Consolidated Report as at 30th September 2001

IntesaBci

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This is an English translation of the Italian original
"Relazione consolidata al 30 settembre 2001"
and has been prepared solely for the convenience of the reader.

The version in Italian takes precedence and will be made available
to interested readers upon written request to
IntesaBci Spa
Corporate Image and Institutional Relations
Via Monte di Pietà, 8 - 20121 Milano, Italy

IntesaBci

IntesaBci Spa
Share capital 3,488,995,258.84 euro fully paid-in
Milano Company Register 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
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Contents

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/	*	LINO BENASSI
Chief Executive Officers	*	CHRISTIAN MERLE
Directors		GIOVANNI ANCARANI
		FRANCESCO ARCUCCI
		MARC ANTOINE AUTHEMAN
		BENITO BENEDINI
		ALFONSO DESIATA
	*	GIANCARLO FORESTIERI
		PAOLO FUMAGALLI
		JORGE MANUEL J. GONÇALVES
	*	GILLES GRAMAT
		HEINZ J. HOCKMANN
		FRANCO MODIGLIANI
		GIAN GIACOMO NARDOZZI
		EUGENIO PAVARANI
		JEAN-LUC PERRON
	*	AXEL FREIHERR VON RÜDORFFER
		SANDRO SALVATI
		GINO TROMBI
		MARCO TRONCHETTI PROVERA

* *Members of the Executive Committee*

General Managers/	ROBERTO BRAMBILLA
Chief Operating Officers	TOMMASO CARTONE

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

Gruppo IntesaBci - Financial highlights

	30/9/2001	**30/9/2000** (1)	**Changes**
Statement of income			
(in millions of euro) (2)			
Net interest income	4,405.9	4,206.1	4.8%
Interest margin	4,672.7	4,565.8	2.3%
Net commissions	2,812.8	3,119.3	(9.8%)
Net interest and other banking income	7,918.6	8,181.2	(3.2%)
Operating costs	(5,353.7)	(5,446.3)	(1.7%)
including Payroll	*(2,957.4)*	*(2,977.1)*	*(0.7%)*
Operating margin	2,564.9	2,734.9	(6.2%)
Income from operating activities	1,109.3	1,702.6	(34.8%)
Net income for the period (3)	1,062.8	1,280.8	(17.0%)

	30/9/2001	**30/6/2001**	**31/12/2000** (1)	**Changes**	
				compared to 30/6/2001	**compared to 31/12/2000**
Balance sheet					
(in millions of euro)					
Loans to customers	181,129.0	188,563.7	182,991.3	(3.9%)	(1.0%)
Securities	51,479.1	65,458.9	58,002.6	(21.4%)	(11.2%)
including					
Investment portfolio	*11,912.0*	*12,382.7*	*12,597.0*	*(3.8%)*	*(5.4%)*
Equity investments	3,827.5	3,282.9	3,818.1	16.6%	0.2%
Total assets	316,340.8	339,873.8	326,440.6	(6.9%)	(3.1%)
Direct customer deposits	179,394.4	186,233.1	181,620.7	(3.7%)	(1.2%)
including Subordinated					
and perpetual liabilities	*11,217.5*	*10,537.1*	*9,743.1*	*6.5%*	*15.1%*
Indirect customer					
deposits	293,888.7	312,702.4	317,526.8	(6.0%)	(7.4%)
including					
Managed funds	*128,239.1*	*136,227.2*	*143,384.3*	*(5.9%)*	*(10.6%)*
Customer deposits					
under administration	473,283.1	498,935.5	499,147.5	(5.1%)	(5.2%)
Due to banks, net	41,010.3	52,797.1	48,155.6	(22.3%)	(14.8%)
Shareholders' equity (4)	14,349.4	14,808.5	13,782.9	(3.1%)	4.1%
Operating structure					
Staff (*number*)	70,141	70,571	71,032	(430)	(891)
Branches (*number*) (5)	4,158	4,153	4,119	5	39
including Italy	*3,271*	*3,258*	*3,225*	*13*	*46*
Abroad	*887*	*895*	*894*	*(8)*	*(7)*

(1) *Figures restated on a consistent basis, considering changes in the consolidation area.*
(2) *Figures are net of non-recurring income and charges, in order to enable a fairer representation of operating results.*
(3) *Figures include effects from non-recurring income and charges.*
(4) *Including net income for the period.*
(5) *Increases reflect the opening of new specialised "corporate" and "private" outlets, as part of the divisionalisation process currently under way.*

Gruppo IntesaBci - Financial ratios

	30/9/2001	30/9/2000	31/12/2000
Statement of income ratios %			
Interest margin/Net interest and other banking income [1]	59.0	55.8	55.3
Net commissions/Net interest and other banking income [1]	35.5	38.1	38.3
Operating costs/Net interest and other banking income [1]	67.6	66.6	67.6
Net income for the period/Average total assets (ROA) [2] [4]	0.4	0.5	0.5
Net income for the period/Average shareholders' equity (ROE) [3] [4]	10.4	14.3	13.8
EPS - Earnings per share - euro	0.21	0.29	0.29
	30/9/2001	**30/6/2001**	**31/12/2000**
Balance sheet ratios %			
Loans to customers/Total assets	57.3	55.5	56.1
Securities/Total assets	16.3	19.3	17.8
Direct customers deposits/Total assets	56.7	54.8	55.6
Managed funds/Indirect customer deposits	43.6	43.6	45.2
Risk ratios %			
Net doubtful loans/Total loans	3.0	2.9	3.5
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	57.1	56.5	52.2

(1) *The ratio was calculated net of non-recurring income and charges.*
(2) *Based upon the arithmetical average of total assets at the end of current and previous period.*
(3) *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.*
(4) *Figures have been annualised.*

Financial statements

Reclassified consolidated statement of income

(in millions of euro)

Gruppo IntesaBci	30/9/2001	30/9/2000 [1]	Changes amount	Changes %
Net interest income	4,405.9	4,206.1	199.8	4.8
Income from investments carried at equity and dividends	358.8	990.9	(632.1)	(63.8)
Interest margin	**4,764.7**	**5,197.0**	**(432.3)**	**(8.3)**
Net commissions	2,812.8	3,119.3	(306.5)	(9.8)
Profits (Losses) on financial transactions	77.5	157.7	(80.2)	(50.9)
Other operating income, net	355.6	338.4	17.2	5.1
Net interest and other banking income	**8,010.6**	**8,812.4**	**(801.8)**	**(9.1)**
Administrative costs	(4,782.6)	(4,870.4)	(87.8)	(1.8)
including Payroll	*(2,957.4)*	*(2,977.1)*	*(19.7)*	*(0.7)*
including General and administrative	*(1,825.2)*	*(1,893.3)*	*(68.1)*	*(3.6)*
Adjustments to fixed assets and intangibles	(571.1)	(575.9)	(4.8)	(0.8)
Operating margin	**2,656.9**	**3,366.1**	**(709.2)**	**(21.1)**
Provisions for risks and charges	(296.7)	(198.7)	98.0	49.3
Net adjustments to loans and provisions for possible loan losses	(1,270.3)	(825.2)	445.1	53.9
Net adjustments to financial fixed assets	(17.3)	(8.4)	8.9	–
Income from operating activities	**1,072.6**	**2,333.8**	**(1,261.2)**	**(54.0)**
Extraordinary income	369.6	86.8	282.8	–
Income taxes for the period	(377.1)	(1,110.6)	(733.5)	(66.0)
Change in the reserve for general banking risks and use of allowance for risks and charges arising on consolidation	6.5	7.2	(0.7)	(9.7)
Minority interests	(8.8)	(36.4)	(27.6)	(75.8)
Net income for the period	**1,062.8**	**1,280.8**	**(218.0)**	**(17.0)**

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

Quarterly development of the statement of income

(in millions of euro)

Gruppo IntesaBci	2001 [1]			2000 [2]			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,385.5	1,504.5	1,515.9	1,403.4	1,460.3	1,364.0	1,381.8
Income from investments carried at equity and dividends	45.3	184.0	129.5	92.9	102.3	868.6	20.0
Interest margin	**1,430.8**	**1,688.5**	**1,645.4**	**1,496.3**	**1,562.6**	**2,232.6**	**1,401.8**
Net commissions	910.6	948.1	954.1	1,015.2	1,018.3	1,030.1	1,070.9
Profits (Losses) on financial transactions	(93.1)	92.6	78.0	34.7	52.1	(2.8)	108.4
Other operating income, net	97.1	110.1	148.4	166.6	126.8	81.2	130.4
Net interest and other banking income	**2,345.4**	**2,839.3**	**2,825.9**	**2,712.8**	**2,759.8**	**3,341.1**	**2,711.5**
Administrative costs	(1,520.6)	(1,648.5)	(1,613.5)	(1,651.2)	(1,658.4)	(1,612.5)	(1,599.5)
including Payroll	*(949.0)*	*(1,030.2)*	*(978.2)*	*(960.8)*	*(995.7)*	*(971.0)*	*(1,010.4)*
including General and administrative	*(571.6)*	*(618.3)*	*(635.3)*	*(690.4)*	*(662.7)*	*(641.5)*	*(589.1)*
Adjustments to fixed assets and intangibles	(187.6)	(192.2)	(191.3)	(204.4)	(201.9)	(193.7)	(180.3)
Operating margin	**637.2**	**998.6**	**1,021.1**	**857.2**	**899.5**	**1,534.9**	**931.7**
Provisions for risks and charges	(128.8)	(105.2)	(62.7)	(127.7)	(40.7)	(87.5)	(70.5)
Net adjustments to loans and provisions for possible loan losses	(490.1)	(553.9)	(226.3)	(518.2)	(227.6)	(362.5)	(235.1)
Net adjustments to financial fixed assets	(9.3)	(9.7)	1.7	0.3	(1.7)	(6.5)	(0.2)
Income from operating activities	**9.0**	**329.8**	**733.8**	**211.6**	**629.5**	**1,078.4**	**625.9**
Extraordinary income (loss)	(399.6)	617.6	151.6	94.6	59.1	158.0	(130.3)
Income taxes for the period	57.0	(123.6)	(310.5)	4.8	(273.1)	(523.7)	(313.8)
Change in the reserve for general banking risks and use of allowance for risks and charges arising on consolidation	3.0	2.1	1.4	44.1	(2.7)	3.9	6.0
Minority interests	7.3	7.3	(23.4)	50.3	(59.5)	(12.7)	35.8
Net income for the period	**(323.3)**	**833.2**	**552.9**	**405.4**	**353.3**	**703.9**	**223.6**

[1] *Figures referring to the first and the second quarter have been reclassified for consistency purposes.*
[2] *Figures restated on a consistent basis, considering changes in the consolidation area.*

Consolidated balance sheet

(in millions of euro)

Gruppo IntesaBci	30/9/2001	30/6/2001	31/12/2000 [1]	Changes compared to 30/6/2001	Changes compared to 31/12/2000
Assets					
Due from banks	45,440.1	45,080.3	47,716.8	0.8%	(4.8%)
Loans to customers	181,129.0	188,563.7	182,991.3	(3.9%)	(1.0%)
Securities	51,479.1	65,458.9	58,002.6	(21.4%)	(11.2%)
including Investment portfolio	*11,912.0*	*12,382.7*	*12,597.0*	*(3.8%)*	*(5.4%)*
Equity investments	3,827.5	3,282.9	3,818.1	16.6%	0.2%
Goodwill arising on consolidation and on application of the equity method	649.7	685.5	689.5	(5.2%)	(5.8%)
Other assets	33,815.4	36,802.5	33,222.3	(8.1%)	1.8%
Total assets	**316,340.8**	**339,873.8**	**326,440.6**	**(6.9%)**	**(3.1%)**
Liabilities					
Due to banks	86,450.4	97,877.4	95,872.4	(11.7%)	(9.8%)
Due to customers	110,446.8	112,313.5	111,535.6	(1.7%)	(1.0%)
Securities issued	57,730.1	63,382.5	60,342.0	(8.9%)	(4.3%)
Other liabilities	30,247.5	34,830.4	27,439.2	(13.2%)	10.2%
Allowances with specific purpose	4,831.0	5,016.0	6,490.4	(3.7%)	(25.6%)
Allowances for possible loan losses	149.3	148.8	225.3	0.3%	(33.7%)
Subordinated and perpetual liabilities	11,217.5	10,537.1	9,743.1	6.5%	15.1%
Minority interests	918.8	959.6	1,009.7	(4.3%)	(9.0%)
Shareholders' equity	14,349.4	14,808.5	13,782.9	(3.1%)	4.1%
– share capital, reserves and reserve for general banking risks	13,265.5	13,389.1	12,077.9	(0.9%)	9.8%
– negative goodwill arising on consolidation and on application of the equity method	21.1	33.3	18.8	(36.6%)	12.2%
– net income for the period	1,062.8	1,386.1	1,686.2	(23.3%)	(37.0%)
Total liabilities and shareholders' equity	**316,340.8**	**339,873.8**	**326,440.6**	**(6.9%)**	**(3.1%)**

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

Comments
on operations development

Accounting criteria and consolidation area

Accounting criteria

The Quarterly Report as at 30th September 2001 was prepared in compliance with Art. 82 of Consob Regulations approved with Resolution 11971 of 14th May 1999 and reflects, on a consolidated basis, the financial statements of IntesaBci and of its banking, financial and auxiliary subsidiaries. This document was not certified by the Auditing company.

The Statement of income is shown in a reclassified condensed format, highlighting intermediate margins and net income. The Balance sheet was obtained by aggregating the most significant asset and liability items.

Valuation criteria and consolidation methodologies are the same as those adopted for the 2000 Annual Report and 2001 Half-Year Report. The quarterly situation was prepared following the discrete approach, that is each quarter is considered as an autonomous period and reflects all related economic components in the respect of prudent criteria. In addition to the ordinary elimination of inter-company balance sheet and statement of income balances, the financial statements of each company have been adjusted where necessary to make them consistent with consolidated financial statement principles. Any provisions and/or adjustments recorded for tax purposes only were also reversed.

Consolidation area

With reference to the area of full consolidation as at 31st December 2000, the most significant changes refer to the exclusion, following their sale, of *Banca di Legnano* and *Banca Carime*. *Intesa Sec*. *Npl* (previously carried at equity) and the newly-established *Intesa Preferred III* were consolidated for the first time. Other operations – which did not affect the consolidation area – referred to the spin-offs of *IntesaBci Mediocredito* from IntesaBci and *Intesa Trade* from Caboto Sim.

Statement of income figures as at 30th September 2000, as well as balance sheet figures as at 31st December 2000, have therefore been restated for consistency purposes.

Information regarding quarterly figures as at 31st December 2001

IntesaBci notifies that – pursuant to provisions set forth in Art. 82, par. 2, of Consob Resolution 11971 of 14th May 1999 – the Annual Report as at 31st December 2001 will be available for shareholders and the market within the maximum term of 31st March 2002, instead of the quarterly report as at 31st December 2001.

Significant events

Many and extremely significant events involved Gruppo IntesaBci in the first nine months of 2001; among them, those related to the development of the integration processes and the realisation of the Group's model were especially significant.

The merger between Intesa and BCI

As described in detail in the Half-Year Report as at 30th June 2001, it is worth remembering that the execution – with legal effects as of 1st May 2001 – of the merger between Banca Intesa and Banca Commerciale Italiana, determined a total merger surplus of 1,918.3 million euro which for 1,343.7 million euro was allocated to re-constitute shareholders' equity reserves formerly set up by BCI while 574.7 million euro was attributed to the "Share premium reserve".

The Group's divisional model

The effort dedicated to the realisation of the divisional organisational structures set out in the Group's New Model led to the attainment of significant goals, not rarely ahead of schedule. Ten months from the start of the Integration plan, most of the operational architecture of the divisional and multi-channel model has been defined and is operating.

In addition to the *Governance Centre*, which is delegated the strategic direction, co-ordination and control and is organised in 14 Units and 4 Staff units, the three Commercial divisions *Retail*, *Corporate* and *Private* have been formed and have been given the indispensable commercial and managerial levers for strategy definition and business management in their respective market segments. The *Corporate* and *Private* divisions, which were already fully operational as of last October, will manage – with networks of 110 and 58 outlets, respectively – over 70,000 companies and 11,000 high net worth individuals. At the end of October, the *Retail division* had completely formed its central and peripheral structures, which are organised in 5 regional units, divided in 38 territorial areas, for the management of 5.2 million relationships with basic customers, in addition to 900,000 and 600,000 relationships in the premium and business segments.
The roll out of the divisional model on the network proceeded rapidly: before the end of 2001, the entire network of the over 2,000 retail branches will be involved in the roll out, which is due for completion within June of next year.

The aforementioned divisions are complemented by the *Investment banking division* (organised in 8 Units and charged with managing market risks at Group level and widespread operations, proprietary trading and brokerage on behalf of customers, on the financial markets) and the *International division* (divided in 2 Units, for the development of the foreign network which comprises both direct units and controlling equity stakes in banking and financial companies).

Interventions involving both human and technological resources were equally significant. As regards the former, the different internal regulations used in the merged banks were rapidly harmonised and also significant collateral agreements were defined, regarding transfers within Group companies and transfer of personnel in the outlets or bank networks sold. In addition to projects based on correlating performance and compensation and incentive systems, great attention was paid to training – which is delegated to a specialised Group company – both directly and through the development of integrated platforms for the support and management of training activities. An e-learning platform was also developed exploiting to the full the advantages in terms of efficiency, speed and cost-effectiveness offered by this area of information technology. The product is cutting-edge for the Italian market and therefore, in addition to its application for training within the Group, it was decided that it should be commercialised by a company specifically established for this purpose (IntesaBci Learning).

As concerns organisational and IT aspects, the bridge systems prepared to enable the banks involved in the first merger (initially Cariplo, Banco Ambrosiano Veneto, Mediocredito Lombardo and later BCI in addition, of course, to Banca Intesa) to be perceived from the outside as a single legal and operating entity are now fully operational and permitted a smooth transfer without any functional interruption. In the meantime the various phases for the migration of functions already operating in Cariplo and BCI to the single TARGET system continued. The migration to the TARGET system from the pre-existing networks is confirmed as forecasted, respectively in March 2002 and December 2003.

Streamlining interventions

During the first nine months of 2001 various significant operations were executed in the pursuit of common objectives, namely: streamlining operating structures and improving efficiency of asset composition.

The sale of networks and branches

Sales involving a total of 138 branches were closed with various counterparties. The branches sold were located in the regions where – following the unification of the different operating networks of the merged banks – overlaps or duplications of the Group's presence occurred. The units sold had loans to customers of approximately 1 billion euro, direct customer deposits of approximately 1.1 billion euro and various forms of indirect customer deposits amounting to approximately 1.5 billion euro. The sales occurred on the basis of gross goodwill values of approximately 560 million euro, of which approximately 290 million euro already recorded in the statement of income as at 30th September 2001, while the residual 270 million euro will be settled in the fourth quarter. With the same objective of disposing of the units which are not strategic in areas which are already effectively covered, IntesaBci also sold the controlling equity stakes in Banca di Legnano and Banca Carime, these operations generated capital gains in the consolidated financial statements – net of fiscal effects and direct charges – totalling approximately 1,023 million euro.

The sale of doubtful loans

The securitisation,[1] executed in accordance with Law 130/1999 and aimed at re-composing assets, involved approximately 7,000 doubtful mortgages and mortgaged advances in Cariplo's loan portfolio which were sold to IntesaBci Sec. Npl with the pro soluto clause (without recourse). Net book value of such loans totalled approximately 713 million euro, after the accounting to the statement of income of 104 million euro for the implicit financial charges related to the disposal.

A second initiative entailed the transfer of the entire doubtful loan portfolio formerly in BCI's books to IntesaBci Gestione Crediti. The sale involved exposures for a total book value of 1,268 million euro, transferred for a consideration of 511 million euro, which was determined based on presumed realisable value.

Interventions on financial structure

At the end of last March the Bank launched a securitisation through credit default swaps amounting to approximately 1 billion dollars, buying hedge on a portfolio of 125 loans granted to 30 airline companies. Optimisation and diversification of the loan portfolio are the objectives of the transaction, achieved using credit derivatives, financial instruments which enable to manage credit risk separately from the juridical holding of the loan.

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(1) *Following the securitisation completed in the previous year amounting to over 500 million euro.*

A second synthetic securitisation amounting to approximately 805 million euro, entailed the hedge of a portfolio of 80 credit default swap contracts.

In the framework of the strategies aimed at diversifying funding sources and strengthening regulatory capital, in July IntesaBci issued – through a special purpose vehicle established under Luxembourg law and a wholly-owned trust – preferred securities for a total of 500 million euro.

The spin-off of the IT systems

As part of the Integration plan between Banca Intesa and BCI regarding support services managed by the latter in sectors such as facility management and back office services, as well as logistics and purchases, the business branch made of economically related, tangible and intangible IT assets (software and hardware) formerly belonging to BCI, the relevant operating infrastructures, as well as the legal relationships with third parties, including those with dedicated resources (1,244 people), were conferred to IntesaBci Sistemi e Servizi.

The reorganisation of the business areas

Closely related to the Integration plan and to the high value added services strategy, certain key business areas were significantly reorganised and streamlined. In particular, the companies *Intesa Asset Management* and *Comit Asset Management* commenced – as a preliminary step before the merger of the two structures, programmed on 1st January 2002 – the restructuring of the range of mutual funds offered, divided in different business units specialised by market segment (hedge funds, mutual funds, pension funds, institutional asset management, individual portfolio management and retail). Certain benchmarks have been changed and selling conditions reviewed. The two asset management companies currently manage assets exceeding 110 billion euro, with a combined market share above 19%.

The project for the merger between Intesa Italia Sim and Genercomit Distribuzione Sim, the Group's two networks of financial consultants, was completed with legal effects as of 1st August 2001. The new company called IntesaBci Italia Sim – which ranks third in the Italian financial consultants networks – is the starting point of an ambitious project destined to create the Group's multi-channel bank for the affluent customer segment which, in future, will be supported by own branches, a dedicated contact centre as well as virtual channels for current operations.

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 merged by IntesaBci and now contributed to the new company.

Equity investments

As concerns the most significant changes in IntesaBci's equity investment portfolio, noteworthy is the acquisition of a 10% stake in *Olimpia*, the company established as part of the recent changeover in the controlling interest in the Olivetti group, which led to a payment of approximately 350 million euro. [2] The 5.95% stake in Italenergia was acquired for approximately 190 million euro, again with the purpose of acquiring a strategic stake in a company involved in the changeover of the controlling interest in Montedison. As a preliminary step the

[2] *The operation, considering the quotas underwritten at the end of last October, led to a total investment of 520 million euro.*

3.7% stake in Montedison was sold for a consideration equal to the amount invested in Italenergia.

With regard to the information provided in the Half-Year Report as at 30th June 2001, the operations aimed at the completion of the acquisition of the shares of *Vsobcna Uverova Banka (VUB) – Bratislava* continued regularly. The acquisition will be completed with the payment of the final balance – on a total investment of 550 million euro – which is expected to occur within the end of November.

The domestic banking industry and the Group's operations

Bank interest rates

Money market interest rates continued their downward trend also in the third quarter, in line with expectations for a more expansive monetary policy, aimed at favouring a recovery in Euro-area economies. The European Central Bank decided a 25 basis point reduction on refinancing rates on 30th August (from 4.50% to 4.25%). After the events of 11th September a more substantial, 50 basis point cut followed, which was agreed upon with the other main central banks for the purpose of guaranteeing liquidity in financial markets. In the wake of looser monetary conditions and under expectations of further interest rate cuts, the yield curve registered a pronounced steepening, reflecting the uncertainty on the evolution of the macroeconomic scenario.

Bank interest rates evolved in line with money market rates, recording generalised downward trends on the various types of contracts and maturities. The nominal interest rate applied by Italian banks on short-term loans continued its decline started at the beginning of the year and reached 6.48% in September (third quarter average 6.54%), with expectations of a further reduction in the last three months of the year. The same trend was registered by the nominal interest rate on customer deposits, which touched 1.89% in September (third quarter average 1.97%), down by 30 basis points compared to the 2.19% maximum recorded in January. As to the medium- and long- term segment, interest rates on loans to customers evolved in line with short-term rates (third quarter average 6.22%), whereas interest rates on bank bonds, after the standstill at 4.66% in July and August, continued their decline to 4.60% in September, with 4.64% average over the July-September period.

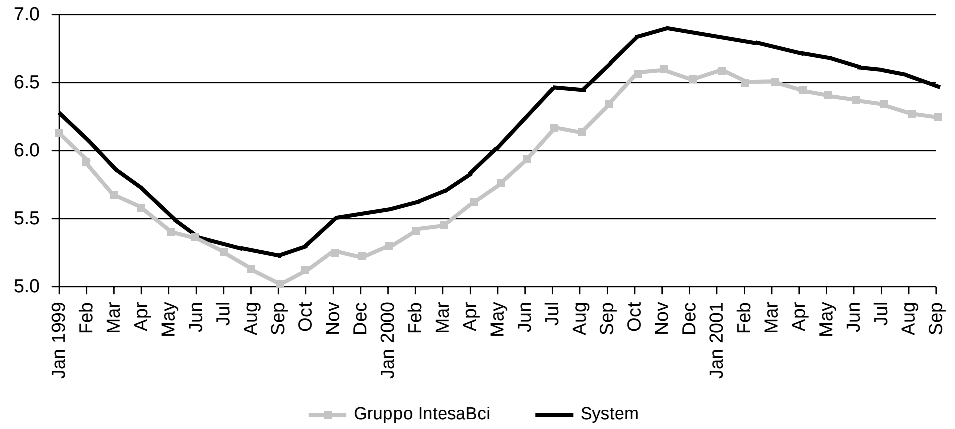
Short-term spreads registered a quarterly average of 4.56%, virtually stable over the twelve months. On the contrary, medium- and long- term spreads decreased from 1.66% to 1.58% over the twelve months.

Gruppo IntesaBci

Interest rates applied by Gruppo IntesaBci – calculated as the weighted average of rates applied by the Group's main Italian banks [*] – evolved in line with the system's. In particular, interest rates on short-term loans recorded a quarter average of 6.27%, reaching 6.23% in September (Graph 1). Interest rates on medium- and long- term loans equalled 5.92% in September and reached a quarter average of 5.96%, practically unchanged with respect to 2000.

[*] *As at 30th September: IntesaBci, Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria and IntesaBci Mediocredito. These banks represent more than 90% of Gruppo IntesaBci's deposits and loans.*

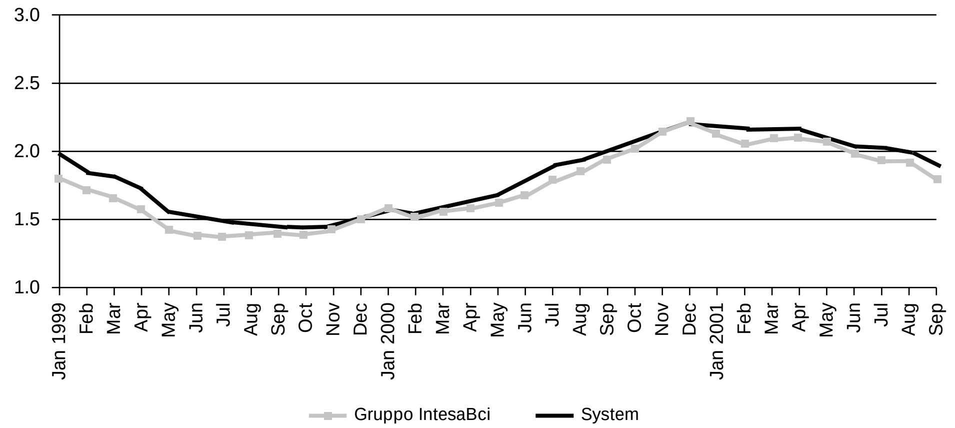
Graph 1 - **AVERAGE INTEREST RATE ON SHORT-TERM LOANS**
(% values)



Source: IntesaBci calculations on Bank of Italy data

The generalised reduction in interest rates was reflected both on interest rates on deposits (–13 basis points from July to September) – which on average stood at 1.88% – and on the cost of long-term funding. In fact, the average interest rate on issued bonds (excluding subordinated loans) registered a similar contraction from July to September, down to 4.59% as quarter average.

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



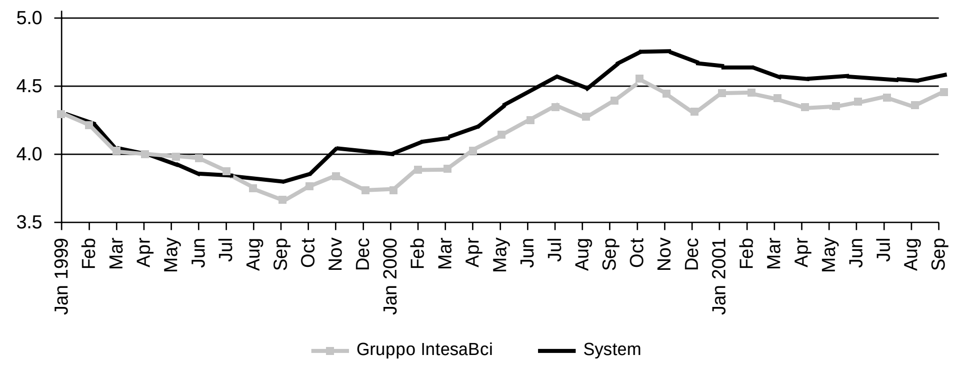
Source: IntesaBci calculations on Bank of Italy data

Spread

With respect to the third quarter of 2000 the short-term spread with customers increased on average by 6 basis points to 4.40%. In particular, the September value (4.44%; Graph 3) rose to the peaks for the year reached in the January-February period. Long-term spreads achieved by Gruppo IntesaBci, with a trend opposite to the system's, registered a 30 basis points average increase on an annual basis, from 1.08% to 1.38%.

Overall the spread did not record significant changes in the third quarter compared to the previous months.

Graph 3 - **SHORT-TERM SPREAD**



Source: IntesaBci calculations on Bank of Italy data

Loans

Considering intermediated volumes, the strong growth in loans to customers granted by the banking system, sustained also by the contained cost of borrowing, continued. Total performing loans to customers – net of doubtful loans and repurchase agreements – though continuing to register double-figure growth rates (10.4%), started however to show certain signs of slowdown compared with the previous months, in line with the gradual deterioration of the economic context.

The slowdown appeared to be concentrated in short-term transactions, with an 11.1% average growth rate over the twelve months, lower than the 15.3% growth rate recorded in the first half. On the contrary, the medium- and long- term segment – although with lower growth rates compared to the short-term segment – registered a steady expansion trend slightly lower than 10%. The different growth rates in the two segments, however, could be more attributable to the technical characteristics of lending contracts – which determine a different speed in adapting to changing economic conditions – than to a different orientation of demand.

With regard to the various sectors, loans to non-financial companies developed strongly, mainly thanks to the trend exceeding 13.5% recorded by loans of maturity over 5 years, which attests how companies are re-structuring their liabilities in favour of loans with longer maturities. The level of short-term exposure of Italian companies however remains high: in September 52% of total loans to non-financial companies had maturity under one year, against a European average of 37%. During the whole of 2001 also loans to households recorded a very dynamic trend, again driven by fierce competition between financial companies.

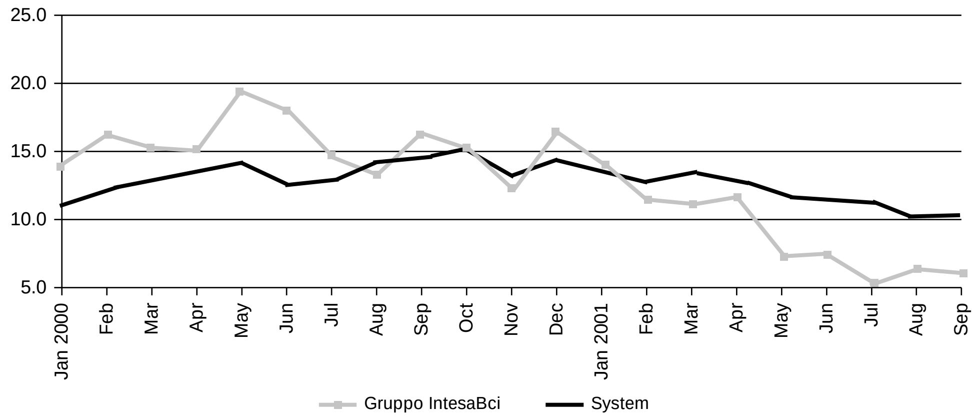
Gruppo IntesaBci

The trend of total performing loans of Gruppo IntesaBci (Graph 4) – the aggregate made up of the sum of all volumes reported by all of the Group's Italian banks [1] – as a result of a contained decline recorded in the third quarter of 2001, registered

[1] *As at 30th September 2001: IntesaBci, Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria, Banca di Trento e Bolzano, Banco di Chiavari, 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 and IntesaBci Mediocredito.*

a 5.8% increase on an annual basis. Such increase, which is affected – even if to a limited extent – by the sale of branches realised during 2001, was lower than the national average thus reducing the Group's market share by over half a point. Such trend is due to the marked slowdown in the growth of short-term loans, which rose on average in the third quarter by only 1.1% on an annual basis. On the contrary, in the medium- to long- term segment, the Group registered, on average in the third quarter, a growth rate higher than the system's (+ 11.3% against + 9.8%), confirming the positive trend recorded during the whole of 2001.

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



Source: Bank of Italy

Direct customer deposits

Direct deposits from resident customers, according to the harmonised ECB definition, [2] strengthened the expansive trend already shown in the second quarter, registering a 6.2% average growth rate in the third quarter. Among the various sources of funds, issued bonds and repurchase agreements recorded a considerable development, whilst current accounts registered a more contained growth rate.

More in detail, issued bonds – with a 13% growth rate in September – emerged, as already experienced during the previous months of the year, as the main contributor to the growth of the aggregate. Growth rates in current accounts, after a prolonged period of very low growth, achieved levels close to 7% in September, maybe also benefiting from the development of high-interest on-line accounts. Therefore, at the end of September, customer deposits were made up for 44% by current accounts, for 35% by issued bonds, for 9% by repurchase agreements and for the remaining 12% by other types of contracts. The significant difference in the growth rates recorded by loans and deposits continues to lead Italian banks to diversify sources of funds, further increasing foreign deposits, selling part of their securities portfolio and carrying out securitisations.

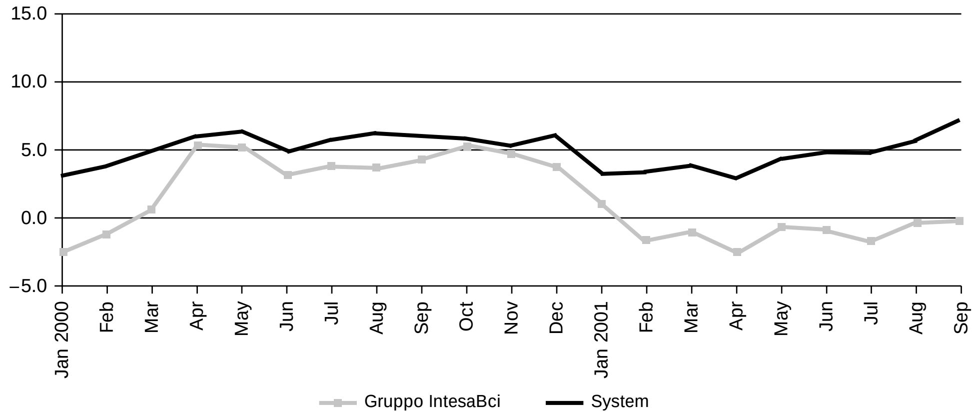
Gruppo IntesaBci

For Gruppo IntesaBci the growth rate recorded by direct customer deposits continued to be lower than the market. Against a rising trend exceeding 6% for the system, total customer deposits for the Group recorded a marginal contraction (– 0.5% on average for the quarter; Graph 5), being affected – as already recalled in the case of loans – to a limited extent by the aforementioned sale of branches.

[2] *Deposits (current accounts, saving deposits, certificates of deposit, repurchase agreements) plus bonds (including those classified as subordinated loans) of non-financial sectors.*

In particular, in the July-September period, funding through issued bonds registered a growth rate nearing 6% on an annual basis, whereas direct customer deposits (including repurchase agreements) recorded a negative trend, down by approximately 4%. The Group's market share stood at 13.5% in September, 1% down over the twelve months.

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



Source: Bank of Italy

Short-term prospects

In the last part of the year – thanks to the interventions carried out by the European Central Bank and to the expectations of a further expansive orientation of monetary policy – bank interest rates to retail customers should continue their downward trend. This trend should be in line with the progressive steepening of the market yield curve, particularly for short-term maturities. The short-term spread and the overall spread resulting from intermediation with customers (average interest rate on loans – average interest on deposits) are estimated to shrink with respect to the values recorded at the end of September.

With regard to loans to customers, the projected recession or anyhow the strong slowdown affecting the main world economies coupled with the marked deterioration of household and company confidence could lead, in the last part of 2001, to a marked slowdown in the growth of demand for bank loans with all types of maturity. Consequently, it is reasonable to expect a worsening in loans portfolio quality, which could lead to a contraction in the supply of loans. However, the essentially retail nature and the improved capability of managing credit risks of Italian banks should limit the negative impact of the economic crisis.

Contrary to expectations regarding lending activities, in the remaining months of 2001, direct customer deposits are projected to expand, as a consequence of volatility in financial markets and of the considerable reduction in the opportunity cost of liquidity coupled with expectations of a gradual decline in inflation to values close to 2%. This predicted increase in customer deposits should lead to a particularly strong growth rate in short-term contracts (current accounts and repurchase agreements), which are deemed to be less risky by customers.
Also issued bonds with short-term maturity should represent an attractive product, in the current phase of re-definition in the asset allocation of the financial portfolios of households.

Economic results in the period

Introduction

As already described in the Half-Year Report as at 30th June 2001 certain events occurred, generating substantial non-recurring economic effects capable of significantly affecting the trend of both net income and the various margins. Neither the statement of income drawn up according to Italian accounting rules, nor the reclassified statement of income seemed adequate to fairly and exhaustively represent the development of current operations separately from the effects of aforementioned non-recurring events. It was therefore deemed better to prepare a specific table clearly illustrating the breakdown of operating and non-recurring results. An analogous criterion has been followed in the representation of the situation as at 30th September 2001 which is illustrated below.

(in millions of euro)

Gruppo IntesaBci	30/9/2001			30/9/2000 [1]			Changes in operating results	
	Operating results	Non-recurring results	Total result	Operating results	Non-recurring results	Total result	amount	%
Net interest income	4,405.9		4,405.9	4,206.1		4,206.1	199.8	4.8
Income from investments carried at equity and dividends	266.8	92.0	358.8	359.7	631.2	990.9	(92.9)	(25.8)
Interest margin	**4,672.7**	**92.0**	**4,764.7**	**4,565.8**	**631.2**	**5,197.0**	**106.9**	**2.3**
Net commissions	2,812.8		2,812.8	3,119.3		3,119.3	(306.5)	(9.8)
Profits (Losses) on financial transactions	77.5		77.5	157.7		157.7	(80.2)	(50.9)
Other operating income, net	355.6		355.6	338.4		338.4	17.2	5.1
Net interest and other banking income	**7,918.6**	**92.0**	**8,010.6**	**8,181.2**	**631.2**	**8,812.4**	**(262.6)**	**(3.2)**
Administrative costs	(4,782.6)		(4,782.6)	(4,870.4)		(4,870.4)	(87.8)	(1.8)
including Payroll	*(2,957.4)*		*(2,957.4)*	*(2,977.1)*		*(2,977.1)*	*(19.7)*	*(0.7)*
including General and administrative	*(1,825.2)*		*(1,825.2)*	*(1,893.3)*		*(1,893.3)*	*(68.1)*	*(3.6)*
Adjustments to fixed assets and intangibles	(571.1)		(571.1)	(575.9)		(575.9)	(4.8)	(0.8)
Operating margin	**2,564.9**	**92.0**	**2,656.9**	**2,734.9**	**631.2**	**3,366.1**	**(170.0)**	**(6.2)**
Provisions for risks and charges	(296.7)		(296.7)	(198.7)		(198.7)	98.0	49.3
Net adjustments to loans and provisions for possible loan losses	(1,155.4)	(114.9)	(1,270.3)	(825.2)		(825.2)	330.2	40.0
Net adjustments to financial fixed assets	(3.5)	(13.8)	(17.3)	(8.4)		(8.4)	(4.9)	(58.3)
Income from operating activities	**1,109.3**	**(36.7)**	**1,072.6**	**1,702.6**	**631.2**	**2,333.8**	**(593.3)**	**(34.8)**

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

The non-recurring events refer to interim dividends distributed by participated companies acquired for merchant banking activities (631.2 million euro in 2000 and 92 million euro in 2001), as well as write-downs (114.9 million euro), referring for about 104 million euro to the financial burden related to the securitisation of doubtful loans mentioned above and for about 11 million euro to valuation of loans deriving from the spin-off of Fonspa to BCI. Additionally, 14 million euro referred to write-downs of financial fixed assets which were also acquired in the Fonspa spin-off.

Interest margin

With regard to *normalised* figures, operations confirm a sizeable rise in net interest income (+ 4.8%) even though with more contained growth rates compared to those recorded as at 30th June 2001.

As concerns domestic operations, the improvement in the margin in the first nine months of the year compared to the corresponding period of the previous year is attributable to the favourable trends recorded by both reference variables, namely both interest rates and volumes. In the case of the latter, the vivacious growth rate in average loans to customers, concentrated in the first part of the year, was coupled with the contraction in average customer deposits collected through short-term contracts (with the exception of the upward trend recorded by issued bonds). The differentiated trend recorded by interest rates – upward for loans, with a similar, but lower trend for deposits – determined an appreciable increase in the spread.

Operations in other European Countries were characterised by trends largely similar to those experienced by Italian banks, while as regards the banking network in Latin America – whose aggregates are the most significant in the Group after those of IntesaBci – the situation is practically stable, with the confirmation of the same contribution levels of interest margin as in the first nine months of last year. This result is even more satisfactory considering the difficulties which affect the local economies and especially the strong devaluation of the Brazilian currency, whose effects, in terms of intermediated volumes and operating spreads, were managed effectively.

The approximately 93 million euro reduction which occurred in income from investments carried at equity and dividends determined a lower growth rate in interest margin (+ 2.3%) which totalled 4,673 million euro.

Net interest and other banking income

Net interest and other banking income, again in normalised terms, showed a less favourable result compared to that recorded in the first half of 2001, with a 3.2% decline to 30th September 2000, reaching 7,919 million euro.

The generalised downward trend in net commissions from services was confirmed (– 9.8%), and was particularly significant in the component related to operations on financial markets – whose persisting weakness also led to a significant reduction in traded volumes – and asset management, heavily affected especially with regard to equity funds.

In the third quarter Gruppo IntesaBci recorded losses on financial transactions which led the figure for the first nine months of 2001 to decrease to 77.5 million euro, half the profit recorded in the corresponding period of 2000. The causes of such reduction – which affected all operating segments and certain geographic areas operated by Group banks, as a result of the global underlying reasons – can be traced in the marked prices drops following the persisting situation of extreme stock market volatility. Conversely the contribution deriving from other net operating income increased (+ 5.1%).

Operating margin

Operating costs recorded a contraction (– 1.7%). In particular payroll decreased by almost 1% and other administrative costs dropped by 3.6%. In the case of units operating in Europe general costs remained practically stable – following the policy aimed at streamlining and containing costs implemented by Group companies – notwithstanding the higher costs connected to new commercial initiatives. For the Sudameris group the decrease in administrative costs (– 17%) was influenced by the already mentioned devaluation of the Brazilian *real*.

Adjustments to fixed assets and intangibles remained absolutely constant. Therefore operating margin equalled 2,565 million euro, with a 6.2% decrease with respect to the corresponding figure for the first nine months of 2000.

Income from operating activities

Income from operating activities, again net of the aforementioned non-recurring elements, equalled 1,109 million euro, 593 million euro lower than that registered as at 30th September 2000.

This result was greatly affected by the substantial provisions, allocated for prudential purposes, to cover credit risk in economic sectors, in particular airline carriers, which are particularly influenced by the negative evolution of the economic situation and the markets. Furthermore, within provisions for risks and charges, a specific one amounting to 150 million euro referred to an overall evaluation of the risks related to the worsening of the economic situation in South America, where IntesaBci has a long-lasting presence.

Income from extraordinary activities and net income

Net extraordinary income which summed up to 370 million euro led to improve profitability in the period. As concerns extraordinary income – which had partly emerged and was already illustrated in the Half-Year Report – this included the capital gains realised on the sales of Banca Carime (696 million euro) and the branch networks (290 million euro). Further 509 million euro is related to the registration in the consolidated financial statements of the capital gain on the sale of Banca di Legnano.

Conversely, among extraordinary charges, the most significant item refers to the provision for a total of 1,234 million euro related to market price of the Warrant Put IntesaBci, which will be described in detail in a specific paragraph hereafter in this Report. More specifically, in addition to the extraordinary charge of 540 million euro already recorded in the financial statements as at 30th June 2001, further write-downs amounting to 694 million euro were recorded in the quarter due to the adverse trend recorded by financial markets during the summer and, in particular, in September. It must however be noted that, after the well-known events which occurred last 11th September, the quotations of the IntesaBci shares reached the minimum values struck in the last few years. Therefore an eventual recovery in the stock price (and a corresponding decrease in market price of the warrants) in the last part of the current year or next year would alternatively determine a contraction in the charge for 2001 or an extraordinary income in 2002. To fully appreciate the impact of the valuation of the warrant put both in Parent Company's and Consolidated income statements, it must be noted that without this item, net income would have been 790 million euro higher.

The tax burden in the period is far lower than in the reference period – in spite of the fact that IntesaBci did not use the contested benefits provided for by Law 461 of 1998 – both as a result of the lower profitability and the reduced 19% tax rate to which considerable revenues are subject in the Parent Company's accounts.

After such fiscal charges and after the deduction of minority interests, the nine months closed with a net income – including the elements deemed to be non-recurring – of 1,063 million euro, with an approximately 17% decline with respect to the figure recorded in the same period of the previous year.

Operations development in the third quarter

The analysis of operations development in the third quarter shows a contraction in profitability which is mostly attributable to the worsening of the economic situation and the negative evolution of financial markets, consequent to the terrorist attack of last 11th September.

This extremely difficult context developed in addition to the already-mentioned worsening in the macro-economic situation in the Latin American Countries.

These phenomena led, on the one hand, to the need to set up substantial provisions for credit risk and, on the other hand, to a considerable contraction in profits on financial transactions and in the results of Group companies operating in the securities trading and asset management areas.

Furthermore, the considerable drop in securities quotations determined a marked increase in the market price of the Warrant Put IntesaBci, and led to a further 694 million euro provision compared to last June.

Lastly, operations in the quarter, excluding the effects of the devaluation of the Brazilian currency, confirmed the trends recorded in the first six months of the year. Net interest income showed a good development, even though on more contained levels compared to the first six months, while income from services offered a lower contribution as regards the components related to asset management and securities trading and an appreciable contribution with regard to the services related to lending and deposit collection. Lastly, operating costs, thanks to the economies made and notwithstanding the charges related to new commercial initiatives, led to a more contained progression with respect to the two previous quarters.

Main balance sheet aggregates

Loans to customers

Loans to customers, which equalled 181,129 million euro, recorded an approximately 4% contraction compared to 30th June 2001, returning to figures similar to those of December 2000.

It must also be noted that this trend was considerably influenced by certain significant events which have already been described elsewhere in this Report. In particular reference must be made to the securitisation of doubtful loans (1,220 million euro for the Parent Company), the sale of branches as part of the streamlining of the Italian network, as well as – with regard to the South-American area – the negative effect due to the devaluation of the Brazilian currency.

Net non-performing loans decreased (approximately – 6%) with respect to figures as at 31st December 2000 and were practically unchanged compared to the figure at the end of last June. These figures do not consider the worsening which occurred following the well-known international events, for which conservative adjustments have in any case already been made as already illustrated herein.

Within the aggregate, the evolution of doubtful loans continued a favourable trend, showing a marked contraction with respect to December 2000 and a more moderate decrease compared to figures of last June. Also the incidence of doubtful loans on the total loan portfolio showed a tendency to improve and equalled approximately 3% compared to 3.5% at the end of the previous year. The degree of coverage of doubtful loans improved with respect to both the previous reference periods, and equalled approximately 57%. Substandard loans decreased, particularly compared to 31st December 2000, the degree of coverage of such loans increased to 16% with an approximately one percentage point rise. Restructured loans and loans under restructuring, although at much lower levels, also declined. Lastly as regards loans subject to Country risk, figures as at 30th September 2001 remained practically unchanged with respect to those as at 30th June 2001, while a considerable growth rate (+ 27%) was recorded compared to 31st December 2000.

Direct customer deposits

Direct customer deposits also declined to 168,177 million euro, with an approximately 4% and 2% decrease compared to the figures as at 30th June 2001 and as at 31st December 2000, respectively. The same considerations made for loans to customers – as regards the effects deriving from both the sale of branches (mentioned various times above) and the devaluation of the Brazilian currency – apply to customer deposits. Subordinated liabilities increased with percentages of approximately + 6% and + 15% respectively compared to the previous reference dates. Net interbank funding, also showed a downward trend compared to both the figure as at 30th June 2001 and that as at 31st December 2000.

Indirect customer deposits and managed funds

The marked disintermediation attributable to the persisting drop in stock quotations and the growing difficulties in the main world economies, maintained indirect customer deposits and in particular managed funds on strongly downward trends. Indirect customer deposits as at 30th September 2001 equalled 294 billion euro with an approximately 7% decrease compared to as at 31st December 2000.

Shareholders’ equity

Shareholders’ equity as at 30th September 2001 amounted to 14,349 million euro, over 2,100 million euro higher than the figure as at 31st December 2000, not restated. The table below summarises the various components and the changes which affected consolidated shareholders' equity in the nine months of 2001.

(in millions of euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve for general banking risk	Revaluation reserves	Negative goodwill arising on consoli-dation	Net income for the period	Total share-holders' 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 2000 net income									
– Reserves				904.6				(904.6)	0.0
– 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
Setting up of the reserve for own shares		(2,575.7)		2,575.7					0.0
Other variations									
– Change in the consolidation area				8.1	(2.8)	2.2	2.3		9.8
– Use of the reserve for general banking risks					(2.0)				(2.0)
– Other				(12.1)					(12.1)
Net income for the period								1,062.8	1,062.8
Balance as at 30/9/2001	3,489.0	4,075.1	772.9	4,436.9	106.1	385.5	21.1	1,062.8	14,349.4

(*) *Official data, not restated.*

The table below shows the reconciliation between the Parent Company's shareholders' equity as at 30th September 2001 and the corresponding consolidated figure, with separate evidence of the contribution of consolidated companies and of companies carried at equity.

(in millions of euro)

Items	Shareholders' equity	including net income for the period ending 30/9/2001
Balance as at 30th September 2001 of Parent Company shareholders' equity	**14,296.7**	**501.4**
Effect of consolidation of		
– fully and proportionally consolidated companies	421.8	340.9
– companies carried at equity	85.1	67.1
Other adjustments arising on consolidation	(454.2)	511.7
Dividends collected in the period		(358.3)
Consolidated shareholders' equity as at 30 September 2001	**14,349.4**	**1,062.8**

Performance of the main consolidated companies

In Italy

Banking area
IntesaBci

(in millions of euro)

IntesaBci	30/9/2001	30/9/2000 pro forma	Change amount	Change %
Net interest income	2,802.3	2,675.0	127.3	4.8
Dividends and other revenues	709.8	1,307.6	(597.8)	(45.7)
Interest margin	**3,512.1**	**3,982.6**	**(470.5)**	**(11.8)**
Net commissions	1,561.4	1,744.5	(183.1)	(10.5)
Profits (Losses) on financial transactions	(47.8)	70.6	(118.4)	–
Other operating income, net	215.1	207.5	7.6	3.7
Net interest and other banking income	**5,240.8**	**6,005.2**	**(764.4)**	**(12.7)**
Administrative costs	(2,984.8)	(2,980.4)	4.4	0.1
including Payroll	*(1,738.7)*	*(1,744.5)*	*(5.8)*	*(0.3)*
including General and administrative	*(1,246.1)*	*(1,235.9)*	*10.2*	*0.8*
Adjustments to fixed assets and intangibles	(197.3)	(228.3)	(31.0)	(13.6)
Operating margin	**2,058.7**	**2,796.5**	**(737.8)**	**(26.4)**
Provisions for risks and charges	(99.6)	(106.2)	(6.6)	(6.2)
Net adjustments to loans and provisions for possible loan losses	(795.5)	(514.5)	281.0	54.6
Net adjustments to financial fixed assets	(103.9)	(27.3)	76.6	–
Income from operating activities	**1,059.7**	**2,148.5**	**(1,088.8)**	**(50.7)**
Extraordinary income	(458.3)	237.2	(695.5)	–
Income taxes for the period	(100.0)	(866.8)	(766.8)	(88.5)
Net income for the period	**501.4**	**1,518.9**	**(1,017.5)**	**(67.0)**

In the third quarter the **Parent Company's** statement of income registered operating results which virtually confirmed the trends recorded in the first six months of the year. Net interest income from lending and deposit collection activities continued to evolve favourably, although with lower growth rates compared to the first half. Income from services registered a contraction with respect to the first nine months of 2000, which however was contained at the same values recorded last June and operating costs remained practically unchanged. The more marked drop in stock market prices, instead, affected profits on financial transactions, which decreased by over 130 million euro in the third quarter.

Considerable provisions for possible loan losses were allocated against credit risk with regard to certain customers whose situation, already under review, was aggravated by the crisis determined by the tragic events of 11th September. Reference is made, in particular, to airline carriers, whose position is being carefully monitored.

Finally, extraordinary operations were heavily affected by the considerable reduction in market prices of banking industry stocks which also penalised our share and impacted on the valuation of the Warrant Put IntesaBci, as already explained in the comments to consolidated extraordinary income.

As a result, net income for the first nine months of the year amounted to 501 million euro, with a 213 million euro reduction compared to net income for the first half of the year.

As already pointed out in the Half-Year Report and in the comments to the consolidated financial statements, for a consistent comparison between the results achieved in 2001 and the previous year’s, certain non-recurring events must be considered. Such events are related to: a) the distribution of dividends (631 million euro in 2000 and 92 million euro in 2001) by equity investments previously acquired by BCI within its merchant banking activities, representing cash flow from the sale of the equity stakes in the company Seat Pagine Gialle; b) charges of 104 million euro, generated by the securitisation of non-performing mortgages and included in adjustments to loans, and 11 million euro in connection with adjustments to loans acquired after the Fonspa spin-off; c) 14 million euro of adjustments to equity investments transferred from Fonspa in the spin-off in favour of BCI.

Since the aforementioned non-recurring components affected all economic margins regarding ordinary operations, it was deemed necessary to show ordinary results for the first nine months of 2001 and 2000, highlighting such effects separately.

Moreover, and always for the sake of a consistent comparison, consideration is taken of the fact that the merger of Banca Commerciale Italiana, as well as Cariplo, Banco Ambrosiano Veneto and Mediocredito Lombardo in Banca Intesa occurred respectively last May and at the end of 2000, and that the recent contribution (effective 1st July 2001) of the medium- and long- term lending division to IntesaBci Mediocredito, have determined significant changes in all economic aggregates, for this reason the figures for the first nine months of 2000 have been restated as if such company operations were already completed at that date.

The comments which follow are related to the re-stated figures shown hereunder.

(in millions of euro)

IntesaBci	30/9/2001			30/9/2000 pro forma			Changes in operating results	
	Operating results	Non-recurring results	Total result	Operating results	Non-recurring results	Total result	amount	%
Net interest income	2,802.3		2,802.3	2,675.0		2,675.0	127.3	4.8
Dividends and other revenues	617.8	92.0	709.8	676.4	631.2	1,307.6	(58.6)	(8.7)
Interest margin	**3,420.1**	**92.0**	**3,512.1**	**3,351.4**	**631.2**	**3,982.6**	**68.7**	**2.0**
Net commissions	1,561.4		1,561.4	1,744.5		1,744.5	(183.1)	(10.5)
Profits (Losses) on financial transactions	(47.8)		(47.8)	70.6		70.6	(118.4)	–
Other operating income, net	215.1		215.1	207.5		207.5	7.6	3.7
Net interest and other banking income	**5,148.8**	**92.0**	**5,240.8**	**5,374.0**	**631.2**	**6,005.2**	**(225.2)**	**(4.2)**
Administrative costs	(2,984.8)		(2,984.8)	(2,980.4)		(2,980.4)	4.4	0.1
including Payroll	*(1,738.7)*		*(1,738.7)*	*(1,744.5)*		*(1,744.5)*	*(5.8)*	*(0.3)*
including General and administrative	*(1,246.1)*		*(1,246.1)*	*(1,235.9)*		*(1,235.9)*	*10.2*	*0.8*
Adjustments to fixed assets and intangibles	(197.3)		(197.3)	(228.3)		(228.3)	(31.0)	(13.6)
Operating margin	**1,966.7**	**92.0**	**2,058.7**	**2,165.3**	**631.2**	**2,796.5**	**(198.6)**	**(9.2)**
Provisions for risks and charges	(99.6)		(99.6)	(106.2)		(106.2)	(6.6)	(6.2)
Net adjustments to loans and provisions for possible loan losses	(680.6)	(114.9)	(795.5)	(514.5)		(514.5)	166.1	32.3
Net adjustments to financial fixed assets	(90.1)	(13.8)	(103.9)	(27.3)		(27.3)	62.8	–
Income from operating activities	**1,096.4**	**(36.7)**	**1,059.7**	**1,517.3**	**631.2**	**2,148.5**	**(420.9)**	**(27.7)**

Interest margin (3,420 million euro for the operating portion) recorded a 2% overall growth rate as a result of a 4.8% increase in net interest income and a 59 million euro contraction in income generated by equity investments.

The first component benefited from the positive development of loans to customers, which was counterbalanced by a contraction in corresponding customer deposits, and from a rise of 11 basis points in the interest rate spread. Average volumes with customers rose by 9.5% for loans, with a similar development recorded by the short-term and medium- and long- term components, and decreased by 3.9% for customer deposits, mainly because of the drop in short-term contracts. Interest rates on lending increased by 51 basis points, thanks to a more substantial growth in short-term rates (+ 65 basis points), while interest rates on funding recorded a lower rise (+ 40 basis points). Interest income on securities declined slightly (– 6%), while interbank activities generated an 8.4% reduction in the negative balance.

Dividends, which are accounted for as accruals for subsidiaries and as they are collected for the other participated companies, consistent with the 2000 Annual Report and the 2001 Half-Year Report, registered an 8.7% reduction, net of the aforementioned non-recurring components. This contraction is mainly due to the lower income generated by the subsidiaries operating in the securities trading and asset management areas, because of persistently weak stock markets.

Net interest and other banking income, 5,149 million euro excluding non-recurring operations, recorded a 4.2% contraction resulting from a poor contribution from income from services and financial transactions.

In fact, net commissions registered a 10.5% reduction – practically unchanged compared to the half-year figures – mainly due to the marked decrease in securities dealing with customers and in asset management activities. Net commissions on securities brokerage more than halved, while commissions on asset management dropped by 12%. Overall commissions on asset management, trading and financial consultancy activities recorded a 22% decline compared to the corresponding period of last year. On the contrary, commissions derived from issue of guarantees (+26%) and commissions on current accounts (+10%) recorded positive trends.

Poor performance of activities on financial markets was mainly due to the considerable drop in stock market prices which occurred in September, which heavily affected the valuation of securities at period-end, based on the average prices struck in the previous month. The securities area generated in total a negative result of 95 million euro, while foreign exchange activities a profit of 59 million euro. The derivatives sector produced a negative result of 12 million euro.

Operating costs remained practically unchanged compared to the previous year and also payroll remained stable, in spite of the effects of certain interventions aimed at harmonising the labour contracts of merged banks.

Operating margin – due to the mentioned contractions in income from services and profits on financial transactions – totalled, for the operating component, 1,967 million euro, showing a 9.2% reduction with respect to the 2,165 million euro recorded in the first nine months of 2000.

Income from operating activities, equalling 1,096 million euro for the recurring portion, reflected considerable provisions prudentially allocated for possible loan losses and an increase in adjustments to financial fixed assets.

Overall provisions and net adjustments (excluding the aforementioned non-recurring operations) totalled 870 million euro which compare with 648 million euro allocated in the first nine months of 2000. The most important increase is attributable to net adjustments to loans, which amounted to 681 million euro and include substantial provisions for certain positions in particular sectors, whose situation was recently aggravated, as already mentioned above. Provisions for risks and charges (100 million euro) were slightly lower than in the previous year, while adjustments to equity investments (90 million euro) increased mainly because of the capital loss on the subsidiary IntesaBci Gestione Crediti, whose result for the period was negatively affected by the deterioration of its loan portfolio quality.

Extraordinary components (–458 million euro) heavily contributed to reduce the result for the quarter, because of the effects derived from the drop in stock market prices and the consequent rise in market value of the IntesaBci warrants issued in connection with the Tender Offer for Banca Commerciale Italiana shares.

Among the extraordinary components the considerable capital gains generated by the sale of branches (218 million euro) and by the sale of equity investments (559 million euro) are also noteworthy. The latter are related mainly to the divestment of 75% of the stake in Banca Carime (456 million euro) and to the sale of the equity investment in Montedison (89 million euro), which occurred as part of the wide transactions for the acquisition of the controlling stake of this company by new shareholders.

The tax burden for the period equalled 100 million euro, and registered a contraction, both in absolute terms and in percentage value on income before taxation. This was due to the lower income for the period as well as to the considerable contribution of capital gains subject to the reduced 19% tax rate provided for by Legislative Decree 358/1997. Furthermore, it must be noted that, as already mentioned in the reports issued at the end of March and at the end of June, the benefits connected with the enforcement of Law 461/1998 (so-called Ciampi Law) were not applied. Further information is provided in this report in a specific paragraph dedicated to specific issues.

After deduction of the aforementioned taxes, **net income** for the period amounted to 501 million euro.

Turning to examine the main balance sheet aggregates, loans to customers and direct customer deposits, after a continuous growth from the second half of 2000 till last June, registered a slowdown in the third quarter, in parallel with the gradual deterioration of the economic situation. It must however be noted that the values as at 30th September 2001, with respect to those as at last June which already reflected certain non-recurring operations carried out at the end of last year and in the first six months of 2001 (securitisations of loans for more than 1,220 million euro and transfer of doubtful loans to IntesaBci Gestione Crediti for 575 million euro, of which 511 million euro related to BCI), decreased also as a result of the sale of 10 branches to Banca Popolare di Vicenza and of 45 branches to Banca Unipol, which determined a reduction in loans to customers amounting to approximately 300 million euro and of direct and indirect customer deposits for 323 million euro and 600 million euro respectively.

Loans to customers as at 30th September 2001 amounted to 129,917 million euro and recorded a contraction of 4.4% and of 3.6% with respect to *pro forma* figures as at 30th June 2001 and as at 31st December 2000 respectively.
A decrease in the short-term component in the last quarter, mostly related to advances and treasury operations, was counterbalanced by the virtual stability in medium- and long- term loans.

Non-performing loans, excluding, as already mentioned, exposures towards airline companies, did not register significant changes during the quarter. Doubtful loans totalled 1,053 million euro (0.81% of total loans to customers) with a 3.7% increase compared to last June, while substandard and restructured loans (1,913 million euro) rose by 2.6% in the same period. Positions subject to Country risk remained contained (312 million euro).

Total adjustments to loans maintained an approximately 40% coverage of doubtful loans and a 15% coverage of substandard and restructured loans. Finally, performing loans are protected by a generic allowance amounting to 793 million euro, which also includes the provisions allocated in the quarter against risks connected with loans to airline companies.

Direct customer deposits totalled 128,511 million euro, with a contraction of 5.6% with respect to 30th June and of 1.5% with respect to the end of last year. In the quarter current accounts (–5.4%) and certificates of deposit (–25.8%) recorded a contraction – the latter as a result of lower trading activities performed by foreign subsidiaries – whereas issued bonds remained virtually stable. The goal of improving capital ratios for supervisory purposes, instead, led to an increase in subordinated liabilities (+10%).

Indirect customer deposits as at 30th September totalled 228,096 million euro, with a 6.4% reduction compared to the end of the first half and an 8.8% reduction compared to as at 30th December 2000. Such reductions were mainly due to unfavourable stock market trends, which determined a contraction in asset management activities and losses in net asset value of funds under administration. In the last quarter managed funds (82,516 million euro) recorded a 7.5% contraction. As a result of the aforementioned aggregates, as at 30th September 2001 **customer deposits under administration** totalled 356,607 million euro.

As at 30th September 2001 investments in **securities** held in the trading portfolio (22,943 million euro) recorded a considerable contraction due to a policy aimed at reducing funds collected from banks which reached particularly high levels last June. With the unification of the internal structures which have access to financial markets, it became possible to start an action aimed at improving liquidity conditions and at rationalising and re-balancing assets and liabilities, with particular attention to liquidity and interest rate risks. The expansion of investments in securities and consequently of due to banks had also been sustained by intense trading activities on equities which ceased during the third quarter.

Long-term assets, totalling 20,247 million euro, remained virtually unchanged compared to 30th June with regard to securities (5,631 million euro) and to tangible assets, while equity investments (11,410 million euro) rose by 1,925 million euro in the quarter mainly as a result of: the subscription of a capital increase for Comit Holding International (500 million euro), aimed at strengthening the capital structure of the subsidiaries operating in South America; the subscription of the capital increase for IntesaBci Mediocredito to finance the contribution of the division in charge of medium- and long- term lending (819 million euro); the acquisition of the equity investment in Olimpia, the company established in the context of the recent changeover in the controlling shareholders of the Olivetti group (for the portion already completed in September, i.e. 351 million euro).

The main Group banks

Cassa di Risparmio di Parma e Piacenza realised a net income for the period equalling 134 million euro, improving by almost 86% the corresponding *pro forma* result for 2000. Interest margin rose to 277 million euro (+7%), completely re-absorbing the effects of the changed configuration in balance sheet structure of lending/funding activities, following the merger into the Parent Company and subsequent spin-off of banking activities. The improvement in interest margin, integrated by the positive trend of profits on financial transactions, was however entirely offset by the considerable reduction in net commissions (–10.5%) and in other operating income. Net interest and other banking income equalled 474 million euro and thus remained practically in line with that as at 30th September 2000. The effective action aimed at reducing operating costs (–9.2%), coupled with lower requirements for net adjustments to loans, led the overall performance for the period to noteworthy levels, with an operating margin and an income from operating activities rising by 12.1% and by 29.5% respectively. Net extraordinary income, mainly generated by the sale of branches, further contributed to the substantial increase in net income indicated above.

As to the balance sheet, loans to customers (8,388 million euro; approximately +6%) and direct customer deposits (10,076 million euro; approximately +7%) developed strongly, while indirect customer deposits declined (approximately –15%).

The considerable expansion in net income for the period registered by ***Banca Popolare FriulAdria*** (26.9 million euro, over seven times the net income recorded in the first nine months of 2000) essentially reflected, in addition to intrinsic operational improvements, the new corporate positioning following the acquisition of 60 branches formerly owned by Banco Ambrosiano Veneto. The expanded operational structure induced substantial improvements both on interest margin, up to approximately 98 million euro, and on net interest and other banking income, which recorded a marked increase to approximately 164 million euro, also thanks to the return to profits on financial transactions (with the recovery of approximately 23 million euro). Neither the considerable rise in operating costs – directly connected with the re-structuring – nor the higher requirements for net adjustments to loans significantly affected the levels of operating margin and of income from operating activities, which reached 59.3 million euro and 50.0 million euro respectively.

With regard to the balance sheet, loans to customers exceeded 2,420 million euro (+ 4.5% compared to December 2000) while direct customer deposits exceeded 2,600 million euro, with a 3.8% increase. Instead, indirect customer deposits – down to approximately 5,150 million euro – confirmed the downward trend already experienced at the end of the first half of 2001, which was mostly due to the valuation of underlying securities at market prices.

The other regional banks and the saving banks

Among the other regional banks, ***Banco di Chiavari e della Riviera Ligure*** registered a net income of 12.3 million euro for the nine months of 2001, with a small reduction (– 5.1%) compared to the figure recorded in the corresponding period of 2000. Interest margin appreciably improved (+ 4.2%) mostly thanks to the growth in loans to customers, whereas net interest and other operating income, down by approximately 4%, was considerably affected by the decline in net commissions from asset management activities and in profits on financial transactions. As to the balance sheet, loans to customers rose to 1,354 million euro, with an almost 10% increase on an annual basis. Also direct customer deposits developed favourably, with an approximately 10% rise. Finally, indirect customer deposits registered a contained decline to 3,063 million euro.

Banca di Trento e Bolzano recorded a net income of 7 million euro, improving by almost 5% the results achieved in the same period in 2000. Operations were characterised on one hand, by the positive trend of interest margin (+ 5.6%) and, on the other hand, by the marked reduction in net commissions (approximately – 11%) as a consequence of lower asset management activities. The cost income ratio declined further, thanks to lower payroll (– 2.6%) and stable administrative costs. With regard to the balance sheet, loans to customers rose strongly (up by almost 22% to over 1,200 million euro) while direct customer deposits were virtually stable, at the same level of December 2000 (approximately 1,260 million euro). Indirect customer deposits declined to approximately 1,550 million euro (– 16%) due to the temporary difficulties faced by that sector.

Banca Cis further strengthened the positive trend already emerged at the end of the first half, confirming its definite return to full profitability conditions for all intermediate margins, and achieved a net income for the period of 12.5 million euro. As to the balance sheet, the trend already recorded as at 30th June 2001 was confirmed both in the decline in loans to customers – mostly due to the transfer of the doubtful loan portfolio to IntesaBci Gestione Crediti – and in relation to the disintermediation of the most onerous direct customer deposits.

The appreciable increases registered by the various operating margins – among which noteworthy was the rise in interest margin, up by 23% to 57 million euro – led ***Cassa di Risparmio di Biella e Vercelli*** to greatly improve net income for the period, up to 17.3 million euro against approximately 10 million euro in the same period of 2000. Balance sheet figures confirmed the positive trend of loans to customers, which reached 1,619 million euro (+11% on an annual basis). Direct customer deposits recorded a more contained growth rate, up to 1,900 million euro (+5%), while indirect customer deposits (approximately 2,700 million euro) registered a contraction close to 5%.

Both the saving banks belonging to *Holding IntesaBci Centro* and those reporting to *Carinord Holding* – the latter will shortly undergo a total demerger – generally improved, sometimes substantially, their profitability. In particular, with regard to the first subgroup, net income for the first nine months of the year for the companies operating in Central Italy equalled 8 million euro for ***Cassa di Risparmio di Rieti***, 7.3 million euro for ***Cassa di Risparmio di Viterbo***, 3.2 million euro for ***Cassa di Risparmio di Spoleto***, 2.9 million euro for ***Cassa di Risparmio di Foligno,*** 1 million euro for ***Cassa di Risparmio di Città di Castello*** and 5.8 million euro for ***Cassa di Risparmio di Ascoli Piceno*** (which was previously directly held by IntesaBci). Equally favourable were the performances of the saving banks controlled by Carinord, which closed the period with net incomes ranging from 7.5 million euro for ***Cassa di Risparmio di Alessandria*** to 4.7 million euro and 3.9 million euro for ***Cassa di Risparmio di Carrara*** and ***Cassa di Risparmio della Spezia*** respectively.

Financial activities

The unfavourable trend which characterised financial markets negatively affected the two main companies belonging to the Caboto group. ***Caboto Holding Sim*** achieved a net income for the period of 8.9 million euro, far lower than the net income of approximately 29 million euro for the corresponding period of 2000, mainly because no dividends were paid by the subsidiary Caboto Sim. ***Caboto Sim*** recorded a net loss for the period of 26.8 million euro, against a net income of 28.5 million euro for the corresponding period of 2000. Operations were considerably affected by the lower contribution from net commissions following the negative stock market situation, combined with the substantial impact of the operating costs of the *IntesaTrade division,* which was spun off in the third quarter and acquired autonomous legal status.

The persisting uncertainty prevailing in stock markets and the consequent shift of customers towards liquid positions or anyhow to alternative investments continued to penalise ***Intesa Asset Management Sgr***, which registered a negative collection amounting to approximately 4,300 million euro in the first nine months of the year. Assets managed by mutual funds and Sicav – core business of the company – remained however at important levels (64 billion euro) covering an approximately 13% market share, which is destined to improve further on completion of the integration process with *Comit Asset Management Sgr*. Including individual asset management schemes, direct or on behalf, total funds under administration by *Intesa Asset Management* totalled, net of duplications, 74.7 billion euro, virtually in line with the volume at the end of last year.
With regard to the statement of income, the company achieved a net income for the period of 46.4 million euro, which is deemed to be an appreciable result in the current context even if lower than that – particularly favourable – recorded in the same period of 2000 (66 million euro).

Also ***Comit Asset Management Sgr*** was affected by the persisting drop in stock market prices and as at 30th September 2001 its total portfolio, related to collective portfolio management schemes, equalled 30 billion euro, with an approximately 10% reduction compared to figures as at 31st December 2000. Including individual portfolio management schemes, direct or on behalf, the volume, net of duplications, rises to 35.3 billion euro, with a lower decrease (–8.8%). The performance for the first nine months, despite the unfavourable economic context, was still appreciable, with a net income close to 14 million euro, approximately 20% lower than the figure in the corresponding period of 2000.

Activities of product companies

The excellent growth rate recorded by the financial leasing market enabled ***Intesa Leasing*** – also engaged in the integration with the analogous division formerly within BCI – to record a positive improvement in the overall value of contracts, whose level already exceeded, thanks also to favourable developments of the real estate sector, 1,600 million euro. The company realised a net income for the period of 11 million euro, practically in line with the result achieved in the same period of 2000.

In the third quarter the turnover of ***Mediofactoring*** registered a decline, also as a result of current sector conditions. Total turnover for the nine months, however, stood at levels only 3% lower than the situation at the end of 2000. Despite present difficulties, net income for the period totalled 22.9 million euro, with a 7% growth rate compared to the period under comparison.

IntesaBci Italia Sim, the new multi-channel bank which, from 1st August, combined in one company the Group's two pre-existing networks of financial consultants, registered – although under the difficulties raised by the unfavourable sector conditions – a net income of 2.6 million euro, with a marked reduction with respect to the net income of approximately 14 million euro achieved in the same period of 2000 by the two previous sales networks.

Setefi, company specialised in the management of credit card payment systems, increased the number of credit cards issued to over 1,480,000 units with a 5% annual growth rate. Also the number of POS installed and transactions processed rose substantially. Net income for the nine months equalled 13 million euro against 11 million euro in the corresponding period of 2000.

In the insurance sector, ***Carivita*** recorded collected premiums of 731 million euro with a contraction (–34%) directly connected with the slowdown which is still characterising its specific market, in spite of certain signs of moderate recovery. The company succeeded in contrasting this slowdown focusing on the offer of products with particularly innovative characteristics and achieved a net income for the period of 15.6 million euro against 8.5 million euro in the same period of 2000, which however reflected considerable extraordinary provisions.

Intesa e-lab – company established with the specific mission of acquiring, managing and selling equity investments in companies operating in the e-banking/e-commerce fields, with particular attention to the home banking and on-line trading services – was obviously penalised by start-up costs and closed the period with a negative result of 12.4 million euro.

Activities of service companies

IntesaBci Gestione Crediti, whose mission is to acquire *pro soluto* and recover doubtful loans granted by Group companies, suffered a loss for the period of approximately 86 million euro, entirely due to the deterioration of its loan portfolio quality. As at 30th September 2001 the company held doubtful loans with nominal value exceeding 10 billion euro (with book value of 3.4 billion euro) while it managed, according to specific agreements, doubtful loans with nominal value of 3.6 billion euro.

Particularly committed to the realisation of the Group's new model, ***IntesaBci Sistemi e Servizi*** – company which centralises the functions of managing IT systems and acquiring goods and services in favour of Group companies –

recorded a net income for the period of 0.4 million euro, adopting a pricing policy which reflects its mission of servicing Group companies.

Intesa Riscossione Tributi - holding co-ordinating Group companies operating in the tax collection sector (Esa.Tri., E.Tr., S.Es.I.T. and Serit) – took great advantage of the economies of scale originated by the centralisation of the services shared by the individual entities set out in the industrial plan for the sector.
Despite uncertainties regarding legislation and, more generally, the reference context, the company was able to realise a net income for the period of approximately 7 million euro, against a loss of approximately 8 million euro during the corresponding period of the previous year.

Abroad

The Latin American area and the Sudameris group

In the third quarter the macroeconomic scenario of the South-American Countries, where Sudameris group's operating units are operating, highlighted (in addition to the elements already indicated in the comments contained in the Half-Year Report) a marked acceleration in the devaluation of the Brazilian *real* against the US dollar – which heavily affected the participated company's statement of income – and, above all, the worsening of the situation in Argentina.

Critical factors present in local economies – which further worsened in the third quarter – determined, in the particular case of the Sudameris group, a reversal of the trend recorded during the first half of 2001 when – although still in presence of a negative result – signs appeared suggesting a certain improvement in operations. In fact, new requirements of considerable provisions for possible loan losses heavily affected profitability for the first nine months of the year. Therefore the company registered a loss of 85 million euro, approximately 12% higher than that related to the corresponding period of 2000, to which further provisions already described in the comments to the consolidated financial statements should be added.

More in detail, a moderate recovery in interest margin – up by approximately 2% to 521 million euro – was offset by the market reduction in net commissions from services (–6%) and in profits on financial transactions, which nearly halved and were only to a minimal extent offset by an increase in other net operating income. Consequently, net interest and other banking income decreased to 833 million euro, with a 4.5% reduction. The drastic measures taken to contain both payroll and other administrative costs – which decreased by approximately 17% overall – also due to the devaluation of the Brazilian currency, led operating margin not only to be positive, but also to register a considerable increase (155 million euro against 70 million euro in the same period of 2000).

As mentioned, net adjustments to loans – made primarily against a considerable deterioration in the quality of loans granted by the Peruvian network – absorbed a much higher portion of operating income (approximately +60%) with respect to September 2000, therefore leading income from operating activities to be negative: –132 million euro (compared to –108 million euro). After extraordinary components and the deduction of income taxes and minority interests, the period closed with the aforementioned net loss of 85 million euro.

With regard to the main balance sheet figures, the difficult situation in the South-American area – including, for Brazil, the devaluation of the national currency – also affected loans to customers, which decreased to 9,415 million euro, virtually at the level of December 2000, but approximately 12% below the figure as at 30th June 2001. Also direct customer deposits registered a contraction of 7.7% and 11.7%, with respect to last June and last December respectively.

Eastern Europe

During the third quarter the Hungarian economy confirmed the upward trend already recorded in the first half of the year, while inflation – although with rates still fluctuating around 10% – appeared to be destined to a marked containment, also as a result of the appreciation of the local currency against the euro. In the first nine months of the year the conglomerate reporting to ***Central-European International Bank (CIB)*** realised a consolidated net income of approximately 30.8 million euro, with a 16% rise with respect to the figure in the same period of 2000.

The marked recovery which characterised the Croatian economy during the first half recorded a more contained trend during the subsequent three months, even if the growth of GNP stayed constantly above 3%. The economic context however shows all pre-conditions for the return in 2002 to the growth rates recorded at the beginning of this year. The ***Privredna Banka Zagreb*** group recorded a particularly significant net income for the period (approximately 65 million euro), with a strong increase (+62%) compared to the analogous figure in September 2000.

Western Europe

Also in the third quarter ***Bankhaus Löbbecke*** maintained the positive trend already shown in the first six months of the year, confirming in this way significant operating improvements compared to last year. The German subsidiary realised a net income for the first nine months of 2001 amounting to 8.1 million euro, with an approximately 12% increase with respect to the net result achieved in the corresponding period of 2000.

In the first nine months of this year ***Société Européenne de Banque (SEB)*** registered a considerable increase in revenues, mainly due to improved spreads and to higher commissions from services to customers, together with costs contained within predefined limits. Consequently net income equalled 8.1 million euro (+9% on the analogous period of 2000). The Group's other company based in Luxembourg, ***Banca Intesa International***, instead, suffered a certain slowdown in its activities and, consequently, in its performance, also in connection with the commitments derived from the merger with SEB, and basically confirmed the net income for the first half of 2.5 million euro.

The persisting unfavourable evolution of world stock markets strongly affected the operations of ***Banca Commerciale Italiana (Suisse)***, determining a contraction in securities traded and, consequently, in brokerage commissions. On the other hand, the development of global corporate banking activities led to improve interest margin. Therefore the period closed with a net income of 7 million euro, approximately 18% lower than that, particularly favourable, realised in September 2000.

During the first nine months of 2001 ***Banca Commerciale Italiana (France)*** achieved a net income of 35.7 million euro, exceeding by approximately 58% that of the same period of the previous year. The achievement of this result was mainly due to important flows of commissions mostly generated by structured finance operations. ***Banca Intesa (France)*** registered a positive net income (1 million euro) but lower than 2.8 million euro achieved in the first nine months of the previous year. The result, even if in line with the previous year on various operating margins, was penalised by the significant provisions required by the deterioration of loan portfolio quality.

The integration process between the two operating entities based in Ireland commenced in the framework of the streamlining of the Group's presence in the Irish market. In fact, *BCI Ireland*, now re-named ***IntesaBci Bank Ireland***, already acquired all the assets and liabilities of *Intesa Ireland* – which will be liquidated shortly – to become, by the end of this year, the Group's only banking entity operating in Ireland also in legal terms. The bank closed the period with a net income of 32 million euro, over 30% higher than the net income registered in total by the two pre-existing companies as at 30th September 2000.

The North-American area

The uncertainties connected with the evolution of the US economy generated signs of slowdown also in the Canadian economy. ***Banca Commerciale Italiana of Canada*** conducted its operations within particularly prudent guidelines aimed at maintaining loan portfolio quality. Profitability increased considerably in terms of commissions and profits generated by trading activities on securities and foreign currencies. The period closed with a net income of 2.9 million euro, mainly thanks to the contribution of the third quarter.

* * *

The main financial and economic markets worldwide are effectively covered not only by the Group's subsidiaries, but also by the presence of 13 direct branches, which were completely unified under every aspect (management, administration and IT system) after attentively considering the structures existing before the integration among the various merged banks.

The performance as at 30th September 2001 of these units was again decidedly brilliant, contributing 166 million euro to IntesaBci's net income (112 million euro in the first nine months of 2000).

Risk control

Risk management

The project for the integration of the portfolios formerly belonging to Banca Intesa and to Banca Commerciale Italiana – which commenced in the first half of 2001 – continued in the third quarter according to schedule. The project is aimed at extending to all IntesaBci aggregates the Internal model, prepared by BCI and validated by the Bank of Italy last May, which calculates regulatory capital requirements. The integration of the former-Intesa portfolios is under completion, and the elaboration of the Caboto group's figures commenced in parallel.

Following the dramatic events of last September, market volatility, which led to a sharp rise in short-term interest rates in the money and bond markets, exploded for stock markets, where increased volatility occurred at the same time as the fall in stock market indices. This evolution had a great impact on the risk profile of the Bank's portfolio, with a significant increase in capital absorbed. Even if the total portfolio did not exceed the assigned thresholds, certain sub-portfolios exceeded their limits; subsequently capital absorbed gradually decreased, thanks to the stipulation of hedges.

Market risk

As at 30th September 2001 the analysis of the positions in the trading portfolio highlighted a capital absorption of 17.8 million euro, with a slight reduction compared to the figure at the end of the first half of 2001. Interest rate risk continued to represent the main component of portfolio risk. Although all risk factors taken individually increased, the change in the structure of the correlation between such risks determined a higher diversification of the various portfolios, thus contributing to the reduction in total capital at risk.

Value at risk of the trading portfolio (*)
(in millions of euro)

Risk factors	**30/9/2001**	**30/6/2001**
Interest rates	14.3	12.6
Equity	10.7	9.9
Foreign exchange	0.7	0.1
Total	**17.8**	**18.9**

(*) *VaR has been calculated assuming a one working day holding period and a 99% confidence level. 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.*

Shareholder base and stock price performance

Voting syndicate

The following table shows the situation as at 30th September 2001 of the shares vested in the syndicate by the participants to the agreement in force among IntesaBci's main shareholders, in compliance with the Agreement signed on 15th April 1999 – modified and/or integrated on 11th April 2000 – and expiring on 15th April 2002.

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
Caisse Nationale de Crédit Agricole	814,986,054	134,332,142	949,318,196	13.89	16.17
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*	*896,835*	*46,812,132*		
• *Alleanza Assicurazioni*	*184,523,983*	*810,664*	*185,334,647*		
• *Other companies*	*86,566,477*	*22,980,361*	*109,546,838*		
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	233,166,558	2,491,248,183	38.47	42.44
Total other Shareholders	–	3,378,150,614	3,378,150,614		57.56
Total	2,258,081,625	3,611,317,172	5,869,398,797		100.00

On 15th October 2001 the Voting syndicate between main IntesaBci shareholders 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 Agreement will be effective as of 15th April 2002, the stake of the "Lombardo" group included in the syndicate on total shares issued will decrease from 3.52% to 3.30% and the holdings in the syndicate will decrease by the same amount.

Stock option plan

With the Board of Directors' approval of the relevant Regulations, the first of the assignment cycles provided for in the three-year stock option plan, approved by the Shareholders' Meeting on 1st March 2001, started on 24th April 2001.
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

set forth 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 gratuitously assigned to IntesaBci's Managing Directors and to 97 other Group managers. The options will give the faculty to acquire the same number of new ordinary shares at a price of 4.258 euro corresponding, as set forth in the Regulations of the stock option 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 is subject to the achievement of at least 95% of the Group's target ROE for 2001.

Stock quotation

The third quarter of 2001 was heavily influenced by the tragic events of 11th September which greatly affected the entire world economy. The analyses carried out after that date highlighted a higher-than-expected economic slowdown, which affected not only the sectors more directly hit (tourism, air transportation and so on) but caused a generalised slowdown in all the other economic sectors. These analyses and the projections made determined immediate, heavy consequences on stock markets. The Comit index registered a 20.8% reduction in the quarter, which, added to the reduction recorded in the first half, totalled a 35.7% overall reduction in the year.

Also the banking sector suffered the effects of the economic slowdown, due to the contraction in interest margins following the expansive policy enacted by central banks and, above all, to the higher risk of the loan portfolio and to the capital losses in the proprietary securities portfolio. In fact the Comit index for the banking sector registered a 26.6% reduction in the quarter.

This situation also affected the performance of the IntesaBci share, whose market price decreased by 35.5% in the quarter.

Reserve for own shares

In application of the resolution of the Shareholders' Meeting held on 1st March 2001, the special reserve for the IntesaBci shares which may be purchased to service the exercise of the Warrant Put IntesaBci, issued in connection with the Tender Offer on 70% of BCI's shares, was regularly set up through the withdrawal from the "Share premium reserve" of a total amount of 2,575.6 million euro.
The purchase of up to a maximum of 478,747,202 IntesaBci shares was authorised by the same Shareholders' Meeting.

Information on specific issues

Incentives provided for by Law 461/98

As already described in detail in the Notes contained in annual and interim reports, fiscal incentives in favour of banking concentrations provided for by Legislative Decree 153/99 (which applied Law 461/98) were 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 is examining the compatibility of those incentives with the EU legislation regarding State subsidies. In a statement released to the press at the end of last October, the European Commissioner for Competition expressed his intention to propose to the Commission a negative decision on the acceptability of the aforementioned incentives.

Considering the uncertainties looming on this matter, starting from this year it was deemed appropriate to disregard, in the calculation of income taxes for the intermediate periods, the incentives provided for in the aforementioned legislation.

As regards the previous years – during which the Group acquired incentives totalling just over 250 million euro – IntesaBci is awaiting the Commission's final judgement and relevant motivations, as well as the position that the Italian Government will take, both to protect its legislative activities and to define the position of the taxpayers which took advantage of a State law, which has not yet been revoked by another law. Should it be necessary, the Bank will take all appropriate actions before Italian and European law courts to adequately defend its own legitimate interests and its evident good faith.

However, for prudential purposes, the excess provisions of "Allowance for taxation" have been retained to offset possible charges of this nature. These were recently generated by Italian Fiscal Authorities abandoning of the litigation regarding the recognition of merger differences for fiscal purposes.

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

As regards the provisions set forth by Law 133/99 in order to cover the estimated charges related to the re-negotiation of the interest rate on *subsidised mortgages granted to the construction industry* a total of approximately 17 million euro had been allocated to the "Allowances for risks and charges" for 2000. The charge estimated for the whole of 2001 amounts to approximately 20 million euro.

In relation to provisions set forth by Law Decree 394 of 29th December 2000, giving the authentic interpretation of Law 108/96, converted in Law 24 of 28th February 2001 with regard to the determination of interest rates considered to be usury for the instalments relative to *fixed-rate mortgages*, it must be pointed out that for Group banks no charges arose in 2000, while charges for the whole of 2001 – as a consequence of the adjustment of interest rates to the levels indicated by the aforementioned Law – have been estimated in approximately 13 million euro.

It must be noted that 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, IntesaBci is convinced that the conduct it adopted is legally correct, therefore – as in the 2000 Annual Report – it did not make any provisions for future charges related to anatocism, adding also that the received requests were in any case insignificant both in absolute terms and even more so, in relation to the magnitude of the Bank's capital.

IntesaBci Warrants

The Intesa-BCI merger generated indirect effects in the situation of the 330,170,484 Warrant Put Intesa Comit, allocated to the holders of BCI shares which were in excess of the maximum quantity of shares tendered (70%) in the Tender Offer made in 1999. Due to the increase in capital to service the merger, and the exchange ratio fixed for this purpose, the unit consideration for the holders of the Warrants Put – which is unchanged at 7.8 euro – now derives from the combination of 5.38 euro for 1.45 IntesaBci ordinary shares held, instead of the exchange ratio of 7.8 euro for each BCI share as provided for at the time of the Tender Offer.

The exercise at maturity of the warrants will therefore imply the purchase of own shares by IntesaBci, instead of determining a higher fixed financial investment in BCI shares foreseen in the original project. The new situation also generated changes – already starting from the accounts as at 30th June 2001 – in the classification in the financial statements and in the valuation of the warrants. These were moved from the category of *"off balance sheet" securities which constitute financial fixed assets* – since they referred to a future purchase of equity investments (BCI shares) – to that of *"off balance sheet" assets which do not constitute financial fixed assets* (1) for their correlation with the acquisition of IntesaBci shares. A consistent change also occurred in the valuation criteria: the warrants are valued at market price instead of cost (the Warrant Put IntesaBci is listed). In application of the aforementioned criteria, as at 30th September 2001, 1,234 million euro was accounted for as extraordinary charges in the statement of income for the period. As already described in the comments to the statement of income this figure comprises 540 million euro already recorded in the Half-Year financial statements and 694 million euro registered in the third quarter.

(1) *See Art. 18, par. 3 and Art. 20, par. 3 of Legislative Decree 87/1992*

Projections for the whole year

In the Report related to the first half of this year, fairly positive projections were made on profitability in the remaining part of the year and on the Group's performance for the whole of 2001.

The events which occurred last September caused a turnaround in world economy, transforming a phase of cyclic slowdown in a recessive phenomenon and accentuating the strong volatility already present in financial markets.

Gruppo IntesaBci is effectively confronting this scenario, though with certain consequences on ordinary operations which – as noted in the examination of the statement of income for the period – affected the asset management and financial areas, as well as provisions for possible loan losses and for South-America's risk. Stock market development also required provisions totalling 1.2 billion euro to cover the potential charge connected with the Warrant Put IntesaBci. In this regard it must be noted that the valuation of this financial instrument – which, as generally known, is correlated to the quotation of the IntesaBci share – is being penalised by very severe market trends. Further possible drops in the stock market could only have – according to any reasonable forecast – a marginal impact compared to the amount that has already been allocated.

Therefore, after the interventions operated in the third quarter, it is deemed reasonable to forecast a net income for the whole year in line with the consistent figure for 2000, save for unforeseenable developments in the international situation.

Milan, 13th November 2001

The Board of Directors

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