receive the authorisation of the Bank of Italy for the inclusion in the banking group Gruppo IntesaBci.*
(*) *Company excluded from consolidation or valuation according to the equity method since total assets is not significant.*
(**) *Company excluded from consolidation or valuation according to the equity method since in liquidation.*
(§) *Company excluded from consolidation or valuation according to the equity method since under disposal.*
($) *Company excluded from consolidation or valuation according to the equity method since still not operational.*
(@) *Acquisition closed at the end of the year.*

Shareholders' equity and net income, not referred to as at 31st December 2001:
(1) *figures as at 31st December 2000;*
(2) *figures as at 30th November 2001;*
(3) *figures as at 31st October 2001;*
(4) *figures as at 30th April 2001;*
(5) *figures as at 30th November 2000;*
(6) *figures as at 31st December 1999.*

Other equity investments

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

Companies	Investment direct ownership	% held	Book value
A. Banks			
Italy			
1 Banca delle Marche - Ancona Capital euro 386,476,840.88	IntesaBci	4.60	41,058
2 Banca d'Italia - Roma Capital euro 156,000	IntesaBci	22.01	347,644
	C.R. di Parma e Piacenza	2.03	63,448
	C.R. di Biella e Vercelli	2.10	9,299
	C.R. di Ascoli Piceno	0.22	5,546
	C.R. di Foligno	0.10	3,147
	C.R. di Città di Castello	0.08	2,278
	C.R. della Provincia di Viterbo	0.08	2,029
	C.R. della Spezia	0.09	1,472
	C.R. di Carrara	0.03	145
	C.R. di Spoleto	0.03	1
	C.R. di Rieti	0.01	–
3 Banca Mediocredito - Torino Capital euro 258,000,000	IntesaBci	0.27	755
	C.R. di Biella e Vercelli	6.06	9,825
	C.R. di Spezia	0.11	110
4 Mediodredito Fondiario CentroItalia - Ancona Capital euro 64,446,775	C.R. di Ascoli Piceno	10.77	12,233
	C.R. di Foligno	0.30	175
Other Countries			
1 Bayerische Hypo-und Vereinsbank - Wien Capital euro 1,608,866,103	IntesaBci	0.68	173,292
2 Banco Comercial Português - Oporto Capital euro 2,326,714,877	IntesaBci	4.91	320,197
	IntesaBci Holding International	2.52	258,221
3 Bre Bank - Warsav Capital PLN 91,200,000	IntesaBci Holding International	4.97	28,845
4 Crédit Lyonnais - Lyon Capital euro 1,783,758,636	IntesaBci	2.69	252,703
5 Commerzbank - Frankfurt am Main Capital euro 1,408,751,234.80	IntesaBci	1.21	147,919
	IntesaBci Holding International	0.84	140,382
B. Financial Companies			
Italy			
1 Borsa Italiana Spa - Milano Capital euro 7,280,000	IntesaBci	15.00	6,837
	C.R. di Biella e Vercelli	0.07	28
2 Hopa Spa - Holding di partecipazioni aziendali - Brescia Capital euro 585,611,668.72	IntesaBci	0.84	10,317
3 Linea Più Spa - Prato Capital euro 10,000,016	IntesaBci	15.03	9,528
4 Monte Titoli Spa - Milano Capital euro 16,000,000	IntesaBci	10.52	9,152
	Caboto Holding	4.79	10,966
	C.R. di Parma e Piacenza	0.69	96

Companies	Investment direct ownership	% held	Book value
Other Countries			
1 ETF Group SA - Massagno Capital CHF 197,698,770	IntesaBci	4.45	14,843
2 Euroqube - Bruxelles Capital euro 11,804,000	IntesaBci e.lab	12.11	5,408
3 The Peru Privatisation Fund Limited - George Town (Cayman Islands) Capital $ 1,026,134	Banque Sudameris Banco Wiese Sudameris	10.81 0.89	10,867 964
C. Other Companies			
Italy			
1 21, Investimenti Spa - Treviso Capital euro 58,142,760	IntesaBci	11.23	14,156
2 Atos Spa - Milano Capital euro 5,270,000	IntesaBci	10.00	5,426
3 Banksiel Spa - Milano Capital euro 10,400,000	IntesaBci	14.00	6,176
4 Camuzzi Gazometri Spa - Milano Capital euro 54,139,160	IntesaBci	0.70	5,165
5 Digital Multimedia Technologies Spa - Lissone (*Milano*) Capital euro 581,006	IntesaBci	0.01	5,000
6 Fincantieri Cantieri Navali Italiani Spa - Trieste Capital euro 337,111,363	IntesaBci	1.51	5,165
7 Holding di Partecipazioni Industriali Spa - Milano Capital euro 760,559,800	IntesaBci	1.83	27,996
8 Istituto Europeo di Oncologia Srl - Milano Capital euro 82,500,000	IntesaBci	7.46	6,400
9 Italenergia Spa - Torino Capital euro 906,520,000	IntesaBci	5.99	190,132
10 Merloni Termosanitari Spa - Fabriano (*Ancona*) Capital euro 40,120,000	IntesaBci	6.31	22,000
11 Olimpia Spa - Milano Capital euro 1,562,596,150	IntesaBci	10.00	520,000
12 Sole Spa - Milano Capital euro 32,900,000	IntesaBci	9.88	6,500
13 U.T.E.T. Spa - Torino Capital euro 24,960,000	IntesaBci	7.16	7,496
Other Countries			
1 Generandes Perù - San Isidro (*Lima*) Capital PEN 1,227,020,381	Wiese Bank International	2.24	11,759
2 Ilpea Equity LLC - Chicago Capital euro 89,514,537	IntesaBci	10.00	8,951
3 Nortel Inversora - Buenos Aires Capital ARP 78,633,050	IntesaBci Banque Sudameris	0.39 0.62	10,262 7,779
4 Usinas Siderurgica de Minas Gerais - Belo Horizonte Capital Real 1,221,000,000	Banco Comercial e de Investimento Sudameris Sudameris Arrendamento Mercantil	 1.91 0.02	 14,859 52
Total			**2,775,004**

The book value of other equity investments carried at cost amounts to 247 million euro; another 117 million euro is held for merchant banking activities.

3.2 Assets and liabilities with Group companies

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

	Group companies	Other subsidiaries
a) Assets		
1. due from banks	27,434	4,058,106
– including subordinated	–	*7,500*
2. due from financial institutions	46,457	624,400
3. due from other customers	47,960	628,603
– including subordinated	–	*16,858*
4. bonds and other debt securities	9,534	387,304
– including subordinated	*9,411*	*8,728*
b) Liabilities		
1. due to banks	76,763	1,566,974
2. due to financial institutions	11,424	334,770
3. due to other customers	36,459	158,359
4. securities issued	–	383
5. subordinated liabilities	–	106,000
c) Guarantees and commitments		
1. guarantees given	2,946	226,772
2. commitments	1,219	111,420
3. credit derivatives	–	31,078

3.4 Breakdown of caption 70 “Equity investments”

Subcaptions	
a) In banks	
1. listed	1,199,017
2. unlisted	1,141,932
b) In financial institutions	
1. listed	5,167
2. unlisted	208,268
c) Other	
1. listed	104,406
2. unlisted	1,141,655
Total	**3,800,445**

3.5 Breakdown of caption 80 “Investments in Group companies”

Subcaptions	
a) In banks	
1. listed	–
2. unlisted	550,002
b) In financial institutions	
1. listed	–
2. unlisted	41,197
c) Other	
1. listed	7,945
2. unlisted	195,258
Total	**794,402**

3.6 Changes in equity investments

3.6.1 Investments in Group companies

3.6.2 Other investments

Amounts/changes		Equity investments (caption 70)	Investments in Group companies (caption 80)
A.	**Initial amount**	2,711,487	1,083,185
B.	**Increases**	1,552,249	1,084,093
B1.	*purchases*	*1,058,119*	*568,339*
B2.	*write-backs*	*1,550*	–
B3.	*revaluations*	–	–
B4.	*other changes*	*492,580*	*515,754*
C.	**Decreases**	(463,291)	(1,372,876)
C1.	*sales*	*(312,768)*	*(1,203,604)*
C2.	*adjustments*	*(85,375)*	*(3,898)*
	including permanent write-downs	*(85,375)*	*(3,898)*
C3.	*other changes*	*(65,148)*	*(165,374)*
D.	**Final amount**	**3,800,445**	**794,402**
E.	**Total revaluations**	13,402	–
F.	**Total adjustments**	223,196	2,949

Section 4 - Fixed assets and intangibles

Breakdown of caption 120 “Fixed assets”

Subcaptions	
a) Real estate	3,432,280
b) Furniture and fittings	191,340
c) Machines and equipment	426,132
	4,049,752
d) Assets to be leased	401,472
Total	**4,451,224**

4.1 Changes in fixed assets

Amounts/changes		Real estate	Furniture and fittings	Machines and equipment	Total
A.	**Initial amount**	3,643,953	200,761	382,984	4,227,698
B.	**Increases**	174,077	65,186	299,394	538,657
B1.	*purchases*	*159,831*	*59,359*	*276,835*	*496,025*
B2.	*write-backs*	–	–	–	–
B3.	*revaluations*	–	–	–	–
B4.	*other changes*	*14,246*	*5,827*	*22,559*	*42,632*
C.	**Decreases**	(385,750)	(74,607)	(256,246)	(716,603)
C1.	*sales*	*(151,812)*	*(17,452)*	*(21,604)*	*(190,868)*
C2.	*adjustments*	*(166,824)*	*(39,958)*	*(179,986)*	*(386,768)*
	a) depreciation	*(138,070)*	*(39,390)*	*(168,633)*	*(346,093)*
	b) permanent write-downs	*(28,754)*	*(568)*	*(11,353)*	*(40,675)*
C3.	*other changes*	*(67,114)*	*(17,197)*	*(54,656)*	*(138,967)*
D.	**Final amount**	**3,432,280**	**191,340**	**426,132**	**4,049,752**
E.	**Total revaluations**	2,175,819	–	–	2,175,819
F.	**Total adjustments**	(1,548,693)	(407,308)	(1,208,620)	(3,164,621)
	a) depreciation	*(1,545,184)*	*(407,308)*	*(1,205,560)*	*(3,158,052)*
	b) permanent write-downs	*(3,509)*	–	*(3,060)*	*(6,569)*

Book value of real estate properties used for Company operations totalled 2,880 million euro; advances deposited for purchases of fixed assets amounted to 1.7 million euro.

Breakdown of caption 110 “Intangibles”

Subcaptions	
a) Start-up costs	46,347
b Refurbishing costs	111,450
c) Software	512,552
d) Goodwill	24,114
e) Other	40,252
Total	**734,715**

4.2 Changes in intangibles

Amounts/changes		**Start-up costs**	**Refurbishing costs**	**Software**	**Goodwill**	**Other**	**Total**
A.	**Initial amount**	61,895	99,018	517,681	35,879	63,588	778,061
B.	**Increases**	10,534	61,623	421,287	–	16,376	509,820
B1.	*purchases*	*4,193*	*46,752*	*414,038*	–	*10,721*	*475,704*
B2.	*write-backs*	–	–	–	–	–	–
B3.	*revaluations*	–	–	–	–	–	–
B4.	*other changes*	*6,341*	*14,871*	*7,249*	–	*5,655*	*34,116*
C.	**Decreases**	(26,082)	(49,191)	(426,416)	(11,765)	(39,712)	(553,166)
C1.	*sales*	*(657)*	*(3,921)*	*(27,223)*	–	*(101)*	*(31,902)*
C2.	*adjustments*	*(23,613)*	*(41,692)*	*(253,834)*	*(11,765)*	*(19,680)*	*(350,584)*
	a) amortisation	*(23,613)*	*(41,692)*	*(252,058)*	*(11,765)*	*(19,680)*	*(348,808)*
	b) permanent write-downs	–	–	*(1,776)*	–	–	*(1,776)*
C3.	*other changes*	*(1,812)*	*(3,578)*	*(145,359)*	–	*(19,931)*	*(170,680)*
D.	**Final amount**	**46,347**	**111,450**	**512,552**	**24,114**	**40,252**	**734,715**
E.	**Total revaluations**	–	–	–	–	–	–
F.	**Total adjustments**	(78,161)	(97,942)	(422,773)	(215,832)	(41,174)	(855,882)
	a) amortisation	*(60,457)*	*(97,942)*	*(411,037)*	*(215,832)*	*(40,045)*	*(825,313)*
	b) permanent write-downs	*(17,704)*	–	*(11,736)*	–	*(1,129)*	*(30,569)*

Section 5 - Other assets

5.1 Breakdown of caption 150 “Other assets”

Subcaptions	
Revaluation of off-balance sheet contracts	9,125,785
Due from fiscal authorities	2,089,233
Amounts due - deriving from tax collection activities	1,661,886
Options bought	2,051,768
Deferred tax assets	1,683,740
Amount to be debited under processing	1,501,737
Bank cheques drawn on third parties to be settled	871,421
Transit items	1,589,598
Amounts due - deriving from securities transactions	476,156
Cautionary deposits on own behalf and on behalf of third parties	461,607
Other	4,208,151
Total	**25,721,082**

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

Accrued income - subcaptions	
Differentials on off-balance sheet transactions	2,303,962
Interest income - customers	612,254
Interest income - securities	602,887
Interest income - banks	240,199
Bank commissions and other income	138,569
Other	146,106
Total	**4,043,977**

Prepaid expenses - subcaptions	
Differentials on off-balance sheet transactions	210,132
Discounts on issued bonds	80,253
Charges on contango loans and repurchase agreements	46,237
Interest expense on issued bonds	9,262
Commissions for placement of bonds	15,768
Rents paid	1,277
Interest expense and similar charges on due to customers	14,122
Administrative costs	1,964
Other	88,862
Total	**467,877**

5.3 Adjustments for accrued income and prepaid expenses

The 2001 financial statements were prepared without applying Art. 12.2 of Legislative Decree 87/92 which allows, when technically appropriate, the deduction or addition of adjustments directly from the assets or liabilities to which they refer.
The only exception is represented by the accrued interest on zero-coupon bonds, which appear in the proprietary portfolio, and by the issue discounts, which – as specifically required by the Bank of Italy – have been partly accounted for as an increase in the value of securities and partly in “Due from tax authorities”.

5.4 Distribution of subordinated assets

a) Due from banks	7,500
b) Loans to customers	199,387
c) Bonds and other debt securities	1,429,495
Total	**1,636,382**

Section 11.8 includes 51.9 million euro relative to shares or similar instruments which are also subordinated.

Section 6 - Debts

Breakdown of caption 10 “Due to banks”

Subcaptions	
a) Repayable on demand	
– *current accounts for services rendered*	*1,530,669*
– *deposits*	*9,825,377*
– *other*	*239,393*
Total a)	11,595,439
b) Time deposits or with notice period	
– *time deposits*	*43,411,979*
– *loans*	*2,952,977*
– *repurchase agreements*	*16,183,798*
– *other*	*3,160,198*
Total b)	65,708,952
Total	**77,304,391**

6.1 Analysis of caption 10 “Due to banks”

a) Repurchase agreements	16,183,798
b) Securities lending	288,821

Breakdown of caption 20 “Due to customers”

Subcaptions	
a) Repayable on demand	
– *saving deposits*	*6,571,774*
– *term accounts*	*71,133,037*
– *other*	*302,894*
Total a)	78,007,705
b) Time deposits or with notice period	
– *saving time deposits*	*4,042,804*
– *time accounts*	*16,545,986*
– *repurchase agreements*	*10,504,387*
– *other*	*3,415,134*
Total b)	34,508,311
Total	**112,516,016**

6.2 Analysis of caption 20 “Due to customers”

a) Repurchase agreements	10,504,387
b) Securities lending	128,234

Breakdown of caption 30 “Securities issued”

Subcaptions	
a) Bonds	40,561,254
b) Certificates of deposit	17,469,636
– *short-term*	*16,029,346*
– *medium-term*	*1,440,290*
c) Other securities	2,783,623
– *bank cashiers’ cheques*	*879,561*
– *other*	*1,904,062*
Total	**60,814,513**

Breakdown of caption 40 “Public funds under administration”

Subcaptions	
– Funds received from the Italian Government	56,899
– Funds received from regional authorities	10,334
– Funds received from other public agencies	19,278
Total	**86,511**

Section 7 - Allowances

Changes in caption 70
"Allowance for employee termination indemnities"

A.	**Initial amount**	1,404,690
B.	**Increases**	200,465
B1.	*provisions*	*183,013*
B2.	*other changes*	*17,452*
C.	**Decreases**	(195,575)
C1.	*indemnities paid out*	*(125,971)*
C2.	*advances granted following current regulations or specific contracts*	*(26,240)*
C3.	*funds given to external asset manager*	*(34,946)*
C4.	*other changes*	*(8,418)*
D.	**Final amount**	**1,409,580**

Changes in caption 80 a) "Pensions and similar commitments"

A.	**Initial amount**	1,096,409
B.	**Increases**	77,473
B1.	*provisions*	*48,567*
B2.	*other changes*	*28,906*
C.	**Decreases**	(838,213)
C1.	*uses*	*(92,431)*
C2.	*other changes*	*(745,782)*
D.	**Final amount**	**335,669**

7.1 Breakdown of caption 90 "Allowances for possible loan losses"

Allowance for possible loan losses	35,824
Allowance for possible loan losses on overdue interest	107,618
Total	**143,442**

7.2 Changes in caption 90 "Allowances for possible loan losses"

A.	**Initial amount**	225,290
B.	**Increases**	33,926
B1.	*provisions*	*33,926*
B2.	*other changes*	–
C.	**Decreases**	(115,774)
C1.	*uses*	*(51,027)*
C2.	*other changes*	*(64,747)*
D.	**Final amount**	**143,442**

Breakdown of subcaption 80 b)
"Allowance for risks and charges - Taxation"

Current tax liabilities	1,275,437
Deferred tax liabilities	532,777
Total	**1,808,214**

Changes in subcaption "Deferred tax assets"

	Amounts recorded in the statement of income	Amounts recorded in the balance sheet
1. Initial amount	1,189,210	–
2. Increases	954,409	–
2.1 deferred tax assets recognised in the period	*785,133*	–
2.2 other increases	*169,276*	–
3. Decreases	(459,879)	–
3.1 deferred tax assets eliminated in the period	*(459,879)*	–
3.2 other decreases	–	–
4. Final amount	**1,683,740**	**–**

Deferred tax assets mostly reflect the contribution of the Parent Company IntesaBci for 1,255 million euro and the Sudameris group for 281 million euro, of which 240 million relative to the Brazilian sub-group.

Deferred tax assets have been accounted for based on the reasonable expectations – presumed from the multiannual business plans – of taxable income sufficient to ensure their recovery. If the targets contained in the plans are not reached, or unexpected events occur which lead to doubt the achievement of such targets, the relevant valuations of assets will be made, also considering local regulations regarding maximum time limits for deductible temporary differences.

Changes in "Current tax liabilities"

Initial amount	2,004,637
plus	738,765
Provisions for the period	783,613
– *income taxes*	*650,578*
– *other taxes*	*133,035*
Tax credits matured in the period on taxes paid abroad	–
Foreign exchange differences and other changes	(44,848)
minus	1,467,965
Uses for payments made in the period	1,437,134
Registration in the statement of income of provisions available	30,831
Final amount	**1,275,437**

Changes in "Deferred tax liabilities"

	Amounts recorded in the statement of income	Amounts recorded in the balance sheet
1. Initial amount	598,622	–
2. Increases	102,192	–
2.1 deferred tax liabilities recognised in the period	*54,723*	–
2.2 other increases	*47,469*	–
3. Decreases	(168,037)	–
3.1 deferred tax liabilities eliminated in the period	*(159,711)*	–
3.2 other decreases	*(8,326)*	–
4. Final amount	**532,777**	**–**

Deferred tax assets and liabilities were calculated by applying the "balance sheet method" as follows: for Irpeg (Corporate income tax), based on the tax rate in force in 2002, and for Irap (Regional tax), based on the tax rate presumably applicable in the year in which the asset is realised or the liability is settled. As concerns foreign entities, reference is made to the equivalent local regulations.

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

A.	**Initial amount**	88,763
B.	**Increases**	–
	B1. provisions for the period	–
	B4. other changes	–
C.	**Decreases**	(11,226)
	C1. uses for the period	*(11,226)*
	C2. other changes	–
D.	**Final amount**	**77,537**

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

7.3 Breakdown in subcaption 80 d) "Allowances for risks and charges - other"

Subcaptions	
Allowance for legal disputes and amounts reclaimed	548,722
Allowance for future integration expenses	3,908
Allowance for personnel charges	369,711
Allowance for guarantees given and commitments	309,242
Allowance for risks on derivatives	43,970
Allowance for charges on equity investments	221,888
Allowance for adjustments to interest and commissions	41,610
Allowance for the Fonspa disposal	26,229
Allowance for commitments with the pension fund of former BCI	25,823
Allowance for charitable, social and cultural contributions	10,110
Other allowances (other charges)	197,965
Total	**1,799,178**

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

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

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

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

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

Allowance for charges on equity investments
The allowance covers possible future charges related to equity investments. In particular, this allowance prudentially includes the provisions recorded by Group companies on loans eliminated in the consolidated financial statements, which had been granted to the Argentinean subsidiaries.

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

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

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

Allowance for charitable, social and cultural contributions
The allowance was increased with the provisions allocated by the Shareholders' Meeting which approved the 2000 financial statements.

Changes in subcaption 80 d) "Allowances for risks and charges - other"

A.	**Initial amount**	1,279,767
B.	**Increases**	1,030,091
	B1. provisions for the period	*1,017,438*
	B4. other changes	*12,653*
C.	**Decreases**	(510,680)
	C1. uses for the period	*(438,521)*
	C2. other changes	*(72,159)*
D.	**Final amount**	**1,799,178**

Changes in caption 100 "Reserve for general banking risks"

A.	**Initial amount**	106,661
B.	**Increases**	683
	B1. provisions for the period	–
	B4. other changes	*683*
C.	**Decreases**	(14,367)
	C1. uses for the period	*(14,367)*
	C2. other changes	–
D.	**Final amount**	**92,977**

Section 8 - Share capital, reserves, reserve for general banking risks, subordinated liabilities

Captions	
Share capital	3,488,995
Share premium reserve	4,075,130
Reserves	
a) legal reserve	772,872
b) reserve for own shares	6,362
c) statutory reserves	150,566
d) other reserves	4,255,247
Revaluation reserves	385,500
Reserve for general banking risks	92,977
Negative goodwill arising on consolidation	15,255
Negative goodwill arising on application of the equity method	648
Net income for the period	928,244
Total Shareholders' Equity	**14,171,796**
Subordinated liabilities	11,687,484

Breakdown of caption 150 "Share capital"

Shares (number)	
Ordinary	5,869,398,797
Saving	840,207,470
Total	**6,709,606,267**

Shares have face value of 0.52 euro each.

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

	Balance as at 31/12/2000	**Changes in the period**	**Amortisation charges**	**Balance as at 31/12/2001**
IntesaBci (former Cariplo)	292,918		41,846	251,072
Bankhaus Löbbecke	8,458		1,208	7,250
IntesaBci (former Mediocredito Lombardo)	6,681		954	5,727
Cassa di Risparmio di Ascoli Piceno	11,893		1,699	10,194
Cassa di Risparmio di Foligno	18,340		2,293	16,047
Cassa di Risparmio di Rieti	6,384		798	5,586
Cassa di Risparmio di Spoleto	14,703		1,838	12,865
Caboto IntesaBci Sim (former Caboto Sim)		8,756	876	7,880
Cassa di Risparmio di Città di Castello		2,238	224	2,014
Mediofactoring (former Fivefactor)	3,147		350	2,797
Banco Wiese Sudameris	46,423	3,572	49,995	–
Banco América do Sul	21,656	8,119	2,787	26,988
Banco Caja de Ahorro	81,644	(27,795)	53,849	–
Medimurska Banka	3,028	96	314	2,810
Privredna Banka	126,129		13,886	112,243
Total	**641,404**	**(5,014)**	**172,917**	**463,473**

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

	Balance as at 31/12/2000	Changes in the period	Amortisation charges	Balance as at 31/12/2001
Agos Itafinco	3,677		613	3,064
Carivita	22,825		2,535	20,290
Cassa Risparmio di Terni e Narni	20,049		2,110	17,939
Charta		3,044	304	2,740
Po Vita	1,218		128	1,090
Caja de Ahorro Soc. de Bolsa	334	(113)	221	–
Total	**48,103**	**2,931**	**5,911**	**45,123**

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

Negative goodwill arising on consolidation is practically unchanged compared to the previous year, while negative goodwill arising on application of the equity method decreased by 2.8 million euro following the disposal of the equity investments in Bank Austria Creditanstalt Czech Republic, Prague, and in Mediocredito dell’Umbria.

Statement of changes in shareholders’ equity

Shareholders’ equity	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve for general banking risks	Revaluation reserves	Negative goodwill arising on consolidation	Net income for the period	Total shareholders’ equity
Balance as at 31/12/2000 (*)	**3,014.2**	**6,044.6**	**772.9**	**520.4**	**110.9**	**302.2**	**18.8**	**1,461.3**	**12,245.3**
Allocation of consolidated net income									
- reserves				904.6				(904.6)	–
- dividends								(550.7)	(550.7)
- allowances for charitable contributions								(6.0)	(6.0)
Increase in capital	474.8	31.5							506.3
Effect of the merger with Banca Commerciale Italiana		574.7		440.2		81.1			1,096.0
Transfer to the reserve for own shares		(2,575.7)		2,575.7					–
Other variations									
- change in the consolidation area				9.8	(3.5)	2.2	(2.9)		5.6
- use of the reserve for general banking risks					(14.4)				(14.4)
- change in the reserve for foreign exchange differences and conversion of financial statements in foreign currency				(39.4)					(39.4)
- other				0.8					0.8
Net income for the period								928.2	928.2
Balance as at 31/12/2001	**3,489.0**	**4,075.1**	**772.9**	**4,412.1**	**93.0**	**385.5**	**15.9**	**928.2**	**14,171.7**

(*) *Official figures, not restated.*

Subordinated liabilities

The following table shows a list of subordinated liabilities as at 31st December 2001 broken down in Tier 1 capital, hybrid capital instruments (Upper Tier 2), subordinated liabilities eligible for solvency ratio purposes (Lower Tier 2) and subordinated liabilities which may be used to cover market risks only (Tier 3).
The subordination clause entails that in case of liquidation of the issuing company the rights of the subordinated creditors are subordinated to rights of depositors and other creditors who are not subordinated or who hold more senior debt.

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (in thousands of euro)
BCI US Funding LLC I	8.01% fixed rate; as of 15th Jul 2008: 3-month Libor + 3.25%	yes	7th Jul 1998	perpetual	7th Jul 2008	USD	200,000,000	220,368
BCI US Funding LLC II	3-month Euribor +0.160%; as of 15th Jul 2008: 3-month Libor + 2.93%	yes	15th Jul 1998	perpetual	15th Jul 2008	EUR	550,000,000	550,000
BCI US Funding LLC III	8.25% fixed rate; as of 15th Jul 2008: 3-month Libor + 3.20%	yes	15th Jul 1998	perpetual	15th Jul 2008	GBP	120,000,000	197,206
Intesa Preferred LLC I	3-month Libor + 1.75%; as of 1st Jul 2008: Libor + 3.25%	yes	30th Jun 1998	perpetual	30th Jun 2008	EUR	200,000,000	200,000
Intesa Preferred LLC II	6.40% fixed rate	no	30th Mar 1999	perpetual	30th Mar 2004	EUR	150,000,000	150,000
Intesa Preferred LLC III	6.988% fixed rate; as of 13th Jul 2011: 3-month Euribor + 2.60%	yes	12th Jul 2001	perpetual	30th Jul 2011	EUR	500,000,000	500,000
Total Preference Shares								**1,817,574**
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	no	USD	500,000,000	540,887
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	no	ITL	200,000,000,000	103,775
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Apr 1998	10th Apr 2008	no	ITL	250,000,000,000	129,719
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Jun 1998	10th Jun 2008	no	ITL	800,000,000,000	404,109
IntesaBci	5% fixed rate	no	29th Dec 1998	30th Dec 2008	no	ITL	495,000,000,000	222,449
IntesaBci	6-month Euribor + 0.70%	no	29th Dec 1998	30th Dec 2008	no	ITL	5,000,000,000	2,582
Riadria Banka	12-month Euribor + 0.50%	no	10th Dec 1999	15th Dec 2005	no	KUN	30,000,000	3,990
Total Hybrid instruments (Upper Tier 2)								**1,407,511**
Banca di Trento e di Bolzano	Until 15/10/2000: 5.25%; for the following coupon: 70% of 10-year euro swap rate with a minimum of 4.5%	no	15th Oct 1999	15th Oct 2006	no	EUR	25,000,000	25,000
Banca di Trento e di Bolzano	70% of 10-year euro swap rate	no	1st Feb 2000	1st Feb 2007	no	EUR	15,000,000	15,000
Banca Popolare FriulAdria	4.70% fixed rate	no	18th Oct 1999	18th Oct 2006	no	EUR	26,000,000	26,000
Banca Popolare FriulAdria	5.30% fixed rate	no	18th Oct 1999	18th Oct 2009	no	EUR	13,000,000	13,000
Banca Popolare FriulAdria	4.70% fixed rate	no	3rd Jan 2000	3rd Jan 2007	no	EUR	10,000,000	10,000
Banca Popolare FriulAdria	5.15% fixed rate	no	3rd Jan 2000	3rd Jan 2007	no	EUR	5,000,000	5,000

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (in thousands of euro)
Banco Wiese Sudameris	9.25% fixed rate	no	26th Jun 2000	26th Jun 2010	no	USD	60,000,000	68,091
Banco Wiese Sudameris	8.6% fixed rate	no	22nd Oct 2001	19th Oct 2011	no	USD	10,000,000	11,351
Bankhaus Löbbecke	7.47% fixed rate	no	5th May 1993	5th May 2003		DEM	10,000,000	5,113
Bankhaus Löbbecke	8.44% fixed rate	no		24-month notice		DEM	545,000	279
Cassa di Risparmio di Parma e Piacenza	1st year: 4.5%; 2nd: 4.6%; 3rd: 4.7%; 4th: 4.9%; 5th: 5.1%; 6th: 5.4%; 7th: 5.7%	no	2nd Nov 1999	2nd Nov 2006	no	EUR	50,000,000	50,000
Cassa di Risparmio di Parma e Piacenza	1st year: 4.8%; 2nd: 5.3%; for the following coupons: 70% of 10-year euro swap rate with a minimum of 4.5%	no	2nd Nov 1999	2nd Nov 2006	no	EUR	50,000,000	50,000
Cassa di Risparmio di Parma e Piacenza	4.6% fixed rate	no	2nd Nov 1999	2nd Nov 2006	no	EUR	29,100,000	29,100
Cassa di Risparmio di Parma e Piacenza	1st year: 4.8%; 2nd: 5.3%; for the following coupons: 70% of 10-year euro swap rate with a minimum of 4.5%	no	15th Nov 1999	15th Nov 2006	no	EUR	15,500,000	15,500
Cassa di Risparmio di Parma e Piacenza	1st year: 4.5%; 2nd: 4.6%; 3rd: 4.7%; 4th: 4.9%; 5th: 5.1%; 6th: 5.4%; 7th: 5.7%	no	15th Nov 1999	15th Nov 2006	no	EUR	10,400,000	10,400
Cassa di Risparmio di Parma e Piacenza	1st: 4.40%; 2nd: 4.55%; 3rd: 4.70%; 4th: 4.90%; 5th: 5.10%; 6th: 5.35%; 7th: 5.60%	no	3rd Jan 2000	3rd Jan 2007	no	EUR	26,000,000	26,000
Cassa di Risparmio di Parma e Piacenza	1st: 4.90%; 2nd: 5.00%; 3rd: 5.10%; 4th: 5.20%; 5th: 5.35%; 6th: 5.60%; 7th: 6.00%	no	4th Feb 2000	4th Feb 2007	no	EUR	26,000,000	26,000
IntesaBci	8.25% fixed rate	no	15th Jul 1992	15th Jul 2007	no	USD	200,000,000	226,938
IntesaBci	3-month Euribor + 0,375%	no	1st Jun 1995	1st Jun 2002	1st Dec 1996	ITL	350,000,000,000	36,066
IntesaBci	3-month Libor + 0,25%	no	1st Feb 1996	1st Feb 2006	1st Feb 2001	ITL	400,000,000,000	204,504
IntesaBci	3-month Euribor – 0,25%	no	1st Oct 1996	1st Oct 2003	1st Apr 1998	ITL	300,000,000,000	61,724
IntesaBci	3-month Libor + 0,20%	no	1st Dec 1997	1st Dec 2007	1st Dec 2002	ITL	800,000,000,000	403,002
IntesaBci	6-month Euribor	no	1st Jan 1998	1st Jan 2005	1st Jul 1999	ITL	1,200,000,000,000	490,895
IntesaBci	6-month Libor (min 1.75%)	no	1st Jan 1998	1st Jan 2003	(2) (3)	ITL	246,311,524,800	11,491
IntesaBci	6-month Libor (min 1.25%)	no	1st Jan 1998	1st Jan 2003	(1) (3)	ITL	878,254,800,500	7,023
IntesaBci	3-month Libor	no	1st Feb 1998	1st Feb 2008	1st Feb 2003	ITL	700,000,000,000	347,890
IntesaBci	3-month Libor	no	1st Jun 1998	1st Jun 2008	1st Jun 2003	ITL	362,430,000,000	184,558
IntesaBci	5.15% fixed rate	no	9th Jun 1998	10th Jun 2008	no	ITL	100,000,000,000	51,646
IntesaBci	1st coupon: 8%; 2nd and 3rd: 6.375%; for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3% - min 4.5%)	no	16th Jun 1998	17th Jun 2013	no	ITL	500,000,000,000	253,063

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (in thousands of euro)
IntesaBci	Premium at maturity equal to the average variation of a number of indices and currency with a minimum 16%	no	30th Jun 1998	31st Jul 2006	no	ITL	300,000,000,000	154,937
IntesaBci	1st coupon: 8%; 2nd and 3rd: 6.375%; for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3% - min 4.5%)	no	30th Jun 1998	1st Jul 2013	no	ITL	200,000,000,000	103,291
IntesaBci	4.40% fixed rate	no	16th Nov 1998	17th Nov 2008	no	ITL	300,000,000,000	154,937
IntesaBci	4.40% fixed rate	no	9th Dec 1998	10th Dec 2008	no	ITL	200,000,000,000	103,291
IntesaBci	1st coupon: 8%; 2nd: 5% and 3rd: 4%; for the following coupons: 70% of 10-year euro swap rate	no	9th Mar 1999	9th Mar 2014	no	ITL	480,000,000,000	247,899
IntesaBci	1st coupon: 8%; 2nd: 5.5% and 3rd: 4%; for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	no	15th Jul 1999	15th Jul 2014	no	EUR	250,000,000	250,000
IntesaBci	5.30% fixed rate	no	22nd Oct 1999	1st Jan 2010	no	EUR	150,000,000	150,000
IntesaBci	4.70% fixed rate	no	15th Nov 1999	15th Nov 2006	no	EUR	104,000,000	103,998
IntesaBci	5.10% fixed rate	no	17th Nov 1999	17th Nov 2009	no	EUR	350,000,000	349,929
IntesaBci	4.90% fixed rate	no	23rd Nov 1999	1st Jan 2007	no	EUR	95,000,000	95,000
IntesaBci	5.20% fixed rate	no	7th Dec 1999	1st Jan 2010	no	EUR	90,000,000	90,000
IntesaBci	4.40% fixed rate	no	14th Dec 1999	14th Dec 2004	no	EUR	52,000,000	51,910
IntesaBci	12-month Euribor + 0.01%	no	29th Dec 1999	29th Dec 2006	no	EUR	65,000,000	65,000
IntesaBci	5.30% fixed rate	no	21st Jan 2000	1st Jan 2010	no	EUR	100,000,000	100,000
IntesaBci	5.00% fixed rate	no	25th Jan 2000	1st Jan 2007	no	EUR	90,000,000	90,000
IntesaBci	4.70% fixed rate	no	11th Feb 2000	11th Feb 2007	no	EUR	104,000,000	103,987
IntesaBci	5.50% fixed rate	no	16th Feb 2000	1st Jan 2010	no	EUR	41,000,000	41,000
IntesaBci	5.20% fixed rate	no	18th Feb 2000	1st Jan 2007	no	EUR	59,000,000	59,000
IntesaBci	6.11% fixed rate; as of 23rd Feb 2005 97% of 30-year euro swap mid rate	no	23rd Feb 2000	23rd Feb 2015	no	EUR	65,000,000	65,000
IntesaBci	12-month Euribor + 0.01%	no	23rd Mar 2000	23rd Mar 2007	no	EUR	41,000,000	41,000
IntesaBci	3-month Euribor + 0.65%; as of 8th Aug 2005: 3-month Euribor + 1.25%	yes	8th Aug 2000	8th Aug 2010	8th Aug 2005	EUR	150,000,000	150,000
IntesaBci	4.9% fixed rate; as of 5th Jan 2006 12-month Euribor	no	5th Jan 2001	5th Jan 2011	5th Jan 2006	EUR	33,358,000	33,358

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Amount (in thousands of euro)
IntesaBci	1st year 4.9% fixed rate; as of 5th Jan 2002 2.10% HCPI Euro Area with 2.10% minimum limit	no	5th Jan 2001	5th Jan 2011	5th Jan 2006	EUR	8,904,000	8,904
IntesaBci	92% of 30-year euro swap mid rate; never lower then the preceding	no	12th Mar 2001	23rd Feb 2015	no	EUR	50,000,000	50,000
IntesaBci	5% fixed rate	no	9th Apr 2001	9th Apr 2007	no	EUR	991,225,000	991,218
IntesaBci	5.35% fixed rate	no	9th Apr 2001	9th Apr 2011	no	EUR	125,478,000	125,478
IntesaBci Bank Ireland	Cdor – 0.30% (min 6.875% - max 9.00%)	no	10th Nov 1993	10th Nov 2003	no	CAD	100,000,000	71,038
IntesaBci Bank Ireland	Libor – 0.25% (min 5.375% - max 8.25%)	no	30th Nov 1993	30th Nov 2005	no	USD	97,000,000	110,065
IntesaBci Bank Ireland	Libor – 0.125% (min 5%)	no	18th Mar 1994	18th Mar 2004	no	USD	105,000,000	119,052
IntesaBci Bank Ireland	Libor + 0.50%	no	26th Jun 1994	26th Jun 2004	no	ITL	150,000,000,000	77,224
Total Subordinated liabilities included (Lower Tier 2)								**6,821,150**
IntesaBci	3-month Euribor + 0.65%	no	8th Nov 1999	8th Feb 2002	no	EUR	500,000,000	495,176
IntesaBci	6-month Euribor + 0.50%	no	28th Apr 2000	30th Apr 2003	no	EUR	200,000,000	199,902
IntesaBci	5.35% fixed rate	no	1st Dec 2000	1st Dec 2003	no	EUR	200,000,000	197,934
IntesaBci	5.20% fixed rate	no	22nd Dec 2000	22nd Dec 2003	no	EUR	100,000,000	100,000
IntesaBci	6-month Euribor + 0.53%	no	10th Aug 2001	10th Aug 2004	no	EUR	200,000,000	200,000
IntesaBci	4.00% fixed rate	no	10th Oct 2001	10th Oct 2004	no	EUR	78,771,000	78,771
IntesaBci	4.20% fixed rate	no	10th Oct 2001	10th Oct 2004	no	EUR	50,000,000	50,000
IntesaBci	3.75% fixed rate	no	25th Oct 2001	25th Oct 2004	no	EUR	55,079,000	55,079
IntesaBci	3.80% fixed rate	no	27th Nov 2001	27th Nov 2004	no	EUR	264,387,000	264,387
Total Subordinated liabilities not included (Tier 3)								**1,641,249**
Total								**11,687,484**

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

Capital adequacy as at 31st December 2001

A.	**Total capital**	
A1.	Tier 1 capital	14,798,143
A2.	Tier 2 capital	7,686,565
A3.	items to be deducted	(1,154,244)
A4.	Total capital	21,330,464
B.	**Capital requirements**	
B1.	credit risks	17,172,312
	including	
	– *on-balance sheet assets*	*14,493,378*
	– *off-balance sheet assets*	*2,653,753*
	– *derivative contracts*	*25,181*
B2.	market risks	2,279,304
	including	
	– *trading portfolio risk*	*1,241,214*
	generic risk	
	debt securities	*312,789*
	equity securities	*24,985*
	specific risk	
	debt securities	*637,564*
	equity securities	*4,965*
	counterparty risk	*260,911*
	– *foreign exchange risk*	*96,060*
	– *market risks - internal models*	*913,827*
	– *concentration risk*	*28,203*
B2.1	Tier 3 subordinated loans	1,640,285
B3.	other capital requirements	238,265
B4.	Total capital requirements	19,689,881
C.	**Risk-weighted assets and capital ratios**	
C1.	risk-weighted assets	246,123,513
C2.	Tier 1 capital/Risk-weighted assets	6.01%
C3.	Total capital/Risk-weighted assets	9.33%

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

Following clarifications issued by the Bank of Italy with a letter of 16th April 2002 with regard to the capital absorption of the *Warrants Put IntesaBci*, the value of market risks of “debt securities” and “market risks - internal models” have been modified compared to the draft financial statements deposited on 2nd April 2002.
More specifically, the following ratios have been changed: “Tier 1 capital/Risk-weighted assets” (from 6.22% to 6.01%) and the “Total capital/Risk-weighted assets” (from 9.65% to 9.33%).

Section 9 - Other liabilities

9.1 Breakdown of caption 50 “Other liabilities”

Subcaptions	
Write-down of off-balance sheet transactions	9,918,808
Amounts due to third parties	3,659,029
Options sold	1,338,856
Liabilities connected to securities transactions	362,083
Items under processing	1,206,526
Other creditors	1,455,127
Due to suppliers	1,145,868
Transit items	1,670,720
Due to tax authorities	391,134
Outstanding items with the clearing house	519,837
Adjustments for portfolio items to be settled	479,285
Amounts due for coupons	268,201
Other amounts due for foreign exchange transactions	38,097
Liabilities connected to tax collection activities	520,223
Due to social security entities	109,626
Personnel expenses	127,563
Other	3,810,746
Total	**27,021,729**

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

Accrued expenses - subcaptions	
Differentials on off-balance sheet transactions	2,304,588
Interest expense and similar charges on securities issued	898,259
Interest expense and similar charges on amounts due to banks	625,673
Interest expense and similar charges on amounts due to customers	182,951
Charges for repurchase agreements on securities	130,670
Other	121,468
Total	**4,263,609**

Deferred income - subcaptions	
Differentials on off-balance sheet transactions	242,218
Interest on discounted securities portfolio	181,134
Interest income and similar revenues on loans to customers	69,132
Commissions on guarantees and acceptances	14,035
Other	125,826
Total	**632,345**

9.3 Adjustments for accrued income and prepaid expenses

As already mentioned above, the 2001 financial statements were prepared without applying the allowed treatment of recording, where technically appropriate, accrued income and prepaid expenses directly to increase or decrease related liabilities and assets. The sole exception is on zero-coupon certificates of deposit and zero-coupon bonds.

Section 10 - Guarantees and commitments

10.1 Breakdown of caption 10 “Guarantees given”

Subcaptions	
a) Commercial guarantees	24,043,408
– *acceptances*	*595,266*
– *endorsements and sureties*	*20,168,187*
– *documentary credits*	*1,861,936*
– *bills sold and other loans sold pro solvendo (with recourse)*	*1,418,019*
b) Financial guarantees	8,049,721
– *endorsements and sureties*	*7,704,034*
– *acceptances*	*147,686*
– *other commitments*	*198,001*
c) Assets given as guarantee	1,272
Total	**32,094,401**

10.2 Breakdown of caption 20 “Commitments”

Subcaptions	
a) Commitments to lend funds, of certain use	6,375,748
– *securities to be collected*	*3,391,098*
– *margins on irrevocably granted credit lines*	*830,197*
– *loans and deposits to be carried out with customers and banks*	*1,552,247*
– *other commitments*	*602,206*
b) Commitments to lend funds, of uncertain use	58,376,970
– *margins on irrevocably granted credit lines*	*40,294,786*
– *sales of put options on securities*	*3,046,742*
– *membership of Interbank Deposit Guarantee Fund*	*173,178*
– *other commitments*	*14,862,264*
Total	**64,752,718**

Commitments from put options include *Warrants Put IntesaBci* (2,573 million euro), issued at the time of the Tender Offer for Banca Commerciale Italiana shares, which may be exercised from 1st to 15th November 2002.

Breakdown of caption 30 “Credit derivatives”

Subcaptions	
a) Protection sales in the “banking book”	5,781,004
– *with exchange of underlying asset*	*5,314,163*
– *without exchange of underlying asset*	*466,841*
b) Protection sales in the “trading book”	38,654,248
– *with exchange of underlying asset*	*12,724,237*
– *without exchange of underlying asset*	*25,930,011*
Total	**44,435,252**

10.3 Assets given as collateral of own debts

Securities in portfolio given as collateral of repurchase agreements	7,114,388
Securities given as collateral for Treasury and other services	516,616
Securities given as collateral with the Bank of Italy to cover cheques	303,415
Securities given as collateral – BI-REL	48,523
Securities given as collateral – MIF (Italian Futures Market)	3,099
Total	**7,986,041**

10.4 Undrawn credit lines

a) Central banks	442,769
b) Other banks	1,825,168
Total	**2,267,937**

10.5 Forward transactions

Type of transaction	Hedging	Trading	Other
1. Purchase/sale of	9,530,536	83,532,280	–
1.1 securities	–	6,983,958	–
– *purchases*	–	*3,391,098*	–
– *sales*	–	*3,592,860*	–
1.2 currency	9,530,536	76,548,322	–
– *currency against currency*	*4,528,002*	*18,367,956*	–
– *purchases against euro*	*3,417,357*	*31,132,210*	–
– *sales against euro*	*1,585,177*	*27,048,156*	–
2. Deposits and loans	–	–	6,827,363
– *outflows*	–	–	*1,552,247*
– *inflows*	–	–	*5,275,116*
3. Derivative contracts	49,238,383	1,282,075,176	26,032,254
3.1 with exchange of underlying asset	3,935,047	10,701,552	2,874,952
a) securities	1,480,993	3,097,457	2,874,952
– *purchases*	*2,912*	*1,460,247*	*2,725,306*
– *sales*	*1,478,081*	*1,637,210*	*149,646*
b) currency	2,454,054	7,604,095	–
– *currency against currency*	*796,404*	*750,533*	–
– *purchases against euro*	*1,096,989*	*4,222,952*	–
– *sales against euro*	*560,661*	*2,630,610*	–
c) other instruments	–	–	–
– *purchases*	–	–	–
– *sales*	–	–	–
3.2 without exchange of underlying asset	45,303,336	1,271,373,624	23,157,302
a) currency	55,878	5,080,679	–
– *currency against currency*	–	*16,374*	–
– *purchases against euro*	*51,500*	*2,560,827*	–
– *sales against euro*	*4,378*	*2,503,478*	–
b) other instruments	45,247,458	1,266,292,945	23,157,302
– *purchases*	*16,719,970*	*636,795,775*	*10,832,216*
– *sales*	*28,527,488*	*629,497,170*	*12,325,086*
Total	**58,768,919**	**1,365,607,456**	**32,859,617**

Section 3.2 b) includes purchases/sales of contracts that entail the exchange of indexed flows (so-called basis swaps) for 6,262,680 thousand euro (hedging) and 35,527,200 thousand euro (trading).

Internal deals

	Hedging		Trading	
	Purchases	**Sales**	**Purchases**	**Sales**
Purchases/sales of currency	7,486,269	2,485,079	2,485,079	7,486,269
Derivative contracts with exchange of underlying asset	601,203	92,214	92,214	601,203
Derivative contracts without exchange of underlying asset	44,691,392	51,072,671	51,072,671	44,691,392
Total	**52,778,864**	**53,649,964**	**53,649,964**	**52,778,864**

Breakdown of forward transactions by instrument type and market risk

	Interest rate	Foreign exchange	Equity	Other	Total
Over the counter trading contracts (OTC)					
Forwards	7,740,844	76,548,322	318,237	–	84,607,403
Swaps	960,595,146	6,134,350	231,659	–	966,961,155
Options bought	61,675,806	3,960,724	6,872,510	–	72,509,040
Options sold	83,001,755	1,382,531	2,231,173	–	86,615,459
Trading contracts listed on regulated markets					
Futures bought	30,881,954	–	4,624	17,758	30,904,336
Futures sold	47,404,711	–	180,779	–	47,585,490
Options bought	16,803,846	2,624	996,576	–	17,803,046
Options sold	12,190,069	–	1,691,416	–	13,881,485
Total trading contracts	**1,220,294,131**	**88,028,551**	**12,526,974**	**17,758**	**1,320,867,414**
Total non-trading contracts	**48,200,584**	**13,245,013**	**3,169,825**	**6,827,363**	**71,442,785**
Total	**1,268,494,715**	**101,273,564**	**15,696,799**	**6,845,121**	**1,392,310,199**

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

	Interest rate	Foreign exchange	Equity	Other	Total
Notional amount	1,146,516,753	100,066,395	9,952,871	6,827,363	1,263,363,382
Market value					
Trading contracts					
a) positive market value	6,614,742	1,261,189	309,569	–	8,185,500
b) negative market value	(6,561,214)	(1,032,149)	(519,329)	–	(8,112,692)
Non-trading contracts					
a) positive market value	384,786	331,094	42,031	–	757,911
b) negative market value	(427,707)	(466,919)	(586)	–	(895,212)
Positive market value	**6,999,528**	**1,592,283**	**351,600**	**–**	**8,943,411**
Negative market value	**(6,988,921)**	**(1,499,068)**	**(519,915)**	**–**	**(9,007,904)**

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

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Interest rate contracts	820,764,909	215,151,195	110,600,649	1,146,516,753
Foreign exchange contracts	78,857,637	20,216,639	992,119	100,066,395
Equity linked contracts	1,573,197	6,174,684	2,204,990	9,952,871
Other	6,827,175	188	–	6,827,363
Total	**908,022,918**	**241,542,706**	**113,797,758**	**1,263,363,382**

10.6 Credit derivatives outstanding

		Trading	Other
1.	**Protection purchases**	27,784,529	7,398,453
1.1	with exchange of underlying asset	7,253,756	592,290
	– credit default swaps	7,112,011	396,981
	– credit default options	–	–
	– credit linked notes	141,745	195,309
1.2	without exchange of underlying asset	20,530,773	6,806,163
	– credit default swaps	19,335,298	6,487,076
	– credit default options	–	–
	– credit linked notes	42,050	–
	– total return swaps	1,153,425	319,087
	– credit spread swaps	–	–
2.	**Protection sales**	38,654,248	5,781,004
2.1	with exchange of underlying asset	12,724,237	5,314,163
	– credit default swaps	12,583,141	4,308,162
	– credit default options	–	141,836
	– credit linked notes	141,096	864,165
2.2	without exchange of underlying asset	25,930,011	466,841
	– credit default swaps	25,909,209	55,464
	– credit default options	–	–
	– credit linked notes	–	389,988
	– total return swaps	–	21,389
	– credit spread swaps	20,802	–
Total		**66,438,777**	**13,179,457**

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

Notional amount	**66,438,777**
Market value	**(21,471)**
Positive market value	205,816
Negative market value	(227,287)

Section 11 - Concentration and distribution of assets and liabilities

11.1 Large credit risks

a) Amount	15,286,162
b) Number	4
including	
on-balance sheet exposures	*10,099,628*
off-balance sheet exposures	*3,068,404*
available margins on credit lines	*2,118,130*

Credit derivatives: distribution of guarantees received by principal sector of counterparty

	Trading transactions	**Other transactions**
a) Governments	–	–
b) Other public agencies	–	–
c) Banks	5,476,486	5,590,543
d) Non-financial companies	19,500	278,896
e) Financial institutions	22,288,543	1,529,014
f) Family-run businesses	–	–
g) Other	–	–
Total	**27,784,529**	**7,398,453**

11.2 Breakdown of loans to customers by borrower’s economic sector

a) Governments	2,922,774
b) Other public agencies	3,945,598
c) Non-financial companies	108,771,543
d) Financial institutions	20,643,556
e) Family-run businesses	7,107,692
f) Other	39,965,220
Total	**183,356,383**

11.3 Breakdown of loans to resident non-financial companies and family-run businesses

a) Other services	18,043,038
b) Wholesale and retail trade, recovery and repairs	16,029,033
c) Construction and public works	9,160,983
d) Agricultural and industrial machinery	4,335,292
e) Textiles, leather and footwear, clothing	4,130,349
f) Other sectors	38,793,207
Total	**90,491,902**

11.4 Breakdown of guarantees given by counterparty sector

a) Governments	113,141
b) Other public agencies	59,855
c) Banks	3,621,503
d) Non-financial companies	22,988,910
e) Financial institutions	2,960,599
f) Family-run businesses	772,055
g) Other	1,578,338
Total	**32,094,401**

Credit derivatives breakdown by category of “reference entity” (banking book)

a) Governments	335,867
b) Other public agencies	–
c) Banks	885,978
d) Non-financial companies	3,689,126
e) Financial institutions	870,033
f) Family-run businesses	–
g) Other	–
Total	**5,781,004**

11.5 Assets and liabilities: breakdown by Country

Captions/Countries		**Italy**	**Other EU Countries**	**Other Countries**	**Total**
1.	**Assets**				
1.1	due from banks	12,359,808	20,011,450	7,797,429	40,168,687
1.2	loans to customers	139,487,078	15,804,133	28,065,172	183,356,383
1.3	securities	26,570,019	8,296,446	14,028,554	48,895,019
Total		**178,416,905**	**44,112,029**	**49,891,155**	**272,420,089**
2.	**Liabilities**				
2.1	due to banks	15,235,565	29,566,362	32,502,464	77,304,391
2.2	due to customers	81,307,830	10,239,309	20,968,877	112,516,016
2.3	securities issued	44,418,397	6,977,989	9,418,127	60,814,513
2.4	other	8,860,334	752,733	2,160,928	11,773,995
Total		**149,822,126**	**47,536,393**	**65,050,396**	**262,408,915**
3.	**Guarantees, commitments and credit derivatives**	59,706,404	24,313,151	57,262,816	141,282,371

11.6 Assets and liabilities: breakdown by maturity

Captions/Residual life		Specified maturity							Unspecified maturity	Total
		on demand	up to 3 months	between 3 and 12 months	between 1 and 5 years		over 5 years			
					fixed rate	floating rate	fixed rate	floating rate		
1.	Assets									
1.1	treasury bills eligible for refinancing	139,493	854,533	2,285,964	238,511	741,598	923,507	156,927	–	5,340,533
1.2	due from banks	4,574,650	26,336,271	6,329,252	254,267	1,200,261	4,770	307,117	1,162,099	40,168,687
1.3	loans to customers	45,592,987	33,382,973	19,755,659	14,820,663	30,849,386	7,043,097	23,167,976	8,743,642	183,356,383
1.4	bonds and other debt securities	125,318	7,174,424	10,066,406	8,945,101	6,708,911	3,494,667	5,205,007	115,696	41,835,530
1.5	off-balance sheet transactions	231,680,910	592,165,452	386,801,234	188,020,560	22,240,633	105,817,853	9,012,570	–	1,535,739,212
Total		**282,113,358**	**659,913,653**	**425,238,515**	**212,279,102**	**61,740,789**	**117,283,894**	**37,849,597**	**10,021,437**	**1,806,440,345**
2.	Liabilities									
2.1	due to banks	12,375,607	51,482,244	10,992,632	884,068	755,690	663,037	147,724	3,389	77,304,391
2.2	due to customers	78,647,655	28,231,805	2,036,512	152,293	896,377	151,433	425,019	1,974,922	112,516,016
2.3	securities issued									
	– bonds	1,185,526	742,109	4,050,839	12,017,310	13,675,172	3,018,249	5,872,049	–	40,561,254
	– certificates of deposit	414,952	11,696,651	3,782,256	944,609	353,263	15,323	262,582	–	17,469,636
	– other securities	1,670,740	1,112,883	–	–	–	–	–	–	2,783,623
2.4	subordinated liabilities	124,984	536,456	85,573	2,233,432	1,314,759	3,676,734	3,715,546	–	11,687,484
2.5	off-balance sheet transactions	219,871,099	612,698,677	371,363,716	201,935,161	18,565,746	102,467,693	9,233,720	–	1,536,135,812
Total		**314,290,563**	**706,500,825**	**392,311,528**	**218,166,873**	**35,561,007**	**109,992,469**	**19,656,640**	**1,978,311**	**1,798,458,216**

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.
Accordingly, such amounts due to and from banks and customers are accounted for differently in the balance sheet, which reflects the contractual nature of the transactions.
Off-balance sheet transactions are broken down based on the residual life of the related expected cash inflows and outflows.

11.7 Assets and liabilities denominated in foreign currencies

a) **Assets**	
1. due from banks	13,467,851
2. loans to customers	35,815,311
3. securities	16,025,846
4. equity investments	1,052,298
5. other	551,411
Total	**66,912,717**
b) **Liabilities**	
1. due to banks	35,349,885
2. due to customers	22,480,192
3. securities issued	14,114,130
4. other	1,568,986
Total	**73,513,193**

11.8 Securitisations

Securities portfolio deriving from securitisations

	Book value	Market value
Investment portfolio	408,804	409,299
Senior	22,562	22,694
Mezzanine	326,777	327,105
Junior	59,465	59,500
Trading portfolio	2,646,621	2,648,050
Senior	1,975,733	1,976,670
Mezzanine	497,354	497,496
Junior	173,534	173,884
Total	3,055,425	3,057,349
Senior	1,998,295	1,999,364
Mezzanine	824,131	824,601
Junior	232,999	233,384

Breakdown of securitised assets by type of underlying asset

	Securities in portfolio - Book value			
	Senior	Mezzanine	Junior	Total
Loans	521,682	213,449	153,884	889,015
Land, industrial and public entities mortgages	468,451			468,451
Credit card loans	24,270	284,183		308,453
Mortgages	72,302	177,151	49,526	298,979
Securities	162,151	65,562	11,352	239,065
Personal loans	188,706	15,818		204,524
Real estate	150,232	16,205		166,437
Games and bets	132,155			132,155
Interest credits	57,057	18,129		75,186
Various assets	61,769	5,674	7,705	75,148
Leasing	52,128	14,150		66,278
Social security benefits	60,605			60,605
Credit derivatives	17,006	8,561	10,532	36,099
Life insurance policies	16,174			16,174
Off-balance sheet loans	10,607	5,249		15,856
State subsidies	2,000			2,000
Rentals and bills	1,000			1,000
Total	**1,998,295**	**824,131**	**232,999**	**3,055,425**

Breakdown of securitised assets by quality of underlying asset

	Securities in portfolio - Book value			
	Senior	Mezzanine	Junior	Total
a) Own underlying assets	419,481	338,382	114,201	872,064
doubtful loans	184,031	227,691	41,317	453,039
performing loans			62,351	62,351
other	235,450	110,691	10,533	356,674
b) Third party underlying assets	1,578,814	485,749	118,798	2,183,361
doubtful loans	71,057	36,814		107,871
performing loans	1,144,326	378,159	99,742	1,622,227
other	363,431	70,776	19,056	453,263
Total	**1,998,295**	**824,131**	**232,999**	**3,055,425**

Adjustments to securities portfolio deriving from securitisations

Senior	86,025
Mezzanine	24,349
Junior	35,542
Total	**145,916**

Write-back of adjustments to securities portfolio deriving from securitisations

Senior	7
Mezzanine	–
Junior	–
Total	**7**

Equity stakes in special purpose vehicles

Name	Registered office	Stake
IntesaBci Sec.	Milano	60%
IntesaBci Sec. Npl	Milano	60%
Wiese Sudameris Sociedad Titulizadora	Lima	100%
Augusto	Milano	5%
Colombo	Milano	5%
Diocleziano	Milano	5%

Servicer activities - Collections in the year

Servicer	Special purpose vehicles	Securitised assets	
Banco Sudameris Argentina	Crédito Imperial - Fidens I	Mortgages	1,712
Banco Sudameris Argentina	Crédito Imperial - Fidens II	Mortgages	1,511
Banco Sudameris Argentina	Inversiones y Representaciones - Irsa I	Mortgages	506
Banco Wiese Sudameris	Wiese Sudameris Sociedad Titulizadora - BWS1	Various assets	46,183
Banco Wiese Sudameris	Wiese Sudameris Sociedad Titulizadora - BWS2	Various assets	12,897
Banco Sudameris Brasil	Caligola do Brasil Companhia Securitizadora de Créditos Financeiros	Loans	519
Banco América do Sul	Caligola do Brasil Companhia Securitizadora de Créditos Financeiros	Loans	1,020
Banco América do Sul	Nerone do Brasil Companhia Securitizadora de Créditos Financeiros	Loans	431
IntesaBci	IntesaBci Sec.	Performing mortgages	119,260
IntesaBci Gestione Crediti	IntesaBci Sec. Npl	Doubtful mortgages	58,885
Total			**242,924**

In 2001 securitisations were originated only by the Parent Company, as described below.

Securitisations originated in 2001

IntesaBci Sec. Npl Spa

The operation involved the securitisation of doubtful loans for a total of approximately 6,997 exposures made of land, residential and commercial mortgages in Cariplo's loan portfolio, deriving from the merger which occurred at the end of last year. Approximately 53% of the loans are granted to companies resident in Italy, approximately 44% to households and the remaining 3% to other borrowers. The operation – stipulated pursuant to Law 130 of 30th April 1999 – led to the sale of loans for a gross book value of approximately 895 million euro (net value equal to approximately 713 million euro), transferred with the pro soluto clause (without recourse) to the special purpose vehicle, Intesa Sec. Npl, incorporated under Italian law and established pursuant to the aforementioned law, at a price of 516 million euro.

The special purpose vehicle financed the operation with the issue on 22nd June 2001 of bonds for a total value of 525 million euro, divided in five *tranches*. The first three, all rated, have been underwritten by Morgan Stanley, Crédit Agricole Indosuez and Caboto IntesaBci Sim and subsequently placed with institutional investors and listed on the Luxembourg stock market. The last two unrated *tranches* were underwritten by IntesaBci.

The main characteristics of the various classes of securities, characterised by increasing subordination, are set out in the table below.

Class	Amount (euro)	Rating Moody's/Fitch	Legal maturity	Average maturity	Interest rate
A	274,000,000	Aaa/AAA	10/8/2018	1.9 years	6m Euribor + 40 b.p.
B	72,000,000	Aa1/AA	10/8/2018	3.5 years	6m Euribor + 60 b.p.
C	20,000,000	A1/A	10/8/2018	3.6 years	6m Euribor + 90 b.p.
D	117,711,000	unrated	10/8/2018	5.2 years	7.5% annual
E	41,317,000	unrated	10/8/2018	6.9 years	15% annual

The operation entails the pass-through reimbursement of the securities: sums recovered on the mortgages are entirely paid semi-annually to the holders of the priority securities issued (from February 2003). The principal of the securities in the higher subordination classes (D and E) is paid after the principal repayment of the priority classes A, B and C, therefore every subordinated class is not reimbursed before the integral reimbursement of the immediately preceding class has occurred.

IntesaBci Sec. Npl Spa closed an agreement with Crédit Agricole Indosuez which granted a short-term liquidity facility (364 days) for a maximum of 36.6 million euro to cover any cash shortages which may arise at the time of payment to securities holders and services, as provided for in the payment priority order.

For the purpose of hedging the vehicle from interest rate risk the company entered an interest rate cap combined with a floor for rated securities. The counterparty in the cap is Deutsche Bank which then concluded a contract of the opposite sign with Caboto, which ultimately holds the interest rate risk. The interest rate floor contract was directly stipulated with Caboto.

If in the future, Euribor exceeds 6% (strike rate), IntesaBci Sec. Npl will receive from Deutsche Bank the differential between effective Euribor and 6%, and will therefore have sufficient liquidity to pay rated securities which are indexed to 6-month Euribor. If, instead, Euribor drops under 4%, IntesaBci Sec. Npl must pay to Caboto the differential between effective Euribor and 4%.

Management and recovery of the securitised loans will be carried out by IntesaBci Gestione Crediti, a Group company which has been appointed servicer in the contract.

The financial flows of IntesaBci Sec. Npl are credited on current accounts opened with IntesaBci - Cariplo network (Account Bank), which is also in charge of the liquidity of the purchasing company (Cash Manager) and is the agent for payments related to the securities (Paying Agent).

The Cash Manager, which operates according to provisions set forth in the *Cash Allocation, Management and Payments Agreement*, must invest the liquidity deriving from the operation solely in *Eligible investments*, that is, senior and unsubordinated debt securities and investment certificates, commercial papers, certificates of deposit or other debt instruments issued or unconditionally guaranteed by a financial institution to which Fitch and Moody's have attributed for the maturity of such investment (under 12 months) a rating of at least AAA/F-1+ (Fitch) and Aaa/P-1 (Moody's).

Leonardo Synthetic

Last May, the Bank launched a synthetic securitisation through credit default swaps amounting to approximately 1 billion dollars, on a portfolio of 125 loans granted to 30 airline companies (76.3% Europe, 10.6% North America, 7.7% Asia and 5.4% Pacific). Optimisation and diversification of the loan portfolio and liberation of credit lines and regulatory capital are the objectives of the operation and are achieved using credit derivatives, that is financial instruments which enable to manage credit risk and the juridical holder of the loan separately.

The operation is absolutely innovative due to the class of assets used and was highly appreciated by the market, because of both the diversification opportunities offered by the specific category of borrowers and the high value of the guarantees on the loans (97.1% is guaranteed by aeroplanes).

With this operation, IntesaBci indirectly hedged, through credit default swaps with *Leonardo Synthetic Plc*, special purpose vehicle based in Ireland, the losses the portfolio exceeding the first 6.5% up to a maximum of 22% of the total loss. All the residual risk was hedged through credit default swaps with *Merrill Lynch International*. In turn, the special purpose vehicle securitised credit risk of second loss (15.5%) through the issue of notes amounting to a total of 173.6 million euro, structured in three *tranches,* with increasing subordination, placed solely with institutional investors and collateralised by Italian Government securities (to support the notes of classes A and B) and a deposit with IntesaBci (to support the notes of class C).

In detail, the *tranches* of issued notes currently have the following characteristics:

Class	Amount (euro)	Rating Moody's/S&P/Fitch	Legal maturity	Expected maturity (1)	Interest rate
A	56,000,000	Aaa/AAA/AAA	2019	2018	3m Euribor + 45 b.p.
B	84,000,000	Aa2/AA/AA	2019	2018	3m Euribor + 70 b.p.
C	33,600,000	A3/A/A	2019	2018	3m Euribor + 115 b.p.

(1) *IntesaBci holds a regulatory call from the third year, in the case in which laws or regulations imply additional costs which could not be foreseen at the time of the closing of the operation, and a clean-up call in case the notional amount of the portfolio drops to under 10% of the initial amount. Furthermore, IntesaBci has a call for early termination in June 2006 and in June 2013, which would then lead to advanced reimbursement from the issuer.*

IntesaBci and Merrill Lynch International are *Lead Arrangers* and *Joint Bookrunners* of the operation and Crédit Agricole Indosuez took part as *Senior Co-Lead Manager.*

IntesaBci acts as *Servicer* of the operation and can carry put replenishments and substitutions in the portfolio: the former are allowed in the case in which certain assets in the portfolio pay in advance, are amortised or cancelled, while the second are discretionary and limited to 10% of the portfolio during the time of the operation. Both replenishments and substitutions may occur every six months with the approval of the Rating agencies.

Scala Synthetic 3

A second synthetic securitisation on a portfolio of credit derivatives amounting to approximately 805 million euro was launched at the end of June 2001 with expiry date 5 years.

The securitised portfolio is made up of 80 credit default swap contracts, relative to international companies in Western Europe (over two thirds) and the remaining part in the United States and Australia, all with an investment-grade rating assigned by Moody's and/or Standard & Poors.

With this operation, IntesaBci hedged, through credit derivatives, by Scala Synthetic 3 Plc – special purpose vehicle based in Ireland – the losses on the portfolio exceeding the first 2.4%, up to a maximum of 7.7% of the total loss. The residual portion of the risk (92.3%) is covered, unfunded, with a credit default swap.

In turn, the special purpose vehicle has securitised the risk of second loss (5.3%) through the issue of notes amounting to a total of 42.7 million euro. The bonds issued are assisted by cash collateral and have been placed with institutional investors on the basis of *tranches*, with increasing subordination, with the following characteristics:

Class	**Amount (euro)**	**Rating Moody's/S&P**	**Interest rate**
A	27,200,000	Baa2/BBB	Euribor + 120 b.p.
B	5,000,000	Ba3/BB+	Euribor + 180 b.p.
C	10,500,000	Caa1	Euribor + 300 b.p.

IntesaBci acted as *Arranger* while Caboto took part as *Lead Manager*.

Section 12 - Management and trading on behalf of third parties

12.1 Dealing in securities

a) Purchases	80,190,274
1. settled	*45,981,679*
2. to be settled	*3,567,030*
3. financial derivatives	*30,641,565*
b) Sales	77,760,399
1. settled	*44,050,005*
2. to be settled	*2,717,606*
3. financial derivatives	*30,992,788*

12.2 Portfolio management

Portfolio management	60,116,919

12.3 Custody and administration of securities

a) Third parties securities held in deposit (excluding individual portfolio management schemes)	408,438,388
b) Third parties securities deposited with third parties	310,262,256
c) Portfolio securities deposited with third parties	24,799,153

12.4 Collection of receivables on behalf of third parties: adjustments to assets and liabilities

a) **Debit**	27,203,970
1. current accounts	*474,634*
2. portfolio to be settled	*17,994,966*
3. cash	*1,010,367*
4. other accounts	*7,724,003*
b) **Credit**	27,572,856
1. current accounts	*775,955*
2. third party bills and documents	*26,726,723*
3. other accounts	*70,178*

12.5 Other transactions

Other banks' participation in syndicated loans	17,091,500
– cash loans	13,569,522
– guarantees and commitments	3,521,978
Trading on behalf of third parties	77,312,415
Tax collection activities	47,068,274
– tax collection mandates received by other tax collection deleguees	13,784,893
– amounts received to be paid	33,283,381

12.6 Information regarding securitisations

Information regarding securitised assets and securities issued by the special purpose vehicles IntesaBci Sec., IntesaBci Sec. Npl and Wiese Sudameris Sociedad Titulizadora, controlled by Gruppo IntesaBci, is shown in the tables below.

IntesaBci Sec.

Securitisation of performing mortgages

(in thousands of euro)

A.	**Securitised assets**			**387,827**
A1.	loans		378,773	
	loans outstanding	378,212		
	overdue loans	550		
	overdue interest	11		
A2.	securities			
A3.	other assets		9,054	
	accrued income on IRS	7,746		
	other accrued income	1,307		
	other loans	1		
B.	**Investments of the funds collected from loan management**			**149,339**
B1.	debt securities		–	
B2.	shares, quotas and other forms of capital		–	
B3.	liquidity		17,538	
B4.	time deposits		131,801	
C.	**Securities issued**			**513,234**
C1.	rating A1		270,500	
C2.	rating A2		205,000	
C3.	rating B		29,500	
C4.	rating C		8,234	
D.	**Financing received**			**–**
E.	**Other liabilities**			**21,250**
E1.	amounts due for services rendered		456	
E2.	due to customers		4	
E5.	accrued expenses – interest on securities issued		9,333	
E6.	accrued expenses on IRS		8,759	
E7.	other accrued expenses		162	
E8.	allowance for overdue interest		11	
E9.	allowance for “additional return”		2,525	
F.	**Interest expense on securities issued**			**24,932**
G.	**Commissions and fees**			**816**
G1.	servicing		596	
G2.	other services		220	
H.	**Other expenses**			**30,170**
H1.	interest expenses		25,209	
H2.	other expenses		283	
H3.	provisions to the allowance for overdue interest		11	
H4.	provisions to the allowance for “additional return”		4,667	
I.	**Interest income on securitised assets**			**29,459**
L.	**Other revenues**			**26,653**
L1.	interest income		26,401	
L2.	revenues for penalties for early termination and other		246	
L3.	other revenues		6	

IntesaBci Sec. Npl

Securitisation of doubtful mortgages

(in thousands of euro)

A.	**Securitised assets**			**477,869**
A1.	loans		467,391	
	loans outstanding	128,086		
	overdue loans	283,715		
	overdue interest	55,590		
A2.	securities			
A3.	other assets		10,478	
	other accrued income	11		
	cap premium paid	10,467		
B.	**Investments of the funds collected from loan management**			**60,251**
B1.	debt securities		–	
B2.	shares, quotas and other forms of capital		–	
B3.	liquidity		60,251	
B4.	time deposits		–	
C.	**Securities issued**			**525,028**
C1.	rating A1		274,000	
C2.	rating B		72,000	
C3.	rating C		20,000	
C4.	rating D		117,711	
C5.	rating E		41,317	
D.	**Financing received**			**–**
E.	**Other liabilities**			**30,839**
E1.	amounts due for services rendered		10,789	
E2.	due to customers		21	
E3.	accrued expenses - interest on securities issued		17,462	
E4.	other accrued expenses		144	
E5.	floor premium		2,423	
F.	**Interest expense on securities issued**			**17,462**
G.	**Commissions and fees**			**9,474**
G1.	servicing		9,253	
G2.	other services		221	
H.	**Other expenses**			**43,725**
H1.	interest expenses			
H2.	commissions for placement of securities		271	
H3.	other expenses		3,590	
H4.	losses on overdue interest		4,769	
H5.	losses on loans			
H6.	forecasted losses on loans		35,095	
I.	**Interest income on securitised assets**			**40,565**
L.	**Other revenues**			**12,350**
L1.	interest income		503	
L2.	recovery of legal expenses		772	
L3.	write-backs		10,943	
L4.	other revenues		132	

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of various assets Banco Wiese Sudameris 1

(in thousands of euro)

A.	**Securitised assets**		**606,604**
A1.	loans	514,149	
A2.	securities	685	
A3.	real estate	70,783	
A4.	other assets	20,987	
B.	**Investments of the funds collected from loan management**		**20,481**
B1.	debt securities	–	
B2.	shares, quotas and other forms of capital	–	
B3.	cash and banks	8,201	
B4.	other assets	12,280	
C.	**Securities issued**		**803,127**
	including equity tranche		*240,693*
D.	**Financing received**		**5,193**
D1.	due to banks	5,193	
E.	**Other liabilities**		**58,027**
E1.	accrued expenses	36,492	
E2.	other liabilities	21,535	
F.	**Interest expense on securities issued**		**32,039**
G.	**Commissions and fees**		**–**
G1.	servicing	–	
G2.	other services	–	
H.	**Other expenses**		**572,713**
H1.	adjustments to loans	285,303	
H2.	other expenses from securitised assets	151,062	
H3.	losses on financial transactions - foreign exchange differences	96,241	
H4.	extraordinary charges	28,514	
H5.	losses on sales of securitised assets	10,577	
H6.	taxation	824	
H7.	financial charges	170	
H8.	services rendered by third parties	22	
I.	**Interest income on securitised assets**		**277,092**
L.	**Other revenues**		**303,557**
L1.	income from securitised assets	147,938	
L2.	profits on financial transactions - foreign exchange differences	104,377	
L3.	extraordinary income	40,998	
L4.	revenues on sales of securitised assets	9,545	
L5.	financial income	699	

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of various assets Banco Wiese Sudameris 2

(in thousands of euro)

A.	**Securitised assets**		**133,395**
A1.	loans	122,475	
A2.	securities	6,612	
A3.	real estate	4,308	
B.	**Investments of the funds collected from loan management**		**–**
C.	**Securities issued**		**484,587**
	including equity tranche		*385,574*
D.	**Financing received**		**–**
E.	**Other liabilities**		**20,113**
E1.	due to banks	19,574	
E2.	other liabilities	539	
F.	**Interest expense on securities issued**		**11,888**
G.	**Commissions and fees**		**–**
G1.	servicing	–	
G2.	other services	–	
H.	**Other expenses**		**376,275**
H1.	adjustments to loans	286,874	
H2.	losses on financial transactions - foreign exchange differences	69,958	
H3.	other expenses from securitised assets	16,507	
H4.	losses on sales of securitised assets	1,804	
H5.	extraordinary charges	870	
H6.	taxation	144	
H7.	financial charges	113	
H8.	services rendered by third parties	5	
I.	**Interest income on securitised assets**		**281,061**
L.	**Other revenues**		**84,497**
L1.	profits on financial transactions - foreign exchange differences	75,949	
L2.	extraordinary income	8,548	

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of land Los Portales

(in thousands of euro)

A.	**Securitised assets**		**17,397**
A1.	loans	–	
A2.	securities	–	
A3.	land	17,397	
B.	**Investments of the funds collected from loan management**		**–**
C.	**Securities issued**		**17,295**
	including equity tranche		*5,574*
D.	**Financing received**		**–**
E.	**Other liabilities**		**134**
E1.	accrued expenses	134	
F.	**Interest expense on securities issued**		**251**
G.	**Commissions and fees**		**–**
H.	**Other expenses**		**70**
I.	**Interest income on securitised assets**		**–**
L.	**Other revenues**		**289**

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of shares Textil San Cristobal 1

(in thousands of euro)

A.	**Securitised assets**		**19,622**
A1.	loans	–	
A2.	securities	19,622	
A3.	other assets	–	
B.	**Investments of the funds collected from loan management**		**–**
C.	**Securities issued**		**19,650**
	including equity tranche		*19,650*
D.	**Financing received**		**–**
E.	**Other liabilities**		**–**
F.	**Interest expense on securities issued**		**–**
G.	**Commissions and fees**		**–**
H.	**Other expenses**		**2,291**
H1.	losses on financial transactions - foreign exchange differences	2,291	
I.	**Interest income on securitised assets**		**–**
L.	**Other revenues**		**2,366**
L1.	profits on financial transactions - foreign exchange differences	2,286	
L2.	extraordinary income	80	

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of shares Textil San Cristobal 2

(in thousands of euro)

A.	**Securitised assets**		**1,352**
A1.	loans	–	
A2.	securities	1,352	
A3.	other assets	–	
B.	**Investments of the funds collected from loan management**		**–**
C.	**Securities issued**		**1,354**
	including equity tranche		*1,354*
D.	**Financing received**		**–**
E.	**Other liabilities**		**–**
F.	**Interest expense on securities issued**		**–**
G.	**Commissions and fees**		**–**
H.	**Other expenses**		**163**
H1.	losses on financial transactions - foreign exchange differences	163	
I.	**Interest income on securitised assets**		**–**
L.	**Other revenues**		**161**
L1.	profits on financial transactions - foreign exchange differences	161	

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of real estate Promotora Laser de Inmuebles

(in thousands of euro)

A.	**Securitised assets**		**10,396**
A1.	loans	–	
A2.	securities	–	
A3.	real estate	10,396	
B.	**Investments of the funds collected from loan management**		**–**
C.	**Securities issued**		**10,409**
	including equity tranche		*10,409*
D.	**Financing received**		**–**
E.	**Other liabilities**		**–**
F.	**Interest expense on securities issued**		**–**
G.	**Commissions and fees**		**–**
H.	**Other expenses**		**12**
H1.	losses on financial transactions - foreign exchange differences	12	
I.	**Interest income on securitised assets**		**–**
L.	**Other revenues**		**–**

Wiese Sudameris Sociedad Titulizadora SA

Securitisation of loans Administradora Jockey Plaza Shopping Center

(in thousands of euro)

A.	**Securitised assets**		**12,746**
A1.	loans	12,746	
A2.	securities	–	
A3.	other assets	–	
B.	**Investments of the funds collected from loan management**		**150**
B1.	debt securities	–	
B2.	shares, quotas and other forms of capital	–	
B3.	cash and banks	150	
C.	**Securities issued**		**12,714**
	including equity tranche		*6,861*
D.	**Financing received**		**–**
E.	**Other liabilities**		**58**
F.	**Interest expense on securities issued**		**119**
G.	**Commissions and fees**		**7**
G1.	servicing	7	
G2.	other services	–	
H.	**Other expenses**		**222**
H1.	losses on financial transactions - foreign exchange differences	179	
H2.	taxation	42	
H3.	other operating expenses	1	
I.	**Interest income on securitised assets**		**311**
L.	**Other revenues**		**160**
L1.	profits on financial transactions - foreign exchange differences	160	
L2.	extraordinary income	–	

PART C: INFORMATION REGARDING THE CONSOLIDATED STATEMENT OF INCOME [1]

Section 1 - Interest

1.1 Breakdown of caption 10 "Interest income and similar revenues"

	2001	2000	Changes amount	Changes %
a) On amounts due from banks	2,336,584	2,562,415	(225,831)	(8.8)
including				
– deposits with central banks	*121,759*	*116,700*	*5,059*	*4.3*
b) On loans to customers	11,882,774	11,136,617	746,157	6.7
including				
– loans using public funds under administration	*83*	*193*	*(110)*	*(57.0)*
c) On debt securities	3,051,752	3,276,521	(224,769)	(6.9)
d) Other interest income	32,156	29,945	2,211	7.4
Total caption 10 – Statement of income	**17,303,266**	**17,005,498**	**297,768**	**1.8**

1.2 Breakdown of caption 20 "Interest expense and similar charges"

	2001	2000	Changes amount	Changes %
a) On amounts due to banks	4,481,782	5,095,245	(613,463)	(12.0)
b) On amounts due to customers	2,891,833	2,758,105	133,728	4.8
c) On securities issued [*]	3,030,294	2,960,547	69,747	2.4
including				
– on certificates of deposit	*1,086,277*	*1,156,015*	*(69,738)*	*(6.0)*
d) On public funds under administration	1,317	663	654	98.6
e) On subordinated liabilities	610,339	519,620	90,719	17.5
f) Negative differentials on hedge transactions	394,139	149,248	244,891	164.1
Total caption 20 - Statement of income	**11,409,704**	**11,483,428**	**(73,724)**	**(0.6)**
Amounts reclassified in caption 30 with economically-related income and charges	(104,521)	(110,072)	(5,551)	(5.0)
Total caption 20 - Reclassified statement of income	**11,305,183**	**11,373,356**	**(68,173)**	**(0.6)**

[1] *Figures for 2000 have been restated on a consistent basis.*

[*] *The figure does not include subordinated liabilities which are indicated in a specific line.*

1.3 Analysis of caption 10 "Interest income and similar revenues"

	2001	2000	Changes amount	Changes %
a) On foreign currency assets	5,341,407	6,894,369	(1,552,962)	(22.5)

1.4 Analysis of caption 20 "Interest expense and similar charges"

	2001	2000	Changes amount	Changes %
b) On foreign currency liabilities	4,581,729	6,449,711	(1,867,982)	(29.0)

Breakdown of caption 30 "Dividends and other revenues"

Subcaptions	2001	2000	Changes amount	Changes %
a) On shares, quotas and other forms of capital	459,405	320,063	139,342	43.5
b) On equity investments	156,579	840,163	(683,584)	(81.4)
c) On investments in Group companies	437,590	2,057	435,533	
Total caption 30 - Statement of income	**1,053,574**	**1,162,283**	**(108,709)**	**(9.4)**
Dividends on structured share portfolio	(212,090)	(45,012)	167,078	371.2
Differentials on economically-related hedge transactions connected to revenues on shares in the trading portfolio	(104,521)	(110,072)	(5,551)	(5.0)
Total caption 30 - Reclassified statement of income	**736,963**	**1,007,199**	**(270,236)**	**(26.8)**

Section 2 - Commissions

2.1 Breakdown of caption 40 "Commission income"

Subcaptions	2001	2000	Changes	
			amount	%
a) Guarantees given	205,118	185,519	19,599	10.6
b) Credit derivatives	18,993	9,131	9,862	108.0
c) Management, dealing and consultancy services	1,974,821	2,565,883	(591,062)	(23.0)
1. dealing in securities	*98,740*	*241,893*	*(143,153)*	*(59.2)*
2. dealing in currencies	*80,129*	*91,122*	*(10,993)*	*(12.1)*
3. portfolio management	*1,330,443*	*1,628,496*	*(298,053)*	*(18.3)*
3.1 individual	*224,580*	*307,361*	*(82,781)*	*(26.9)*
3.2 collective	*1,105,863*	*1,321,135*	*(215,272)*	*(16.3)*
4. custody and administration of securities	*81,944*	*75,913*	*6,031*	*7.9*
5. depositary bank	*84,349*	*85,423*	*(1,074)*	*(1.3)*
6. placement of securities	*93,118*	*132,621*	*(39,503)*	*(29.8)*
7. acceptance of trading instructions	*76,582*	*143,035*	*(66,453)*	*(46.5)*
8. consultancy services	*12,692*	*41,253*	*(28,561)*	*(69.2)*
9. distribution of third party services	*116,824*	*126,127*	*(9,303)*	*(7.4)*
9.1 portfolio management	*10,386*	*24,026*	*(13,640)*	*(56.8)*
a) individual	*5,148*	*19,701*	*(14,553)*	*(73.9)*
b) collective	*5,238*	*4,325*	*913*	*21.1*
9.2 insurance products	*101,918*	*94,430*	*7,488*	*7.9*
9.3 other products	*4,520*	*7,671*	*(3,151)*	*(41.1)*
d) Collection and payment services	360,062	348,939	11,123	3.2
e) Servicing related to securitisations	9,796	306	9,490	
f) Tax collection services	244,781	236,201	8,580	3.6
g) Other services	1,576,149	1,477,564	98,585	6.7
– *fees on current accounts*	*782,866*	*697,996*	*84,870*	*12.2*
– *medium- and long-term lending and project financing transactions*	*37,549*	*42,483*	*(4,934)*	*(11.6)*
– *fees on credit card distribution and POS services*	*281,295*	*271,289*	*10,006*	*3.7*
– *commissions on factoring*	*74,264*	*71,975*	*2,289*	*3.2*
– *other commission income*	*400,175*	*393,821*	*6,354*	*1.6*
Total	**4,389,720**	**4,823,543**	**(433,823)**	**(9.0)**

2.2 Analysis of caption 40 "Distribution channels of products and services offered"

Subcaptions	2001	2000	Changes	
			amount	%
a) Group branches	1,514,416	1,856,330	(341,914)	(18.4)
1. portfolio management	*1,330,443*	*1,628,496*	*(298,053)*	*(18.3)*
2. placement of securities	*91,928*	*131,778*	*(39,850)*	*(30.2)*
3. third party services and products	*92,045*	*96,056*	*(4,011)*	*(4.2)*
b) "Door-to-door" sales	25,969	30,914	(4,945)	(16.0)
1. portfolio management	–	–	–	–
2. placement of securities	*1,190*	*843*	*347*	*41.2*
3. third party services and products	*24,779*	*30,071*	*(5,292)*	*(17.6)*
Total	**1,540,385**	**1,887,244**	**(346,859)**	**(18.4)**

2.3 Breakdown of caption 50 “Commission expense”

Subcaptions	2001	2000	Changes	
			amount	%
a) Guarantees received	6,582	11,828	(5,246)	(44.4)
b) Credit derivatives	26,585	16,009	10,576	66.1
c) Management, dealing and consultancy services	282,193	383,044	(100,851)	(26.3)
1. dealing in securities	*31,729*	*37,703*	*(5,974)*	*(15.8)*
2. dealing in currencies	*8,406*	*9,487*	*(1,081)*	*(11.4)*
3. portfolio management	*10,161*	*45,800*	*(35,639)*	*(77.8)*
3.1 direct customers	–	–	–	–
3.2 delegated	*10,161*	*45,800*	*(35,639)*	*(77.8)*
4. custody and administration of securities	*24,054*	*26,057*	*(2,003)*	*(7.7)*
5. placement of securities	*12,953*	*38,853*	*(25,900)*	*(66.7)*
6. “door-to-door” sale of securities, financial products and services	*194,890*	*225,144*	*(30,254)*	*(13.4)*
d) Collection and payment services	103,368	97,104	6,264	6.5
e) Other services	240,364	188,667	51,697	27.4
– commissions for placement of products	*3,598*	*1,531*	*2,067*	*135.0*
– other services received from banks	*40,031*	*33,001*	*7,030*	*21.3*
– tax collection services	*5,569*	*12,511*	*(6,942)*	*(55.5)*
– commissions paid to credit card and international circuits	*63,848*	*57,961*	*5,887*	*10.2*
– other	*127,318*	*83,663*	*43,655*	*52.2*
Total	**659,092**	**696,652**	**(37,560)**	**(5.4)**

Section 3 - Profits and losses on financial transactions

3.1 Breakdown of caption 60 “Profits (Losses) on financial transactions”

Captions/Transactions	2001			
	Securities	Currencies	Other	Total
a.1 Revaluations	166,844	–	1,133,505	1,300,349
a.2 Write-downs	(718,834)	–	(1,240,508)	(1,959,342)
b. Other profits (losses)	282,702	222,409	115,592	620,703
Total caption 60 - Statement of income	**(269,288)**	**222,409**	**8,589**	**(38,290)**
Dividends on structured share portfolio	212,090	–	–	212,090
Reclassification of gains on securities (transfer to caption 120)	(56,755)	–	–	(56,755)
Total caption 60 - Reclassified statement of income	**(113,953)**	**222,409**	**8,589**	**117,045**
1. Government bonds	64,846			
2. Other debt securities	(13,260)			
3. Shares, quotas and other forms of capital	(174,979)			
4. Security derivatives	9,440			
Total	**(113,953)**			

Captions/Transactions	2000			
	Securities	Currencies	Other	Total
a.1 Revaluations	375,533	–	781,038	1,156,571
a.2 Write-downs	(470,340)	–	(853,054)	(1,323,394)
b. Other profits (losses)	94,153	254,458	(33,547)	315,064
Total caption 60 - Statement of income	**(654)**	**254,458**	**(105,563)**	**148,241**
Dividends on structured share portfolio	45,012	–	–	45,012
Total caption 60 - Reclassified statement of income	**44,358**	**254,458**	**(105,563)**	**193,253**
1. Government bonds	(43,962)			
2. Other debt securities	(72,627)			
3. Shares, quotas and other forms of capital	102,701			
4. Security derivatives	58,246			
Total	**44,358**			

Section 4 - Administrative costs

4.1 Average number of employees by categories

Categories	2001	2000	Change
a) Managers	986	794	192
b) 3rd and 4th level clerks	13,195	13,053	142
c) Other employees	56,837	58,891	(2,054)
Total	**71,018**	**72,738**	**(1,720)**

Number of employees by categories (figures as at 31st December)

Categories	2001	2000	Change
a) Managers	1,005	966	39
b) 3rd and 4th level clerks	13,575	12,814	761
c) Other employees	55,602	58,072	(2,470)
Total	**70,182**	**71,852**	**(1,670)**

Breakdown of caption 80 “Administrative costs”

b) Other

Subcaptions	2001	2000	Changes	
			amount	%
Training expenses and reimbursements to personnel	77,305	74,192	3,113	4.2
Legal expenses	118,359	155,905	(37,546)	(24.1)
Expenses for consultancy fees	218,109	186,959	31,150	16.7
IT, processing and data processing services	272,414	220,167	52,247	23.7
Data storage and document processing	18,895	18,884	11	0.1
Rentals and service charges - real estate	222,271	223,134	(863)	(0.4)
Rentals of other fixed assets	59,486	61,070	(1,584)	(2.6)
Transport services	67,566	68,881	(1,315)	(1.9)
Postal, telegraphic and delivery services	143,669	132,191	11,478	8.7
Telephonic, teletransmission and transmission expenses	118,893	120,592	(1,699)	(1.4)
Lighting, central heating and air conditioning	73,258	77,252	(3,994)	(5.2)
Cleaning services	51,617	51,324	293	0.6
Information expenses	42,553	37,243	5,310	14.3
Security services	59,974	59,622	352	0.6
Advertising and promotional expenses	127,091	147,082	(19,991)	(13.6)
Insurance premiums	54,024	54,720	(696)	(1.3)
Expenses for maintenance	142,190	147,020	(4,830)	(3.3)
Printing, stationery and consumables	71,121	74,097	(2,976)	(4.0)
Indirect taxes and duties	421,556	430,855	(9,299)	(2.2)
Reimbursements of costs to Group companies	4,813	11,920	(7,107)	(59.6)
Other costs	246,408	239,042	7,366	3.1
Total caption 80 b) - Statement of income	**2,611,572**	**2,592,152**	**19,420**	**0.7**
Recovery of costs related to allowance for pensions and similar commitments	(2,745)	(642)	2,103	327.6
Total caption 80 b) - Reclassified statement of income	**2,608,827**	**2,591,510**	**17,317**	**0.7**

Section 5 - Adjustments, write-backs and provisions

Breakdown of caption 90 “Adjustments to fixed assets and intangibles” (*)

Subcaptions	2001	2000	Changes	
			amount	%
Depreciation of fixed assets	386,768	347,973	38,795	11.1
Amortisation of intangibles	350,584	343,990	6,594	1.9
Total caption 90 - Reclassified statement of income	**737,352**	**691,963**	**45,389**	**6.6**
Amortisation of goodwill arising on consolidation and on application of the equity method	178,828	93,566	85,262	91.1
Total	**916,180**	**785,529**	**130,651**	**16.6**

Breakdown of caption 100 “Provisions for risks and charges”

Subcaptions	2001	2000	Changes	
			amount	%
Legal disputes and amounts reclaimed	199,476	136,416	63,060	46.2
Counterparty risk in financial derivatives	26,450	3,099	23,351	753.5
Adjustments to interest	3,071	21,810	(18,739)	(85.9)
Equity investments	213,309	15,494	197,815	
Taxes in litigation	28,160	57,159	(28,999)	(50.7)
Fidelity programmes	20,900	–	20,900	
Commitments with the pension fund of former BCI	16,527	–	16,527	
Other future charges	68,240	90,216	(21,976)	(24.4)
Total	**576,133**	**324,194**	**251,939**	**77.7**

5.1 Breakdown of caption 120 “Adjustments to loans and provisions for guarantees and commitments”

Subcaptions	2001	2000	Changes	
			amount	%
a) Adjustments to loans	3,098,943	1,727,371	1,371,572	79.4
including				
– *lump-sum adjustments for Country risk*	*78,320*	*57,365*	*20,955*	*36.5*
– *other lump-sum adjustments*	*289,441*	*311,416*	*(21,975)*	*(7.1)*
b) Provisions for guarantees and commitments	115,344	84,024	31,320	37.3
– *specific adjustments*	*56,382*	*25,342*	*31,040*	
– *lump-sum adjustments for Country risk*	*1,981*	*47,165*	*(45,184)*	*(95.8)*
– *other lump-sum adjustments*	*56,981*	*11,517*	*45,464*	
Total caption 120 - Statement of income	**3,214,287**	**1,811,395**	**1,402,892**	**77.4**
Reclassification of gains on securities (transfer from caption 60)	(56,755)		(56,755)	
Total caption 120 - Reclassified statement of income	**3,157,532**	**1,811,395**	**1,346,137**	**74.3**

(*) *Including adjustments to goodwill arising on consolidation and on application of the equity method.*

Breakdown of caption 130 "Write-back of adjustments to loans and provisions for guarantees and commitments"

Subcaptions	2001	2000	Changes amount	Changes %
Loans	537,467	490,676	46,791	9.5
Provisions for guarantees and commitments	29,138	25,424	3,714	14.6
Total	**566,605**	**516,100**	**50,505**	**9.8**

Breakdown of caption 140 "Provisions for possible loan losses"

Provisions in the period	2001	2000	Changes amount	Changes %
Principal	1,320	2,054	(734)	(35.7)
Overdue interest	32,606	50,837	(18,231)	(35.9)
Total	**33,926**	**52,891**	**(18,965)**	**(35.9)**

Breakdown of caption 150 "Adjustments to financial fixed assets"

Subcaptions	2001	2000	Changes amount	Changes %
Equity investments	89,273	38,579	50,694	
Investment portfolio	14,915	3,002	11,913	
Total	**104,188**	**41,581**	**62,607**	

Breakdown of caption 160 "Write-back of financial fixed assets"

Subcaptions	2001	2000	Changes amount	Changes %
Equity investments	1,550	27,957	(26,407)	(94.5)
Investment portfolio	9,069	5,527	3,542	64.1
Total	**10,619**	**33,484**	**(22,865)**	**(68.3)**

Section 6 - Other statement of income captions

6.1 Breakdown of caption 70 “Other operating income”

Subcaptions	**2001**	**2000**	**Changes**	
			amount	**%**
Capital gains on disposal of merchant banking equity investments	36,454	23,594	12,860	54.5
Capital gains on sale of leased goods	72,956	70,247	2,709	3.9
Rentals and recovery of expenses	27,685	23,858	3,827	16.0
Recovery of costs for seconded personnel	11,430	10,697	733	6.9
Recovery of taxes and duties	237,645	242,347	(4,702)	(1.9)
Recovery of legal expenses	31,561	51,610	(20,049)	(38.8)
Indexation of bonds and certificates of deposit	49,534	114,465	(64,931)	(56.7)
Recovery of insurance costs	11,318	10,950	368	3.4
Recovery of other expenses	25,307	35,731	(10,424)	(29.2)
Monetary correction	11,540	7,914	3,626	45.8
Other operating income	120,510	187,460	(66,950)	(35.7)
Total	**635,940**	**778,873**	**(142,933)**	**(18.4)**

6.2 Breakdown of caption 110 “Other operating expenses”

Subcaptions	**2001**	**2000**	**Changes**	
			amount	**%**
Expenses related to leasing contracts	25,466	19,843	5,623	28.3
Indexation of bonds and certificates of deposit	49,423	113,737	(64,314)	(56.5)
Monetary correction	1,588	17,577	(15,989)	(91.0)
Other operating expenses	95,505	118,659	(23,154)	(19.5)
Total	**171,982**	**269,816**	**(97,834)**	**(36.3)**

6.3 Breakdown of caption 190 “Extraordinary income”

Subcaptions	**2001**	**2000**	**Changes**	
			amount	**%**
Out-of-period income and amounts not payable	193,034	267,125	(74,091)	(27.7)
– *bank cashiers’ cheques prescribed*	*5,821*	*2,883*	*2,938*	*101.9*
– *adjustments to other captions of previous periods*	*18,190*	*47,156*	*(28,966)*	*(61.4)*
– *adjustments to commissions/charges*	*22,205*	*22,254*	*(49)*	*(0.2)*
– *reversal of the allowance for possible loan losses*	*36,136*	*49,111*	*(12,975)*	*(26.4)*
– *other*	*110,682*	*145,721*	*(35,039)*	*(24.0)*
Capital gains on the sale of investment securities	2,906	29,243	(26,337)	(90.1)
Capital gains on the sale of equity investments	1,321,618	295,264	1,026,354	
Capital gains on sale of other assets	61,663	47,702	13,961	29.3
Non-recurring income on Fonspa spin-off	81,931	–	81,931	
Reversal of excess allowances	17,531	55,749	(38,218)	(68.6)
Capitalised intergroup services	25,373	12,573	12,800	101.8
Income from sale of branches, net	565,908	–	565,908	
Deferred tax assets generated in previous periods	82,083	42,586	39,497	
Capital gains on sale of investments carried at equity	–	48,611	(48,611)	
Total	**2,352,047**	**798,853**	**1,553,194**	

6.4 Breakdown of caption 200 "Extraordinary charges"

Subcaptions	2001	2000	Changes amount	Changes %
Out-of-period expense and amounts not collectable	242,792	278,448	(35,656)	(12.8)
– *adjustments to commission expense/charges of previous periods*	*19,343*	*42,369*	*(23,026)*	*(54.3)*
– *transfer of dividend paid by Banca Carime*	*13,598*	*–*	*13,598*	
– *adjustments to other captions of previous periods*	*18,492*	*68,801*	*(50,309)*	
– *previous periods personnel charges*	*3,592*	*211*	*3,381*	
– *previous periods social security benefits*	*2,455*	*227*	*2,228*	
– *burglaries and robberies*	*10,284*	*8,093*	*2,191*	*27.1*
– *other*	*175,028*	*158,747*	*16,281*	*10.3*
Losses on sale of other assets	11,684	18,559	(6,875)	(37.0)
Losses on sale of investment securities	3,108	21,746	(18,638)	(85.7)
Losses on sale of equity investments	3,566	550	3,016	
Incentive-driven personnel exit plans	13,225	22,237	(9,012)	(40.5)
Valuation of *Warrants Put IntesaBci*	1,157,578	–	1,157,578	
Provisions for future charges on sales of equity investments	9,296	41,257	(31,961)	(77.5)
Non-recurring charges on Fonspa operation	78,049	–	78,049	
Integration charges	47,463	–	47,463	
Extraordinary contribution to the allowance for pensions and similar commitments	–	24,547	(24,547)	
Provisions for possible loan losses ex Law 2682 related to Brazilian companies	–	208,410	(208,410)	
Total	**1,566,761**	**615,754**	**951,007**	

Breakdown of caption 240 "Income taxes"

Subcaptions	2001	2000	Changes amount	Changes %
1. Current taxes (–)	(624,896)	(1,059,618)	(434,722)	(41.0)
2. Changes in deferred tax assets (+/–)	325,254	(98,800)	424,054	
3. Changes in deferred tax liabilities (–/+)	104,988	53,487	51,501	
4. Income taxes for the period	**(194,654)**	**(1,104,931)**	**(910,277)**	**(82.4)**

Section 7 - Other information regarding the statement of income

7.1 Geographic breakdown of revenues

Captions	Italy	Other EU Countries	Other Countries	Total
Interest income and similar revenues	10,968,489	2,627,878	3,706,899	17,303,266
Dividends and other revenues	896,988	132,022	24,564	1,053,574
Commission income	3,684,195	153,894	551,631	4,389,720
Profits on financial transactions	(74,313)	(116,461)	152,484	(38,290)
Other operating income	494,457	13,158	128,325	635,940
Total	**15,969,816**	**2,810,491**	**4,563,903**	**23,344,210**

Revenues are broken down considering the Country of the branches and subsidiaries in which the transaction is based.

PART D: OTHER INFORMATION

Section 1 - Directors and Statutory Auditors

1.1 Compensation

Directors	7,797
Statutory Auditors	524

1.2 Loans and guarantees given

Directors	3,119,888
Statutory Auditors	423

Attachments to the Consolidated Financial Statements

Attachments

Gruppo IntesaBci

1. Consolidated financial statements as at 31st December 2001 compared to as at 31st December 2000 - not restated
   – Consolidated balance sheet
   – Consolidated statement of income
2. Statement of cash flows
3. Quarterly development of the statement of income
4. Quarterly development of the balance sheet

IntesaBci

5. Powers of IntesaBci's Administrative Bodies
6. Code of conduct of IntesaBci
7. Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000
   – Balance sheet
   – Statement of income
8. Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
   – Balance sheet
   – Statement of income
9. Methodological notes on the preparation of the pro forma financial statements of IntesaBci Spa as at 31st December 2000

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet compared to as at 31st December 2000 - not restated

(in thousands of euro)

	Assets	**31/12/2001**	**31/12/2000**	**Changes amount**	**Changes %**
10.	Cash and deposits with central banks and post offices	1,948,715	1,769,542	179,173	10.1
20.	Treasury bills and similar bills eligible for refinancing with central banks	5,340,533	4,448,363	892,170	20.1
30.	Due from banks	40,168,687	47,553,714	(7,385,027)	(15.5)
	a) repayable on demand	*3,658,118*	*4,319,123*	*(661,005)*	*(15.3)*
	b) other	*36,510,569*	*43,234,591*	*(6,724,022)*	*(15.6)*
40.	Loans to customers	183,356,383	187,524,327	(4,167,944)	(2.2)
	including				
	– with public funds under administration	*47,259*	*54,928*	*(7,669)*	*(14.0)*
50.	Bonds and other debt securities	41,835,530	52,050,257	(10,214,727)	(19.6)
	a) public entities	*19,442,876*	*31,466,570*	*(12,023,694)*	*(38.2)*
	b) banks	*11,497,027*	*11,408,772*	*88,255*	*0.8*
	including				
	– own bonds	*1,030,654*	*2,165,500*	*(1,134,846)*	*(52.4)*
	c) financial institutions	*6,802,508*	*4,595,838*	*2,206,670*	*48.0*
	including				
	– own bonds	*3,155*	*–*	*3,155*	
	d) other issuers	*4,093,119*	*4,579,077*	*(485,958)*	*(10.6)*
60.	Shares, quotas and other forms of capital	1,718,956	2,589,938	(870,982)	(33.6)
70.	Equity investments	3,800,445	2,726,614	1,073,831	39.4
	a) carried at equity	*610,773*	*454,996*	*155,777*	*34.2*
	b) other	*3,189,672*	*2,271,618*	*918,054*	*40.4*
80.	Investments in Group companies	794,402	357,936	436,466	
	a) carried at equity	*182,925*	*224,869*	*(41,944)*	*(18.7)*
	b) other	*611,477*	*133,067*	*478,410*	
90.	Goodwill arising on consolidation	463,473	638,376	(174,903)	(27.4)
100.	Goodwill arising on application of the equity method	45,123	51,131	(6,008)	(11.8)
110.	Intangibles	734,715	786,103	(51,388)	(6.5)
	including				
	– start-up costs	*46,347*	*34,675*	*11,672*	*33.7*
	– goodwill	*24,114*	*35,879*	*(11,765)*	*(32.8)*
120.	Fixed assets	4,451,224	4,724,754	(273,530)	(5.8)
140.	Shares or own quotas *(nominal value 1,221,862.20 euro)*	6,362	17,233	(10,871)	(63.1)
150.	Other assets	25,721,082	21,883,544	3,837,538	17.5
160.	Accrued income and prepaid expenses	4,511,854	5,145,267	(633,413)	(12.3)
	a) accrued income	*4,043,977*	*4,367,758*	*(323,781)*	*(7.4)*
	b) prepaid expenses	*467,877*	*777,509*	*(309,632)*	*(39.8)*
	including				
	– discounts on securities issued	*80,253*	*94,171*	*(13,918)*	*(14.8)*
	Total Assets	**314,897,484**	**332,267,099**	**(17,369,615)**	**(5.2)**

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet compared to as at 31st December 2000 - not restated

(in thousands of euro)

	Liabilities and Shareholders' Equity	31/12/2001	31/12/2000	Changes amount	Changes %
10.	Due to banks	77,304,391	91,057,939	(13,753,548)	(15.1)
	a) repayable on demand	*11,595,439*	*15,036,216*	*(3,440,777)*	*(22.9)*
	b) time deposits or with notice period	*65,708,952*	*76,021,723*	*(10,312,771)*	*(13.6)*
20.	Due to customers	112,516,016	117,242,928	(4,726,912)	(4.0)
	a) repayable on demand	*78,007,705*	*84,464,988*	*(6,457,283)*	*(7.6)*
	b) time deposits or with notice period	*34,508,311*	*32,777,940*	*1,730,371*	*5.3*
30.	Securities issued	60,814,513	63,861,354	(3,046,841)	(4.8)
	a) bonds	*40,561,254*	*40,458,130*	*103,124*	*0.3*
	b) certificates of deposit	*17,469,636*	*19,189,699*	*(1,720,063)*	*(9.0)*
	c) other	*2,783,623*	*4,213,525*	*(1,429,902)*	*(33.9)*
40.	Public funds under administration	86,511	102,619	(16,108)	(15.7)
50.	Other liabilities	27,021,729	22,534,035	4,487,694	19.9
60.	Accrued expenses and deferred income	4,895,954	5,492,321	(596,367)	(10.9)
	a) accrued expenses	*4,263,609*	*4,455,614*	*(192,005)*	*(4.3)*
	b) deferred income	*632,345*	*1,036,707*	*(404,362)*	*(39.0)*
70.	Allowance for employee termination indemnities	1,409,580	1,549,296	(139,716)	(9.0)
80.	Allowances for risks and charges	4,020,598	5,542,634	(1,522,036)	(27.5)
	a) pensions and similar commitments	*335,669*	*1,466,220*	*(1,130,551)*	*(77.1)*
	b) taxation	*1,808,214*	*2,662,519*	*(854,305)*	*(32.1)*
	c) risks and charges arising on consolidation	*77,537*	*88,763*	*(11,226)*	*(12.6)*
	d) other	*1,799,178*	*1,325,132*	*474,046*	*35.8*
90.	Allowances for possible loan losses	143,442	225,334	(81,892)	(36.3)
100.	Reserve for general banking risks	92,977	110,899	(17,922)	(16.2)
110.	Subordinated liabilities	11,687,484	9,740,430	1,947,054	20.0
120.	Negative goodwill arising on consolidation	15,255	15,703	(448)	(2.9)
130.	Negative goodwill arising on application of the equity method	648	3,104	(2,456)	(79.1)
140.	Minority interests	825,470	2,672,919	(1,847,449)	(69.1)
150.	Share capital	3,488,995	3,014,194	474,801	15.8
160.	Share premium reserve	4,075,130	6,044,635	(1,969,505)	(32.6)
170.	Reserves	5,185,047	1,293,247	3,891,800	
	a) legal reserve	*772,872*	*772,872*	*–*	
	b) reserve for own shares	*6,362*	*17,233*	*(10,871)*	*(63.1)*
	c) statutory reserves	*150,566*	*12,913*	*137,653*	
	d) other reserves	*4,255,247*	*490,229*	*3,765,018*	
180.	Revaluation reserves	385,500	302,226	83,274	27.6
200.	Net income for the period	928,244	1,461,282	(533,038)	(36.5)
	Total Liabilities and Shareholders' Equity	**314,897,484**	**332,267,099**	**(17,369,615)**	**(5.2)**

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated balance sheet compared to
as at 31st December 2000 - not restated

(in thousands of euro)

	Guarantees and Commitments	31/12/2001	31/12/2000	Changes	
				amount	%
10.	Guarantees given	32,094,401	39,753,181	(7,658,780)	(19.3)
	including				
	– *acceptances*	*742,952*	*612,906*	*130,046*	*21.2*
	– *other guarantees*	*31,351,449*	*39,140,275*	*(7,788,826)*	*(19.9)*
20.	Commitments	64,752,718	83,043,493	(18,290,775)	(22.0)
	including				
	– *for sales with commitment to repurchase*	*15,194*	*37,511*	*(22,317)*	*(59.5)*
30.	Credit derivatives	44,435,252	38,774,263	5,660,989	14.6
	Total Guarantees and Commitments	**141,282,371**	**161,570,937**	**(20,288,566)**	**(12.6)**

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Consolidated statement of income compared to as at 31st December 2000 - not restated

(in thousands of euro)

		2001	2000	Changes amount	Changes %
10.	Interest income and similar revenues	17,303,266	17,381,297	(78,031)	(0.4)
	including from				
	– loans to customers	*11,882,774*	*11,441,400*	*441,374*	*3.9*
	– debt securities	*3,051,752*	*3,347,467*	*(295,715)*	*(8.8)*
20.	Interest expense and similar charges	(11,409,704)	(11,508,211)	(98,507)	(0.9)
	including on				
	– deposits from customers	*(2,891,833)*	*(2,822,017)*	*69,816*	*2.5*
	– securities issued	*(3,555,773)*	*(3,620,437)*	*(64,664)*	*(1.8)*
30.	Dividends and other revenues	1,053,574	1,164,509	(110,935)	(9.5)
	a) from shares, quotas and other forms of capital	*459,405*	*321,634*	*137,771*	*42.8*
	b) from equity investments	*156,579*	*840,744*	*(684,165)*	*(81.4)*
	c) from investments in Group companies	*437,590*	*2,131*	*435,459*	
40.	Commission income	4,389,720	4,956,243	(566,523)	(11.4)
50.	Commission expense	(659,092)	(669,665)	(10,573)	(1.6)
60.	Profits (Losses) on financial transactions	(38,290)	148,867	(187,157)	
65.	Gross returns on investment of the allowances for pensions and similar commitments	22,763	102,049	(79,286)	(77.7)
70.	Other operating income	635,940	774,475	(138,535)	(17.9)
80.	Administrative costs	(6,658,030)	(6,907,489)	(249,459)	(3.6)
	a) payroll	*(4,046,458)*	*(4,227,886)*	*(181,428)*	*(4.3)*
	including				
	– wages and salaries	*(2,839,279)*	*(2,911,007)*	*(71,728)*	*(2.5)*
	– social security charges	*(823,294)*	*(896,800)*	*(73,506)*	*(8.2)*
	– termination indemnities	*(183,013)*	*(202,104)*	*(19,091)*	*(9.4)*
	– pensions and similar commitments	*(80,136)*	*(97,016)*	*(16,880)*	*(17.4)*
	b) other	*(2,611,572)*	*(2,679,603)*	*(68,031)*	*(2.5)*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(20,018)	(101,007)	(80,989)	(80.2)
90.	Adjustments to fixed assets and intangibles	(916,180)	(811,873)	104,307	12.8
100.	Provisions for risks and charges	(576,133)	(332,785)	243,348	73.1
110.	Other operating expenses	(171,982)	(266,356)	(94,374)	(35.4)
120.	Adjustments to loans and provisions for guarantees and commitments	(3,214,287)	(1,831,546)	1,382,741	75.5
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	566,605	529,527	37,078	7.0
140.	Provisions for possible loan losses	(33,926)	(53,027)	(19,101)	(36.0)
150.	Adjustments to financial fixed assets	(104,188)	(42,391)	61,797	
160.	Write-back of financial fixed assets	10,619	33,485	(22,866)	(68.3)
170.	Income (Loss) from investments carried at equity	78,794	62,341	16,453	26.4
180.	**Income from operating activities**	**259,451**	**2,628,443**	**(2,368,992)**	**(90.1)**
190.	Extraordinary income	2,352,047	789,058	1,562,989	
200.	Extraordinary charges	(1,566,761)	(633,696)	933,065	
210.	**Extraordinary income (loss), net**	**785,286**	**155,362**	**629,924**	
220.	Use of allowance for risks and charges arising on consolidation	11,226	11,269	(43)	(0.4)
230.	Change in the reserve for general banking risks	14,367	40,100	(25,733)	(64.2)
240.	Income taxes	(194,654)	(1,144,569)	(949,915)	(83.0)
250.	Minority interests	52,568	(229,323)	281,891	
260.	**Net income for the period**	**928,244**	**1,461,282**	**(533,038)**	**(36.5)**

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Statement of cash flows

(in millions of euro)

Cash generated from operations		
Net income	928.2	
Change in the reserve for general banking risks	(14.4)	
Change in allowance for risks and charges arising on consolidation	(11.2)	
Adjustments to fixed assets and intangibles	916.2	
Adjustments to (and write-back of) financial fixed assets, net	93.5	
Adjustments to (and write-back of) loans, net	2,647.7	
Adjustments to (and write-back of) securities, net	552.0	
Increase/(decrease) in allowances for possible loan losses	(81.8)	
Increase/(decrease) in allowance for employee termination indemnities	4.9	
Increase/(decrease) in allowance for pensions and similar commitments	(760.7)	
Increase/(decrease) in allowances for risks and charges - other	519.4	
Increase/(decrease) in allowances for risks and charges - taxation	(795.0)	
(Increase)/decrease in accrued income and prepaid expenses	607.9	
Increase/(decrease) in accrued expenses and deferred income	(535.4)	
Cash generated from operations		**4,071.3**
Cash utilised in investing activities		
(Increase)/decrease in securities	8,508.1	
(Increase)/decrease in fixed assets	(358.8)	
(Increase)/decrease in intangibles	(307.3)	
(Increase)/decrease in goodwill arising on consolidation	2.1	
(Increase)/decrease in equity investments	(893.8)	
(Increase)/decrease in due from banks *(excluding amounts due on demand)*	6,811.1	
(Increase)/decrease in loans to customers	(3,132.5)	
(Increase)/decrease in other assets	(4,484.7)	
Cash utilised in investing activities		**6,144.2**
Cash generated from funding activities		
Increase/(decrease) in due to banks *(excluding amounts due on demand)*	(10,261.1)	
Increase/(decrease) in due to customers	1,031.2	
Increase/(decrease) in securities issued	576.7	
Increase/(decrease) in other liabilities	4,981.8	
Increase/(decrease) in subordinated liabilities	1,940.4	
Increase/(decrease) in minority interests	(178.7)	
Increase/(decrease) in shareholders' equity	31.0	
Dividends paid	(555.9)	
Cash generated from funding activities		**(2,434.6)**
Increase/(decrease) in cash, liquid funds and due from banks on demand, net		***7,780.9***
Cash, liquid funds and due from banks on demand, net - opening balance		***(13,763.1)***
Cash, liquid funds and due from banks on demand, net - closing balance		***(5,982.2)***

N.B. *Changes in various balance sheet items were calculated using 2000 figures restated considering the changes in the consolidation area.*

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Quarterly development of the statement of income

(in millions of euro)

Gruppo IntesaBci	2001 (1)				2000 (2)			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,575.0	1,390.5	1,508.9	1,523.7	1,409.7	1,466.6	1,369.7	1,386.1
Income from investments carried at equity and dividends	460.7	41.4	185.6	128.0	93.2	101.0	868.1	17.9
Interest margin	**2,035.7**	**1,431.9**	**1,694.5**	**1,651.7**	**1,502.9**	**1,567.6**	**2,237.8**	**1,404.0**
Net commissions	920.9	907.5	949.2	953.0	1,015.1	1,016.0	1,027.2	1,068.6
Profits (Losses) on financial transactions	33.4	(90.9)	95.2	79.4	35.1	52.9	(2.9)	108.2
Other operating income, net	110.3	96.8	109.0	147.9	165.0	128.7	83.3	132.1
Net interest and other banking income	**3,100.3**	**2,345.3**	**2,847.9**	**2,832.0**	**2,718.1**	**2,765.2**	**3,345.4**	**2,712.9**
Administrative costs	(1,866.3)	(1,521.5)	(1,652.2)	(1,615.3)	(1,652.4)	(1,664.0)	(1,615.6)	(1,599.7)
Payroll	*(1,087.6)*	*(948.9)*	*(1,031.4)*	*(978.6)*	*(958.8)*	*(998.9)*	*(971.7)*	*(1,010.7)*
Other	*(778.7)*	*(572.6)*	*(620.8)*	*(636.7)*	*(693.6)*	*(665.1)*	*(643.9)*	*(589.0)*
Adjustments to fixed assets and intangibles	(229.1)	(167.3)	(170.1)	(170.9)	(179.4)	(177.7)	(172.1)	(162.8)
Operating margin	**1,004.9**	**656.5**	**1,025.6**	**1,045.8**	**886.3**	**923.5**	**1,557.7**	**950.4**
Adjustments to goodwill arising on consolidation and on application of the equity method	(111.9)	(21.6)	(23.5)	(21.8)	(26.3)	(26.4)	(22.5)	(18.3)
Provisions for risks and charges	(277.7)	(128.7)	(107.3)	(62.4)	(123.1)	(47.6)	(88.8)	(64.7)
Net adjustments to loans and provisions for possible loan losses	(1,353.2)	(488.8)	(555.3)	(227.5)	(520.8)	(225.8)	(360.0)	(241.6)
Net adjustments to financial fixed assets	(77.2)	(8.4)	(9.6)	1.6	(0.3)	(1.5)	(6.3)	–
Income (Loss) from operating activities	**(815.1)**	**9.0**	**329.9**	**735.7**	**215.8**	**622.2**	**1,080.1**	**625.8**
Extraordinary income (loss), net	423.0	(400.0)	611.3	151.0	94.8	61.4	156.9	(130.0)
Income taxes for the period	182.4	56.9	(124.0)	(310.0)	5.7	(272.9)	(524.0)	(313.7)
Change in the reserve for general banking risks and in the allowance for risks and charges arising on consolidation	19.6	3.0	1.6	1.4	42.8	(2.7)	3.9	6.0
Minority interests	55.5	7.8	14.4	(25.2)	46.2	(54.7)	(13.0)	35.6
Net income for the period	**(134.6)**	**(323.3)**	**833.2**	**552.9**	**405.3**	**353.3**	**703.9**	**223.7**

(1) *Figures for the first three quarters have been reclassified for consistency purposes.*
(2) *Figures restated on a consistent basis, considering changes in the consolidation area.*

Gruppo IntesaBci
Consolidated financial statements as at 31st December 2001
Quarterly development of the balance sheet

(in millions of euro)

Gruppo IntesaBci	31/12/2001	30/9/2001 (1)	31/12/2000 (1)	% Changes	
				compared to 30/9/2001	compared to 31/12/2000
Assets					
Due from banks	40,168.7	45,501.6	47,801.1	(11.7)	(16.0)
Loans to customers	183,356.4	181,029.9	182,871.5	1.3	0.3
Securities	48,895.0	51,446.9	57,955.0	(5.0)	(15.6)
including Investment portfolio	*11,238.3*	*11,919.8*	*12,588.2*	*(5.7)*	*(10.7)*
Equity investments	4,594.8	3,802.0	3,794.7	20.9	21.1
Goodwill arising on consolidation and on application of the equity method	508.6	649.7	689.5	(21.7)	(26.2)
Other assets	37,374.0	33,827.8	33,258.1	10.5	12.4
Total Assets	**314,897.5**	**316,257.9**	**326,369.9**	**(0.4)**	**(3.5)**

Liabilities and Shareholders' Equity					
Due to banks	77,304.4	86,423.5	95,857.7	(10.6)	(19.4)
Due to customers	112,602.5	110,471.8	111,571.3	1.9	0.9
Securities issued	60,814.5	57,625.0	60,237.8	5.5	1.0
Other liabilities	31,917.8	30,245.1	27,471.3	5.5	16.2
Allowances with specific purpose	5,430.2	4,862.5	6,472.9	11.7	(16.1)
Allowances for possible loan losses	143.4	149.2	225.3	(3.9)	(36.4)
Subordinated and perpetual liabilities	11,687.5	11,221.5	9,747.1	4.2	19.9
Minority interests	825.5	910.3	1,004.2	(9.3)	(17.8)
Shareholders' equity	14,171.7	14,349.0	13,782.3	(1.2)	2.8
Share capital, reserves and reserve for general banking risks	13,227.6	13,265.2	12,077.3	(0.3)	9.5
Negative goodwill arising on consolidation and on application of the equity method	15.9	21.1	18.8	(24.6)	(15.4)
Net income for the period	928.2	1,062.7	1,686.2	(12.7)	(45.0)
Total Liabilities and Shareholders' Equity	**314,897.5**	**316,257.9**	**326,369.9**	**(0.4)**	**(3.5)**

(1) *Figures restated on a consistent basis, considering changes in the consolidation area.*

Powers of IntesaBci's Administrative Bodies

Pursuant to Consob Ruling 97001574 of 20th February 1997 powers attributed to IntesaBci's Directors and General Management are indicated below.

Board of Directors

Pursuant to Article 19 of the Company's Articles of Association, the Board of Directors has the exclusive responsibility for the following decisions:

1. determination of general operating policy;
2. appointment of one or two Managing Directors and Chief Executive Officers and the delegation of the related powers;
3. appointment of one or more General Managers and Chief Operating Officers, one or more Joint General Managers, one or more Deputy General Managers and the delegation of the related powers as proposed by the Managing Directors, if appointed;
4. purchase and sale of equity investments which lead to changes in the structure of the banking group;
5. determination of general organisational structure as well as the creation of Committees or Commissions with consultative or co-ordination functions;
6. determination of criteria for the co-ordination and direction of Group companies and for the implementation of the regulations of the Bank of Italy.

The Board of Directors currently is composed of 25 members appointed for a three-year period by the Shareholders' Meeting held on 17th November 2000.

Chairman of the Board of Directors

Articles 21 and 24 of the Company's Articles of Association set forth that the Chairman of the Board of Directors is responsible for the direction and co-ordination of Company business, the Company's bodies and of the Managing Directors. The Chairman represents the Company before any third party, also in any judicial proceeding, and may sign in the name and on behalf of the Company.

In case of urgency – pursuant to Article 19 of the Company's Articles of Association – the Chairman of the Board of Directors may take decisions normally attributed to the Board of Directors and the Executive Committee, whenever the latter cannot meet, provided that decisions are not exclusively attributed to the Board. Should the Chairman be unavailable, the Deputy Chairmen or, in their absence, one of the Managing Directors, if appointed, have the same power. The competent Administrative Bodies must be informed of any such decisions in their first following meeting.

The Board of Directors held on 21st November 2000 reserved to the Chairman a series of responsibilities among which maintaining the relationship with Shareholders and informing them, determining – in agreement with the Managing Directors – the strategies regarding the general guidelines and development policies of the Company and the Group and the appointment of the Group's top operating executives, as well as responsibility over external communication in every form with the possibility of delegating such powers to the Managing Directors.

Executive Committee

Article 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 Directors, if appointed.

The current Executive Committee was appointed by the Board of Directors on 21st November 2000. It will be in power for a three-year period.

The Executive Committee has been attributed all the powers and responsibilities which are not exclusively reserved to the Board of Directors. The Executive Committee determines the criteria for conducting the Company's business and exercises the powers, in particular with regard to lending and risk taking with customers, – with the faculty of delegating these powers to General Management, with the specification of the relevant limits. Furthermore the examination of the draft quarterly, half-year and annual reports is delegated to the Executive Committee.

Managing Directors and Chief Executive Officers

Article 19 of the Company's Articles of Association allows the Board of Directors, in respect of the law and the Company's Articles of Association, to appoint one or two Managing Directors and to delegate its powers fixing the limits of such delegation.

The Managing Directors, in particular, supervise management, within the powers they have been attributed and according to the general guidelines resolved upon by the Board of Directors; they are responsible for personnel management and determine the operating directives which are executed by General Management.

The current Managing Directors were appointed by the Board of Directors on 21st November 2000.

The Board of Directors has resolved to confer to the Managing Directors identical powers which include, in addition to wide management responsibilities, the definition of strategic guidelines of the organisational units with the relevant operating plans and budgets, the determination of the criteria relative to organisational structure and development policies and human resource management. They share with the Chairman the responsibility of the definition of the general orientation and action plans in the relationships with Trade Unions.

Each Managing Director has been attributed a specific area of competence, though, in case of absence or unavailability of the other Managing Director, he may substitute the latter in his area of competence.

The Board of Directors identified the following three areas of competence of which the last is to be managed jointly: first area – responsibility over the large corporate clients, markets and investment banking and also the international network and the foreign banks, asset management and subsidiaries which do no fall in the second area; second area – responsibility over the Retail, Corporate and Private banking divisions, IntesaBci e.lab and also the product companies (with the exclusion of the asset management companies), as well as the integration programme; third area – responsibility over strategic planning and management control, human resources, investor relations, auditing as well as control and governance of the Corporate centre, Italian banking subsidiaries, development and acquisition of equity investments, Group services (IntesaBci Sistemi e Servizi), administration, accounting and tax planning, risk management, strategic finance, legal services and general secretariat and organisation.

The Board also attributed all the powers and attributions which are not reserved to the Board of Directors, the Chairman, the Executive Committee, within defined limits and for certain types of operations.

General Management

Pursuant to Articles 19 and 25 of the Company's Articles of Association, the General Management is appointed by the Board of Directors and consist of one or more General Managers and Chief Operating Officers and/or one or more Joint General Managers and/or one or more Deputy General Managers.

General Management exercise their duties within the powers delegated by the Board of Directors on proposal of the Managing Directors.

General Management implement the decisions taken by the Board of Directors, the Executive Committee and the Managing Directors and are responsible for routine operations. For the exercise of their functions General Managers report to the Managing Directors.

In case of absence or unavailability, according to the criteria set forth by the Board of Directors, the General Managers are substituted by one of the Joint General Managers or, if unavailable, by one of the Deputy General Managers.

Code of conduct of IntesaBci

IntesaBci decided to comply with the "Code of conduct of listed companies" and, as of 2000, each year it provides the market with detailed information on its Corporate Governance system, which is described below.

The Board of Directors plays a central role in the organisation and is responsible for strategic and organisational direction. The Articles of Association set forth that the Board of Directors must meet at least once every two months. Normally the Board meets 11 times per year and 11 meetings were also held in 2001.

Article 19 of the Articles of Association of IntesaBci defines the powers and the attributions of the Board.
In particular, the Articles of Association reserve to the exclusive responsibility of the Board of Directors the following matters: determination of general operating policy; purchase and sale of equity investments which lead to changes in the banking group; appointment of the Managing Directors and of the Executive Committee and the delegation of the related powers; determination of general organisational structure.
Again the Articles of Association set forth that the Board of Directors determines the means and the timing according to which the most significant decisions taken by deleguees must be notified to the Board.

The Articles of Association set forth the information which must be provided, in a timely fashion and in any case at least quarterly for Board or Committee meetings. Such information refers to Company activities and the most important transactions (in particular transactions in which potential conflicts of interest may arise) and ensures that the Directors and the Statutory Auditors have the same information.
Furthermore it must be noted that, as provided for by Art. 136 of the Testo Unico Bancario (the combined banking regulations) and by the related Instructions issued by the Bank of Italy, direct or indirect business relations between the Company and the latter's employees are submitted to the Board of Directors (which must approve them unanimously, without prejudice to compulsory abstentions) and must be positively valued by all the members of the Board of Statutory Auditors.

During 2001 the Board of Directors – also with the intent of defining the duties of the individual units which make up the new organisational structure adopted by the Bank, after the completion of the merger of BCI – decided to rationalise the attributions of powers and delegated powers. For this purpose an internal document was approved which defines a new set of powers and delegated powers with regard to credit granting and management, which is applicable to all Company structures and describes granting powers, relevant limits and reporting requirements. This document has been extensively distributed within all of the Bank's internal structures.

In application of the new divisional organisational model, the Board of Directors also approved:

- the "Regolamento di Gruppo" (Group regulations) which describes the macro organisational structure of the Group, the Parent Company's decision-making bodies, the mission and the role of Group entities, the institutional functioning mechanisms, relations between the Parent Company and Group companies, as well as, inside IntesaBci, the breakdown of functions between the Parent Company's structures;
- the "Regolamento delle strutture" (Structure regulations) of IntesaBci which outlines the structure of the Parent Company.

Also in consideration of the regularity of the meetings, the Board of Directors is capable of taking authoritative and effective actions and its composition ensures that in its decisions

the Company's interest and the maximisation of Shareholder value are the primary objectives.
The Board of Directors – composed as illustrated in detail at the beginning of this Annual Report – is mostly made up of non-executive directors (who are not attributed any operating powers and/or management functions within the Company), and therefore guarantee, both in terms of number and competence, that their judgement carries a significant weight in the decisions taken by the Board. Of the 25 Directors currently in service, only two (the Managing Directors Christian Merle and Lino Benassi) are charged with operating powers.
There is an adequate number of non-executive directors who are independent (in that they do not have business relations with the Company, its subsidiaries, the Executive Directors or the controlling shareholder so to influence their autonomous judgement, nor do they have shareholdings which enable them to control the Company).
All Directors, also in consideration of their considerable professional qualifications (they must, among other things, have the professional requisites provided for by current legislation and supervisory regulations), are fully aware of the responsibilities associated with their post and therefore act and decide in full autonomy and conscious of their responsibilities.

The Chairman of the Board of Directors Giovanni Bazoli – who has not been delegated any operating powers – has been charged by the Articles of Association with an important role in spurring and co-ordinating the activities of the Company, the Board of Directors, the Managing Directors and the Executive Committee. He is in charge of calling the Board meetings, defining the relative agendas and ensuring that Directors are provided with all the information necessary to evaluate the matters which will be submitted to their approval; lastly, he is in charge of relations with Shareholders.

As regards the treatment of confidential information, it must be noted that external relations (Shareholders and institutional investors) have long been attributed to specific and distinct specialised structures, with adequate professional capabilities and support, these report to Strategic finance-investor relations, for institutional investors and Legal affairs and General secretariat-shareholder relations, as regards Shareholder relations. Within the IntesaBci website these is a specific *Investor relations* section, which enables financial analysts and institutional investors to have access to a wide spectrum of economic and financial information on Gruppo IntesaBci, in addition to the possibility of requesting information by e-mail, directly to the relevant offices. As concerns media relations – without prejudice to the powers attributed to the Chairman of IntesaBci – the Corporate image and institutional relations unit-Media relations is the exclusive reference point in the relations with Italian and foreign media for both IntesaBci and Group companies. Normally price sensitive press releases are approved by the Board of Directors – or in urgent cases – by the Chairman or the Managing Directors.

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

A specific compensation commission has been set up within the Board of Directors and is made up of three non-executive Directors (the Chairman Giovanni Bazoli and the Directors Gino Trombi and Alfonso Desiata) and the Chairman of the Board of Statutory Auditors Gianluca Ponzellini. The commission is responsible for determining and proposing the compensation of the Chairman of the Board of Directors and of each of the Managing Directors to the Board of Directors, which is responsible for the relevant resolutions pursuant to Art. 2389 of the Italian Civil Code. The Chairman is not present when the commission makes its resolution on his compensation.

The compensation of the Managing Directors, determined by the Board, is made up of a fixed amount and variable sum which depends on the Company's performance. Furthermore, for the purpose of ensuring a deeper commitment in the Company's strategy through the direct participation in the Company's profitability, the Extraordinary Shareholders' Meeting held on 1st March 2001 approved a stock option plan in favour of the Managing Directors and of the Group's Top Management. The Board of Directors is in charge of the management of the stock option plan which lasts for three years.

For further information on the stock option plan (guidelines, duration, conditions, assignment regulations) please refer to the specific section of the Notes to the consolidated financial statements.

Since it is a bank, IntesaBci's internal auditing system and the structure in charge of it complies with Bank of Italy regulations, which are even more detailed and binding than those provided for by the Code of conduct. Auditing is charged with internal control functions and has, among other objectives, the purpose of verifying that internal procedures, both operating and administrative, are complied with. Such procedures have been adopted to guarantee sound, prudent and efficient management, as well as identifying, preventing and managing, as far as is possible, financial, lending and operating risks, as well as frauds against the Company. Personnel in charge of internal auditing do not report to any head of operating areas and refer directly to the Board, Top Management and Statutory Auditors.

IntesaBci has identified the Bank's Executive Committee as the Company body capable, in terms of authoritativeness and competence of its members, of carrying out the functions which the Code attributes to the Internal Control Committee. The Group's Regulations – adopted by the Board of Directors – therefore attribute to the Bank's Executive Committee the duty to evaluate the adequacy and the functioning of the internal control system as well as analyse the problems and prepare the important internal practices for the control of corporate activities. The Board is in any case responsible for the approval of the periodical reports prepared by the internal auditing structure, in compliance with the instructions for banks and financial intermediaries issued by the competent supervisory authorities.

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

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

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

IntesaBci
Parent Company's financial statements as at 31st December 2001
Balance sheet

	Assets	31/12/2001	31/12/2000	Changes amount	Changes %
10.	Cash and deposits with central banks and post offices	828,958,260	502,129,196	326,829,064	
20.	Treasury bills and similar bills eligible for refinancing with central banks	3,760,400,142	1,536,546,106	2,223,854,036	
30.	Due from banks	44,964,249,370	22,815,975,674	22,148,273,696	
	a) repayable on demand	*4,034,712,894*	*2,669,453,324*	*1,365,259,570*	
	b) other	*40,929,536,476*	*20,146,522,350*	*20,783,014,126*	
40.	Loans to customers	132,055,202,569	89,560,254,315	42,494,948,254	
	including				
	– with public funds under administration	*27,432,944*	*31,219,604*	*(3,786,660)*	
50.	Bonds and other debt securities	20,973,752,833	15,893,291,437	5,080,461,396	
	a) public entities	*7,284,109,764*	*10,369,484,406*	*(3,085,374,642)*	
	b) banks	*8,104,726,630*	*3,734,973,436*	*4,369,753,194*	
	including				
	– own bonds	*545,972,234*	*1,040,019,079*	*(494,046,845)*	
	c) financial institutions	*3,539,691,985*	*1,208,238,188*	*2,331,453,797*	
	d) other issuers	*2,045,224,454*	*580,595,407*	*1,464,629,047*	
60.	Shares, quotas and other forms of capital	1,171,560,434	529,137,892	642,422,542	
70.	Equity investments	3,156,512,800	1,832,740,613	1,323,772,187	
80.	Investments in Group companies	8,667,943,735	8,072,147,945	595,795,790	
90.	Intangibles	93,848,654	183,238,848	(89,390,194)	
	including				
	– start-up costs	*15,234,414*	*30,861,940*	*(15,627,526)*	
	– goodwill	*9,869,141*	*69,141,534*	*(59,272,393)*	
100.	Fixed assets	2,918,558,152	1,150,493,440	1,768,064,712	
	including				
	– leased assets	*1,204,340,118*	–	*1,204,340,118*	
130.	Other assets	16,500,538,513	6,740,513,122	9,760,025,391	
140.	Accrued income and prepaid expenses	3,589,763,641	1,884,301,455	1,705,462,186	
	a) accrued income	*3,283,707,191*	*1,487,785,375*	*1,795,921,816*	
	b) prepaid expenses	*306,056,450*	*396,516,080*	*(90,459,630)*	
	including				
	– discounts on securities issued	*71,412,382*	*1,385,653*	*70,026,729*	
	Total Assets	**238,681,289,103**	**150,700,770,043**	**87,980,519,060**	

Percentage changes have been omitted since figures for 2000 do not include Banca Commerciale Italiana.

IntesaBci
Parent Company's financial statements as at 31st December 2001
Balance sheet

	Liabilities and Shareholders' Equity	31/12/2001	31/12/2000	Changes amount	Changes %
10.	Due to banks	64,571,626,079	42,746,349,759	21,825,276,320	
	a) repayable on demand	*13,606,245,067*	*11,671,965,632*	*1,934,279,435*	
	b) time deposits or with notice period	*50,965,381,012*	*31,074,384,127*	*19,890,996,885*	
20.	Due to customers	77,098,329,987	42,612,999,709	34,485,330,278	
	a) repayable on demand	*58,630,645,096*	*36,504,978,090*	*22,125,667,006*	
	b) time deposits or with notice period	*18,467,684,891*	*6,108,021,619*	*12,359,663,272*	
30.	Securities issued	46,368,790,913	35,746,574,890	10,622,216,023	
	a) bonds	*31,936,830,637*	*28,260,883,110*	*3,675,947,527*	
	b) certificates of deposit	*12,999,315,189*	*6,634,681,674*	*6,364,633,515*	
	c) other	*1,432,645,087*	*851,010,106*	*581,634,981*	
40.	Public funds under administration	38,917,859	31,426,345	7,491,514	
50.	Other liabilities	17,940,537,874	6,107,279,226	11,833,258,648	
60.	Accrued expenses and deferred income	3,909,758,112	1,874,271,140	2,035,486,972	
	a) accrued expenses	*3,599,705,872*	*1,397,233,829*	*2,202,472,043*	
	b) deferred income	*310,052,240*	*477,037,311*	*(166,985,071)*	
70.	Allowance for employee termination indemnities	1,012,038,259	596,892,825	415,145,434	
80.	Allowances for risks and charges	2,333,409,580	2,862,133,658	(528,724,078)	
	a) pensions and similar commitments	*109,074,715*	*768,987,606*	*(659,912,891)*	
	b) taxation	*1,032,223,684*	*1,378,223,867*	*(346,000,183)*	
	c) other	*1,192,111,181*	*714,922,185*	*477,188,996*	
90.	Allowances for possible loan losses	88,448,848	226,835,676	(138,386,828)	
100.	Reserve for general banking risks	–	153,726,495	(153,726,495)	
110.	Subordinated liabilities	11,341,540,787	5,969,740,161	5,371,800,626	
120.	Share capital	3,488,995,259	3,014,193,988	474,801,271	
130.	Share premium reserve	4,075,129,410	6,044,635,185	(1,969,505,775)	
140.	Reserves	5,089,479,706	1,370,223,564	3,719,256,142	
	a) legal reserve	*772,872,374*	*772,872,374*	*–*	
	b) reserve for own shares	*–*	*–*	*–*	
	c) statutory reserves	*151,050,994*	*12,913,343*	*138,137,651*	
	d) other reserves	*4,165,556,338*	*584,437,847*	*3,581,118,491*	
150.	Revaluation reserves	986,905,154	280,540,077	706,365,077	
170.	Net income for the period	337,381,276	1,062,947,345	(725,566,069)	
	Total Liabilities and Shareholders' Equity	**238,681,289,103**	**150,700,770,043**	**87,980,519,060**	

Percentage changes have been omitted since figures for 2000 do not include Banca Commerciale Italiana.

IntesaBci
Parent Company's financial statements as at 31st December 2001
Balance sheet

	Guarantees and Commitments	**31/12/2001**	**31/12/2000**	**Changes**	
				amount	**%**
10.	Guarantees given	28,910,073,307	11,964,279,661	16,945,793,646	
	including				
	– *acceptances*	*609,920,154*	*161,468,351*	*448,451,803*	
	– *other guarantees*	*28,300,153,153*	*11,802,811,310*	*16,497,341,843*	
20.	Commitments	40,112,741,974	20,618,614,908	19,494,127,066	
30.	Credit derivatives	42,852,897,089	53,734,551	42,799,162,538	
	Total Guarantees and Commitments	**111,875,712,370**	**32,636,629,120**	**79,239,083,250**	

Percentage changes have been omitted since figures for 2000 do not include Banca Commerciale Italiana.

IntesaBci
Parent Company's financial statements as at 31st December 2001
Statement of income

		31/12/2001	31/12/2000	Changes amount	Changes %
10.	Interest income and similar revenues	11,959,310,880	7,461,609,703	4,497,701,177	
	including from				
	– loans to customers	*8,060,464,113*	*5,123,141,194*	*2,937,322,919*	
	– debt securities	*1,595,505,447*	*1,100,048,908*	*495,456,539*	
20.	Interest expense and similar charges	(8,444,032,305)	(4,879,949,319)	3,564,082,986	
	including on				
	– deposits from customers	*(1,905,146,558)*	*(903,753,263)*	*1,001,393,295*	
	– securities issued	*(2,594,084,554)*	*(1,907,447,459)*	*686,637,095*	
30.	Dividends and other revenues	1,643,126,105	800,059,171	843,066,934	
	a) from shares, quotas and other forms of capital	*402,140,177*	*2,907,680*	*399,232,497*	
	b) from equity investments	*164,920,859*	*47,744,996*	*117,175,863*	
	c) from investments in Group companies	*1,076,065,069*	*749,406,495*	*326,658,574*	
40.	Commission income	2,377,756,017	1,691,817,235	685,938,782	
50.	Commission expense	(291,239,012)	(203,737,828)	87,501,184	
60.	Profits (Losses) on financial transactions	(219,968,073)	(22,139,127)	197,828,946	
65.	Gross returns on investment of the allowances for pensions and similar commitments	19,638,354	96,427,007	(76,788,653)	
70.	Other operating income	748,106,700	535,077,895	213,028,805	
80.	Administrative costs	(4,296,172,196)	(2,821,650,124)	1,474,522,072	
	a) payroll	*(2,463,644,398)*	*(1,587,396,492)*	*876,247,906*	
	including				
	– wages and salaries	*(1,716,897,074)*	*(1,101,157,403)*	*615,739,671*	
	– social security charges	*(510,804,775)*	*(311,409,161)*	*199,395,614*	
	– termination indemnities	*(129,756,238)*	*(84,015,288)*	*45,740,950*	
	– pensions and similar commitments	*(44,378,280)*	*(53,092,850)*	*(8,714,570)*	
	b) other	*(1,832,527,798)*	*(1,234,253,632)*	*598,274,166*	
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(19,011,273)	(96,026,269)	(77,014,996)	
90.	Adjustments to fixed assets and intangibles	(496,564,444)	(169,285,627)	327,278,817	
100.	Provisions for risks and charges	(233,758,624)	(83,945,484)	149,813,140	
110.	Other operating expenses	(35,577,208)	(150,802,446)	(115,225,238)	
120.	Adjustments to loans and provisions for guarantees and commitments	(1,706,935,821)	(358,801,051)	1,348,134,770	
130.	Write-back of adjustments to loans andprovisions for guarantees and commitments	126,525,018	89,820,821	36,704,197	
140.	Provisions for possible loan losses	(34,178,479)	(63,286,137)	(29,107,658)	
150.	Adjustments to financial fixed assets	(1,001,298,116)	(60,000,617)	941,297,499	
160.	Write-back of financial fixed assets	19,589,554	8,132,082	11,457,472	
170.	**Income from operating activities**	**115,317,077**	**1,773,319,885**	**(1,658,002,808)**	
180.	Extraordinary income	1,327,152,862	269,506,127	1,057,646,735	
190.	Extraordinary charges	(1,404,815,158)	(197,446,465)	1,207,368,693	
200.	**Extraordinary income (loss), net**	**(77,662,296)**	**72,059,662**	**(149,721,958)**	
210.	Change in the reserve for general banking risks	153,726,495	–	153,726,495	
215.	Provisions to the reserves ex Art. 7, par. 3 of Law 218/90 and Legislative Decree 124/93	–	–	–	
220.	Income taxes	146,000,000	(782,432,202)	928,432,202	
230.	**Net income for the period**	**337,381,276**	**1,062,947,345**	**(725,566,069)**	

Percentage changes have been omitted since figures for 2000 do not include Banca Commerciale Italiana.

IntesaBci
Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
Balance sheet

	Assets	31/12/2001	31/12/2000 pro forma	Changes	
				amount	%
10.	Cash and deposits with central banks and post offices	828,958,260	774,032,707	54,925,553	7.1
20.	Treasury bills and similar bills eligible for refinancing with central banks	3,760,400,142	2,452,100,779	1,308,299,363	53.4
30.	Due from banks	44,964,249,370	42,871,018,859	2,093,230,511	4.9
	a) repayable on demand	*4,034,712,894*	*4,109,009,146*	*(74,296,252)*	*(1.8)*
	b) other	*40,929,536,476*	*38,762,009,713*	*2,167,526,763*	*5.6*
40.	Loans to customers	132,055,202,569	134,753,558,409	(2,698,355,840)	(2.0)
	including				
	– with public funds under administration	*27,432,944*	*33,796,564*	*(6,363,620)*	*(18.8)*
50.	Bonds and other debt securities	20,973,752,833	28,495,247,027	(7,521,494,194)	(26.4)
	a) public entities	*7,284,109,764*	*16,438,039,696*	*(9,153,929,932)*	*(55.7)*
	b) banks	*8,104,726,630*	*7,590,725,757*	*514,000,873*	*6.8*
	including				
	– own bonds	*545,972,234*	*1,044,281,400*	*(498,309,166)*	*(47.7)*
	c) financial institutions	*3,539,691,985*	*2,108,149,563*	*1,431,542,422*	*67.9*
	d) other issuers	*2,045,224,454*	*2,358,332,011*	*(313,107,557)*	*(13.3)*
60.	Shares, quotas and other forms of capital	1,171,560,434	1,745,171,601	(573,611,167)	(32.9)
70.	Equity investments	3,156,512,800	2,205,598,862	950,913,938	43.1
80.	Investments in Group companies	8,667,943,735	9,437,600,836	(769,657,101)	(8.2)
90.	Intangibles	93,848,654	343,029,865	(249,181,211)	(72.6)
	including				
	– start-up costs	*15,234,414*	*30,861,940*	*(15,627,526)*	*(50.6)*
	– goodwill	*9,869,141*	*83,945,245*	*(74,076,104)*	*(88.2)*
100.	Fixed assets	2,918,558,152	3,127,532,564	(208,974,412)	(6.7)
	including				
	– leased assets	*1,204,340,118*	*1,300,575,115*	*(96,234,997)*	*(7.4)*
130.	Other assets	16,500,538,513	13,463,731,873	3,036,806,640	22.6
140.	Accrued income and prepaid expenses	3,589,763,641	3,902,841,673	(313,078,032)	(8.0)
	a) accrued income	*3,283,707,191*	*3,365,139,043*	*(81,431,852)*	*(2.4)*
	b) prepaid expenses	*306,056,450*	*537,702,630*	*(231,646,180)*	*(43.1)*
	including				
	– discounts on securities issued	*71,412,382*	*62,582,737*	*8,829,645*	*14.1*
	Total Assets	**238,681,289,103**	**243,571,465,055**	**(4,890,175,952)**	**(2.0)**

Figures for 2000 have been recalculated as described hereafter.

IntesaBci
Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
Balance sheet

	Liabilities and Shareholders' Equity	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
10.	Due to banks	64,571,626,079	75,286,659,761	(10,715,033,682)	(14.2)
	a) repayable on demand	*13,606,245,067*	*22,247,508,415*	*(8,641,263,348)*	*(38.8)*
	b) time deposits or with notice period	*50,965,381,012*	*53,039,151,346*	*(2,073,770,334)*	*(3.9)*
20.	Due to customers	77,098,329,987	78,493,173,885	(1,394,843,898)	(1.8)
	a) repayable on demand	*58,630,645,096*	*61,194,427,235*	*(2,563,782,139)*	*(4.2)*
	b) time deposits or with notice period	*18,467,684,891*	*17,298,746,650*	*1,168,938,241*	*6.8*
30.	Securities issued	46,368,790,913	43,156,340,770	3,212,450,143	7.4
	a) bonds	*31,936,830,637*	*28,503,119,169*	*3,433,711,468*	*12.0*
	b) certificates of deposit	*12,999,315,189*	*13,076,928,660*	*(77,613,471)*	*(0.6)*
	c) other	*1,432,645,087*	*1,576,292,941*	*(143,647,854)*	*(9.1)*
40.	Public funds under administration	38,917,859	37,917,972	999,887	2.6
50.	Other liabilities	17,940,537,874	13,644,093,339	4,296,444,535	31.5
60.	Accrued expenses and deferred income	3,909,758,112	4,023,106,370	(113,348,258)	(2.8)
	a) accrued expenses	*3,599,705,872*	*3,500,272,182*	*99,433,690*	*2.8*
	b) deferred income	*310,052,240*	*522,834,188*	*(212,781,948)*	*(40.7)*
70.	Allowance for employee termination indemnities	1,012,038,259	1,091,744,795	(79,706,536)	(7.3)
80.	Allowances for risks and charges	2,333,409,580	3,540,435,635	(1,207,026,055)	(34.1)
	a) pensions and similar commitments	*109,074,715*	*806,614,894*	*(697,540,179)*	*(86.5)*
	b) taxation	*1,032,223,684*	*1,815,255,129*	*(783,031,445)*	*(43.1)*
	c) other	*1,192,111,181*	*918,565,612*	*273,545,569*	*29.8*
90.	Allowances for possible loan losses	88,448,848	187,253,160	(98,804,312)	(52.8)
100.	Reserve for general banking risks	–	153,726,495	(153,726,495)	
110.	Subordinated liabilities	11,341,540,787	9,145,334,974	2,196,205,813	24.0
120.	Share capital	3,488,995,259	3,423,393,285	65,601,974	1.9
130.	Share premium reserve	4,075,129,410	6,619,284,730	(2,544,155,320)	(38.4)
140.	Reserves	5,089,479,706	2,007,552,495	3,081,927,211	
	a) legal reserve	*772,872,374*	*772,872,374*	*–*	
	b) reserve for own shares	*–*	*–*	*–*	
	c) statutory reserves	*151,050,994*	*12,913,343*	*138,137,651*	
	d) other reserves	*4,165,556,338*	*1,221,766,778*	*2,943,789,560*	
150.	Revaluation reserves	986,905,154	986,905,154	–	
170.	Net income for the period	337,381,276	1,774,542,235	(1,437,160,959)	(81.0)
	Total Liabilities and Shareholders' Equity	**238,681,289,103**	**243,571,465,055**	**(4,890,175,952)**	**(2.0)**

Figures for 2000 have been recalculated as described hereafter.

IntesaBci
Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
Balance sheet

	Guarantees and Commitments	31/12/2001	31/12/2000 pro forma	Changes amount	Changes %
10.	Guarantees given	28,910,073,307	36,377,146,829	(7,467,073,522)	(20.5)
	including				
	– *acceptances*	*609,920,154*	*604,546,896*	*5,373,258*	*0.9*
	– *other guarantees*	*28,300,153,153*	*35,772,599,933*	*(7,472,446,780)*	*(20.9)*
20.	Commitments	40,112,741,974	49,082,680,051	(8,969,938,077)	(18.3)
30.	Credit derivatives	42,852,897,089	37,552,285,193	5,300,611,896	14.1
	Total Guarantees and Commitments	**111,875,712,370**	**123,012,112,073**	**(11,136,399,703)**	**(9.1)**

Figures for 2000 have been recalculated as described hereafter.

IntesaBci
Parent Company's financial statements as at 31st December 2001 compared to as at 31st December 2000 - pro forma
Statement of income

		31/12/2001	31/12/2000 pro forma	Changes	
				amount	%
10.	Interest income and similar revenues	11,959,310,880	11,686,216,648	273,094,232	2.3
	including from				
	– loans to customers	*8,060,464,113*	*7,616,687,368*	*443,776,745*	*5.8*
	– debt securities	*1,595,505,447*	*1,814,907,868*	*(219,402,421)*	*(12.1)*
20.	Interest expense and similar charges	(8,444,032,305)	(8,273,935,758)	170,096,547	2.1
	including on				
	– deposits from customers	*(1,905,146,558)*	*(1,908,656,287)*	*(3,509,729)*	*(0.2)*
	– securities issued	*(2,594,084,554)*	*(2,140,401,487)*	*453,683,067*	*21.2*
30.	Dividends and other revenues	1,643,126,105	1,747,417,915	(104,291,810)	(6.0)
	a) from shares, quotas and other forms of capital	*402,140,177*	*274,131,378*	*128,008,799*	*46.7*
	b) from equity investments	*164,920,859*	*826,802,937*	*(661,882,078)*	*(80.1)*
	c) from investments in Group companies	*1,076,065,069*	*646,483,600*	*429,581,469*	*66.4*
40.	Commission income	2,377,756,017	2,591,965,993	(214,209,976)	(8.3)
50.	Commission expense	(291,239,012)	(279,622,969)	11,616,043	4.2
60.	Profits (Losses) on financial transactions	(219,968,073)	1,069,900	(221,037,973)	
65.	Gross returns on investment of the allowances for pensions and similar commitments	19,638,354	96,306,645	(76,668,291)	(79.6)
70.	Other operating income	748,106,700	812,348,939	(64,242,239)	(7.9)
80.	Administrative costs	(4,296,172,196)	(4,197,159,024)	99,013,172	2.4
	a) payroll	*(2,463,644,398)*	*(2,526,018,627)*	*(62,374,229)*	*(2.5)*
	including				
	– wages and salaries	*(1,716,897,074)*	*(1,739,184,071)*	*(22,286,997)*	*(1.3)*
	– social security charges	*(510,804,775)*	*(521,849,678)*	*(11,044,903)*	*(2.1)*
	– termination indemnities	*(129,756,238)*	*(135,684,740)*	*(5,928,502)*	*(4.4)*
	– pensions and similar commitments	*(44,378,280)*	*(45,662,010)*	*(1,283,730)*	*(2.8)*
	b) other	*(1,832,527,798)*	*(1,671,140,397)*	*161,387,401*	*9.7*
85.	Allocation of net returns on investment of the allowances for pensions and similar commitments	(19,011,273)	(95,928,631)	(76,917,358)	(80.2)
90.	Adjustments to fixed assets and intangibles	(496,564,444)	(515,801,733)	(19,237,289)	(3.7)
100.	Provisions for risks and charges	(233,758,624)	(128,347,948)	105,410,676	82.1
110.	Other operating expenses	(35,577,208)	(70,326,686)	(34,749,478)	(49.4)
120.	Adjustments to loans and provisions for guarantees and commitments	(1,706,935,821)	(916,105,968)	790,829,853	86.3
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	126,525,018	135,981,721	(9,456,703)	(7.0)
140.	Provisions for possible loan losses	(34,178,479)	(63,047,716)	(28,869,237)	(45.8)
150.	Adjustments to financial fixed assets	(1,001,298,116)	(124,593,563)	876,704,553	
160.	Write-back of financial fixed assets	19,589,554	34,195,842	(14,606,288)	(42.7)
170.	**Income from operating activities**	**115,317,077**	**2,440,633,607**	**(2,325,316,530)**	**(95.3)**
180.	Extraordinary income	1,327,152,862	565,722,351	761,430,511	
190.	Extraordinary charges	(1,404,815,158)	(299,527,034)	1,105,288,124	
200.	**Extraordinary income (loss), net**	**(77,662,296)**	**266,195,317**	**(343,857,613)**	
210.	Change in the reserve for general banking risks	153,726,495	–	153,726,495	
215.	Provisions to the reserves ex Art. 7, par. 3 of Law 218/90 and Legislative Decree 124/93	–	(316,649)	(316,649)	
220,	Income taxes	146,000,000	(931,970,040)	1,077,970,040	
230.	**Net income for the period**	**337,381,276**	**1,774,542,235**	**(1,437,160,959)**	**(81.0)**

Figures for 2000 have been recalculated as described hereafter.

Methodological notes on the preparation of the pro forma financial statements of IntesaBci Spa as at 31st December 2000

Figures as at 31st December 2001 are not comparable with those in the Annual Report 2000 due to the extraordinary operations related to the merger of Banca Commerciale Italiana and the contribution of the business branch to IntesaBci Mediocredito.
Other corporate operations had lower impacts and mostly affected certain items in the financial statements.

For the purpose of making consistent comparisons and commenting actual operations development in the year, the financial statements as at 31st December 2000 have been restated to consider the merger of BCI and the contribution to IntesaBci Mediocredito. In the case of the former, as if the extraordinary operation related to the merger of BCI had already occurred at that date, instead, with regard to the spin-off, its impact on the 2001 financial statements has been illustrated in the Report on operations in the comments on the Parent Company's performance in the relevant balance sheet and statement of income items.

Financial statements have been restated using the following procedure:
- aggregating the financial statements of Banca Intesa and Banca Commerciale Italiana as at 31st December 2000;
- eliminating book value of the equity investment in the merged company against the relevant portion of shareholders' equity. The merger surplus which emerged has been attributed to reserves consistently with procedures used in the financial statements as at 31st December 2001;
- increasing share capital as a result of the annulment of the shares of the merged company pertaining to third parties. The relevant surplus on exchange has been allocated to reserves in the same way as in the financial statements as at 31st December 2001;
- eliminating the most significant intercompany balances between Banca Intesa and BCI;
- considering the effects of the spin-off to IntesaBci Mediocredito: in Banca Intesa's balance sheet as at 31st December 2000, contributed assets and liabilities have been eliminated and the equity investment in IntesaBci Mediocredito has been recorded among assets. The statement of income components matured in the second half on contributed assets and liabilities have been eliminated from statement of income figures for 2000.

Furthermore, again for the purpose of making a consistent comparison of the figures for 2000 with those for 2001, the following modifications have been applied to the financial statements for 2000 of Banca Intesa and BCI:
- as illustrated in the Report of the previous year, Banca Intesa's Annual Report 2000 included the economic effects deriving from the merger of Cassa di Risparmio di Parma e Piacenza, subsequent to the contribution of the business branch carried out by the latter in favour of the new Cassa di Risparmio di Parma e Piacenza; this occurred on 1st July 2000 with backdated legal and accounting effects as of 1st January 2000. Since these economic effects are not included in the Annual Report 2001, they have been eliminated in the statement of income for 2000 against dividend accruals of Cassa di Risparmio di Parma e Piacenza as at 30th June 2000;
- eliminating the dividends of BCI "accrued" and therefore recorded by IntesaBci, in consideration of the aggregation of the relevant statements of income;
- furthermore, since in the financial statements as at 31st December 2000 BCI changed the accounting criterium for dividends distributed by subsidiaries from the "collection" to the "accruals" approach, dividends accounted for by BCI in 2000 using the "collection" criterium have been eliminated.

Gruppo IntesaBci Network

Branches in Italy broken down by Bank and by Region

(Updated as at December 2001)

	IntesaBci				FriulAdria	Cariparma	Other Group banks (2)
	Retail banking division (1)	Corporate banking division	Private banking division	Investment banking division			
Piemonte	167	9	6	1		9	95
Valle d'Aosta	4						
Lombardia	733	39	16	3		106	7
Liguria	89	5	5	1			76
Trentino-Alto Adige	12	2	1				62
Veneto	262	14	5	3	36	1	6
Friuli-Venezia Giulia	21	3	1	1	120		
Emilia Romagna	65	9	4	3		163	1
Toscana	67	8	2	1		6	
Umbria	9	1	1				74
Marche	10	2	1				54
Lazio	158	3	2	1		6	87
Abruzzo	17	1	1				7
Molise	2						
Campania	111	3	3	1			2
Puglia	96	4	1				1
Basilicata	4						1
Calabria	34	2	1				1
Sicilia	126	2	2				1
Sardegna	60	2	1				10
Total	**2,047**	**109**	**53**	**15**	**156**	**291**	**485**

(1) *Excluding 146 branches inside public entities and companies.*
(2) *Banca di Trento e Bolzano, C.R. Viterbo, C.R. Rieti, C.R. Città di Castello, IntesaBci Mediocredito, C.R. Ascoli, Banco di Chiavari e della Riviera Ligure, C.R. Biella e Vercelli, Banca Cis, C.R. Spoleto, IntesaBci Gestione Crediti, C.R. Foligno.*

Branches and Representative Offices abroad

(Updated as at December 2001)

Europe

Belgium
Representative Office in Bruxelles

Czech Republic (*)
Representative Office in Prague

Federal Republic of Yugoslavia
Representative Office in Beograd

Germany
Branch of Frankfurt am Main

Greece
Representative Office in Athens

Holland (*)
Representative Office in Amsterdam

Poland
Representative Office in Warsaw

Portugal (*)
Representative Office in Lisboa

Russia
Representative Office in Moscow

Spain
Branch of Barcelona
Branch of Madrid
Valencia Loan Production Office

Turkey
Representative Office in Ankara

United Kingdom
Branch of London

Asia

India
Representative Office in Mumbai

Iran
Representative Office in Teheran

Japan
Branch of Tokyo

Lebanon
Representative Office in Beirut

People's Republic of China
Branch of Hong Kong
Branch of Shanghai
Representative Office in Beijing

Philippine Islands (*)
Representative Office in Manila

Republic of Korea
Representative Office in Seoul

Singapore
Branch of Singapore

Taiwan
Representative Office in Taipei

United Arab Emirates
Branch of Abu Dhabi

Latin and North America

Argentina
Representative Office in Buenos Aires

Cayman Islands
Branch of George Town

Mexico
Representative Office in Mexico City

USA
Branch of Chicago [(*)]
Branch of Los Angeles
Branch of New York
Representative Office in San Francisco [(*)]

Venezuela
Representative Office in Caracas

Africa

Egypt
Representative Office in Cairo

Oceania

Australia
Representative Office in Sydney

[(*)] *Closed on 31st March 2002.*

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