Banca Intesa

# Consolidated Financial Statements and Report 2002

## Abstract

This abstract in English of the Italian original “Bilanci 2002” 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

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# CONSOLIDATED FINANCIAL STATEMENTS AND REPORT 2002

# ABSTRACT

**Banca Intesa Spa**
Share capital 3,561,062,849.24 euro fully paid-in – Milano Company Register and Fiscal Code No. 00799960158
Member of the National Interbank Deposit Guarantee Fund – Included in the National Register of Banks No. 5361
Gruppo Intesa included in the National Register of Banking Groups

# Contents

# Board of Directors, Board of Statutory Auditors and Independent Auditors

**Board of Directors**

| | |
|---|---|
| Chairman | * Giovanni Bazoli |
| Deputy Chairmen | * Giampio Bracchi<br>Jean Laurent<br>Luigi Lucchini |
| Managing Director / Chief Executive Officer | * Corrado Passera |
| Directors | Giovanni Ancarani<br>Francesco Arcucci<br>Marc Antoine Autheman<br>Benito Benedini<br>Antoine Bernheim<br>René Carron<br>Alfonso Desiata<br>* Ariberto Fassati<br>* Giancarlo Forestieri<br>Paolo Fumagalli<br>Jorge M. Jardim Gonçalves<br>Gilles Gramat<br>Franco Modigliani<br>Giangiacomo Nardozzi<br>Eugenio Pavarani<br>Giovanni Perissinotto<br>* Axel Freiherr von Rüdorffer<br>Sandro Salvati<br>Eric Strutz<br>Gino Trombi |

* *Members of the Executive Committee*

**Board of Statutory Auditors**

| | |
|---|---|
| Chairman | Gianluca Ponzellini |
| Auditors | Francesco Paolo Beato<br>Paolo Andrea Colombo<br>Franco Dalla Sega<br>Bruno Rinaldi |

**Independent Auditors** Reconta Ernst & Young Spa

# Chairman's letter

*Distinguished Shareholders,*

*2002 has been a difficult year for world economy, since international tensions negatively influenced expectations of recovery. Financial markets saw the worsening of the negative trend which had commenced the previous year and the banking system suffered from a generalised reduction in operations and profitability.*

*Gruppo Intesa was particularly affected by this trend for the reasons which had already negatively influenced 2001. In particular, the results of the Sudameris conglomerate and exposure to large international groups again led to significant provisions and did not enable us to generate profitability in line with expectations.*

*However, I must also point out that in the year which has just closed we have set the foundations for a rapid relaunch of Intesa, with changes in top management and the approval of the new Business Plan.*

*Last May, Corrado Passera was appointed Chief Executive Officer of the Group. Mr. Passera is a manager with renowned abilities who had already guided the Bank in the past with extremely positive results. He and all of his direct aides and all employees are faced with the task of enabling our Group to return to satisfactory results.*

*The strategies for the 2003-2005 three-year period were defined in September. The Plan, approved by the Board of Directors, is being implemented by management; it deals with the problem areas which had emerged in the last two years and sets out the necessary interventions to unravel the Group's great unexpressed potential, thus realising a positive inversion in the trend already starting with 2003.*

*The return to satisfactory profitability is possible solely by increasing revenues and containing costs. As concerns revenues, it is necessary to recover lost market shares and to acquire new ones, leveraging on an improvement in customer service. This requires the rapid completion of the integration of the different entities and cultures which formed Banca Intesa and significant investments in technology and training.*

*The Bank must therefore immediately focus its efforts and its investments in the development of its core business which, due to Banca Intesa's diversified heritage, can leverage on its strong penetration in all customer target segments, from retail customers to small and medium-sized enterprises, to large companies, which always had in BCI a key reference point.*

*As concerns costs, we must rationalise activities and structures, with a reduction in presence in certain international markets, sale of non-strategic equity investments, exit from marginal activities and staff reductions.*

*I wish to linger on this point, since this decision affects people most directly and painfully. The measures we have adopted, typical of all aggregations, become absolutely indispensable at a time like the present in which the economic situation leads to a substantial contraction in revenues. I must therefore thank, on the one hand, the Chief Executive Officer for having been capable of managing this problem effectively and sensibly and, on the other hand, the Trade Union counterparties for having showed a great sense of responsibility.*

*The results for the period (the consolidated financial statements closed with a net income of 200 million euro, the Parent Company's financial statements with an even lower income) were significantly affected by the negative performance of the South-American subsidiaries, the reduction to presumed realisable value of certain important credit exposures and the marking to market of own shares.*

*These charges, that were for the most part extraordinary, were partly offset by the significant capital gains realised on the sale of non-strategic assets, which will in no way affect expected future profitability.*

*The modest net income permits the distribution of a cash dividend lower than last year's, mostly using reserves. However, the Board of Directors decided to propose to the Shareholders' Meeting the distribution of treasury shares amounting to approximately 300 million euro (calculated using market prices in the last few weeks).*

*The uncertain economic and financial market situation, which depends on the evolution of the international political situation, make it difficult to forecast 2003. Nonetheless, we are certain that our strategies will start to produce the positive results that we all expect.*

Giovanni Bazoli

Milano, 10th March 2003

# Gruppo Intesa – Financial highlights

| | 2002 | 2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| **Statement of income** (in millions of euro) | | | | |
| Net interest income | 5,753 | 6,024 | (271) | (4.5) |
| Interest margin | 5,946 | 6,236 | (290) | (4.7) |
| Net commissions | 3,335 | 3,677 | (342) | (9.3) |
| Net interest and other banking income | 9,924 | 10,592 | (668) | (6.3) |
| Operating costs | (6,816) | (7,388) | (572) | (7.7) |
| *including Payroll* | *(3,692)* | *(4,056)* | *(364)* | *(9.0)* |
| Operating margin | 3,108 | 3,204 | (96) | (3.0) |
| Net adjustments to loans and provisions for possible loan losses | (2,384) | (2,425) | (41) | (1.7) |
| Income (Loss) from operating activities | (59) | (79) | (20) | (25.3) |
| Extraordinary income (loss) | 286 | 1,196 | (910) | (76.1) |
| Net income for the period | 200 | 928 | (728) | (78.4) |
| **Balance sheet** (in millions of euro) | | | | |
| Loans to customers | 168,532 | 182,772 | (14,240) | (7.8) |
| Securities [2] | 36,266 | 50,920 | (14,654) | (28.8) |
| *including Investment portfolio* | *8,108* | *12,585* | *(4,477)* | *(35.6)* |
| Equity investments | 3,620 | 4,754 | (1,134) | (23.9) |
| Total assets | 280,733 | 317,248 | (36,515) | (11.5) |
| Direct customer deposits | 182,033 | 186,850 | (4,817) | (2.6) |
| *including Subordinated and perpetual liabilities* | *11,631* | *11,708* | *(77)* | *(0.7)* |
| Indirect customer deposits | 301,749 | 328,150 | (26,401) | (8.0) |
| *including Managed funds* | *125,552* | *138,336* | *(12,784)* | *(9.2)* |
| Customer deposits under administration | 483,782 | 515,000 | (31,218) | (6.1) |
| Due to banks, net | 14,155 | 36,633 | (22,478) | (61.4) |
| Shareholders' equity [3] | 13,951 | 14,141 | (190) | (1.3) |
| **Operating structure** | | | | |
| Staff (number) | 71,501 | 73,864 | (2,363) | (3.2) |
| Branches (number) | 4,341 | 4,319 | 22 | |
| *including Italy* | *3,277* | *3,254* | *23* | |
| *Abroad* | *1,064* | *1,065* | *(1)* | |

[1] Figures restated on a consistent basis.
[2] Including own shares of 981 million euro as at 31st December 2002.
[3] Including net income for the period.

# Gruppo Intesa – Financial ratios

| | 2002 | 2001 pro forma [1] |
|---|---:|---:|
| *Balance sheet ratios (%)* | | |
| Loans to customers/Total assets | 60.0 | 57.6 |
| Securities/Total assets | 12.9 | 16.1 |
| Direct customer deposits/Total assets | 64.8 | 58.9 |
| Managed funds/Indirect customer deposits | 41.6 | 42.2 |
| *Statement of income ratios (%)* | | |
| Interest margin/Net interest and other banking income | 59.9 | 58.9 |
| Net commissions/Net interest and other banking income | 33.6 | 34.7 |
| Operating costs/Net interest and other banking income | 68.7 | 69.8 |
| Net income for the period/Average total assets (ROA) [2] | 0.1 | 0.3 |
| Net income for the period/Average shareholders' equity (ROE) [3] | 1.6 | 6.7 |
| *Risk ratios (%)* | | |
| Net doubtful loans/Total loans | 3.2 | 3.0 |
| Accrued adjustments on doubtful loans/Gross doubtful loans to customers | 62.5 | 59.5 |
| *Capital ratios (%)* | | |
| Tier 1 capital/Risk-weighted assets [4] | 6.8 | 6.0 |
| Total capital/Risk-weighted assets [4] | 11.1 | 9.3 |
| Risk-weighted assets (in millions of euro) [4] | 199,714 | 246,123 |
| EPS – Earnings per share – euro | 0.03 | 0.14 |

[1] Figures restated on a consistent basis.
[2] Based upon the arithmetical average of total assets at the end of the 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, and the reserve for general banking risks.
[4] Figures for 2001 have not been restated.

# Rating

| Rating agency | Short-term debt | Medium- and long-term debt |
|---|---:|---:|
| Standard & Poor's | A-2 | A– |
| Moody's | P-1 | A1 |
| Fitch | F1 | A+ |

In 2002 *Standard & Poor's* deemed that the deterioration in the general economic scenario could hinder the achievement of the objectives indicated in the 2003-2005 Business Plan and thus reduced by one notch the rating assigned to Intesa's debt.

Instead, there were no variations in the ratings assigned by *Moody's*, included the Financial Strength Rating (B-) and by *Fitch*, included the Individual Rating (C).

# The Banca Intesa share


(in millions of euro)

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Market capitalisation | 16,239 | 22,776 | 22,895 | 16,689 | 10,251 |
| Shareholders' equity | 14,061 | 13,209 | 11,245 | 7,541 | 3,114 |
| **Price/Book value** | 1.15 | 1.72 | 2.04 | 2.21 | 3.29 |

(in millions of euro)

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| Net income for the period | 200 | 928 | 1,461 | 851 | 584 |
| Dividends (*) | 434 | 331 | 551 | 455 | 130 |
| **Pay-out ratio** | 217% | 36% | 38% | 53% | 22% |

(*) Dividends for 2002 have been calculated based on the unit carrying value of the own shares assigned to Shareholders (2.049 euro).

(in euro)

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|
| **Ordinary share** | | | | | |
| Dividend per share (*) | 0.066 | 0.045 | 0.093 | 0.083 | 0.041 |
| Stock price | 2.578 | 3.809 | 4.338 | 4.544 | 4.800 |
| Dividend yield | 2.56% | 1.18% | 2.14% | 1.83% | 0.85% |
| **Saving share** | | | | | |
| Dividend per share (*) | 0.079 | 0.080 | 0.103 | 0.093 | 0.052 |
| Stock price | 1.878 | 2.437 | 2.421 | 2.155 | 2.465 |
| Dividend yield | 4.21% | 3.28% | 4.25% | 4.32% | 2.11% |

(*) Dividends for 2002 have been calculated based on the unit carrying value of the own shares assigned to Shareholders (2.049 euro).

# Shareholder base

Banca Intesa's shareholder base as at 31st December 2002 – detailed in the following table – includes reference shareholders which are part of the Voting syndicate and hold 42.78% of the Bank's ordinary shares (37.98% is vested in the syndicate) and approximately 200,000 shareholders holding 49.13%; the remaining 8.09% is represented by own shares.

| **Name** | **Shares included in the Voting syndicate** | **Shares not included in the Voting syndicate** | **Total shares** | **% of shares included in the Voting syndicate on total** | **% of shares held on total** |
|---|---|---|---|---|---|
| Crédit Agricole SA | 814,986,054 | 171,532,142 | 986,518,196 | 13.78 | 16.68 |
| Fondazione Cariplo | 498,125,809 | 17,761,000 | 515,886,809 | 8.42 | 8.72 |
| Generali group | 317,005,757 | 23,825,702 | 340,831,459 | 5.36 | 5.76 |
| *including* | | | | | |
| • *Assicurazioni Generali* | *47,261,726* | *3,114,075* | *50,375,801* | | |
| • *Alleanza Assicurazioni* | *184,523,983* | *–* | *184,523,983* | | |
| • *Other companies* | *85,220,048* | *20,711,627* | *105,931,675* | | |
| Fondazione Cariparma | 236,628,289 | 5,711,434 | 242,339,723 | 4.00 | 4.10 |
| Lombardo group | 193,542,967 | 1,311,313 | 194,854,280 | 3.27 | 3.29 |
| *including* | | | | | |
| • *Banca Lombarda e Piemontese* | *130,198,395* | *190,080* | *130,388,475* | | |
| • *IOR* (*) | *42,917,536* | *1,121,233* | *44,038,769* | | |
| • *Mittel* | *20,427,036* | *–* | *20,427,036* | | |
| Commerzbank group | 186,317,187 | 64,041,572 | 250,358,759 | 3.15 | 4.23 |
| *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 | 2,246,606,063 | 284,183,163 | 2,530,789,226 | 37.98 | 42.78 |
| Total other Shareholders | – | 2,906,459,764 | 2,906,459,764 | | 49.13 |
| Own shares | – | 478,458,236 | 478,458,236 | | 8.09 |
| **Total** | 2,246,606,063 | 3,669,101,163 | 5,915,707,226 | | 100.00 |

(*) Shares with beneficial interest in favour of Mittel Spa.

# Gruppo Intesa
# Report on Operations

# Executive summary

The context in which we had to operate in 2002 was very difficult: according to the initial forecasts it should have been the year of the return to economic growth, after the tragic events of September 2001, which had further worsened an economic and financial situation which had started its slowdown approximately two years before. On the contrary, 2002 closed with a very modest growth rate, that required the continuous revision downwards of all the economic, financial and "confidence" indicators, and with a progressive increase in geopolitical tensions. The uncertain context – especially as concerns the general strategies to be adopted to invert the negative trends – is still the greatest concern and hinders growth especially in the Western area.
This situation obviously also affected Banca Intesa: 2002 was not a brilliant year. However, the year closed in line with projections illustrated in the presentation of the 2003-2005 Business Plan, which identified both the main problem areas and the necessary corrective actions to be taken and the value-creation potential of the Bank and of the competitive context in which Gruppo Intesa operates. The Plan contains precise indications on the timing and the means of the relaunch and has the support of Shareholders, the Voting syndicate, the Board of Directors and the management of the Bank. It sets out over 100 projects, many of which started implementation in the last few months. All projects pursue a primary objective, namely greatly improving, from this year, all the main economic and operating results and creating value through measures aimed at increasing efficiency, increasing control over exposures and – especially – enhancing customer service.

## The Business Plan

The actions for the turnaround – which commenced in the second half of 2002 – progressively accelerated already starting with the fourth quarter.
In particular:

- the new organisational structure was defined. On the one hand it confirms the divisional approach but, on the other hand, the structure is streamlined and significantly strengthened. The new structure ensures i) clear direction and strategies through the CEO, ii) simplification and clarification of areas of responsibility, tasks and objectives, and iii) integration between all corporate areas;
- a strong management team was created in a short time, with a significant improvement in know-how and cohesion;
- an agreement was signed with Trade Unions regarding the structural reduction of labour cost. All the consequent measures – including the forecasted decrease in the number of staff – have commenced implementation, with the intent of in any case minimising their social and personal impact, thanks to the simultaneous activation of solidarity mechanisms provided for by current regulations. Consistency in the decided pursuit of operating cost containment produced its first effects already in the accounts for the second part of 2002 and – thanks to the agreement signed – will have an even greater impact starting with 2003. Furthermore – since the targets contained in the 2002 budget were not achieved – the performance premium (VAP) for 2002 will not be due, again with the assent of Trade Unions;
- the following four strategic objectives were clearly defined and are to be pursued according to a precise timing and action plan:
  – *reduction in the Group's risk profile and improvement in asset quality*. On this front the commitment is to decrease the risk profile to the desired level via both i) the decision to focus assets in retail activities and in Italy, and ii) the consolidation of the systems and policies which regulate credit granting and monitoring and the strengthening of the Risk Management Unit;
  – *exit from Latin America,* which has been expensed in the 2002 accounts;
  – *strengthen capital ratios*, via a mix of initiatives also aimed at managing the purchase of own shares, following the exercise – in November 2002 – of the *Warrants Put IntesaBci*;
  – *increase profitability and maximise value creation*, to take Gruppo Intesa among the best European players also with regard to this aspect. This objective will be pursued according to an action plan – which is already under implementation – which leverages on i) Gruppo Intesa's leadership in Italy in numerous sectors, ii) the revenue-generating potential of

each single organisational structure,
iii) the marked and rapid improvement of operating efficiency, and iv) the dynamic management of the asset portfolio.
This strategy is based on two great competitive advantages of Gruppo Intesa: strong presence on the local markets and availability of high-quality professional capabilities and resources in every area of activity.

The results of the last part of 2002 indicate that these strategic objectives are being pursued with determination and consistency and have produced the first positive impact on the financial statements.

**Actions taken**

Therefore, the main problem areas have been immediately addressed.

- *Risk-weighted assets to Large Corporates decreased* from 53.4 billion euro (as at 31st December 2001) to 38.5 billion euro (as at 31st December 2002), with a 28% reduction; this also led to a contraction of almost one third of the allocated capital (from 3.2 billion euro to 2.3 billion euro). Due to these interventions, over 80% of the credit portfolio as at 31st December 2002 was made up of exposures to customers resident in Italy. Exposures to financial counterparties decreased by approximately three percentage points (over 6 billion euro in absolute value) and guaranteed exposures represented over 50% of total exposures.
The rebalancing of the Bank's activities also commenced: the risk-weighted assets of the *Retail* area (which also includes the contribution of the Group's Italian banks and Product companies) increased from 42% to 49%, while the risk-weighted assets of the *Corporate* area decreased from 35% to 33%, with a more marked decrease in *Foreign Large* and *Mid Corporates* (down from 15% to 13%).
In particular, in the last months of 2002 and at the beginning of 2003, the Bank sold corporate loans amounting to 875 million euro, that included exposures to Worldcom and Marconi, at values practically in line with book values.
As concerns risk control and management, the Credit Risk Unit of the Parent Company was restructured and strengthened and the monitoring systems were refined through exposure measurement and control methodologies that calculate risk indicators, and through the identification of internal ratings for corporate customers and a scoring system for retail customers.

- *Credit Derivatives exposure decreased* from 80 to 74 billion euro (–7%), especially as concerns outstanding positions, which in the last six months were more than halved (from almost 12 billion euro to 5.6 billion euro) and concentrated in the Super Senior category.

- *Exit from South America.* The Business Plan sets out a gradual but decided disengagement from South America – where Banca Intesa has been present for over a century through the Sudameris group, controlled through Banque Sudameris, Paris – for the purpose of concentrating Banca Intesa's activities and financial resources in Europe. The various solutions for the exit will be valued exclusively from an economic viewpoint, without in any way diverting from the objective.
A first step has been taken in Argentina with the sale of Banco Sudameris Argentina to Banco Patagonia. Banca Intesa will maintain a stake just under 20% in the bank which will be formed from the subsequent merger of the two entities. This led to charges of approximately 168 million euro, entirely expensed in the 2002 financial statements.
As concerns Brazil, in November it was decided to interrupt the negotiations with Banco Itaù, since the latter would not have recognised the right value for the equity investment. The sale of the subsidiary remains conditional upon the possibility of obtaining a price in line with its intrinsic value. The decision to proceed with the sale – despite the good prospects of the Brazilian bank – represents a further confirmation of the decision to exit from South America, in line with the commitment made by Banca Intesa with the market.
The situation of the Peruvian subsidiary, Banco Wiese Sudameris, is different due to its importance in that Country's banking system, which makes a potential merger or disposal more complex. In 2002 the capital of the subsidiary was increased by 458 million euro, entirely expensed in the financial statements. After an attentive assessment of the financial situation and the potential of the Peruvian bank, at the beginning of 2003 a further

credit line, amounting to 150 million dollars, was granted to the subsidiary in order to enable it to have the liquidity necessary to manage its turnaround most effectively.
Lastly, it must be noted that an allowance for future risks and charges of 100 million euro has been set up to cover any further charges which may emerge from the restructuring and disposal of the South-American subsidiaries.
As already mentioned, all the charges incurred in South America and expensed in the 2002 financial statements, have been offset by extraordinary income generated by the sale of non-strategic assets.

- *Strengthen capital adequacy*, both through the reduction of the loan portfolio, and through the sale of non-strategic assets and, in general, of assets which absorb significant portions of capital, such as for example real estate properties. This has led to improve capital ratios, not only compared to 2001, but also compared to the targets indicated in the presentation of the Business Plan: the Core Tier 1 ratio improved compared to 2001 (from 5.3% to 5.9%); the Tier 1 ratio increased from 6% to 6.8%; the total capital ratio rose from 9.3% to 11.1%. These improvements are particularly significant considering that the exercise of the *Warrants Put IntesaBci* – assigned to the holders of BCI shares tendered but not exchanged in the Tender Offer made in 1999 – occurred in November 2002. This exercise led to the purchase by Banca Intesa of 478 million ordinary shares, corresponding to little over 8% of voting share capital, at a total price of approximately 2,574 million euro. Carrying value of such shares was netted of the specific provisions made in the 2001 financial statements on the commitment made. In the 2002 financial statements, carrying value of such shares was marked to market, with the registration of a charge amounting to 437 million euro. Therefore, as at 31st December 2002, own shares have a book value of 980 million euro in the Parent Company's financial statements. The sale of non-strategic assets referred to the sale of stakes in Banca Carime, Banco di Chiavari, Borsa Italiana and Monte Titoli, the realisation, via a structured finance deal, of the capital gain on the shares of Italenergia Bis, the sale of the first *tranche* of real estate properties. The positive impact of such extraordinary operations on the statement of income summed up to approximately 900 million euro, inclusive of the securitisation of performing residential mortgages.

**Value creation projects**

The initiatives for the relaunch of Banca Intesa and for increasing value creation commenced at the same time as the turnaround projects. As specified in the Business Plan, a significant improvement of services to customers – to all customers – can be the basis for higher revenues (which must increase, with respect to 2001, by approximately 1.5 billion euro within 2005), improved profitability and maximisation of value creation.
The first step was the implementation of the new organisational structure, based on four Business Divisions (Retail, Corporate, Italian Banks and Foreign Banks), on Product Companies (Intesa Mediocredito, Intesa Leasing, Mediofactoring, Banca Cis, IntesaVita, Setefi, Intesa Riscossione Tributi, Caboto IntesaBci Sim, Nextra Sgr, and so on, some of which in operating terms report to a specific Division) and Central Structures (Head Office Departments and Services Companies).
Each structure has therefore been assigned precise responsibilities as concerns capital absorption and the achievement of specific objectives, both economic (with a strong focus on EVA as a performance measure), and of service improvement. Over one hundred reorganisation and relaunch projects have been undertaken, including:

- *unification of the company's IT system*: the migration of former-Cariplo branches on the "Target system" was concluded in 2002, the migration of former-BCI branches commenced in 2003. This is aimed at equipping Banca Intesa with just one IT system, which is the essential precondition for a great improvement in customer service. An improvement which will also derive from a mix of other initiatives which have already started implementation: the review and strengthening of monitoring and active management of service quality; the realisation of the new branch model; the revision of branch and back-office procedures; the integration and strengthening of complementary channels (Internet and telephone), to ensure a real multimedia access;
- *realisation of the network's new organisational model*, with a reduction in

decision-making levels, the elimination of certain intermediate structures and greater responsibilities and autonomy in the Areas;

- *optimisation of the territorial coverage of the branch network*, for the purpose of ensuring the best access to customers, at the same time eliminating overlapping branches and low-performance and non-strategic locations;
- *rationalisation and improvement of the product portfolio*, for the purpose of unifying, simplifying and matching product offering to customer needs.
  A process which will receive a strong impulse from the completion of the Company's IT system, but which already commenced with the placement, in January 2003, of two structured bond issues for a total of 750 million euro – for the first time solely under the "Banca Intesa" brand. Such issues were aimed at satisfying the needs of a significant part of the customer base, looking for attractive returns, combined with guaranteed minimum return and reimbursement of the entire capital;
- *improving sales capacity*, both through the increase of resources dedicated to customer relations compared to administrative tasks, and through extremely high investments in training;
- *setting-up of the Government and Infrastructures Unit*, a new structure dedicated to serving the increasing advisory requirement of the State and all its various units, through the development of project finance, corporate finance, asset securitisation and bond origination for local authorities to be added to traditional banking services;
- *refocus of foreign activities*. In addition to the aforementioned exit from Latin America, the main guidelines refer to the decision to i) operate in retail banking only in Eastern Europe, where Gruppo Intesa is present in Hungary (with the Central-European International Bank – CIB group), in Slovakia (Vseobecna Uverova Banka – VUB), in Croatia (Privredna Banka Zagreb – PBZ), and ii) operate in the corporate sector only to support foreign companies' activities in Italy (and therefore to abandon "purely foreign" transactions), create a large network to support the development of Italian companies abroad and focus attention on the areas in the world which present the highest growth potential for Italian companies and where there appears to be the greatest need of assistance (e.g. Russia, China, India).

**Human resources and alliances**

All turnarounds and relaunch initiatives require the strong involvement of personnel. As already mentioned above, the agreement for a reduction in personnel costs amounting to approximately 500 million euro was signed with Trade Unions in December 2002. Simultaneously, the phase aimed at developing and training human resources commenced. In particular, this is based on a multiannual training plan which includes over 800,000 days of training and must promote a new corporate culture in addition to further strengthening professional know-how. The Business Plan and its values are the reference model for this new culture, which is based on: result-orientation, customer focus, operating excellence, profitability, responsibility, teamwork, authoritativeness, rigour, integrity.

Alliances play a crucial role in achieving the critical mass necessary to benefit from the best economies of scale and scope.
The foundations for the development of various important initiatives were set in 2002: with the Crédit Agricole group (consumer lending, private banking, and so on), with the Assicurazioni Generali group in bancassurance, with the Lazard group in advisory (M&A and equity origination).

## 2002 results

As mentioned at the beginning, 2002 has been a year of transition for Banca Intesa in which reorganisation and relaunch activities occurred, while ordinary operations presented various difficulties, also as a result of exogenous factors.
Operating activities in the short term were positively affected by the first actions aimed at improving loan portfolio quality and the reduction in its risk profile.

The significant decrease in assets, mostly referred to non-resident corporate customers, led to a 4.5% contraction in net interest income and in income from services. Conversely, the reorganisation of the network as set out in the new organisational model will produce the first positive effects with regard to profitability starting with 2003.
Income from services, 9.3% down compared to 2001, was affected by the stagnation of financial markets which determined a

significant contraction (–17.6%) of income from asset management and securities trading.

The first interventions as concerns the recovery of efficiency and cost containment led to a reduction in operating costs exceeding 7%. The main areas of interventions were: personnel costs, that decreased due to both the layoffs and the lower variable compensation on the modest results achieved in the last two years, and depreciation, due to the sale of certain non-strategic assets.
These initiatives contributed to contain the decrease in operating margin to 3% compared to the figure for 2001, the latter considered net of the 521 million euro non-recurring dividend on the sale of the last portion of the equity investment in Seat Pagine Gialle.

Profitability was instead heavily affected by adjustments and provisions (in excess of 3 billion euro). These were deemed necessary to adjust carrying value of certain assets to their intrinsic value.
Important adjustments were recorded on the loan portfolio (2,384 million euro), mostly referred to non-resident corporate customers and to the South-American area, and also to certain equity investments.

Extraordinary operations led to an income of 286 million euro, which stemmed from i) the capital gains on the sale of the stake in Banco di Chiavari, of other non-strategic equity investments, and of the residual stake in Banca Carime, ii) the decision to sell the stake in Crédit Lyonnais (by accepting the Tender Offer made by Crédit Agricole), and iii) the sale of certain real estate assets.
Extraordinary charges mostly reflected provisions for future charges related to the creation of a "solidarity allowance" and the write-down of own shares, purchased following the exercise of the *Warrants Put IntesaBci*.

2002 closed with a net income of 200 million euro, which certainly does not reflect the potential present within the Group. The first important evidences of this potential should contained in profitability for 2003.

The limited size of Banca Intesa's net income in 2002 enables to distribute a dividend lower than in 2001, which in any case mostly derives from the use of the extraordinary reserve.
However, in order to offer Shareholders an adequate return on investment, the Board of Directors will propose to the Shareholders' Meeting the assignment to all Shareholders of one Banca Intesa ordinary share for every 40 ordinary shares and/or saving shares held. This will lead to the distribution of over 159 million ordinary shares, equal to almost a third of the treasury shares held.
At current market prices, shares assigned are worth over 300 million euro.

All the objectives contained in the Business Plan – which are meant to ensure a significant recovery in profitability starting with 2003 – are confirmed, notwithstanding all the caution necessary in consideration of the uncertainty of the international situation and the macroeconomic scenario.

With reference to the main revenue areas, actions implemented have the objective of maintaining net interest income, despite the scenario of decreasing interest rates, and the recovery of the contribution from net commission income, in particular in the segment of asset management and other financial services to customers.
As concerns costs, further savings are expected from personnel costs and general expenses.

The rise in profitability will also reflect the improvement in credit management, which is expected to lead to a reduction in adjustments, due to the decided interventions on loan portfolio quality and the significant decrease in exposure to certain large international groups.

# Gruppo Intesa
# Reclassified consolidated statement of income

(in millions of euro)

| Captions | 2002 | 2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| **Net interest income** | **5,753** | 6,024 | (271) | (4.5) |
| Dividends and other revenues | **133** | 136 | (3) | (2.2) |
| Income from investments carried at equity | **60** | 76 | (16) | (21.1) |
| **Interest margin** | **5,946** | 6,236 | (290) | (4.7) |
| Net commissions | **3,335** | 3,677 | (342) | (9.3) |
| Profits (Losses) on financial transactions | **189** | 194 | (5) | (2.6) |
| Other operating income, net | **454** | 485 | (31) | (6.4) |
| **Net interest and other banking income** | **9,924** | 10,592 | (668) | (6.3) |
| Administrative costs | **(6,081)** | (6,643) | (562) | (8.5) |
| *including Payroll* | ***(3,692)*** | *(4,056)* | *(364)* | *(9.0)* |
| *Other* | ***(2,389)*** | *(2,587)* | *(198)* | *(7.7)* |
| Adjustments to fixed assets and intangibles | **(735)** | (745) | (10) | (1.3) |
| **Operating costs** | **(6,816)** | (7,388) | (572) | (7.7) |
| **Operating margin** | **3,108** | 3,204 | (96) | (3.0) |
| Adjustments to goodwill arising on consolidation and on application of the equity method | **(141)** | (125) | 16 | 12.8 |
| Provisions for risks and charges | **(354)** | (640) | (286) | (44.7) |
| Net adjustments to loans and provisions for possible loan losses | **(2,384)** | (2,425) | (41) | (1.7) |
| Net adjustments to financial fixed assets | **(288)** | (93) | 195 | |
| **Income (Loss) from operating activities** | **(59)** | (79) | (20) | (25.3) |
| Extraordinary income (loss) | **286** | 1,196 | (910) | (76.1) |
| Income taxes for the period | **49** | (195) | 244 | |
| Use of allowance for risks and charges arising on consolidation | **2** | 11 | (9) | (81.8) |
| Change in the reserve for general banking risks | **(22)** | 16 | (38) | |
| Minority interests | **(56)** | (21) | 35 | |
| **Net income for the period** | **200** | 928 | (728) | (78.4) |

[1] Figures restated on a consistent basis.

## Quarterly development of the reclassified statement of income

(in millions of euro)

| Captions | 2002 [1] | | | | 2001 [1] | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth quarter | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| Net interest income | 1,438 | 1,418 | 1,396 | 1,501 | 1,618 | 1,389 | 1,501 | 1,516 |
| Dividends and income from investments carried at equity | 31 | 16 | 115 | 31 | 37 | 28 | 129 | 18 |
| **Interest margin** | **1,469** | **1,434** | **1,511** | **1,532** | **1,655** | **1,417** | **1,630** | **1,534** |
| Net commissions | 824 | 801 | 850 | 860 | 923 | 888 | 928 | 938 |
| Profits (Losses) on financial transactions | (5) | (31) | 129 | 96 | 32 | (83) | 175 | 70 |
| Other operating income, net | 173 | 77 | 87 | 117 | 114 | 101 | 117 | 153 |
| **Net interest and other banking income** | **2,461** | **2,281** | **2,577** | **2,605** | **2,724** | **2,323** | **2,850** | **2,695** |
| Administrative costs | (1,555) | (1,399) | (1,515) | (1,612) | (1,914) | (1,507) | (1,634) | (1,588) |
| *including Payroll* | *(905)* | *(844)* | *(952)* | *(991)* | *(1,114)* | *(944)* | *(1,028)* | *(970)* |
| *Other* | *(650)* | *(555)* | *(563)* | *(621)* | *(800)* | *(563)* | *(606)* | *(618)* |
| Adjustments to fixed assets and intangibles | (231) | (196) | (141) | (167) | (243) | (166) | (168) | (168) |
| **Operating costs** | (1,786) | (1,595) | (1,656) | (1,779) | (2,157) | (1,673) | (1,802) | (1,756) |
| **Operating margin** | **675** | **686** | **921** | **826** | **567** | **650** | **1,048** | **939** |
| Adjustments to goodwill arising on consolidation and on application of the equity method | (33) | (60) | (25) | (23) | (65) | (20) | (20) | (20) |
| Provisions for risks and charges | (58) | (18) | (216) | (62) | (330) | (128) | (108) | (74) |
| Net adjustments to loans and provisions for possible loan losses | (1,046) | (307) | (837) | (194) | (1,218) | (487) | (507) | (213) |
| Net adjustments to financial fixed assets | (202) | (14) | (60) | (12) | (77) | (8) | (9) | 1 |
| **Income (Loss) from operating activities** | **(664)** | **287** | **(217)** | **535** | **(1,123)** | **7** | **404** | **633** |
| Extraordinary income (loss) | 621 | (351) | (216) | 232 | 753 | (425) | 602 | 266 |
| Income taxes for the period | 204 | 2 | 161 | (318) | 153 | 89 | (127) | (310) |
| Use of allowance for risks and charges arising on consolidation | – | 1 | – | 1 | 7 | 2 | 1 | 1 |
| Change in the reserve for general banking risks | (24) | 1 | – | 1 | 14 | – | 2 | – |
| Minority interests | 7 | 2 | (39) | (26) | 61 | 4 | (49) | (37) |
| **Net income (loss) for the period** | **144** | **(58)** | **(311)** | **425** | **(135)** | **(323)** | **833** | **553** |

[1] Figures for 2001 and the first three quarters of 2002 restated on a consistent basis.

## Interest margin

Interest margin equalled 5,946 million euro with a 4.7% drop with respect to the previous year. However, a consistent comparison must consider the significant devaluation in 2002 of the South-American currencies (the Brazilian currency especially) where the Sudameris group has its operations. Net of this effect, interest margin would show a far more contained reduction (–1.4%).

(in millions of euro)

| Captions | 2002 | 2001 | Changes | |
|---|---|---|---|---|
| | | pro forma | amount | % |
| Net interest income with customers | | | | |
| • interest income | **9,861** | 11,826 | (1,965) | (16.6) |
| • interest expense | **(2,384)** | (3,075) | (691) | (22.5) |
| • interest expense on securities issued | **(2,320)** | (2,933) | (613) | (20.9) |
| • interest expense on subordinated liabilities | **(638)** | (611) | 27 | 4.4 |
| | **4,519** | 5,207 | (688) | (13.2) |
| Interest income on securities | **1,988** | 3,146 | (1,158) | (36.8) |
| Net interest income with banks | | | | |
| • interest income | **1,456** | 2,414 | (958) | (39.7) |
| • interest expense | **(1,913)** | (4,485) | (2,572) | (57.3) |
| | **(457)** | (2,071) | (1,614) | (77.9) |
| Differentials on hedge contracts | **(333)** | (289) | 44 | 15.2 |
| Other interest (net) | **36** | 31 | 5 | 16.1 |
| Total net interest income | **5,753** | 6,024 | (271) | (4.5) |
| Dividends and other revenues | **133** | 136 | (3) | (2.2) |
| Income from investments carried at equity | **60** | 76 | (16) | (21.1) |
| **Interest margin** | **5,946** | 6,236 | (290) | (4.7) |

## Net interest and other banking income

Net interest and other banking income also decreased compared to 2001 and totalled 9,924 million euro (–6.3%). The same considerations made for interest margin apply to this margin. Excluding the foreign currency effect, the reduction in net interest and other banking income would decrease to under 4 percentage points.
The evolution of the margin during the year highlighted a marked decline in the third quarter and a subsequent recovery in the fourth quarter.

## Net commissions

(in millions of euro)

| Captions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| **Commercial banking activities** | | | | |
| • guarantees given | **170** | 195 | (25) | (12.8) |
| • collection and payment services | **272** | 260 | 12 | 4.6 |
| • current accounts | **744** | 764 | (20) | (2.6) |
| • fees on credit card distribution and POS services | **205** | 181 | 24 | 13.3 |
| | **1,391** | 1,400 | (9) | (0.6) |
| **Management, dealing and consultancy** | | | | |
| • dealing and placement of securities | **142** | 227 | (85) | (37.4) |
| • dealing in currencies | **57** | 71 | (14) | (19.7) |
| • portfolio management | **1,124** | 1,333 | (209) | (15.7) |
| • distribution of insurance products | **103** | 99 | 4 | 4.0 |
| • other | **(40)** | (48) | (8) | (16.7) |
| | **1,386** | 1,682 | (296) | (17.6) |
| **Other net commissions** | **558** | 595 | (37) | (6.2) |
| **Total net commissions** | **3,335** | 3,677 | (342) | (9.3) |

Net commissions recorded a decrease exceeding 9%, mostly as a result of the lower contribution of financial transactions, due to persisting financial market crisis and the extreme volatility of stock prices.
Commissions on management, dealing and consultancy, which in 2001 still represented approximately 50% of net commissions, registered a decrease in excess of 17% to be ascribed mostly to lower commissions on portfolio management (–16%) and dealing and placement of securities (–37%).
Commissions on commercial banking activities – though affected by the adverse economic context – were in line with the previous year, also as a result of the positive trend recorded by commissions on credit and debit cards.

The analysis of the contribution of Group companies to this result confirms the situation described above: the overall reduction in net commissions mostly stems from the asset management companies (–14%), the Parent Company (–17% for the portion related to securities), Caboto IntesaBci Sim (–19%) and Banca Primavera (–18%), the bank which operates through personal financial consultants and is very active in financial activities.
The decreases recorded by the Italian subsidiaries were more limited, while foreign banks present differentiated trends: increases exceeding 30% for the contribution of Eastern-European subsidiaries and contractions, also due to the foreign exchange effect, in the South-American area.
Lastly, Setefi, active in credit card payment systems, showed good progress.

## Profits (Losses) on financial transactions

Financial transactions led to an overall profit of 189 million euro, practically in line with the figure recorded the previous year. The table below shows breakdown of this result in terms of risk of the underlying asset.

(in millions of euro)

| Captions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Interest rates | **(77)** | 23 | (100) | |
| Equity | **62** | (54) | 116 | |
| Foreign exchange | **242** | 233 | 9 | 3.9 |
| Credit derivatives (trading book) | **(38)** | (8) | 30 | |
| **Profits (Losses) on financial transactions** | **189** | 194 | (5) | (2.6) |

## Operating margin

Operating margin equalled 3,108 million euro, with a 3% decrease, which would become under 2% net of the devaluation of the South-American currencies. This margin benefited from the actions which Banca Intesa and all other Group companies started to implement for the purpose of containing operating costs, which equalled 6,816 million euro, with a 7.7% decrease.
Even net of the foreign exchange effects the drop exceeded 4%.

## Operating costs

Operating costs include administrative costs amounting to 6,081 million euro (–8.5%) and adjustments to fixed assets and intangibles of 735 million euro (–1.3%). As concerns in particular administrative costs, the significant decrease refers essentially to the Parent Company (–6.6%), which already started benefitting from the first effects of the incisive actions set out in the new Business Plan with regard to i) personnel expenses which decreased following a considerable reduction in the number of employees and the containment of variable remuneration, and ii) other expenses, following the first streamlining interventions taken on the structures and the network.
As already mentioned, the decrease in administrative costs is mostly due to the drop in personnel expenses (–9%).
Even net of the foreign exchange effect, personnel expenses recorded a considerable decrease (–6.2%).
Other administrative costs also dropped in both nominal (–7.7%) and real terms (–3.5%) and showed decreases in all components. Noteworthy declines were recorded by general structure costs (–76 million euro) – mostly attributable to rentals, postage, telephone and maintenance costs – advertising and promotional expenses (–39 million euro) and IT expenses (–20 million euro).

Adjustments to fixed assets and intangibles were practically in line with 2001: the increases in investments in software and electronic machinery were offset by the reduction in the depreciation of real estate assets due to the sales operated by the Parent Company.

(in millions of euro)

| Captions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| **Payroll** | **(3,692)** | (4,056) | (364) | (9.0) |
| **Administrative costs** | | | | |
| General structure costs | **(820)** | (896) | (76) | (8.5) |
| Indirect taxes and duties | **(386)** | (415) | (29) | (7.0) |
| Legal and professional expenses | **(320)** | (335) | (15) | (4.5) |
| IT expenses | **(254)** | (274) | (20) | (7.3) |
| Management of real estate properties | **(224)** | (221) | 3 | 1.4 |
| Advertising and promotional expenses | **(93)** | (132) | (39) | (29.5) |
| Indirect personnel costs | **(64)** | (79) | (15) | (19.0) |
| Other costs | **(228)** | (235) | (7) | (3.0) |
| | **(2,389)** | (2,587) | (198) | (7.7) |
| **Adjustments to** | | | | |
| • intangibles | **(349)** | (352) | (3) | (0.9) |
| • fixed assets | **(386)** | (393) | (7) | (1.8) |
| **Operating costs** | **(6,816)** | (7,388) | (572) | (7.7) |

## Income from operating activities

The result from operating activities, minus 59 million euro with respect to plus 79 million euro of 2001, reflects the deduction of net adjustments to loans of 2,384 million euro, provisions for risks and charges of 354 million euro, net adjustments to financial fixed assets of 288 million euro and, lastly, the amortisation of goodwill arising on consolidation and on application of the equity method of 141 million euro.

## Adjustments, write-backs and provisions

(in millions of euro)

| Captions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Net adjustments to loans | | | | |
| • doubtful loans | **(1,192)** | (1,539) | (347) | (22.5) |
| • substandard loans | **(853)** | (619) | 234 | 37.8 |
| • restructured loans and loans under restructuring | **(10)** | (17) | (7) | (41.2) |
| • loans subject to Country risk | **12** | (8) | 20 | |
| • other | **(203)** | (117) | 86 | 73.5 |
| Net provisions for guarantees and commitments | **(132)** | (90) | 42 | 46.7 |
| | **(2,378)** | (2,390) | (12) | (0.5) |
| Provisions for possible loan losses | **(6)** | (35) | (29) | (82.9) |
| | **(2,384)** | (2,425) | (41) | (1.7) |
| Provisions for risks and charges | **(354)** | (640) | (286) | (44.7) |
| Adjustments to goodwill arising on consolidation and on application of the equity method | **(141)** | (125) | 16 | 12.8 |
| Adjustments to financial fixed assets | **(294)** | (104) | 190 | |
| Write-back of financial fixed assets | **6** | 11 | (5) | (45.5) |
| | **(288)** | (93) | 195 | |
| **Total, net** | **(3,167)** | (3,283) | (116) | (3.5) |

Net adjustments to loans and provisions for possible loan losses, slightly lower than the previous year (–1.7%), reflected the same phenomena which had already emerged in 2001: the difficulties of certain important international groups especially operating in the telecom and energy sectors.

Consolidated net adjustments of almost 1,400 million euro referred to the Parent Company and reflected the difficult situation of certain borrowers in the telecom and energy sectors, for which value adjustments exceeded 300 million euro, but also the persisting weak economic situation which is affecting business performance and progressively deteriorating credit quality.
The Sudameris group recorded net adjustments of 567 million euro, mostly due to the Peruvian subsidiary (377 million euro). Bankhaus Löbbecke also booked substantial adjustments (almost 90 million euro), while IntesaBci Gestione Crediti, the Group's doubtful loan management and recovery company, recorded 46 million euro of adjustments, with a considerable decrease with respect to 254 million euro registered in 2001. Lastly, the adjustments of the other Italian banking subsidiaries, though slightly increasing, remained at physiological levels, like those recorded by the Eastern-European banks.

The figure indicated in the table for other net adjustments to loans refers to provisions for intrinsic risk of performing loans.
The increase in provisions carried out at the end of the year, after substantial uses made during the year, stems from the need to adequately cover exposure to specific industrial sectors that during 2002 were most severely affected by the economic crisis and the contraction in consumption.

Provisions for risks and charges remained significant though far lower (approximately –45%) with respect to those of the previous year. The most significant items referred to the charges connected to the restructuring and subsequent disposal plans of the Latin-American subsidiaries and included certain residual charges connected to the disposal of the controlling stake in Banco Sudameris Argentina. Such provisions for risks and charges amounted to 278 million euro.

Net adjustments to financial fixed assets increased with respect to 2001.
The most significant components were the write-downs of the equity investments

in Commerzbank (109 million euro) and Bayerische Hypo-Vereinsbank (56 million euro). 45 million euro of adjustments was attributable to equity investments purchased as part of merchant banking activities.

Adjustments to goodwill arising on consolidation and on application of the equity method referred to: amortisation pertaining to the year of goodwill still recorded in the consolidated accounts of 104 million euro (including 42 million euro relative to former-Cariplo and 36 million euro to the Eastern-European subsidiaries) and the write-off of residual goodwill in Bankhaus Löbbecke and Banco Wiese Sudameris of 37 million euro.

## Income from extraordinary activities and net income

Net extraordinary income totalled 286 million euro, as a result of extraordinary income of 1,757 million euro and extraordinary charges of 1,471 million euro.
The results of extraordinary operations in 2002 were characterised by significant non-recurring operations which occurred in both years.

In 2001, capital gains referred to sales of branches (566 million euro) and disposals of Banca di Legnano (509 million euro) and of the majority interest in Banca Carime (683 million euro).
The 2001 figure also included dividends on the equity investment in Seat-Pagine Gialle, purchased as part of the Parent Company's merchant banking activities, but which led to record a considerable income (521 million euro) which was certainly non-recurring.

Conversely, 2001 had been negatively influenced by provisions for the marking to market of the *Warrants Put IntesaBci* issued at the time of the acquisition of BCI (1,158 million euro).

In 2002 the most significant extraordinary income referred to sales of equity investments – Banco di Chiavari (246 million euro), the residual interest in Banca Carime (220 million euro), Monte Titoli and Borsa Italiana (93 million euro), IntesaBci Suisse (34 million euro) – and sales of real estate assets (253 million euro, of which approximately 210 million euro relative to the sales already set out in the Business Plan). Also significant was the capital gain connected to the marking to market of the Parent Company's stake in Crédit Lyonnais (281 million euro), following the transfer of the shares of the French bank from equity investments to the trading portfolio, after the irrevocable commitment to accept the Tender Offer made by Crédit Agricole. Extraordinary charges mostly recorded the write-down of own shares purchased following the exercise of the *Warrants Put IntesaBci* (437 million euro) and provisions for 437 million euro to cover future charges related to the activation of the "Solidarity allowance" provided for by Ministerial Decree 158 of 2000 for planned layoffs. The provision was determined by Group companies based on first information available.

After the results of extraordinary operations, the positive contribution from taxes (49 million euro), essentially for deferred tax assets relative to the year recorded by Banca Intesa, and minority interests (56 million euro), the statement of income closed with a net income of 200 million euro.

(in millions of euro)

| Captions | 2002 | 2001 | Changes | |
|---|---|---|---|---|
| | | pro forma | amount | % |
| **Income (Loss) from operating activities** | **(59)** | (79) | (20) | (25.3) |
| Extraordinary income | **1,757** | 2,913 | (1,156) | (39.7) |
| Extraordinary charges | **(1,471)** | (1,717) | (246) | (14.3) |
| **Extraordinary income (loss), net** | **286** | 1,196 | (910) | (76.1) |
| Income taxes for the period | **49** | (195) | 244 | |
| Use of allowance for risks and charges arising on consolidation | **2** | 11 | (9) | (81.8) |
| Change in the reserve for general banking risks | **(22)** | 16 | (38) | |
| Minority interests | **(56)** | (21) | 35 | |
| **Net income for the period** | **200** | 928 | (728) | (78.4) |

# Gruppo Intesa
# Reclassified consolidated balance sheet

(in millions of euro)

| Assets | 31/12/2002 | 31/12/2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| 1. Cash and deposits with central banks and post offices | **1,672** | 2,016 | (344) | (17.1) |
| 2. Loans | | | | |
| – loans to customers | **168,532** | 182,772 | (14,240) | (7.8) |
| – due from banks | **30,435** | 40,812 | (10,377) | (25.4) |
| 3. Trading portfolio | **28,158** | 38,335 | (10,177) | (26.5) |
| *including Own shares* | ***981*** | *6* | *975* | |
| 4. Fixed assets | | | | |
| a) investment portfolio | **8,108** | 12,585 | (4,477) | (35.6) |
| b) equity investments | **3,620** | 4,754 | (1,134) | (23.9) |
| c) tangible and intangible | **4,969** | 5,175 | (206) | (4.0) |
| 5. Goodwill arising on consolidation | **733** | 481 | 252 | 52.4 |
| 6. Goodwill arising on application of the equity method | **54** | 27 | 27 | |
| 7. Other assets | **34,452** | 30,291 | 4,161 | 13.7 |
| **Total Assets** | **280,733** | 317,248 | (36,515) | (11.5) |

(in millions of euro)

| Liabilities and Shareholders' Equity | 31/12/2002 | 31/12/2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| 1. Debts | | | | |
| – due to customers | **113,731** | 114,561 | (830) | (0.7) |
| – securities issued | **56,671** | 60,581 | (3,910) | (6.5) |
| – due to banks | **44,590** | 77,445 | (32,855) | (42.4) |
| 2. Allowances with specific purpose | **5,418** | 5,488 | (70) | (1.3) |
| 3. Other liabilities | **33,915** | 31,910 | 2,005 | 6.3 |
| 4. Allowances for possible loan losses | **50** | 145 | (95) | (65.5) |
| 5. Subordinated and perpetual liabilities | **11,631** | 11,708 | (77) | (0.7) |
| 6. Minority interests | **776** | 1,269 | (493) | (38.8) |
| 7. Shareholders' equity | | | | |
| – share capital, reserves and reserve for general banking risks | **13,721** | 13,197 | 524 | 4.0 |
| – negative goodwill arising on consolidation | **29** | 15 | 14 | 93.3 |
| – negative goodwill arising on application of the equity method | **1** | 1 | – | – |
| – net income for the period | **200** | 928 | (728) | (78.4) |
| **Total Liabilities and Shareholders' Equity** | **280,733** | 317,248 | (36,515) | (11.5) |

| | | | | |
|---|---|---|---|---|
| Guarantees, commitments and credit derivatives | **117,714** | 141,092 | (23,378) | (16.6) |
| Indirect customer deposits | **301,749** | 328,150 | (26,401) | (8.0) |

[1] Figures restated on a consistent basis.

## Quarterly development of the consolidated balance sheet

(in millions of euro)

| Assets | 2002 (1) | | | | 2001 (1) | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth quarter | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| 1. Cash and deposits with central banks and post offices | **1,672** | 1,521 | 1,445 | 1,700 | 2,016 | 1,486 | 1,588 | 1,339 |
| 2. Loans | | | | | | | | |
| a) loans to customers | **168,532** | 169,365 | 176,528 | 179,497 | 182,772 | 180,256 | 187,574 | 182,396 |
| b) due from banks | **30,435** | 36,916 | 38,039 | 43,212 | 40,812 | 46,142 | 45,869 | 44,941 |
| 3. Trading portfolio | **28,158** | 32,498 | 38,195 | 41,742 | 38,335 | 39,626 | 52,934 | 52,190 |
| 4. Fixed assets | | | | | | | | |
| a) investment portfolio | **8,108** | 9,271 | 9,620 | 11,120 | 12,585 | 13,498 | 14,008 | 14,240 |
| b) equity investments | **3,620** | 4,465 | 4,183 | 4,595 | 4,754 | 4,217 | 3,664 | 4,238 |
| c) tangible and intangible | **4,969** | 4,986 | 5,001 | 5,188 | 5,175 | 5,577 | 5,136 | 6,065 |
| 5. Goodwill arising on consolidation | **733** | 754 | 771 | 637 | 481 | 600 | 653 | 655 |
| 6. Goodwill arising on application of the equity method | **54** | 10 | 16 | 39 | 27 | 50 | 32 | 47 |
| 7. Other assets | **34,452** | 31,806 | 30,705 | 30,135 | 30,291 | 26,669 | 30,065 | 30,051 |
| **Total Assets** | **280,733** | 291,592 | 304,503 | 317,865 | 317,248 | 318,121 | 341,523 | 336,162 |

(in millions of euro)

| Liabilities and Shareholders' Equity | 2002 (1) | | | | 2001 (1) | | | |
|---|---|---|---|---|---|---|---|---|
| | Fourth quarter | Third quarter | Second quarter | First quarter | Fourth quarter | Third quarter | Second quarter | First quarter |
| 1. Debts | | | | | | | | |
| a) due to customers | **113,731** | 114,100 | 112,785 | 115,287 | 114,561 | 111,751 | 113,647 | 110,450 |
| b) securities issued | **56,671** | 56,165 | 59,300 | 60,197 | 60,581 | 57,426 | 63,008 | 61,771 |
| c) due to banks | **44,590** | 55,296 | 65,233 | 77,518 | 77,445 | 86,639 | 97,976 | 98,294 |
| 2. Allowances with specific purpose | **5,418** | 5,096 | 5,193 | 5,704 | 5,488 | 4,878 | 5,018 | 6,852 |
| 3. Other liabilities | **33,915** | 34,458 | 35,454 | 32,467 | 31,910 | 30,240 | 34,886 | 33,728 |
| 4. Allowances for possible loan losses | **50** | 151 | 146 | 157 | 145 | 154 | 153 | 236 |
| 5. Subordinated and perpetual liabilities | **11,631** | 11,746 | 11,672 | 11,353 | 11,708 | 11,347 | 10,673 | 9,697 |
| 6. Minority interests | **776** | 817 | 816 | 933 | 1,269 | 1,368 | 1,384 | 2,901 |
| 7. Shareholders' equity | | | | | | | | |
| – share capital, reserves and reserve for general banking risks | **13,721** | 13,677 | 13,760 | 13,808 | 13,197 | 13,234 | 13,358 | 11,647 |
| – negative goodwill arising on consolidation | **29** | 29 | 29 | 15 | 15 | 20 | 32 | 32 |
| – negative goodwill arising on application of the equity method | **1** | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| – net income for the period | **200** | 56 | 114 | 425 | 928 | 1,063 | 1,386 | 553 |
| **Total Liabilities and Shareholders' Equity** | **280,733** | 291,592 | 304,503 | 317,865 | 317,248 | 318,121 | 341,523 | 336,162 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Indirect customer deposits | **301,749** | 304,830 | 316,061 | 323,755 | 328,150 | 293,301 | 312,258 | 304,573 |

(1) Figures for 2001 and for the first three quarters of 2002 restated on a consistent basis.

## Lending and deposit collecting activities

**Loans to customers**

Loans to customers equalled 168,532 million euro, 7.8% down compared to the 2001 figure.

However, a fair view of the phenomenon must consider that the aggregate decreased as a result of certain strategic decisions implemented in application of the Business Plan, such as the considerable reduction of lending granted by the Parent Company's foreign branches also in the *Large corporate* segment and the significant volume of securitised mortgages. The devaluation of both the US dollar and the South-American currencies were exogenous factors which contributed to the contraction in loans to customers.

Excluding the total effect of such elements, loans to customers at the end of 2002 would have been practically in line with the previous year.

Breakdown of loans by contract type shows that these factors particularly affected current accounts (approximately – 25%) and advances and other loans (approximately – 9%) while mortgages – which increased by over 5% and continued to be one of the drivers of the Group's lending activities – would have recorded a far higher rise in the absence of the aforementioned securitisation of performing mortgages amounting to 2 billion euro.

In addition to the aforementioned reasons which determined the decrease in the Parent Company's loans to customers, the consolidated figure reflected, on the one hand, the increases recorded by the Eastern-European subsidiaries and by most of the Italian banks and, on the other hand, the considerable reduction registered by the Sudameris group – partly due to the aforementioned currency effects.

(in millions of euro)

| Subcaptions | 31/12/2002 | 31/12/2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Current accounts | **24,678** | 32,942 | (8,264) | (25.1) |
| Mortgages | **57,119** | 54,303 | 2,816 | 5.2 |
| Advances and other loans | **77,930** | 85,697 | (7,767) | (9.1) |
| Repurchase agreements | **3,457** | 4,317 | (860) | (19.9) |
| Doubtful loans | **5,348** | 5,513 | (165) | (3.0) |
| Total loans | **168,532** | 182,772 | (14,240) | (7.8) |
| *including with residents in Italy* | ***138,060*** | *139,220* | *(1,160)* | *(0.8)* |
| *with residents in other EU Countries* | ***10,678*** | *15,726* | *(5,048)* | *(32.1)* |
| *with residents in non-EU Countries* | ***19,794*** | *27,826* | *(8,032)* | *(28.9)* |

The table below – which details geographic breakdown of loans to customers – confirms the predominance of domestic loans which represented over 80% of the total and had its strong point in North-West Italy (54% of domestic customers). As concerns loans to customers not resident in Italy, these are mostly granted to non-EU residents and in particular to South-American and Eastern-European borrowers.

| **Geographic areas** | **31/12/2002** |
|---|---|
| North West | 44.6% |
| North East | 14.6% |
| Centre | 13.8% |
| South and Isles | 9.0% |
| **Total Italy** | **82.0%** |
| France | 1.1% |
| Portugal | 0.9% |
| Germany | 0.6% |
| Spain | 0.5% |
| Holland | 0.4% |
| Belgium | 0.2% |
| Ireland | 0.2% |
| Luxembourg | 0.2% |
| United Kingdom | 0.2% |
| Other EU Countries | 2.0% |
| **Total EU Countries** | **6.3%** |
| United States of America | 2.8% |
| Croatia | 1.5% |
| Brazil | 1.3% |
| Hungary | 1.3% |
| Peru | 0.9% |
| Slovakia | 0.7% |
| Other non-EU Countries | 3.2% |
| **Total other non-EU Countries** | **11.7%** |
| **Total loans to customers** | **100.0%** |

As concerns breakdown of loans by borrowing counterparty, the table below shows the net prevalence of loans granted to non-financial companies and family-run businesses (64% of the total).
Wholesale and retail trade and businesses offering other services for sale represented 24% of the total.
Loans to consumer families and other categories are also significant and together represented approximately 23% of total disbursements.

(in millions of euro)

| **Counterparties** | **31/12/2002** |
|---|---|
| Governments | 2,805 |
| Other public agencies | 4,203 |
| Financial institutions | 14,234 |
| Non-financial companies and family-run businesses | 108,419 |
| • *wholesale and retail trade, recovery and repairs* | *16,646* |
| • *construction and public works* | *9,834* |
| • *food products, beverages and tobacco-based products* | *4,888* |
| • *textiles, leather and footwear, clothing* | *4,644* |
| • *agricultural and industrial machinery* | *4,431* |
| • *metal products, excluding cars and means of transport* | *4,340* |
| • *energy products* | *4,155* |
| • *chemical products* | *3,202* |
| • *electric materials and supplies* | *3,048* |
| • *other industrial products* | *3,036* |
| • *agricultural and forestry products and fishing* | *2,957* |
| • *transport* | *2,245* |
| • *paper, paper products, printed products and publishing* | *2,184* |
| • *minerals and non-metallic mineral-based products* | *2,156* |
| • *rubber and plastic products* | *2,025* |
| • *other services for sale* | *24,525* |
| • *other non-financial companies* | *14,103* |
| Other | 38,871 |
| **Total** | **168,532** |

**Non-performing loans and Country risk**

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

*Net doubtful loans* decreased to 5,348 million euro (approximately –3%) but, due to the simultaneous decrease in total loans, percentage incidence of doubtful loans on total loans showed a slight rise (3.2%).

The decrease in doubtful loans is mostly attributable to the higher adjustments necessary on the loan portfolios of the Parent Company and of certain other Group companies. IntesaBci Gestione Crediti and the Sudameris group recorded the highest adjustments.

Total value adjustments had a 62.5% coverage of gross doubtful loans, three percentage points higher than the 2001 pro forma figure.

Conversely, *substandard loans* increased (+19%) and equalled – net of adjustments – 4,264 million euro. The rise is mostly attributable to the Parent Company as a result of the persisting weakness of certain economic sectors which were particularly affected by the crisis of the main world economies, and of the more advanced credit risk monitoring and management system, aimed at allowing a more timely identification of the adverse trends in customer relations.

Also for substandard loans, the degree of coverage of total adjustments on gross exposures increased by over three percentage points to approximately 25%.

(in millions of euro)

| | 31/12/2002 | | | 31/12/2001 pro forma | | |
|---|---|---|---|---|---|---|
| | Gross exposure | Total adjustments | Net exposure | Gross exposure | Total adjustments | Net exposure |
| **Non-performing loans** | 21,155 | (10,563) | 10,592 | 19,937 | (9,323) | 10,614 |
| • *Doubtful loans* | *14,265* | *(8,917)* | *5,348* | *13,612* | *(8,099)* | *5,513* |
| • *Substandard loans* | *5,669* | *(1,405)* | *4,264* | *4,576* | *(993)* | *3,583* |
| • *Restructured loans and loans under restructuring* | *432* | *(151)* | *281* | *555* | *(114)* | *441* |
| • *Loans subject to Country risk* | *789* | *(90)* | *699* | *1,194* | *(117)* | *1,077* |
| **Performing loans** | 159,029 | (1,089) | 157,940 | 173,336 | (1,178) | 172,158 |
| **Total** | **180,184** | **(11,652)** | **168,532** | 193,273 | (10,501) | 182,772 |

As shown in greater detail in the following table, the sectors in which are the highest doubtful and substandard loans (in terms of net book value) reflect the same concentration of loans to customers, namely predominance of non-financial companies and family-run businesses.

*Restructured loans and loans under restructuring*, though on far lower absolute values, equalled 281 million euro, with a considerable decrease (–36%), also as a result of the collection of certain important exposures.

(in millions of euro)

| Counterparties | 31/12/2002 |
|---|---|
| Financial institutions | 368 |
| Non-financial companies and family-run businesses | 7,537 |
| • *construction and public works* | *1,501* |
| • *wholesale and retail trade, recovery and repairs* | *1,104* |
| • *textiles, leather and footwear, clothing* | *292* |
| • *food products, beverages and tobacco-based products* | *289* |
| • *agricultural and forestry products and fishing* | *275* |
| • *hotels and catering* | *231* |
| • *metal products, excluding cars and means of transport* | *223* |
| • *other industrial products* | *207* |
| • *agricultural and industrial machinery* | *185* |
| • *electric materials and supplies* | *167* |
| • *transport* | *163* |
| • *communication services* | *138* |
| • *sea and air carriers* | *125* |
| • *energy products* | *118* |
| • *minerals and non-metal mineral-based products* | *114* |
| • *other services for sale* | *1,893* |
| • *other non-financial companies* | *512* |
| Other | 1,707 |
| **Total** | **9,612** |

As shown in the following table, *loans subject to Country risk* recorded an analogous trend and net on-balance sheet and off-balance sheet exposures summed up to 1,239 million euro (–38%). Nominal non-guaranteed exposure showed – compared to previous year’s figures, restated on a consistent basis – a 36% drop to 1,510 million euro.
On-balance sheet exposures represented approximately 79% of the total. The most significant absolute changes referred to nominal exposures to customers, which decreased by over one and a half times the reduction recorded in due from banks and securities portfolio. Off-balance sheet positions showed an overall decrease of approximately 35%, which is the combined effect of a 20% increase in loans to customers offset by a 46% drop in due from banks.

Total adjustments (271 million euro) covering gross exposure ensured an approximately 18% coverage for on-balance sheet and off-balance sheet positions.

Value at risk [(1)] totalled 702 million euro with an approximately 38% drop.

The variations in these exposures are, normally, the combined effect of various factors such as the changes in the risk classes of the different Countries in the area under observation, reimbursements and new disbursements, any renegotiations and foreign exchange differences.
More specifically, the Countries which recorded the most significant variations compared to as at 31st December 2001, are those in the South-American area, first and foremost Brazil, which represented approximately 50% of the overall variation due to both the contraction in the exposure and to the currency effect.
Value at risk reflects the exclusion of loans to certain Countries (Bermuda, Cayman Islands, Virgin Islands) for which the judgement of creditworthiness is confirmed by their positive market quotations based on expectations of full debt repayment.
The same approach was adopted with regard to a primary counterparty resident in Russia, whose exposure is supported by sound reimbursement sources outside the Country.
Also securities held in the trading portfolio were excluded from the risk calculation as they had been already marked to market.
For supervisory purposes, all these loans at

[(1)] Determined as total non-guaranteed loans, including debt securities in the investment portfolio plus 15% of commercial non-guaranteed loans and 100% of other loans.

risk – on-balance sheet exposures summed up to 509 million euro and off-balance sheet exposures to 17 million euro – were considered under the direct coverage of shareholders' equity, with an overall capital absorption of 88 million euro; in the case of securities in the trading portfolio this was assessed considering any write-downs already accounted for in the financial statements.
The absorption of a further 214 million euro referred to the domestic component of loans granted by subsidiaries resident in the Countries at risk (809 million euro) to central governments and public sector entities, denominated in (or indexed to) foreign currencies. These comprise Brazil (476 million euro), Peru (264 million euro), Uruguay (33 million euro), Paraguay (30 million euro), Colombia (4 million euro) and Panama (2 million euro).

(in millions of euro)

| Countries | 31/12/2002 | | | | 31/12/2001 pro forma | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-guaranteed exposure | Value at risk | Adjustments | Net amount | Non-guaranteed exposure | Value at risk | Adjustments | Net amount |
| Brazil | **851** | **267** | **91** | **760** | 1,136 | 370 | 106 | 1,030 |
| Peru | **55** | **46** | **9** | **46** | 211 | 46 | 9 | 202 |
| Colombia | **82** | **31** | **7** | **75** | 143 | 45 | 9 | 134 |
| Argentina | **255** | **218** | **130** | **125** | 375 | 375 | 150 | 225 |
| Dutch Antilles | **49** | **26** | **5** | **44** | 73 | 46 | 9 | 64 |
| Lebanon | **42** | **7** | **2** | **40** | 59 | 11 | 2 | 57 |
| Venezuela | **3** | **3** | **1** | **2** | 51 | 48 | 10 | 41 |
| Russia | **25** | **24** | **4** | **21** | 23 | 21 | 5 | 18 |
| Jordan | **14** | **5** | **1** | **13** | 43 | 27 | 4 | 39 |
| Egypt | **26** | **15** | **3** | **23** | 46 | 25 | 4 | 42 |
| Uruguay | **11** | **5** | **1** | **10** | 18 | 3 | 1 | 17 |
| Indonesia | **3** | **3** | **1** | **2** | 48 | 48 | 15 | 33 |
| Republic of South Africa | **–** | **–** | **–** | **–** | 14 | 7 | 1 | 13 |
| Other Countries | **94** | **52** | **16** | **78** | 115 | 61 | 16 | 99 |
| **Total** | **1,510** | **702** | **271** | **1,239** | 2,355 | 1,133 | 341 | 2,014 |
| including | | | | | | | | |
| ***On-balance sheet loans*** | | | | | | | | |
| *– customers* | ***789*** | ***290*** | ***90*** | ***699*** | *1,194* | *408* | *117* | *1,077* |
| *– banks* | ***266*** | ***131*** | ***52*** | ***214*** | *497* | *296* | *94* | *403* |
| *– securities portfolio* | ***132*** | ***132*** | ***72*** | ***60*** | *170* | *170* | *59* | *111* |
| ***Off-balance sheet loans*** | | | | | | | | |
| *– customers* | ***105*** | ***59*** | ***20*** | ***85*** | *87* | *37* | *11* | *76* |
| *– banks* | ***218*** | ***90*** | ***37*** | ***181*** | *407* | *222* | *60* | *347* |

To cover *performing loans* there is a generic allowance of 1,089 million euro, which has the purpose of covering the intrinsic risk of exposures *in bonis.* Coverage equalled approximately 0.7% of total "performing" loans net of repurchase agreements, and is deemed to be sufficient to adequately cover the exposures to the industrial sectors which have been more severely hit by the economic crisis and the slowdown in consumption.

## Customer funds

Direct customer deposits summed up to 182,033 million euro, with a limited 2.6% contraction which is attributable to the phenomena mentioned in the comments to loans to customers, that is the lower contribution of foreign branches and the effects of the strengthening of the euro with respect to the US dollar and the South-American currencies.

As concerns the contribution to the consolidated figure from the various Group companies, the rise in deposits recorded by the domestic network of the Parent Company and of most of the Italian banks, as well as by the Eastern-European subsidiaries, was insufficient to contrast the decline deriving from the restriction in the operations of foreign branches and the contraction – due to the foreign exchange effect – which occurred in the South-American network.

With regard to geographic breakdown, deposits from customers resident outside Italy – 20% of the total – showed a net prevalence of non-EU Countries, especially due to the contributions of Eastern Europe and Latin America.

Considering also indirect customer deposits, customer deposits under administration almost equalled 484 billion euro, with a contained decrease slightly exceeding 6% with respect to the previous year.

(in millions of euro)

| Subcaptions | 31/12/2002 | 31/12/2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Deposits | **12,251** | 12,875 | (624) | (4.8) |
| Current accounts and other | **87,203** | 87,351 | (148) | (0.2) |
| Bonds | **44,920** | 40,477 | 4,443 | 11.0 |
| Certificates of deposit | **10,330** | 17,336 | (7,006) | (40.4) |
| Other | **5,263** | 6,530 | (1,267) | (19.4) |
| Repurchase agreements | **10,435** | 10,573 | (138) | (1.3) |
| Subordinated and perpetual liabilities | **11,631** | 11,708 | (77) | (0.7) |
| Total direct deposits (*) | **182,033** | 186,850 | (4,817) | (2.6) |
| Indirect customer deposits | **301,749** | 328,150 | (26,401) | (8.0) |
| **Customer deposits under administration** | **483,782** | 515,000 | (31,218) | (6.1) |
| (*) *including with residents in Italy* | ***145,490*** | *134,052* | *11,438* | *8.5* |
| *with residents in EU Countries* | ***12,355*** | *17,482* | *(5,127)* | *(29.3)* |
| *with residents in non-EU Countries* | ***24,188*** | *35,316* | *(11,128)* | *(31.5)* |

**Indirect customer deposits**

Indirect customer deposits totalled 301,749 million euro, with an 8% decline compared to the end of 2001.
A decrease was registered in both assets under administration (– 7.2%) and in managed funds (– 9.2%).
This negative trend is the result of the long depression of world stock markets, which is responsible for more than half of the contraction recorded in the year and the consequent investor preference for more liquid investments or for alternatives to financial products.

Within asset management, the approximately 26% increase in bancassurance products must be underlined especially considering the approximately 13% decrease in the other types of individual and collective wealth management services.
Consequently, insurance products increased their percentage on total asset management from 9.5% to 13.2%.

(in millions of euro)

| Subcaptions | 31/12/2002 | 31/12/2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Individual portfolio management schemes | 52,649 | 60,275 | (7,626) | (12.7) |
| Assets managed by mutual funds | 88,288 | 99,816 | (11,528) | (11.5) |
| Insurance products | 16,579 | 13,179 | 3,400 | 25.8 |
| *minus* Funds from individual portfolios placed in mutual funds | (31,964) | (34,934) | (2,970) | (8.5) |
| Total managed funds | 125,552 | 138,336 | (12,784) | (9.2) |
| Asset under administration and in custody | 176,197 | 189,814 | (13,617) | (7.2) |
| Indirect customer deposits | 301,749 | 328,150 | (26,401) | (8.0) |

## Financial activities

(in millions of euro)

| Subcaptions | 31/12/2002 | | Implicit gains / losses | 31/12/2001 pro forma | | Implicit gains / losses |
|---|---|---|---|---|---|---|
| | Book value | Market value | | Book value | Market value | |
| **Investment portfolio** | **8,108** | **8,384** | **276** | 12,585 | 12,602 | 17 |
| **Trading portfolio** | | | | | | |
| – Government securities | **7,327** | **7,327** | **–** | 13,134 | 13,136 | 2 |
| – Bonds and other debt securities | **17,405** | **17,427** | **22** | 23,454 | 23,526 | 72 |
| • *listed* | ***5,518*** | ***5,518*** | **–** | *6,629* | *6,629* | – |
| • *unlisted* | ***11,887*** | ***11,909*** | ***22*** | *16,825* | *16,897* | *72* |
| – Shares, quotas and other forms of capital | **2,445** | **2,470** | **25** | 1,741 | 1,754 | 13 |
| • *listed* | ***1,913*** | ***1,913*** | **–** | *1,244* | *1,244* | – |
| • *unlisted* | ***532*** | ***557*** | ***25*** | *497* | *510* | *13* |
| **Total trading portfolio** | **27,177** | **27,224** | **47** | 38,329 | 38,416 | 87 |
| **Total** | **35,285** | **35,608** | **323** | 50,914 | 51,018 | 104 |

(in millions of euro)

| Subcaptions | 31/12/2002 | 31/12/2001 | Changes | |
|---|---|---|---|---|
| | | pro forma | amount | % |
| Net interbank position repayable on demand | | | | |
| • Current accounts | **(175)** | (465) | (290) | (62.4) |
| • Deposits | **(2,557)** | (7,600) | (5,043) | (66.4) |
| • Other | **63** | 61 | 2 | 3.3 |
| | **(2,669)** | (8,004) | (5,335) | (66.7) |
| Net interbank position with notice period | | | | |
| • Compulsory reserve requirement | **2,011** | 1,312 | 699 | 53.3 |
| • Time deposits | **(18,854)** | (30,919) | (12,065) | (39.0) |
| • Repurchase agreements | **4,577** | (1,490) | 6,067 | |
| • Other | **780** | 2,468 | (1,688) | (68.4) |
| | **(11,486)** | (28,629) | (17,143) | (59.9) |
| **Net interbank position** | **(14,155)** | (36,633) | (22,478) | (61.4) |

# Shareholders’ equity and solvency ratios

The Group’s shareholders’ equity, net of the 2002 result, amounted to 13,751 million euro with an approximately 3% decrease, mostly deriving from the distribution of dividends on 2001 net income and the negative contribution of foreign exchange differences due to the conversion of financial statements expressed in other currencies.

The table below details the variations which occurred in consolidated shareholders’ equity between 31st December 2001 and the end of 2002.

(in millions of euro)

| | Share capital | Share premium reserve | Legal reserve | Other reserves | Reserves for foreign exchange differences | Reserve for general banking risks | Revaluation reserves | Negative goodwill | Net income for the period | Total shareholders’ equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31st December 2001(*)** | **3,489** | **4,075** | **773** | **4,526** | **(114)** | **93** | **386** | **16** | **928** | **14,172** |
| Allocation of consolidated net income | | | | | | | | | | |
| – Reserves | | | | 593 | | | | | (593) | – |
| – Dividends | | | | | | | | | (331) | (331) |
| – Allowances for charitable contributions | | | | | | | | | (4) | (4) |
| Other variations | | | | | | | | | | |
| – Increase in capital | 72 | 93 | | | | | | | | 165 |
| – Transfers within reserves | | 1,596 | | (1,596) | | | | | | – |
| – Changes in the consolidation area | | | | 27 | | | (27) | 14 | | 14 |
| – Changes in the reserve for general banking risks | | | | | | 22 | | | | 22 |
| – Changes in the reserve for foreign exchange differences | | | | | (289) | | | | | (289) |
| – Other changes and rounding off | | | | 3 | | | (1) | | | 2 |
| Net income for the period | | | | | | | | | 200 | 200 |
| **Balance as at 31st December 2002** | **3,561** | **5,764** | **773** | **3,553** | **(403)** | **115** | **358** | **30** | **200** | **13,951** |

(*) Official figures not restated.

(in millions of euro)

| Total capital and capital ratios | 2002 | | | | 31/12/2001 |
|---|---|---|---|---|---|
| | 31/12 | 30/9 | 30/6 | 31/3 | |
| **Total capital** | | | | | |
| Tier 1 capital | 13,494 | 14,539 | 14,459 | 14,982 | 14,798 |
| Tier 2 capital | 8,192 | 8,545 | 8,476 | 8,076 | 7,686 |
| Items to be deducted | (630) | (813) | (964) | (1,034) | (1,154) |
| **Total capital** | 21,056 | 22,271 | 21,971 | 22,024 | 21,330 |
| **Capital requirements** | | | | | |
| Credit risks | 14,611 | 14,993 | 15,836 | 16,712 | 17,173 |
| Market risks | 1,173 | 2,200 | 1,936 | 2,274 | 2,279 |
| Tier 3 subordinated loans | 1,148 | 1,148 | 1,145 | 1,146 | 1,640 |
| Other capital requirements | 193 | 263 | 267 | 206 | 238 |
| **Total capital requirements** | 15,977 | 17,456 | 18,039 | 19,192 | 19,690 |
| **Risk-weighted assets** | 199,714 | 218,201 | 225,489 | 239,905 | 246,124 |
| **Capital ratios** | | | | | |
| Tier 1/Total risk-weighted assets | 6.76% | 6.66% | 6.41% | 6.24% | 6.01% |
| Total capital/Total risk-weighted assets | 11.12% | 10.73% | 10.25% | 9.66% | 9.33% |
| **Excess capital** | 5,079 | 4,815 | 3,932 | 2,832 | 1,640 |

Breakdown of shareholders' equity for supervisory purposes is detailed in the table above.

Shareholders' equity for supervisory purposes amounted to 21,056 million euro against risk-weighted assets of 199,714 million euro. The total solvency ratio equalled 11.1%, and the Tier 1 ratio 6.8% with a significant improvement compared to 2001, 9.3% and 6% respectively.

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

(in millions of euro)

| Items | Shareholders' equity | including net income for the period as at 31/12/2002 |
|---|---|---|
| Parent Company's balance as at 31st December 2002 | 13,820 | 12 |
| Effect of full and proportional consolidation | 12 | (370) |
| Effect of consolidation of subsidiaries carried at equity | 211 | 58 |
| Adjustments to capital gains from the sale of equity investments | – | 112 |
| Reversal of write-downs on equity investments | 1,030 | 1,030 |
| Reversal of provisions recorded for fiscal purposes | 120 | (23) |
| Amortisation of goodwill arising on consolidation and on application of the equity method | (812) | (110) |
| Use of allowance for risks and charges arising on consolidation | 25 | 2 |
| Revaluation of real estate | 297 | (17) |
| Restatement of goodwill | (31) | 8 |
| Dividends collected during the period | – | (26) |
| Dividends accrued, net of fiscal effects | (420) | (420) |
| Other changes | (301) | (56) |
| **Consolidated balances as at 31st December 2002** | **13,951** | **200** |

# Breakdown of results by business area

(in millions of euro)

| | 2002 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retail Division | Corporate Division | Italian Banks Division | Foreign Banks Division | Product Companies | Central Structures | Total |
| Net interest and other banking income | 4,533 | 1,396 | 1,386 | 1,570 | 720 | 319 | 9,924 |
| Operating costs | (3,455) | (599) | (864) | (1,050) | (337) | (511) | (6,816) |
| **Operating margin** | 1,078 | 797 | 522 | 520 | 383 | (192) | 3,108 |
| Provisions and net adjustments to loans and financial fixed assets | (662) | (781) | (75) | (1,006) | (170) | (473) | (3,167) |
| **Income (Loss) from operating activities** | 416 | 16 | 447 | (486) | 213 | (665) | (59) |
| Extraordinary income (loss) | 40 | – | 4 | (27) | 58 | 211 | 286 |
| Use of allowance for risks and charges arising on consolidation/Change in the reserve for general banking risks | – | – | 3 | – | (25) | 2 | (20) |
| **Income (Loss) before taxes and minority interests** | 456 | 16 | 454 | (513) | 246 | (452) | 207 |
| Rwa (billions of euro) | 52.9 | 67.3 | 20.3 | 20.7 | 24.9 | 13.6 | 199.7 |
| Allocated capital (billions of euro) | 3.5 | 4.0 | 1.2 | 1.2 | 1.5 | 0.9 | 12.4 |
| Income from operating activities on allocated capital | 11.8% | 0.4% | 36.7% | (39.2%) | 14.2% | (71.9%) | (0.5%) |

## Retail Division

Income from operating activities of the Retail Division (416 million euro) is practically stable on the levels of the previous year.
It is attributable for 303 million euro to the Parent Company's retail network.
This result testifies the capacity of the Group's basic structure to withstand the difficulties which inevitably emerge in every aggregation, especially of the size of that involving Banca Intesa.

## Corporate Division

The strategic decision to limit foreign activities on more contained levels, combined with the aforementioned need to adjust certain credit exposures to important international groups, heavily affected the result of the Division which, however, can now programme its relaunch on the basis of its new mission. The modest result generated by the Division in 2002 (income from operating activities of 16 million euro) must be considered in this context. The positive contribution of operating results generated by both the Parent Company and Caboto IntesaBci was almost entirely offset by the considerable adjustments to exposures to large corporates.
The relaunch of the Division will leverage on the overall reorganisation of the divisional structure, aimed at capitalising on the areas in which the Group already holds commercial and professional leadership positions and in further enhancing its presence in private equity, project finance, corporate finance and in general in all structured finance activities.

## Italian Banks Division

The Italian banks which are part of the Group report to this Division, which improved upon the already-satisfactory results of 2001, thus confirming the soundness and rooting in their respective markets of the local banking entities, certain of which boast a long-lasting leadership in their area.
The portion of consolidated income from operating activities attributable to this Division (447 million euro) presented a growth rate exceeding 10%.

## Foreign Banks Division

The Business Plan sets out a series of interventions for this Division which – even without new acquisitions – will lead it to generate positive results starting from 2003. The Plan sets out the gradual exit from Latin America and from the foreign banks operating in Countries or sectors which are not strategic for the Group, while utmost attention will be paid to improving the profitability of the banks in Eastern Europe, through the strengthening of the respective commercial activities, mostly targeted to the retail market, and interventions aimed at improving efficiency.

In 2002, the Group's foreign subsidiaries showed very different trends, depending on their reference economic contexts but were, in any case, heavily affected by the adverse conditions which from 2001 greatly influenced especially the South-American area.  Income from operating activities generated by the Division remained decidedly negative, with losses practically in line with those recorded in the previous year, despite the considerable rise in net incomes generated by the banks operating in Eastern Europe.

## Product companies

Product companies play a very important role in favouring and supporting the growth of the Group's Divisions and in exploiting new market opportunities, even though certain Group entities are already leading players in their field. The most important areas of activity are leasing, factoring, medium- and long-term lending and payment systems.

In these sectors Group companies considered together generated positive results (income from operating activities of 213 million euro) though with differentiated trends in the various operating areas.

# Significant subsequent events

The closing of the sale of Banco di Chiavari e della Riviera Ligure to Gruppo Banca Popolare di Lodi occurred on 21st January 2003 with the transfer of the shares and the collection of the consideration, as set out in the binding agreements signed in December 2002, already described in this Report.
The authorisation of the Antitrust authority arrived on 17th February 2003.

Towards the end of December 2002 Banca Intesa had reached – as already illustrated above – an agreement with Crédit Agricole Indosuez for the disposal of 100% of the share capital of IntesaBci Bank (Suisse).
In the first days of January Crédit Agricole Indosuez exercised the call option which obliges Gruppo Intesa to close the operation in the next few months, as soon as all the necessary authorisations from the competent authorities arrive. The operation is among the actions contained in the Business Plan for the strengthening of the Group's private banking activities in Italy, also through the strategic alliance with the Crédit Agricole group.

The securitisation commenced at the end of 2002 – with the sale to the special purpose vehicle IntesaBci Sec 2 Srl of performing residential mortgages for a total of approximately 2 billion euro – was concluded at the end of February with the SPV's securities issue.

Lastly, as already illustrated, following the completion of the assessment of the financial situation and the market capabilities of the Peruvian bank Banco Wiese Sudameris, at the beginning of 2003 a further credit line amounting to 150 million dollars was granted to the subsidiary in order to enable it to complete the turnaround under way and relaunch its activities.

The Board of Directors of 10th March 2003 approved the agreement for the establishment of a bancassurance joint venture in the life insurance sector with the Generali group and the Crédit Agricole group which will take place in IntesaVita.

Banca Intesa acquired a 1.4% stake in Generali (in addition to the 0.5% interest already held as pledge with voting rights) for an overall investment of approximately 300 million euro (which represents under 1% of Gruppo Intesa's securities and equity investment portfolio and approximately 2% of its shareholders' equity).
This purchase will strengthen the collaborations currently in force between Banca Intesa and the Generali group, which are extremely important for the success of Gruppo Intesa's Business Plan, especially at the time of the announcement of the joint venture in the bancassurance sector.

# Gruppo Intesa
# Some Details on the Consolidated Financial Statements as at 31st December 2002

# Breakdown of loans to customers

## Loans to customers - Changes in non-performing loans

| | Doubtful loans | Substandard loans | Loans under restructuring | Restructured loans | Loans subject to Country risk |
|---|---|---|---|---|---|
| A. Initial gross exposure | 13,612 | 4,576 | 100 | 455 | 1,194 |
| *A1. including overdue interest* | *3,115* | *114* | *–* | *11* | *–* |
| B. Increases | 3,500 | 4,867 | 7 | 252 | 24 |
| *B1. inflows from performing loans* | *1,384* | *4,222* | *6* | *220* | *20* |
| *B2. overdue interest* | *461* | *43* | *–* | *2* | *–* |
| *B3. transfers from other non-performing loan categories* | *1,205* | *220* | *–* | *25* | *–* |
| *B4. other increases* | *450* | *382* | *1* | *5* | *4* |
| C. Decreases | (2,847) | (3,774) | (104) | (278) | (429) |
| *C1. outflows to performing loans* | *(189)* | *(506)* | *(8)* | *(10)* | *(4)* |
| *C2. write-offs* | *(1,069)* | *(112)* | *(2)* | *(13)* | *–* |
| *C3. repayments* | *(921)* | *(1,693)* | *(60)* | *(45)* | *(18)* |
| *C4. credit disposals* | *(1)* | *(5)* | *–* | *(5)* | *–* |
| *C5. transfers to other non-performing loan categories* | *(36)* | *(1,195)* | *(26)* | *(193)* | *–* |
| *C6. other decreases* | *(631)* | *(263)* | *(8)* | *(12)* | *(407)* |
| D. Final gross exposure | 14,265 | 5,669 | 3 | 429 | 789 |
| *D1. including overdue interest* | *3,388* | *106* | *–* | *11* | *–* |

## Loans to customers - Changes in total adjustments

| | Doubtful loans | Substandard loans | Loans under restructuring | Restructured loans | Loans subject to Country risk | Performing loans |
|---|---|---|---|---|---|---|
| A. Initial total adjustments | 8,099 | 993 | 13 | 101 | 117 | 1,178 |
| *A1. including overdue interest* | *2,886* | *99* | *–* | *7* | *–* | *4* |
| B. Increases | 2,993 | 1,146 | – | 121 | 17 | 287 |
| *B1. adjustments* | *2,284* | *999* | *–* | *112* | *17* | *265* |
| *B1.1 including overdue interest* | *397* | *15* | *–* | *1* | *–* | *1* |
| *B2. uses of allowances for possible loan losses* | *72* | *1* | *–* | *–* | *–* | *–* |
| *B3. transfers from other loan categories* | *569* | *130* | *–* | *8* | *–* | *12* |
| *B4. other increases* | *68* | *16* | *–* | *1* | *–* | *10* |
| C. Decreases | (2,175) | (734) | (12) | (72) | (44) | (376) |
| *C1. write-back of adjustments* | *(333)* | *(82)* | *(1)* | *(1)* | *(20)* | *(70)* |
| *C1.1 including overdue interest* | *(41)* | *(1)* | *–* | *–* | *–* | *–* |
| *C2. write-backs on repayments* | *(430)* | *(62)* | *(4)* | *(7)* | *(2)* | *(12)* |
| *C2.1 including overdue interest* | *(39)* | *(9)* | *–* | *–* | *–* | *–* |
| *C3. write-offs* | *(1,070)* | *(112)* | *(2)* | *(12)* | *–* | *(53)* |
| *C4. transfers to other loan categories* | *(22)* | *(440)* | *(5)* | *(47)* | *(3)* | *(202)* |
| *C5. other decreases* | *(320)* | *(38)* | *–* | *(5)* | *(19)* | *(39)* |
| D. Final total adjustments | 8,917 | 1,405 | 1 | 150 | 90 | 1,089 |
| *D1. including overdue interest* | *3,291* | *87* | *–* | *10* | *–* | *2* |

# Breakdown and changes in goodwill

## “Goodwill arising on consolidation”

| | Balance as at 31/12/2001 | Additions in the period | Amortisation charges | Balance as at 31/12/2002 |
|---|---|---|---|---|
| Banca Intesa (former Cariplo) | 251 | – | 42 | 209 |
| Banca Intesa (former Mediocredito Lombardo) | 6 | – | 1 | 5 |
| Banco Comercial e de Investimento | 27 | (12) | 2 | 13 |
| Banco Wiese Sudameris | – | 30 | 30 | – |
| Bankhaus Löbbecke | 7 | – | 7 | – |
| Caboto IntesaBci Sim | 8 | – | 1 | 7 |
| Carinord 1 | – | 113 | 6 | 107 |
| Cassa di Risparmio di Ascoli Piceno | 10 | – | 2 | 8 |
| Cassa di Risparmio di Città di Castello | 2 | – | – | 2 |
| Cassa di Risparmio di Foligno | 16 | – | 2 | 14 |
| Cassa di Risparmio di Rieti | 5 | – | – | 5 |
| Cassa di Risparmio di Spoleto | 13 | – | 2 | 11 |
| Cassa di Risparmio di Terni e Narni | 18 | 37 | 6 | 49 |
| Epsilon Associati Sgr | – | 4 | – | 4 |
| Medimurska Banka | 3 | – | 1 | 2 |
| Mediofactoring | 3 | – | – | 3 |
| Privredna Banka | 112 | 21 | 16 | 117 |
| Vseobecna Uverova Banka | – | 196 | 19 | 177 |
| **Total** | **481** | **389** | **137** | **733** |

## “Goodwill arising on application of the equity method”

| | Balance as at 31/12/2001 | Additions in the period | Amortisation charges | Balance as at 31/12/2002 |
|---|---|---|---|---|
| Agos Itafinco | 3 | 31 | 1 | 33 |
| Carivita | 20 | – | 2 | 18 |
| Charta | 3 | – | 1 | 2 |
| Po Vita | 1 | – | – | 1 |
| **Total** | **27** | **31** | **4** | **54** |

## Changes in “Negative goodwill arising on consolidation” and “Negative goodwill arising on application of the equity method”

Negative goodwill arising on consolidation recorded a 14 million euro increase following the consolidation of Private Equity International.

Negative goodwill arising on application of the equity method is unchanged.

# Assets and liabilities: breakdown by Country

| Captions/Countries | Italy | Other EU Countries | Other Countries | Total |
|---|---|---|---|---|
| **1. Assets** | | | | |
| 1.1 due from banks | 7,546 | 19,097 | 3,792 | 30,435 |
| 1.2 loans to customers | 138,060 | 10,678 | 19,794 | 168,532 |
| 1.3 securities | 15,563 | 7,727 | 11,995 | 35,285 |
| **Total** | 161,169 | 37,502 | 35,581 | 234,252 |
| **2. Liabilities** | | | | |
| 2.1 due to banks | 13,385 | 13,620 | 17,585 | 44,590 |
| 2.2 due to customers | 87,264 | 9,032 | 17,347 | 113,643 |
| 2.3 securities issued | 49,212 | 2,980 | 4,479 | 56,671 |
| 2.4 other | 9,014 | 343 | 2,362 | 11,719 |
| **Total** | 158,875 | 25,975 | 41,773 | 226,623 |
| **3. Guarantees, commitments and credit derivatives** | 53,729 | 32,989 | 30,996 | 117,714 |

# Assets and liabilities: breakdown by maturity

| Captions/Residual life | Specified maturity | | | | | | | Unspecified maturity | Total |
|---|---|---|---|---|---|---|---|---|---|
| | on demand | up to 3 months | between 3 and 12 months | between 1 and 5 years | | over 5 years | | | |
| | | | | fixed rate | floating rate | fixed rate | floating rate | | |
| **1. Assets** | | | | | | | | | |
| 1.1 treasury bills eligible for refinancing | – | 16 | 973 | 533 | 151 | 735 | 65 | – | 2,473 |
| 1.2 due from banks | 2,719 | 19,921 | 4,734 | 82 | 891 | – | 183 | 1,905 | 30,435 |
| 1.3 loans to customers | 36,952 | 27,952 | 17,877 | 14,401 | 31,482 | 6,690 | 24,553 | 8,625 | 168,532 |
| 1.4 bonds and other debt securities | 660 | 3,314 | 7,487 | 5,144 | 5,871 | 3,052 | 4,472 | 359 | 30,359 |
| 1.5 off-balance sheet transactions | 128,489 | 593,521 | 427,095 | 210,726 | 21,753 | 118,780 | 1,250 | – | 1,501,614 |
| **Total** | **168,820** | **644,724** | **458,166** | **230,886** | **60,148** | **129,257** | **30,523** | **10,889** | **1,733,413** |
| **2. Liabilities** | | | | | | | | | |
| 2.1 due to banks | 5,560 | 29,956 | 5,828 | 358 | 1,657 | 235 | 938 | 58 | 44,590 |
| 2.2 due to customers | 83,610 | 23,744 | 2,193 | 194 | 1,502 | 55 | 78 | 2,267 | 113,643 |
| 2.3 securities issued | | | | | | | | | |
| – bonds | 1,957 | 871 | 7,419 | 12,872 | 13,955 | 2,484 | 5,362 | – | 44,920 |
| – certificates of deposit | 277 | 6,231 | 1,995 | 856 | 662 | 28 | 281 | – | 10,330 |
| – other securities | 1,316 | 105 | – | – | – | – | – | – | 1,421 |
| 2.4 subordinated liabilities | 129 | 51 | 603 | 2,641 | 1,969 | 1,767 | 4,471 | – | 11,631 |
| 2.5 off-balance sheet transactions | 141,887 | 587,810 | 417,768 | 214,263 | 21,390 | 114,881 | 1,122 | – | 1,499,121 |
| **Total** | **234,736** | **648,768** | **435,806** | **231,184** | **41,135** | **119,450** | **12,252** | **2,325** | **1,725,656** |

# Administrative costs

## Average number of employees by categories

| Categories | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| a) Managers | 1,013 | 996 | 17 | 1.7 |
| b) 3rd and 4th level clerks | 13,358 | 13,047 | 311 | 2.4 |
| c) Other employees | 58,312 | 60,604 | (2,292) | (3.8) |
| **Total** | 72,683 | 74,647 | (1,964) | (2.6) |

## Number of employees by categories (figures as at 31st December)

| Categories | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| a) Managers | 1,010 | 1,016 | (6) | (0.6) |
| b) 3rd and 4th level clerks | 13,297 | 13,418 | (121) | (0.9) |
| c) Other employees | 57,194 | 59,430 | (2,236) | (3.8) |
| **Total** | 71,501 | 73,864 | (2,363) | (3.2) |

## Breakdown of "Administrative costs"

| Subcaptions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Indirect taxes and duties | 386 | 415 | (29) | (7.0) |
| IT, processing and data processing services | 254 | 274 | (20) | (7.3) |
| Rentals and service charges - real estate | 224 | 221 | 3 | 1.4 |
| Expenses for consultancy fees | 215 | 218 | (3) | (1.4) |
| Postal, telegraphic and delivery services | 129 | 143 | (14) | (9.8) |
| Telephonic, teletransmission and transmission expenses | 113 | 118 | (5) | (4.2) |
| Legal expenses | 105 | 117 | (12) | (10.3) |
| Expenses for maintenance | 105 | 141 | (36) | (25.5) |
| Advertising and promotional expenses | 93 | 132 | (39) | (29.5) |
| Transport services | 73 | 67 | 6 | 9.0 |
| Lighting, central heating and air conditioning | 69 | 74 | (5) | (6.8) |
| Printing, stationery and consumables | 69 | 72 | (3) | (4.2) |
| Training expenses and reimbursements to personnel | 64 | 79 | (15) | (19.0) |
| Security services | 59 | 56 | 3 | 5.4 |
| Information expenses | 55 | 41 | 14 | 34.1 |
| Insurance premiums | 54 | 53 | 1 | 1.9 |
| Cleaning services | 45 | 51 | (6) | (11.8) |
| Rentals of other fixed assets | 27 | 64 | (37) | (57.8) |
| Data storage and document processing | 22 | 19 | 3 | 15.8 |
| Others | 228 | 232 | (4) | (1.7) |
| **Total** | 2,389 | 2,587 | (198) | (7.7) |

# Extraordinary income and charges

## Breakdown of "Extraordinary income"

| Subcaptions | 2002 | 2001 pro forma | Changes amount | Changes % |
|---|---|---|---|---|
| Valuation of commitment for the sale of equity investments | 280 | – | 280 | |
| Capital gains on the sale of equity investments | 395 | 1,328 | (933) | (70.3) |
| Out-of-period income and amounts not payable | | | | |
| *– adjustments to commissions/charges* | *51* | *23* | *28* | |
| *– adjustments to other captions of previous periods* | *45* | *18* | *27* | |
| *– deferred tax assets generated in previous periods* | *35* | *82* | *(47)* | *(57.3)* |
| *– reversal of the allowance for possible loan losses* | *24* | *37* | *(13)* | *(35.1)* |
| *– bank cashiers' cheques prescribed* | *5* | *6* | *(1)* | *(16.7)* |
| *– other* | *211* | *124* | *87* | *70.2* |
| | 371 | 290 | 81 | 27.9 |
| Capital gains on the sale of other assets | | | | |
| *– branches* | *–* | *566* | *(566)* | |
| *– real estate assets* | *253* | *38* | *215* | |
| *– other assets* | *9* | *27* | *(18)* | *(66.7)* |
| | 262 | 631 | (369) | (58.5) |
| Non-recurring income on Fonspa operation | – | 82 | (82) | |
| Capitalised intragroup services | 31 | 25 | 6 | 24.0 |
| Reversal of excess allowances | 55 | 17 | 38 | |
| Capital gains on the sale of investment securities | 13 | 7 | 6 | 85.7 |
| Income on formerly-consolidated companies | – | 12 | (12) | |
| Others | 350 | 521 | (171) | (32.8) |
| **Total** | 1,757 | 2,913 | (1,156) | (39.7) |

## Breakdown of “Extraordinary charges”

| Subcaptions | 2002 | 2001 | Changes | |
|---|---|---|---|---|
| | | pro forma | amount | % |
| Valuation of own shares/*Warrants Put IntesaBci* | 437 | 1,158 | (721) | (62.3) |
| Solidarity allowance *ex* Ministerial Decree 158/2000 | 437 | – | 437 | |
| Out-of-period expense and amounts not collectable | | | | |
| *– adjustments to commission expense/charges* | *34* | *20* | *14* | *70.0* |
| *– transfer of dividend paid by Banca Carime* | – | *13* | *(13)* | |
| *– adjustments to other captions of previous periods* | *36* | *19* | *17* | *89.5* |
| *– previous periods social security charges* | *3* | *2* | *1* | *50.0* |
| *– burglaries and robberies* | *7* | *12* | *(5)* | *(41.7)* |
| *– other* | *142* | *186* | *(44)* | *(23.7)* |
| | 222 | 252 | (30) | (11.9) |
| Non-recurring charges on Fonspa operation | – | 78 | (78) | |
| Integration charges | 201 | 48 | 153 | |
| Losses on the sale of assets | 17 | 18 | (1) | (5.6) |
| Losses on the sale of equity investments | 1 | 5 | (4) | (80.0) |
| Provisions for future charges on sales of equity investments | – | 9 | (9) | |
| Losses on the sale of investment securities | 29 | 8 | 21 | |
| Losses on formerly-consolidated companies | – | 141 | (141) | |
| Others | 127 | – | 127 | |
| **Total** | 1,471 | 1,717 | (246) | (14.3) |

# Banca Intesa
# Parent Company's
# Financial Statements
# as at 31st December 2002

# Banca Intesa
# Reclassified statement of income

(in millions of euro)

| Captions | 2002 | 2001 pro forma (1) | Changes amount | Changes % |
|---|---|---|---|---|
| Net interest income | **3,449** | 3,593 | (144) | (4.0) |
| Dividends and other revenues | **784** | 808 | (24) | (3.0) |
| **Interest margin** | **4,223** | 4,401 | (168) | (3.8) |
| Net commissions | **1,887** | 2,085 | (198) | (9.5) |
| Profits (Losses) on financial transactions | **(38)** | (31) | 7 | 22.6 |
| Other operating income, net | **306** | 266 | 40 | 15.0 |
| **Net interest and other banking income** | **(6,388)** | 6,721 | (333) | (5.0) |
| Administrative costs | **(3,871)** | (4,145) | (274) | (6.6) |
| *including Payroll* | ***(2,107)*** | *(2,341)* | *(234)* | *(10.0)* |
| *Other* | ***(1,764)*** | *(1,804)* | *(40)* | *(2.2)* |
| Adjustments to fixed assets and intangibles | **(164)** | (246) | (82) | (33.3) |
| **Operating costs** | **(4,035)** | (4,391) | (356) | (8.1) |
| **Operating margin** | **2,353** | 2,330 | 23 | 1.0 |
| Provisions for risks and charges | **(124)** | (234) | (110) | (47.0) |
| Net adjustments to loans and provisions for possible loan losses | **(1,384)** | (1,521) | (137) | (9.0) |
| Net adjustments to financial fixed assets | **(1,210)** | (981) | 229 | 23.3 |
| **Income (Loss) from operating activities** | **(365)** | (406) | (41) | (10.1) |
| Extraordinary income (loss) | **236** | 443 | (207) | (46.7) |
| Income taxes for the period | **141** | 146 | (5) | (3.4) |
| Change in the reserve for general banking risks | **–** | 154 | (154) | |
| **Net income for the period** | **12** | 337 | (325) | (96.4) |

(1) Figures restated on a consistent basis.

# Banca Intesa
# Reclassified balance sheet

(in millions of euro)

| Assets | 31/12/2002 | 31/12/2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| 1. Cash and deposits with central banks and post offices | **864** | 829 | 35 | 4.2 |
| 2. Loans | | | | |
| – loans to customers | **122,513** | 132,055 | (9,542) | (7.2) |
| – due from banks | **33,891** | 44,964 | (11,073) | (24.6) |
| 3. Trading portfolio | **19,643** | 21,384 | (1,741) | (8.1) |
| *including Own shares* | ***980*** | – | *980* | |
| 4. Fixed assets | | | | |
| a) investment portfolio | **1,288** | 4,522 | (3,234) | (71.5) |
| b) equity investments | **12,102** | 11,824 | 278 | 2.4 |
| c) tangible and intangible | **2,508** | 3,013 | (505) | (16.8) |
| 5. Other assets | **21,255** | 20,125 | 1,130 | 5.6 |
| Total Assets | **214,064** | 238,716 | (24,652) | (10.3) |

(in millions of euro)

| Liabilities and Shareholders' Equity | 31/12/2002 | 31/12/2001 pro forma [1] | Changes amount | Changes % |
|---|---|---|---|---|
| 1. Debts | | | | |
| – due to customers | **79,650** | 77,137 | 2,513 | 3.3 |
| – securities issued | **47,087** | 46,369 | 718 | 1.5 |
| – due to banks | **38,161** | 64,572 | (26,411) | (40.9) |
| 2. Allowances with specific purpose | **3,401** | 3,358 | 43 | 1.3 |
| 3. Other liabilities | **20,637** | 21,873 | (1,236) | (5.7) |
| 4. Allowances for possible loan losses | – | 88 | (88) | |
| 5. Subordinated and perpetual liabilities | **11,308** | 11,342 | (34) | (0.3) |
| 6. Shareholders' equity | | | | |
| – share capital, reserves and reserve for general banking risks | **13,808** | 13,640 | 168 | 1.2 |
| – net income for the period | **12** | 337 | (325) | (96.4) |
| **Total Liabilities and Shareholders' Equity** | **214,064** | 238,716 | (24,652) | (10.3) |

| | | | | |
|---|---|---|---|---|
| Guarantees, commitments and credit derivatives | **88,262** | 111,876 | (23,614) | (21.1) |
| Indirect customer deposits | **216,260** | 234,857 | (18,597) | (7.9) |

[1] Figures restated on a consistent basis.

# Gruppo Intesa Network

# Branches in Italy broken down by Bank and by Region

(Updated as at December 2002)

| | Banca Intesa | | | | Group Banks [2] |
|---|---|---|---|---|---|
| | Retail network [1] | Private centres | Enterprise centres | Corporate centres | |
| **Piemonte** | 177 | 7 | 9 | 4 | 104 |
| **Valle d'Aosta** | 4 | | | | |
| **Lombardia** | 790 | 17 | 35 | 15 | 116 |
| **Liguria** | 93 | 4 | 4 | 2 | |
| **Trentino-Alto Adige** | 11 | 1 | 2 | 1 | 62 |
| **Veneto** | 266 | 6 | 12 | 5 | 43 |
| **Friuli-Venezia Giulia** | 25 | 2 | 3 | 1 | 124 |
| **Emilia Romagna** | 67 | 5 | 8 | 3 | 171 |
| **Toscana** | 67 | 3 | 8 | 2 | 10 |
| **Umbria** | 9 | 1 | 1 | 1 | 107 |
| **Marche** | 11 | 1 | 2 | 1 | 55 |
| **Lazio** | 176 | 2 | 4 | 3 | 94 |
| **Abruzzo** | 19 | 1 | 1 | 1 | 10 |
| **Molise** | 2 | | | | |
| **Campania** | 117 | 3 | 3 | 2 | 1 |
| **Puglia** | 98 | 2 | 4 | 2 | 1 |
| **Basilicata** | 4 | | | | 1 |
| **Calabria** | 34 | 1 | 2 | 1 | 2 |
| **Sicilia** | 121 | 2 | 2 | 2 | 2 |
| **Sardegna** | 61 | 1 | 2 | 2 | 13 |
| **Total** | **2,152** | **59** | **102** | **48** | **916** |

[1] *Including 109 branches inside public entities and companies.*
[2] *FriulAdria, Cariparma, Banca di Trento e Bolzano, C.R. Viterbo, C.R. Rieti, C.R. Città di Castello, Intesa Mediocredito, C.R. Ascoli, C.R. Biella e Vercelli, Banca Cis, C.R. Spoleto, C.R. Terni e Narni, Banca Primavera, Intesa Gestione Crediti, C.R. Foligno.*

# Branches and Representative Offices abroad

(Updated as at December 2002)

## *Europe*

**Belgium**
Representative Office in Bruxelles

**Federal Republic of Yugoslavia**
Representative Office in Beograd

**Germany**
Branch of Frankfurt am Main

**Greece**
Representative Office in Athens

**Poland**
Representative Office in Warsaw

**Russia**
Representative Office in Moscow

**Spain**
Branch of Barcelona
Branch of Madrid
Valencia Loan Production Office

**Turkey**
Representative Office in Ankara

**United Kingdom**
Branch of London

## *Asia*

**India**
Representative Office in Mumbai

**Iran**
Representative Office in Teheran

**Japan**
Branch of Tokyo

**Lebanon**
Representative Office in Beirut

**People's Republic of China**
Branch of Hong Kong
Branch of Shanghai
Representative Office in Beijing

**Republic of Korea**
Representative Office in Seoul

**Singapore**
Branch of Singapore

**United Arab Emirates**
Branch of Abu Dhabi

### *Latin and North America*

**Argentina**
Representative Office in Buenos Aires

**Cayman Islands**
Branch of George Town

**USA**
Branch of Los Angeles
Branch of New York

### *Africa*

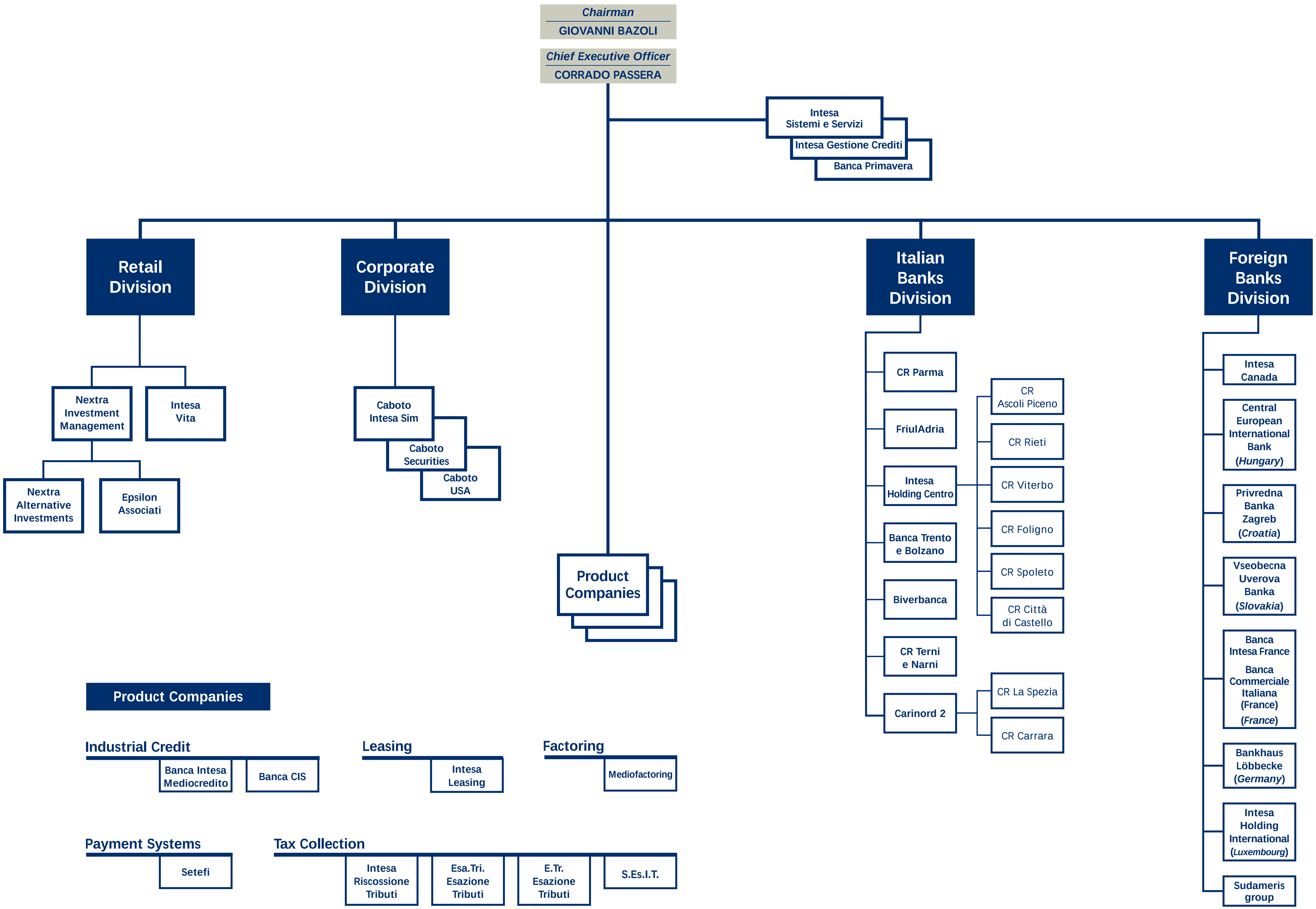
**Egypt**
Representative Office in Cairo

### *Oceania*

**Australia**
Representative Office in Sydney

# Main Group Companies

# Main Group Companies



| | |
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