Consolidated Report as at 31st March 2002

IntesaBci

This is an English translation of the Italian original
"Relazione consolidata al 31 marzo 2002"
and has been prepared solely for the convenience of the reader.

The version in Italian takes precedence and will be made available
to interested readers upon written request to
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Consolidated Report
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IntesaBci Spa
Share capital 3,488,995,258.84 euro fully paid-in
Milano Company Register and Fiscal Code No. 00799960158
Member of the National Interbank Deposit Guarantee Fund - Included in the National Register of Banks No. 5361
Gruppo IntesaBci, included in the National Register of Banking Groups

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

Board of Directors

Chairman	*	GIOVANNI BAZOLI
Deputy Chairmen	*	GIAMPIO BRACCHI
		GIANFRANCO GUTTY
		JEAN LAURENT
		LUIGI LUCCHINI
Managing Director/ Chief Executive Officer	*	CORRADO PASSERA (1)
Managing Director	*	CHRISTIAN MERLE
Directors		GIOVANNI ANCARANI
		FRANCESCO ARCUCCI
		MARC ANTOINE AUTHEMAN
		BENITO BENEDINI
		ALFONSO DESIATA
		ARIBERTO FASSATI
	*	GIANCARLO FORESTIERI
		PAOLO FUMAGALLI
		JORGE MANUEL J. GONÇALVES
	*	GILLES GRAMAT
		FRANCO MODIGLIANI
		GIAN GIACOMO NARDOZZI
		EUGENIO PAVARANI
	*	AXEL FREIHERR VON RÜDORFFER
		SANDRO SALVATI
		ERIC STRUTZ
		GINO TROMBI

** Members of the Executive Committee*

General Manager/ Chief Operating Officer	ROBERTO BRAMBILLA

Board of Statutory Auditors

Chairman	GIANLUCA PONZELLINI
Auditors	FRANCESCO PAOLO BEATO
	PAOLO ANDREA COLOMBO
	FRANCO DALLA SEGA
	BRUNO RINALDI

Independent Auditors	RECONTA ERNST & YOUNG Spa

(1) *Appointed Managing Director and Chief Executive Officer by the Board of Directors on 14th May 2002.*

Gruppo IntesaBci

Executive Summary

The consolidated statement of income as at 31st March 2002 closed with a net income of 425 million euro. In the first quarter of this year therefore the Group returned to profitability, after the involution which had occurred in the last two quarters of 2001, which recorded net losses.

IntesaBci therefore returned to a trend which had been interrupted by non-recurring events, attributable to the economic and financial market crisis induced by the tragic events of last September.

For this reason, the figures for the first quarter of 2002 must be compared not only with those of the corresponding period of 2001, which had closed with a net income of 553 million euro but, especially, with those of the third and fourth quarter which – with losses respectively of 323 million euro and 135 million euro – represented the most critical moment for the Group.

It must also be considered that in these first three months no non-recurring events occurred which may be capable of significantly affecting performance in the period. Therefore the results are deemed to more fairly represent the Group's ordinary operations.

In fact, as regards revenues, the extraordinary income recorded in the first part of 2001 and which had considerably influenced results in the first part of the year did not recur. More specifically a non-recurring dividend amounting to 92 million euro, referred to the Seat Pagine Gialle operation, and a capital gain of 124 million euro, realised on the sale of the first group of branches, had been recorded in the first quarter of 2001. It must also be noted that the mark-to-market of *Warrants Put IntesaBci* led to a write-back of 183 million euro (of the almost 1.2 billion euro provided for in fiscal year 2001).

As concerns charges, both in the first three months of 2001 and in the first quarter of 2002 no charges which may be considered non-recurring were recorded. The extraordinary events which negatively affected 2001 were all concentrated in the second half and in particular in the last part of the year.

In general, results in the first quarter of 2002 showed a downward trend since they must be compared with a period, the first quarter of 2001, which was particularly favourable for IntesaBci and for the entire banking industry.

Net interest income declined by 2.4%, due to a contraction in the spreads in line with the banking system's. Commissions recorded a more marked decrease: the positive results achieved by commissions on commercial operations did not offset the constant decrease in those deriving from securities trading.

The decline in net interest and other banking income – which in the first and in the fourth quarter of 2001 had benefited by substantial non-recurring income – was offset by the drop in operating costs and the reduction in adjustments to loans, that were particularly significant compared with the last two quarters of 2001.

The extraordinary income recorded in the first quarter of 2002 – in any case much lower than that recorded in the 2001 statement of income – and, conversely, a tax burden returned to physiological levels led to a net income for the period of 425 million euro.

Gruppo IntesaBci - Financial highlights

	31/3/2002	31/3/2001 (1)	Changes amount	Changes %
Statement of income (in millions of euro)				
Net interest income	1,486.8	1,523.7	(36.9)	(2.4)
Interest margin	1,539.8	1,651.7	(111.9)	(6.8)
Net commissions	863.5	953.0	(89.5)	(9.4)
Net interest and other banking income	2,603.8	2,832.0	(228.2)	(8.1)
Operating costs	1,769.1	1,786.2	(17.1)	(1.0)
including Payroll	*986.3*	*978.6*	*7.7*	*0.8*
Operating margin	834.7	1,045.8	(211.1)	(20.2)
Income from operating activities	531.2	735.7	(204.5)	(27.8)
Net income for the period	424.8	552.9	(128.1)	(23.2)

	31/3/2002	31/12/2001	Changes amount	Changes %
Balance sheet (in millions of euro)				
Loans to customers	179,345.1	183,356.4	(4,011.3)	(2.2)
Securities	50,760.0	48,895.0	1,865.0	3.8
including Investment portfolio	*9,250.8*	*11,238.3*	*(1,987.5)*	*(17.7)*
Equity investments	4,823.9	4,594.8	229.1	5.0
Total assets	314,713.2	314,897.5	(184.3)	(0.1)
Direct customer deposits	184,204.3	185,104.5	(900.2)	(0.5)
including Subordinated liabilities	*11,335.0*	*11,687.5*	*(352.5)*	*(3.0)*
Indirect customer deposits	327,379.9	325,578.5	1,801.4	0.6
including Managed funds	*141,535.7*	*137,470.8*	*4,064.9*	*3.0*
Customer deposits under administration	511,584.2	510,683.0	901.2	0.2
Due to banks, net	35,049.0	37,135.7	(2,086.7)	(5.6)
Shareholders' equity (2)	14,279.2	14,171.7	107.5	0.8
Operating structure				
Staff (number)	70,053	70,182	(129)	(0.2)
Branches (number)	4,223	4,231	(8)	(0.2)
including Italy	*3,296*	*3,302*	*(6)*	*(0.2)*
Abroad	*927*	*929*	*(2)*	*(0.2)*

(1) *Figures restated on a consistent basis, considering changes in the consolidation area.*
(2) *Including net income for the period.*

Gruppo IntesaBci - Financial ratios

	31/3/2002	31/12/2001
Balance sheet ratios (%)		
Loans to customers/Total assets	57.0	58.2
Securities/Total assets	16.1	15.5
Direct customers deposits/Total assets	58.5	58.8
Managed funds/Indirect customer deposits	43.2	42.2
Risk ratios (%)		
Net doubtful loans/Total loans	3.0	3.0
Accrued adjustments on doubtful loans/ Gross doubtful loans to customers	59.9	59.0
Capital ratios (%)		
Tier 1 capital/Risk-weighted assets	6.2	6.0
Total capital/Risk-weighted assets	9.7	9.3
Risk-weighted assets (in millions of euro)	239,905.1	246,123.5

	31/3/2002	31/3/2001
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	59.1	58.3
Net commissions/Net interest and other banking income	33.2	33.7
Operating costs/Net interest and other banking income	67.9	63.1
Net income for the period/Average total assets (ROA) - annualised (1)	0.5	0.7
Net income for the period/Average shareholders' equity (ROE) - annualised (2)	12.0	15.8
EPS - Earnings per share - annualised - euro	0.25	0.33

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

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

Gruppo IntesaBci
Financial statements

Reclassified consolidated statement of income

(in millions of euro)

Gruppo IntesaBci	First quarter 2002	First quarter 2001 [1]	Changes amount	Changes %
Net interest income	1,486.8	1,523.7	(36.9)	(2.4)
Income from investments carried at equity and dividends	53.0	128.0	(75.0)	(58.6)
Interest margin	**1,539.8**	**1,651.7**	**(111.9)**	**(6.8)**
Net commissions	863.5	953.0	(89.5)	(9.4)
Profits on financial transactions	87.8	79.4	8.4	10.6
Other operating income, net	112.7	147.9	(35.2)	(23.8)
Net interest and other banking income	**2,603.8**	**2,832.0**	**(228.2)**	**(8.1)**
Administrative costs	(1,605.5)	(1,615.3)	(9.8)	(0.6)
including Payroll	*(986.3)*	*(978.6)*	*7.7*	*0.8*
Other	*(619.2)*	*(636.7)*	*(17.5)*	*(2.7)*
Adjustments to fixed assets and intangibles	(163.6)	(170.9)	(7.3)	(4.3)
Operating margin	**834.7**	**1,045.8**	**(211.1)**	**(20.2)**
Adjustments to goodwill arising on consolidation and on application of the equity method	(23.5)	(21.8)	1.7	7.8
Provisions for risks and charges	(58.7)	(62.4)	(3.7)	(5.9)
Net adjustments to loans and provisions for possible loan losses	(209.9)	(227.5)	(17.6)	(7.7)
Net adjustments to/write-back of financial fixed assets	(11.4)	1.6	(13.0)	–
Income from operating activities	**531.2**	**735.7**	**(204.5)**	**(27.8)**
Extraordinary income	230.3	151.0	79.3	52.5
Income taxes for the period	(319.3)	(310.0)	9.3	3.0
Change in the reserve for general banking risks and use of allowance for risks and charges arising on consolidation	2.1	1.4	0.7	50.0
Minority interests	(19.5)	(25.2)	(5.7)	(22.6)
Net income for the period	**424.8**	**552.9**	**(128.1)**	**(23.2)**

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

Quarterly development of the statement of income

(in millions of euro)

Gruppo IntesaBci	2002	2001 (1)			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,486.8	1,575.0	1,390.5	1,508.9	1,523.7
Income from investments carried at equity and dividends	53.0	460.7	41.4	185.6	128.0
Interest margin	**1,539.8**	**2,035.7**	**1,431.9**	**1,694.5**	**1,651.7**
Net commissions	863.5	920.9	907.5	949.2	953.0
Profits (Losses) on financial transactions	87.8	33.4	(90.9)	95.2	79.4
Other operating income, net	112.7	110.3	96.8	109.0	147.9
Net interest and other banking income	**2,603.8**	**3,100.3**	**2,345.3**	**2,847.9**	**2,832.0**
Administrative costs	(1,605.5)	(1,866.3)	(1,521.5)	(1,652.2)	(1,615.3)
including Payroll	*(986.3)*	*(1,087.6)*	*(948.9)*	*(1,031.4)*	*(978.6)*
Other	*(619.2)*	*(778.7)*	*(572.6)*	*(620.8)*	*(636.7)*
Adjustments to fixed assets and intangibles	(163.6)	(229.1)	(167.3)	(170.1)	(170.9)
Operating margin	**834.7**	**1,004.9**	**656.5**	**1,025.6**	**1,045.8**
Adjustments to goodwill arising on consolidation and on application of the equity method	(23.5)	(111.9)	(21.6)	(23.5)	(21.8)
Provisions for risks and charges	(58.7)	(277.7)	(128.7)	(107.3)	(62.4)
Net adjustments to loans and provisions for possible loan losses	(209.9)	(1,353.2)	(488.8)	(555.3)	(227.5)
Net adjustments to/write-back of financial fixed assets	(11.4)	(77.2)	(8.4)	(9.6)	1.6
Income (Loss) from operating activities	**531.2**	**(815.1)**	**9.0**	**329.9**	**735.7**
Extraordinary income (loss), net	230.3	423.0	(400.0)	611.3	151.0
Income taxes for the period	(319.3)	182.4	56.9	(124.0)	(310.0)
Change in the reserve for general banking risks and use of allowance for risks and charges arising on consolidation	2.1	19.6	3.0	1.6	1.4
Minority interests	(19.5)	55.5	7.8	14.4	(25.2)
Net income (loss) for the period	**424.8**	**(134.6)**	**(323.3)**	**833.2**	**552.9**

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

Reclassified consolidated balance sheet

(in millions of euro)

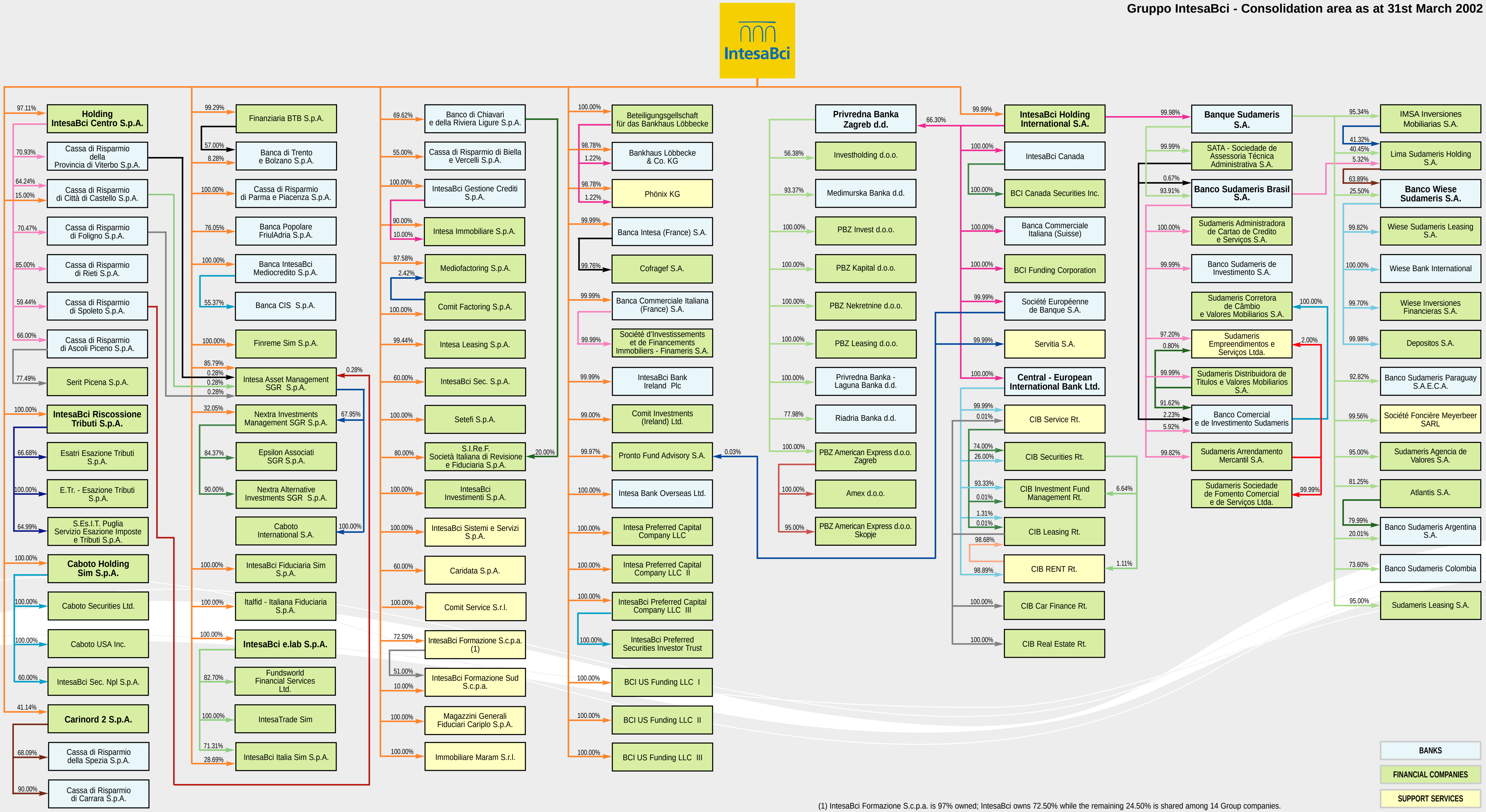
Assets	31/3/2002	31/12/2001	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**1,584.4**	1,948.7	(364.3)	(18.7)
2. Loans				
– loans to customers	**179,345.1**	183,356.4	(4,011.3)	(2.2)
– due from banks	**42,242.4**	40,168.7	2,073.7	5.2
3. Trading portfolio	**41,509.2**	37,656.7	3,852.5	10.2
4. Fixed assets				
a) investment portfolio	**9,250.8**	11,238.3	(1,987.5)	(17.7)
b) equity investments	**4,823.9**	4,594.8	229.1	5.0
c) tangible and intangible	**5,140.0**	5,185.9	(45.9)	(0.9)
5. Goodwill arising on consolidation	**451.0**	463.5	(12.5)	(2.7)
6. Goodwill arising on application of the equity method	**225.0**	45.1	179.9	
7. Other assets	**30,141.4**	30,239.4	(98.0)	(0.3)
Total Assets	**314,713.2**	314,897.5	(184.3)	(0.1)

(in millions of euro)

Liabilities and Shareholders' Equity	31/3/2002	31/12/2001	Changes	
			amount	%
1. Debts				
– due to customers	**112,503.9**	112,602.5	(98.6)	(0.1)
– securities issued	**60,365.4**	60,814.5	(449.1)	(0.7)
– due to banks	**77,291.4**	77,304.4	(13.0)	
2. Allowances with specific purpose	**5,641.4**	5,430.2	211.2	3.9
3. Other liabilities	**32,308.3**	31,917.8	390.5	1.2
4. Allowances for possible loan losses	**153.6**	143.4	10.2	7.1
5. Subordinated liabilities	**11,335.0**	11,687.5	(352.5)	(3.0)
6. Minority interests	**835.0**	825.5	9.5	1.2
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,838.5**	13,227.6	610.9	4.6
– negative goodwill arising on consolidation	**15.2**	15.3	(0.1)	(0.7)
– negative goodwill arising on application of the equity method	**0.7**	0.6	0.1	16.7
– net income for the period	**424.8**	928.2		
Total Liabilities and Shareholders' Equity	**314,713.2**	314,897.5	(184.3)	(0.1)

Indirect customer deposits	**327,379.9**	325,578.5	1,801.4	0.6

Gruppo IntesaBci - Consolidation area as at 31st March 2002



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

Report
on operations

Significant events

Crisis situations in 2001

As already mentioned, in the first three months of 2002 no external event potentially capable of influencing IntesaBci's operations and results occurred. Attention should then be given to the evolution of certain situations which negatively characterised the last part of 2001.

In particular, the economic, social and political situation in *Argentina* did not show signs of improvement. During the last few months the Government took certain measures aimed at curbing the outflow of liquidity from the banking system and restructuring saving deposits in Government securities. These measures risk to further deteriorate the already compromised social relations, which were made white-hot also by rising unemployment and by larger and larger sectors of the population descending below the poverty threshold. At this moment, forecasts for 2002 indicate a contraction in national product of the order of magnitude of 10-15% and a rate of inflation of 25-30%, which is however being revised upwards.
The agreement with IMF is subordinated to the following interventions: control of public deficit and inflation, free exchange rate fluctuations, restructuring of the banking system and defence of a regime of free trade of goods. In addition to these points there must be a pact of stability between the Government and the Provinces aimed at containing public expenditure.

In the context of a seriously compromised economic situation, our subsidiary *Banco Sudameris Argentina*, like other foreign banks operating in the Country, is suffering from a strong liquidity crisis and facing it essentially through refinancing with the Central Bank and divestment of certain activities.

Therefore the adjustments made by IntesaBci and by Banque Sudameris in the 2001 financial statements remain unchanged.

With regard to our subsidiary in *Peru*, the adjustments recorded in the first quarter of this year remained at physiological levels after the effective interventions made in the 2001 accounts.

The *Warrants Put IntesaBci*

As regards the *Warrants Put IntesaBci* – the origin of which was broadly illustrated in the Annual Report 2001 – it is worth noting that provisions allocated last year against their rising value does not represent a real loss but only a potential charge. In fact, in case of variations in the value of the *Warrants*, connected with the changing price of the IntesaBci share, a write-back of a portion of the provisions may occur. As at 31st March 2002 the mark-to-market of the *Warrants Put IntesaBci* led to a write-back amounting to 183 million euro in the statement of income.

The rationalisation of the foreign network

With regard to the status of the negotiations related to the sale of *Banco Sudameris Brasil* to *Banco Itaù*, already described in the Annual Report 2001, the agreed schedule foresees that after the signature of the agreement, on 3rd May 2002, the purchaser undertakes a due diligence lasting forty-five days, which will lead to the final signature of the contract with delivery of the shares and payment of the offered price. This is based on adjusted shareholders' equity of Banco Sudameris Brasil as at 31st December 2001 plus the goodwill component of 925 million dollars.

As to *Vseobecna Uverova Banka* the due diligence agreed upon for the determination of the final price, fixed at 542 million euro, was completed and a restructuring of the bank was initiated, regarding both its internal control functions and its organisation, with the aim of reducing costs and increasing efficiency by exploiting every possible synergy with the Parent Company.

Among the new initiatives which IntesaBci is developing in Eastern Europe, noteworthy is the establishment of a consultancy company destined to Italian players who are interested in making investments in the Russian Federation. IntesaBci has a 55% stake in the new company, the Italian company Simest 25% and two local banking partners 20%.

The developments of the Group's Model

The steps implemented to-date confirm a substantial transition towards a settling phase of the solutions adopted so far. After the migration, last 2nd April, of the former Cariplo branches to the Target IT system, the primary objective of the programme still to be realised is the migration of the former BCI network, the implementation of which is currently under definition.

With regard to structure and activities of Divisions and Business Areas which constitute the new operating entities, within the *Investment banking division* the new company *Caboto IntesaBci* is aiming to become the connecting point between financial markets and the Group's corporate and private customers. For this purpose, the request was submitted to British and Italian authorities for the transformation of the subsidiary *Caboto Securities UK* in a direct branch of Caboto IntesaBci. This will allow to concentrate in one legal entity dealing activities on stock and bond markets, even if they are performed on different financial markets and will therefore lead to the rationalisation of the supporting structures which will be concentrated in the Italian headquarters of the Company.

The *International division*, already operational in its planned organisation, is completing its plan for the rationalisation of the Group's non-domestic presence, also in terms of Representative offices, while in the domestic market the various activities aimed at completing the operability on a divisional basis of the *Retail banking division* will be concluded during 2002.

A deep change involved the *asset management* area. *Nextra Investment Management* started operations and represents the central core for various specialised companies to be established, among which *Nextra Alternative Investments* already active in hedge funds. Moreover *Epsilon Associati Sgr* was purchased, which is specialised in "quantitative" management, with focus on economic and financial research based on statistical data analysis. The consolidation of the new structure will continue for the whole of 2002 and will be especially focused on IT systems, the rationalisation of the product range and the activation of companies dedicated to complementary pensions.

Within the Internet and innovative business area important projects will be completed during 2002 – such as the implementation of *In-Web* with the *IntesaTrade* platform and its connection with *FundsWorld*, and the distribution of the new product *In-Biz* – which will contribute to further improve the service for that particular customer segment. Furthermore activities aimed at the transformation of IntesaBci Italia Sim continue. The latter will become a large multichannel bank operating on the Italian market, capable of offering customers direct access through traditional, telephonic and on-line channels.

The domestic banking industry and the Group's operations

2002 opened with a rising optimism on the prospects of world economy. A widespread improvement of the confidence of households and companies was followed by the first increases in production in Europe and North America. The liquidation of company inventories slowed down and the strong growth of private consumption in the United States had positive effects on the economies of their main commercial partners.

Progresses so far achieved in economic activities however were not reflected in significant rises in stock prices. In Europe, the trend of stock markets, though moderately positive, was characterised by an alternating trend. The scandals which hit the corporate world, mostly in America, generated a climate of diffidence which led investors to prefer liquid and low-risk assets.

This initial phase of recovery was assisted by still expansive economic policies. Official interest rates were maintained by the European Central Bank (ECB) and by the Federal Reserve at the low levels of the end of 2001: respectively 3.25% on ECB's main refinancing operations and 1.75% on American federal funds. In response to the signs of recovery, however, the markets started to incorporate in bond prices expectations of increases in interest rates, legitimated also by persisting risks of inflation, mainly due to the changeover to the euro, to the rises in oil prices and to the wage negotiations under way. For this reason, long-term interest rates rose, especially on shorter-term maturities.

Bank interest rates

Dynamics of bank interest rates in the first three months of the year resulted only marginally influenced by the rising trend of bond market yields and, although with declining intensity, maintained the same downward trend registered during the whole of 2001. Consequently, at the end of March, the whole structure of bank rates positioned itself on average levels far lower than those recorded in the same period of the previous year. The more pronounced drop in the lending sector compared with the funding sector led to a contraction of the differential between yields of loans and costs of deposits.

More in detail, the nominal interest rate on loans to customers for short-term operations decreased, from December 2001 to March 2002, by 14 basis points, to a quarterly average of 5.81% (– 99 basis points on the corresponding average of 2001). More accentuated was, in the first three months, the drop in nominal rates on longer-term loans (– 31 basis points), which closed the quarter at an average of 5.57%.

In the same period, the cost of funding remained virtually stable: from the end of 2001 to March 2002, the nominal interest rate offered on average by Italian banks on customer deposits in euro dropped only 3 basis points, down to a quarterly average of 1.44% (– 74 basis points on 2001). In the period under consideration, the nominal rate on issued bonds registered a 14 basis point decline, down to an average value for the period of 4.16% (– 68 basis points on 2001).

Gruppo IntesaBci

Interest rates applied by Gruppo IntesaBci in its relations with customers – calculated as the weighted average of rates applied by main Group banks (1) – were characterised by a dynamic virtually in line with that of the national market. The short-term lending rate decreased by 11 basis points, from 5.66% in December 2001 to 5.55% in March 2002. The latter value coincides with the average registered in the period, down by approximately a quarter of a point with respect to the system's figure. Yields on medium- and

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

long-term loans decreased in the period from 5.64% to 5.22% and recorded an average for the period of 5.28% (– 97 basis points on 2001), lower than the system’s by approximately the same amount registered on short-term loans.

Gruppo IntesaBci closed the first quarter with an average nominal cost of deposits of 1.37% (– 71 basis points compared with the previous year), virtually stable on the level at the end of 2001 (1.38%). A similar reduction was recorded by the quarterly average interest rate on issued bonds (from 4.90% to 4.19%), with a drop from 4.43% last December to 4.13% in March 2002. With respect to the system, at the beginning of the year the Group confirmed the traditionally lower cost incurred for short-term funding, which is due to the well-rooted presence of its distribution networks in the territory. The quarterly average rate on bonds, instead, resulted practically in line with the national average.

The spread

Dynamics of lending and funding rates applied by Gruppo IntesaBci led, in the three months, to a 9 basis point decline in short-term spread, down to 4.18% in March. The comparison between the averages for the first quarter in 2001 and 2002 showed a 25 basis point reduction, from 4.43% to 4.18%, with the historically negative difference against the system standing unchanged at 19 basis points. Equally stable on 2001, but higher in absolute terms (– 32 basis points), resulted the differential against the national average spread between medium- and long-term lending rates and yields on bonds. This spread, down by 24 basis points as quarterly average, (from 1.35% to 1.09%), recorded an 11 basis point contraction on the end of 2001, from 1.21% to 1.10%.

Volumes

Loans

With reference to volumes intermediated by the system, in the first quarter of the year the deceleration of the growth of loans continued due to the persistently unstable economic context: loans to customers resident in Italy registered a modest 0.2% growth rate from the end of 2001. Despite such slowdown, the annual growth rate for loans in Italy continued to be higher than the European average: only for March, loans (including doubtful loans and repurchase agreements) to ordinary resident customers registered in Italy a growth rate of 5.3% against 3.5% related to the whole Euro Area.

Considering only performing loans of Italian banks, the quarterly average growth rate equalled 7.3%, as a result of a modest + 4.7% rise for the short-term component and of a far more substantial + 10.0% increase for loans with longer maturities. This latter component highlighted a slight acceleration in the three months, also thanks to the support to household demand for the purchase of durable goods and real estate.

Gruppo IntesaBci

Gruppo IntesaBci’s loans – aggregate made up of the sum of volumes reported by all Italian Group banks [2] – decreased by 2.3% in the first three months of the year, with a quarterly average 0.2% lower than in the corresponding period of 2001. As at the end of March, market share stood at 14.5%, down by 38 basis points on the end of 2001 and by almost one percentage point over the twelve months.

The weaker market position was affected, in particular, by the subdued trend of short-term loans, which showed a 4.4% decrease in average terms in the quarter and by 6.3% with respect to last December. On the contrary, loans with over 18 month maturity, thanks to the specialisation in the offer of guaranteed mortgages to households, continued to show a positive trend, even if at a more contained pace than the system: in the December/March

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

period such loans rose by 2% (2.4% for the system), while the quarterly average recorded an annualised increase of 4.5%. As a consequence of diverging dynamics by maturity, as at the end of March Gruppo IntesaBci's medium- and long-term loans resulted slightly higher than short-term loans, in line with the system.

From the sector standpoint, Gruppo IntesaBci registered a more favourable performance in loans to households, up on average in the quarter by an annualised 6.4%, while loans to non-financial companies recorded a 3.9% contraction.

Direct customer deposits

Direct deposits from resident customers of Italian banks, recorded according to the harmonised definition of the Eurosystem (3), developed at the beginning of the year with a trend higher than the average of the Euro Area: as at the end of March deposits (including repurchase agreements) registered a 9.0% rise against a 3.7% European average.

In the first quarter funding activities of Italian banks recorded a considerable acceleration, which determined an average quarterly increase higher than 9% on an annual basis. This trend is connected in particular to the expansion of deposits (including repurchase agreements) – with an average growth rate of 8.4% – deriving from the preference for liquidity of households and institutional investors in a phase of uncertain financial markets and from contained money market interest rates. Bonds, gross of subordinated liabilities, although in slight deceleration compared with the sustained pace of the second half of 2001, continued to rise in a strong and stable way (+ 10.8% on an annual basis in the quarter), exceeding growth rates of loans with the same maturity. With respect to the end of 2001, total bank deposits registered at the end of the quarter a growth rate of 1.04%.

Gruppo IntesaBci

After the stagnation of 2001, Gruppo IntesaBci's direct deposits started the year with a marked increase, realising in the December/March period a rise in volumes of 1.3%, equalling a quarterly average of 6.5% on an annual basis, with a slight increase of market share from 13.5% as at the end of 2001 to 13.6%. The rising trend of the quarterly average was the combined effect of different contributions of the two components: deposits (including repurchase agreements) recorded an average growth rate of 3.4% (– 1.5% on the end of 2001), but especially bonds grew, and recorded an average rise of 12.2%, in constant acceleration from last October (+ 6.5% on the end of 2001).

Indirect customer deposits

Despite the substantial demand for liquid instruments, also so-called indirect customer deposits, represented by nominal value of customer securities managed, administered and held in custody by banks (4), showed a positive trend in the first months of 2002, achieving an average rise of 8.1% (5). Such a strong growth also characterised Gruppo IntesaBci's indirect customer deposits, which appear to have overcome the disappointing trend of the previous year: the average quarterly growth rate was 9.7% on an annual basis, up by 1.7% from the figure at year-end. This favourable trend led to a recovery in market share, which reached 22.4% in February (+ 46 basis points over the twelve months).

Short-term prospects

For the banking system the projections for the second quarter of 2002 indicate the continuation of the deceleration in growth of loans. In particular, the growth of the aggregate should be mainly sustained by the long-term component, while short-term loans should register a very limited development. In the following months, thanks to the

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

(4) *Third party securities and other assets under custody not issued by the bank, excluding certificates of deposit and bank bonds.*

(5) *January-February.*

expected recovery of production, a gradual restart of demand for short-term loans is forecasted, together with a positive development for longer-term loans.

In the short term direct customer deposits, unlike loans, should still grow at high rates, particularly for the more liquid components, in view of persisting uncertainties affecting financial markets. Later, following the consolidation of economic recovery and the more marked rise of money market rates, it is reasonable to expect a renewed interest by savers in investment products with a higher risk/return profiles, with a consequent reduction in more liquid activities.
The more long-term component of customer deposits (bond issues in Italy, eurobonds, subordinated loans) should follow a more stable growth trend, though more subdued with respect to 2001.

Finally, the banking system’s statement of income should close the year with a slowdown in the rising trend of interest margin, as a result of a slight contraction in the average spread between lending and funding interest rates and a reduction in the differential between the growth rates of customer deposits and loans to customers. It is reasonable, instead, to expect a growth in income from services, thanks to improved prospects for the demand of asset management and securities intermediation services.

Accounting criteria and consolidation area

Accounting criteria

The Quarterly Report as at 31st March 2002 was prepared in compliance with Art. 82 of Consob Regulations approved with Resolution 11971 of 14th May 1999 and amendments and reflects, on a consolidated basis, the financial statements of IntesaBci and of its banking, financial and auxiliary subsidiaries. This document was not audited by Independent Auditors.

The statement of income is shown in a reclassified condensed format, highlighting intermediate margins and net income. The reclassification was carried out for the purpose of greater transparency and completeness of information by using presentation criteria, widespread in the banking system, which are deemed to better define the areas in which overall profitability is generated, and changing and aggregating the contents of the captions included in the compulsory forms, according to the same principles utilised in the Annual Report 2001. The balance sheet was obtained by aggregating the most significant asset and liability items.

Valuation criteria and consolidation methodologies have remained the same as in the Annual Report 2001, to which reference must be made for further details. The quarterly situation was prepared following the discrete approach, that is each quarter is considered as an autonomous period and reflects all related economic components in the respect of prudent criteria. In addition to the ordinary elimination of intercompany balances, the financial statements of each company have been adjusted where necessary to make them consistent with consolidated financial statement principles. Any provisions and/or adjustments recorded for tax purposes only were also reversed.

The amounts in this Report are expressed in millions of euro.

Area of consolidation

Compared to the composition of the Group as of December 2001 there have been no substantial variations in the area of full consolidation. However, the following, more significant changes occurred between March 2001 and March 2002:

– the exclusion of *Banca Carime* and *Banca di Legnano*, subsequently sold;
– the exclusion of *Cassa di Risparmio di Alessandria* due to the reduction in the equity stake;
– the inclusion of the companies controlled by *Privredna Banka Zagreb*, previously consolidated with the equity method.

The numerous spin-offs and mergers which occurred within the Group in the last twelve months are not mentioned here since they are irrelevant for the purposes of the consolidated financial statements.

The economic results as at 31st March 2001 have been duly restated in order to compare the two quarters considering – in addition to the aforementioned changes in the consolidation area – the effects of the merger of BCI in the Parent Company and the resulting total attribution to the Group of BCI’s result as at 31st March 2001.

Furthermore, it must be noted that *Vseobecna Uverova Banka*, acquired at the end of 2001, is consolidated using the equity method, since the necessary technical-organisational interventions allowing for line integration are not yet completed.

Banco Sudameris Argentina, due to its Country's persisting legal uncertainty, has been consolidated on the basis of "a situation of accounts as at 31st March 2002" specifically drawn up for consolidation purposes, applying a peso/euro exchange rate of 2.94. However, total assets of the Argentinean subsidiary represent only 0.3% of the total consolidated figure.

Information regarding quarterly figures as at 30th June 2002

IntesaBci notifies that – pursuant to provisions set forth in Art. 82, par. 2, of Consob Resolution 11971 – the Half-Year Report as at 30th June 2002 will be available for shareholders and the market within the maximum term of 75 days, instead of the quarterly report as at 30th June 2002.

Economic results in the period

General aspects

After 2001, which was deeply affected by certain negative events and exceptional transactions in terms of size of generated economic effects, the results of the first quarter of 2002 are more regular. In fact – as already mentioned – the only considerable element not directly attributable to the Group's ordinary operations refers to the write-back of 183 million euro deriving from the mark-to-market of *Warrants Put IntesaBci*.

It must be remembered how events of last year influenced the economic results of the four quarters in diverse ways. In particular, the first quarter benefited from the collection of a dividend of 92 million euro as part of the proceeds from the disposal of the indirect stake in Seat Pagine Gialle and the capital gain of approximately 124 million euro from the sale of the first group of branches. Subsequent quarters were characterised by even more important events that led to the accounting of the capital gains from the sale of Banca Carime and Banca di Legnano, as well as capital gains from other disposals of branches and the remaining proceeds of the last stake sold in Seat Pagine Gialle. As already mentioned, the end of 2001 on the contrary saw the recording of significant capital losses on the *Warrants Put IntesaBci*, and the recording of heavy value adjustments to loans as a result of both the worsened general economic context – that among other things, led to the collapse of important international groups – and the well-known Latin-American crisis.

The formation of income for the quarter is illustrated in its various components in the reclassified consolidated statement of income shown in the previous pages. In the detailed tables that follow the analysis also considers the elements of comparison mentioned above.

Interest margin

Net interest income (1,487 million euro) showed a contained decrease (– 2.4%) as a result of the not always favourable trend developed – according to the different economic contexts in which the Group operates – by the two variables, interest rates and average intermediated volumes.

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Interest income from loans to customers	**2,595.0**	3,193.4	(598.4)	(18.7)
Interest income from portfolio securities	**559.9**	909.3	(349.4)	(38.4)
Interest expense on customer deposits	**(633.3)**	(763.8)	(130.5)	(17.1)
Interest expense on securities issued	**(585.9)**	(747.7)	(161.8)	(21.6)
Interest expense on subordinated liabilities	**(158.1)**	(139.3)	18.8	13.5
Interest expense due to banks, net	**(168.3)**	(903.4)	(735.1)	(81.4)
Total	**1,609.3**	1,548.5	60.8	3.9
Differentials on hedge contracts	**(130.2)**	(37.6)	92.6	
Other interest (net)	**7.7**	12.8	(5.1)	(39.8)
Total net interest income	**1,486.8**	1,523.7	(36.9)	(2.4)
Dividends and other revenues	**20.0**	99.6	(79.6)	(79.9)
Income from investments carried at equity	**33.0**	28.4	4.6	16.2
Interest margin	**1,539.8**	1,651.7	(111.9)	(6.8)

As far as the domestic area is concerned, a substantial stability of average loans to customers – with a fall in the short-term component and a corresponding rise in the medium- to long-term component – was contrasted by an overall increase of average deposit volumes. The trend recorded by interest rates resulted in a reduction of the spread.

Operations in other European Countries recorded substantially similar trends to those of Italian banks, with the exception of Eastern-European Countries, where net interest income maintained appreciable growth levels. The net interest income contribution of the *Sudameris group* rose in spite of the events of the local economies.

Within interest margin the significant fall of interest expense on the net interbank position and bonds issued must be noted, positively counterbalancing the decrease in interest income from customers and portfolio securities. The 2.4% drop in net interest income is therefore mostly due to the negative differentials on hedges, for which the marked rise is partly attributable to structured operations, whose profitability is not always entirely included in the margin under consideration.

Dividends recorded a marked contraction, entirely attributable to the non-recurring dividend received by the Parent Company in the first quarter of 2001 following the aforementioned Seat Pagine Gialle operation. A significant rise was realised in income from investments carried at equity.

All mentioned above led to an interest margin of 1,540 million euro, with a 6.8% decline. Net of the aforementioned non-recurring dividend, interest margin would have recorded a decrease just over 1%.

Net interest and other banking income

Net interest and other banking income equalled 2,604 million euro, with an approximately 8% decrease (– 5% net of the non-recurring elements).

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Commission income	**1,055.4**	1,114.4	(59.0)	(5.3)
Commission expense	**(191.9)**	(161.4)	30.5	18.9
Net commissions	**863.5**	953.0	(89.5)	(9.4)

The decline was mostly affected by the persisting decreasing trend recorded by net commissions (– 9.4%), mainly connected to the contraction in operations on financial markets. In fact the crisis which continues to afflict stock markets led to a significant decrease in volumes traded and to a “wait-and-see” attitude in investors as regards asset management. This inevitably affected the relevant contributions. A significantly negative contribution came from commissions on tax collection activities (– 20 million euro), for the reasons which are illustrated in greater detail in the comments on performance of main consolidated companies. Conversely, as had already been highlighted in the Annual Report 2001, the progress recorded by commissions on commercial activities continued regularly.

This margin was positively influenced by the better results achieved – despite the volatility of stock markets – by profits on financial transactions (+ 11% approximately), notwithstanding the considerable decrease in other net operating income (– 24% approximately) mostly attributable to the lower capital gains realised by the Parent Company on the sale of equity investments (– 23 million euro), as part of its merchant banking activities, which do not generate income uniformly over time.

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Securities and securities derivatives				
• results from trading	**66.1**	68.4	(2.3)	(3.4)
• valuation effects	**(41.3)**	(41.2)	0.1	0.2
• results from derivatives	**15.1**	(16.6)	31.7	
	39.9	10.6	29.3	
• structured share portfolio	**(7.4)**		(7.4)	
• restatement of dividends on structured share portfolio	**8.6**		8.6	
	1.2		1.2	
Total securities and securities derivatives	**41.1**	10.6	30.5	–
Currencies and currency derivatives	**61.8**	65.9	(4.1)	(6.2)
Other transactions	**(15.1)**	2.9	(18.0)	
Profits on financial transactions	**87.8**	79.4	8.4	10.6

Breakdown of profits on financial transactions showed that securities and securities derivatives registered profits of 41 million euro, four times the profits of the first quarter of 2001. Currencies and currency derivatives – which also generated a profit of approximately 62 million euro – mainly reflected the significant results achieved by the *Sudameris* conglomerate and by the Croatian group *PBZ*. Trading in other derivatives (including credit derivatives) determined a total loss of 15 million euro, which did not in any case jeopardise the profit achieved for the whole of this area.

Operating margin

Operating margin totalled 835 million euro and recorded a 20.2% decrease which becomes an approximately 12% decline on consistent terms, that is net of the aforementioned Seat Pagine Gialle dividend.

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Administrative costs				
• payroll	**(986.3)**	(978.6)	7.7	0.8
• other	**(619.2)**	(636.7)	(17.5)	(2.7)
	(1,605.5)	(1,615.3)	(9.8)	(0.6)
Adjustments to				
• fixed assets	**(93.9)**	(96.3)	(2.4)	(2.5)
• intangibles	**(69.7)**	(74.6)	(4.9)	(6.6)
	(163.6)	(170.9)	(7.3)	(4.3)
Operating costs	**(1,769.1)**	(1,786.2)	(17.1)	(1.0)

The Group achieved this operating margin also with slightly lower operating costs. However the decrease in the latter is particularly significant since it represents the turning point after the increase recorded especially in the second part of 2001. Payroll registered a modest rise (+ 0.8%), as first result of the personnel reduction which gradually occurred in the preceding twelve months and which only now starts manifesting its effects. Other administrative costs recorded a 2.7% contraction.
Adjustments to fixed assets and intangibles also decreased by 4.3%.

Income from operating activities

Income from operating activities stood at 531 million euro, approximately 28% lower than the figure in the first quarter of 2001 (– 17% approximately net of the aforementioned non-recurring dividend).

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Adjustments to loans and provisions for guarantees and commitments	**(351.7)**	(283.5)	68.2	24.1
Write-back of adjustments to loans	**159.4**	75.5	83.9	111.1
Provisions for possible loan losses	**(17.6)**	(19.5)	(1.9)	(9.7)
	(209.9)	(227.5)	(17.6)	(7.7)
Provisions for risks and charges	**(58.7)**	(62.4)	(3.7)	(5.9)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(23.5)**	(21.8)	1.7	7.8
Adjustments to financial fixed assets	**(16.2)**	(0.9)	15.3	
Write-back of adjustments to financial fixed assets	**4.8**	2.5	2.3	92.0
Total, net	**(303.5)**	(310.1)	(6.6)	(2.1)

This result also reflected lower net adjustments to and provisions for loans, which recorded a combined 7.7% drop. The improved situation in terms of coverage of credit risk which positively affected the first quarter of 2002 resulted from both the severe interventions carried out in the second half of the previous year and the substantial write-backs of adjustments to loans realised this year especially by the *Sudameris group*.

Income from extraordinary activities and net income

(in millions of euro)

Captions	31/3/2002	31/3/2001	Changes	
			amount	%
Extraordinary income	**298.8**	194.1	104.7	53.9
Extraordinary charges	**(68.5)**	(43.1)	25.4	58.9
Extraordinary income, net	**230.3**	151.0	79.3	52.5

Net extraordinary income totalled 230 million euro. The most significant captions referred to: the positive effects of the mark-to-market of *Warrants Put IntesaBci*, parallel to the recovery in stock price, which led to record a write-back of 183 million euro, of the almost 1.2 billion euro provisioned in 2001; the extraordinary income realised on the sale of real estate properties and other assets amounting to 28 million euro; the reversal of allowances amounting to 36 million euro.

After taxes for the period – which at 319 million euro were physiological and in line with the reference quarter – and after the deduction of minority shareholders, net income for the quarter totalled 425 million euro.

Main balance sheet aggregates

Loans to customers

Loans to customers equalled 179,345 million euro with a moderate decrease (– 2.2%) compared to the figure for last December.

The decrease is the combined effect of a decline in short-term credit which was not completely offset by the progress showed by lending with longer maturities. The Parent Company represented over 70% of the consolidated amount and therefore the latter moved almost in unison with the trends recorded by IntesaBci. As concerns the main foreign subsidiaries, Eastern-European subsidiaries recorded good growth rates in loans to customers while the *Sudameris group* registered a decline.

Compared to the figure at the end of 2001 non-performing loans showed a reduction in net doubtful loans which totalled 5,382 million euro (– 3.1%) with an unchanged 3% incidence on the loan portfolio. The coverage of doubtful loans remained close to 60%. Substandard loans reached 3,773 million euro, up by approximately 7% and with a coverage in excess of 20%. Restructured loans and loans under restructuring recorded an aggregate decrease, while loans subject to Country risk showed a 22.1% rise to 1,312 million euro.

Direct customer deposits

A practically stable trend (– 0.5% on December 2001) characterised direct customer deposits, which stood at 184,204 million euro.

Also for customer deposits the figure for the Parent Company represented over 70% of the consolidated total but, opposite to the trend described for loans, IntesaBci recorded higher growth rates compared to the aggregate of Group companies. For the latter, direct customer deposits either remained on the positions reached as at 31st December 2001 or in certain cases – among which especially the *Sudameris group* – showed a decline compared to previous levels.

As concerns breakdown of direct customer deposits, the contraction in deposits and current accounts and certificates of deposit was offset by the rise in bonds, repurchase agreements and other debts. Lastly subordinated and perpetual liabilities recorded a modest decline.

The interbank position remained a net debt one and equalled 35,049 million euro, with a contraction (– 6% approximately) compared to the figure at year-end.

Indirect customer deposits and managed funds

In spite of the persisting difficulties of the financial markets which have not yet recovered from stock price volatility and the negative effects which are still present in certain macroeconomic areas, indirect customer deposits as at 31st March increased to 327 billion euro with a 0.6% growth rate. Managed funds rose to 142 billion euro with a 3% increase.

Shareholders' equity

Shareholders' equity as at 31st March 2001 amounted to 14,279 million euro, approximately 1% higher than the figure as at 31st December 2001.

The table below summarises the various components and the changes which affected consolidated shareholders' equity in the first quarter of 2002.

(in millions of euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve for foreign exchange differences	Reserve for general banking risks	Revaluation reserves	Negative goodwill	Net income for the period	Total shareholders' equity
Balance as at 31/12/2001	**3,489.0**	**4,075.1**	**772.9**	**4,525.9**	**(113.8)**	**93.0**	**385.5**	**15.9**	**928.2**	**14,171.7**
Allocation of consolidated net income										
– Reserves				928.2					(928.2)	–
– Dividends				(331.3)						(331.3)
– Allowances for charitable contributions				(4.5)						(4.5)
Other variations										
– Change in the consolidation area				10.5						10.5
– Change in the reserve for general banking risks						(0.8)				(0.8)
– Change in cumulated exchange adjustment reserve					7.4					7.4
– Other				1.4						1.4
Net income for the period									424.8	424.8
Balance as at 31/03/2002	**3,489.0**	**4,075.1**	**772.9**	**5,130.2**	**(106.4)**	**92.2**	**385.5**	**15.9**	**424.8**	**14,279.2**

The table below shows the reconciliation between the Parent Company's Shareholders' equity as at 31st March 2002 and the corresponding consolidated figure.

(in millions of euro)

Items	**Shareholders' equity**	**Including net income for the period as of 31/3/2002**
Parent Company's balances as at 31st March 2002	**14,044.9**	**400.9**
Effect of full and proportional consolidation	1,019.5	156.7
Effect of consolidation of subsidiaries carried at equity	96.4	33.0
Adjustments to capital gains from the sale of consolidated subsidiaries		1.2
Reversal of write-downs on consolidated subsidiaries	4.4	4.4
Reversal of provisions recorded for fiscal purposes	139.4	(3.8)
Amortisation of goodwill arising on consolidation and application of the equity method	(731.2)	(22.7)
Use of allowance for risks and charges arising on consolidation	23.8	1.3
Revaluation of real estate	295.1	(3.2)
Adjustment of goodwill	(57.0)	2.8
Dividends accrued and outstanding	(556.8)	(143.0)
Cumulated exchange adjustment reserve	(111.5)	
Other changes	112.2	(2.8)
Consolidated balances as at 31st March 2002	**14,279.2**	**424.8**

Performance of main consolidated companies

In Italy

Banking area IntesaBci

For a consistent comparison of the results in the first quarter, it is necessary to restate figures for the first quarter of 2001. In fact, the statement of income as at 31st March 2001 of former Banca Intesa did not include the effects of the merger with Banca Commerciale Italiana, occurred on 1st May 2001 and, on the contrary, included the results of Mediocredito Lombardo merged at the end of 2000, whose main operations in medium- and long-term lending were later (1st July 2001) contributed to IntesaBci Mediocredito and, therefore, are not included in the figures for the first quarter of 2002.

Actual figures as at 31st March 2001 were therefore restated in line with the aforementioned changes in company structure.

(in millions of euro)

Captions	31/3/2002	31/3/2001 pro forma	Changes	
			amount	%
Net interest income	**889.9**	933.8	(43.9)	(4.7)
Dividends and other revenues	**165.5**	276.0	(110.5)	(40.0)
Interest margin	**1,055.4**	1,209.8	(154.4)	(12.8)
Net commissions	**504.2**	535.3	(31.1)	(5.8)
Profits on financial transactions	**3.0**	9.8	(6.8)	(69.4)
Other operating income, net	**57.1**	85.2	(28.1)	(33.0)
Net interest and other banking income	**1,619.7**	1,840.1	(220.4)	(12.0)
Administrative costs	**(987.2)**	(976.5)	10.7	1.1
including Payroll	***(562.1)***	*(581.6)*	*(19.5)*	*(3.4)*
Other	***(425.1)***	*(394.9)*	*30.2*	*7.6*
Adjustments to fixed assets and intangibles	**(45.9)**	(73.7)	(27.8)	(37.7)
Operating margin	**586.6**	789.9	(203.3)	(25.7)
Provisions for risks and charges	**(25.6)**	(37.5)	(11.9)	(31.7)
Net adjustments to loans and provisions for possible loan losses	**(139.1)**	(146.3)	(7.2)	(4.9)
Net adjustments to/write-back of financial fixed assets	**0.9**	(3.9)	4.8	
Income from operating activities	**422.8**	602.2	(179.4)	(29.8)
Extraordinary income	**208.1**	44.7	163.4	
Income taxes for the period	**(230.0)**	(240.8)	(10.8)	(4.5)
Net income for the period	**400.9**	406.1	(5.2)	(1.3)

Interest margin stood at 1,055 million euro, with a 12.8% contraction mainly due to lower dividends collected or recorded in the period when profits were generated. In fact, the first quarter of 2001 benefited from 92 million euro of dividends derived from the merchant banking operation on Seat Pagine Gialle. Excluding this component, interest margin would present a contraction under 6%.

Net interest income, equalling 890 million euro, showed a 4.7% reduction with respect to the corresponding period of 2001. With regard to the various components, net interest with customers recorded a drop, due, on the one hand, to the virtual stability – on an annual basis –

of average volumes of loans against a good growth of deposits and, on the other hand, to the reduction in the interest rate spread. In fact, in the first quarter of 2002 average lending interest rates, related to the domestic network, registered a reduction of 98 basis points in the short-term component and of 91 basis points in the longer-term component. Lower reductions were recorded by deposits for which interest rates decreased by approximately 70 basis points both on short- and on medium- and long-term deposits. As a consequence the short-term spread decreased by 28 basis points and the medium- and long-term spread declined by 23 basis points. It is worth noting that the negative balance of interbank interest was almost brought to zero, whereas interest income on securities declined. Both facts are due to interventions – already mentioned in the Annual Report 2001 – aimed at rationalising interest-bearing assets and liabilities and rebalancing income flows.

The contribution of dividends decreased by 110 million euro for the reason already mentioned above. Dividends related to subsidiaries, accounted as accruals, amounted to 149 million euro, while dividends related to other equity investments and shares, recognised when collected, amounted to 17 million euro.

Net interest and other banking income equalled 1,620 million euro, down by 12%. Again the impact of dividends connected with the Seat Pagine Gialle operation and collected in the first quarter of 2001 was significant. Excluding these dividends net interest and other banking income would present a more contained reduction of 7.3%.

Net commissions, equalling 504 million euro (– 5.8%), was affected by the alternating situation of financial markets whose recovery finds it hard to take off. This factor, also because of a comparison with an undoubtedly strong first quarter of 2001, determined a 27% contraction of net commissions on asset management activities and a 14% contraction of net commissions from securities trading and placement. Positive was, instead, the trend of commissions connected with lending and deposit collecting activities, which together rose by approximately 9%: commissions on current accounts increased by 13% and commissions related to guarantees given rose by 11%. Finally, among commission expense, commissions on protection bought with credit derivatives increased significantly (+ 46%), even if it remained at contained absolute values.

Also profits on financial transactions were affected by the persisting weakness of markets and stock exchanges that make it difficult to operate with interesting margins. Total financial transactions generated a profit for the quarter of 3 million euro, lower than the 10 million euro achieved in the corresponding period of the previous year. In particular, activities in the securities sector generated a slightly negative result (– 2 million euro), due to the positive result of securities trading (+ 15 million euro) and securities derivatives (+ 6 million euro) counterbalanced by a net negative effect of 23 million euro from the mark-to-market of period-end inventories. This performance of the securities sector, which was far better than that registered as at 31st March 2001 (– 37 million euro), allowed to almost entirely recover the lower contribution of transactions on foreign currencies and derivatives on foreign currencies (9 million euro, *ex* 19 million euro) and the negative contribution of interest rate and equity linked derivatives, and credit derivatives in the trading book (– 4 million euro, *ex* + 28 million euro).

In the first quarter of 2002 operating costs (1,033 million euro) recorded a 1.6% contraction, which is even more significant considering the high investments made for the integration of banks merged into IntesaBci. In the analysis of the various components of operating costs, it must be noted that the merger of BCI and the consequent centralisation in IntesaBci Sistemi e Servizi of numerous service activities, with the transfer of both IT equipment and relevant personnel, induced a change in the cost structure determining, on the one hand, a reduction of personnel costs and of depreciation and, on the other hand, an increase of administrative costs due to fees paid for services received. In fact, personnel costs stood at 562 million euro in the quarter, down by over 3%, while other administrative costs (425 million euro) rose by over 7% and depreciation was almost halved. Considering the figures in consistent terms, i.e. taking account of the aforementioned structural change, both personnel costs and other administrative costs would decrease by approximately 1%.

Operating margin for the period, which is penalised by lower capital gains generated by the sale of equity investments in merchant banking activities, totalled 587 million euro, down by 25.7% with respect to 790 million euro in March 2001. However, excluding the aforementioned non-recurring dividend, the contraction of operating margin would be reduced to 16%.

Value adjustments to loans, guarantees given and equity investments, after the heavy adjustments made in the 2001 financial statements, returned to decidedly more contained levels in the first quarter of 2002. In particular, total adjustments and provisions for possible loan losses amounted to 139 million euro, lower than 146 million euro of the first quarter of 2001. Also provisions for risks and charges declined (26 million euro, *ex* 38 million euro) whereas the valuation of financial fixed assets did not produce significant effects.

Income from operating activities for the first quarter of 2002 amounted to 423 million euro with a 29.8% contraction which would decrease to 17% excluding the effects of non-recurring dividend.

Extraordinary operations generated an income of 208 million euro, mainly attributable to the effects of the already mentioned valuation of *Warrants Put IntesaBci* which, as a result of the recovery of the share price and consequently of the corresponding decrease in the price of the warrant, determined the write-back in the statement of income of 183 million euro.

After the tax charge for the period amounting to 230 million euro with a 36% incidence on income before taxation, the quarter closed with a **net income** of 401 million euro which, although down by 1.3% with respect to 406 million euro of the corresponding period in the previous year, allowed the Bank to return to appreciable profitability levels after the negative parenthesis of the second half of 2001.

Turning to the main **balance sheet aggregates**, during the quarter intermediation activities with customers recorded a subdued trend in loans and a more dynamic development in deposits. Indirect customer deposits declined slightly with respect to as at 31st December 2001, while the asset management component showed certain signs of improvement.

Loans to customers totalled 127,997 million euro as at 31st March 2002, with a 3.1% reduction compared to 132,055 million euro as at 31st December 2001. Among the various components, mortgages continued to grow – even if at a lower pace than in 2001 – while current accounts (– 5.9%), other loans (– 4.2%) and to a greater extent repurchase agreements (– 8.5%) declined. As concerns non-performing loans, doubtful loans (1,290 million euro) rose by 1.7% and substandard loans (2,690 million euro) by 6.9%. Total adjustments imply a 46% coverage of doubtful loans and a 21% coverage of substandard loans, both practically unchanged with respect to as at 31st December 2001. Performing loans (123,579 million euro) were covered by cumulated adjustments in the amount of 0.5%, net of repurchase agreements and of loans to Group companies.

Customer funds under administration (367,126 million euro as at 31st March 2002) stood at the same levels of 31st December 2001 due to a growth rate slightly under 1% for direct customer deposits and to a reduction of 1.4% for indirect customer deposits.

Direct customer deposits, totalling 135,487 million euro, recorded different performances for units operating in Italy and foreign branches. The former registered a growth of 4.2% on period-end figures, confirming the good performance shown by average volumes. Current accounts and deposits were virtually stable, issued bonds rose by over 9% and repurchase agreements by 1,700 million euro, while subordinated deposits decreased by 4.2%. With regard to foreign branches, instead, total direct customer deposits recorded a contraction of over 14%, mainly concentrated in the London branch which drastically reduced shorter-term funding represented by repurchase agreements and certificates of deposit, as a consequence of a reduction in investments.

Indirect customer deposits, equalling 231,638 million euro (– 1.4% with respect to as at 31st December 2001), registered a 1.3% increase in managed funds (amounting to 79,446 million euro) and a 2.7% contraction in funds under administration. The declining trend of indirect customer deposits was attributable to the reduction in market value of managed and administered securities since volumes, continuing the trend initiated in the last months of 2001, recorded a 1.5% rise from last December.

Securities portfolio as at 31st March 2002 amounted to 27,705 million euro, with an 1,800 million euro increase with respect to 31st December 2001, and was made up of trading portfolio for 25,051 million euro and investment portfolio for 2,654 million euro, of which 45 million euro pertaining to the Internal pension funds of former Cariplo tax collection employees. The Investment portfolio decreased by 1,867 million euro, and the Bank continued in the first quarter of 2002 the gradual replacement of the securities given as guarantee for the *Warrants Put IntesaBci* derived from the Tender Offer on Banca Commerciale Italiana shares with other securities in the trading portfolio, in view of the short time span elapsing until the moment when the Warrants may be exercised. The trading portfolio, instead, rose by 3,667 million euro partly for the reason just mentioned above and partly for an increase in investments on short-term Government securities.

Equity investments (12,383 million euro) did not show significant changes in the quarter. The 559 million euro increase with respect to as at 31st December 2001 was mainly due to the subscription of a capital increase amounting to 247 million euro of the Luxembourg subsidiary *Neuf* for the development of private equity activities and of a capital increase of 100 million euro in favour of *Caboto IntesaBci Holding*.

Net interbank position showed a negative balance of 16,429 million euro (– 16.2%), continuing the contraction started the previous year. In fact, as already noted in the Annual Report 2001, actions were undertaken to improve the Bank’s liquidity and consequently to reduce interbank debt, which reached particularly high levels in the past, through the elimination of financial investments characterised by lower profitability.

Main Group banks

Cassa di Risparmio di Parma e Piacenza posted a net income for the period of 32.6 million euro, which cannot be compared with 57.2 million euro in the corresponding period of 2001 since that result had benefited from net extraordinary income of various nature exceeding 19 million euro. Interest margin declined moderately to 90.1 million euro (– 2.1%), mainly due to the decline in interest rates, and to a marked drop in net commissions (approximately – 14%) which were penalised by markets which continue to slow down securities trading and asset management activities. The doubling of profits on financial transactions was not sufficient to rebalance net interest and other banking income which remained at 154.4 million euro, with a 3.5% reduction. Operating costs confirmed the declining trend with a 4.4% reduction and led to an operating margin of 69.6 million euro (– 2.4%). Contained net adjustments to the loan portfolio allowed to record an income from operating activities of 64 million euro, in line with that of the first three months of last year.

Main balance sheet aggregates confirmed the significant targets achieved as at the end of 2001 with loans to customers at 8,525 million euro and direct customer deposits at 10,535 million euro. Indirect customer deposits were particularly positive and rose to 22,160 million euro up by 3.5% from the end of 2001.

Banca Popolare FriulAdria registered a net income for the first quarter of 2002 amounting to 8.7 million euro, with an approximately 12% reduction with respect to the corresponding period of 2001, which was due to extraordinary income generated by the sale of two branches. Income from operating activities (15.5 million euro) recorded an approximately 7% rise essentially attributable to substantial savings in operating costs (approximately – 9.7%) as well as, though to a lower extent, to more contained adjustments to loans (– 7%). In fact, interest margin (30.2 million euro) and net interest and other banking income (52.3 million euro) resulted lower respectively by approximately 7% and 5%. For the former the reduction was due to a contraction in the interest rate spread even if volumes increased, while for the latter the reduction was also due to lower commissions mostly as a result of still subdued securities trading and asset management activities.

As to the balance sheet, loans to customers (2,540 million euro) and customer deposits (2,664 million euro) remained practically at the levels of December 2001, with a slight reduction only for loans which, however, recorded a particularly strong growth rate in the previous year. Indirect customer deposits, instead, registered an approximately 4% rise to 5,219 million euro.

During 2001 ***IntesaBci Mediocredito*** absorbed the medium- and long-term lending activities previously performed by Mediocredito Lombardo (merged in IntesaBci). The first quarter of this year, without a term of comparison, recorded a net income for the period of 13.1 million euro, which was mainly determined by the contribution of net interest income (43.9 million euro) and by the contained level of operating costs (9.9 million euro) due to organisational synergies realised with the Parent Company. Net adjustments and provisions for possible loan losses absorbed 15.2 million euro.

The loan portfolio of IntesaBci Mediocredito equalled 12,068 million euro as at 31st March 2002, at levels close to those of last December.

The other Regional banks and the Saving Banks

Banco di Chiavari e della Riviera Ligure registered a net income for the first quarter of this year amounting to 4.3 million euro with an over 16% increase with respect to that of the corresponding period of 2001. Interest margin showed a rise exceeding 4%, mainly as a result of higher intermediated volumes. The modest contraction of net commissions (– 1.9%) and the net improvement of profits on financial transactions (approximately + 16%) led, after an attentive action aimed at containing operating costs (– 3.6%), to an operating margin which registered a rise exceeding 16% on the first quarter of 2001. Adjustments to loans were virtually stable and extraordinary income was significantly positive. The balance sheet showed the stability of direct customer deposits (1,682 million euro; + 0.7%) on the particularly noteworthy positions achieved last December and the continuation of the rising trend of loans to customers (1,437 million euro; + 1.21%). Finally, indirect customer deposits up to 3,248 million euro registered a particularly significant, approximately 4%, increase.

Banca di Trento e Bolzano, with a net income of 2.2 million euro, confirmed the same level of income recorded in the first quarter of 2001. Interest margin dropped by approximately 6% whilst net income from services recorded a generalised improvement in commissions and in profits on financial transactions and in other operating income, entirely offsetting lower interest flows. In fact, net interest and other banking income amounted to 17.8 million euro, slightly higher than that of the first quarter of 2001. The further advantage acquired through appreciable savings in operating costs which decreased to 13.6 million euro (– 2.2%) was offset by higher adjustments and provisions against loan and securities portfolios, bringing net income to values similar to those of the period under comparison. As to balance sheet aggregates, loans to customers recorded a moderate growth with respect to the figures as at the end of the previous year, touching 1,365 million euro (+ 2.4%), while direct customer deposits stood at 1,322 million euro with an approximately 11% drop, fully attributable to significant cash management transactions and repurchase agreements implemented around the end of 2001. Indirect customer deposits exceeded 1,720 million euro and registered an appreciable growth rate of 6%.

In the first quarter of 2002 ***Banca CIS*** recorded a net income of 3.9 million euro, slightly lower than that of the same period of 2001, which benefited from a substantial flow of commission income due to the concentration in that period of intense granting activities for subsidised loans on national and regional tenders. The statement of income showed the virtual stability of interest margin and – for the aforementioned reasons – a considerable contraction in net interest and other banking income. An appreciable cost containment action and a significant reduction of provisions for possible loan losses allowed to bring operating margin (7.1 million euro) and income from operating activities (4.5 million euro) to more regular profitability levels. The main balance sheet figures were practically stable compared to December 2001, especially loans to customers which amounted to 1,168 million euro. The contraction to 556 million euro of direct customer deposits was due to programmed reimbursements of bond issues, replaced by interbank funding.

Cassa di Risparmio di Biella e Vercelli recorded a net income for the period of 4.3 million euro, with a 14% contraction with respect to the corresponding quarter of the previous year. Interest margin registered a moderate growth, whilst a disappointing performance was shown by net commissions (– 14%), mainly as a result of the contraction in acceptance of instructions still affected by the unfavourable financial market situation, and by the more-than-halved flow of profits on financial transactions. Despite the containment of operating costs (– 3.8%) and the lower needs of provisions for possible loan losses, income from operating activities equalled 8.2 million euro with an approximately 6% reduction. The main balance sheet aggregates stood virtually at the positions of the end of 2001: loans to customers, 1,644 million euro (+ 1.1%), direct customer deposits 1,950 million euro (+ 0.2%), and indirect customer deposits, 2,676 million euro (+ 0,7%).

The Saving banks reporting to *Carinord 2* improved their net income for the period: 2 million euro for ***Cassa di Risparmio della Spezia*** and 1.6 million euro for ***Cassa di Risparmio di Carrara***. Positive performances were registered also by the Saving banks controlled by *Holding IntesaBci Centro* with net incomes of: 1.7 million euro for ***Cassa di Risparmio di Viterbo***, 0.9 million euro for ***Cassa di Risparmio di Rieti***, 1.9 million euro for ***Cassa di Risparmio di Ascoli Piceno***, 1.2 million euro for ***Cassa di Risparmio di Spoleto***, 1.5 million euro for ***Cassa di Risparmio di Foligno*** and 0.3 million euro for ***Cassa di Risparmio di Città di Castello***. In most cases the statement of income showed virtually stable operating margins, effective cost control and physiological adjustments to loans. Also the combined funding and lending aggregates confirmed – though with differentiated trends linked to the different territorial contexts – the same levels of loans to customers and a good growth rate of customer deposits as in December 2001.

Financial activities

Despite the difficult moment for financial markets and the securities industry in general, the beginning of the new year for ***Caboto IntesaBci Sim*** – to which Caboto Sim Spa was contributed while the activities destined to IntesaTrade were spun off – was very encouraging. The reorganisation commenced in the previous year, enabled the company to use a strong and competitive structure, with a balanced mix of fixed-income and equity products capable of competing with and excelling among the most important competitors. New trading books broadened the range of products offered to customers (asset backed securities, *pfandbriefe*, asset swaps and exotic Asiatic options), while its integration with the London branch and the inclusion of new, extremely qualified resources further expanded the operating potential of the company. As to market positioning, the company improved its ranking on MTA (the information system of the Italian Stock Exchange) and is the top player with a 6.79% market share, while on Nuovo Mercato (NUM, the Italian high-growth companies market) it moved from fourth to third place and also confirmed its market share on MOT (the information system of the Bond Market) and increased its share in covered warrants.

The period closed with a net income of approximately 15 million euro – to be compared in consistent terms with the loss of approximately 1 million euro of the previous comparison period – fully attributable to the doubling of operating income to almost 60 million euro, which easily absorbed the 15% increase of general costs and depreciation, also due to the rise of personnel costs (for the variable portion of salaries linked to results as well as for an increase in staff following recruits or secondments).

Nextra Investment Management Sgr, formed through the integration of the two previous operating entities reporting to the former banking groups Intesa and BCI, is active in management of mutual funds/sicavs (over 120 funds of various types), in individual portfolio management schemes (Gpf, Gpm, Gpi, Private banking), as well as in pension funds and in real estate funds. As at 31st March 2002, net assets managed by Nextra, net of duplications, totalled 112.3 billion euro (+ 2% from December 2001). With regard to collective portfolio management schemes only, the net portfolio of mutual funds/sicavs, although in presence of a still negative collection in the quarter, exceeded 96 billion euro, ensuring the company a market share of 18.4%, second among the Italian asset management companies. As to the statement of income, the company achieved a net income for the period of 11.5 million euro which, even if lower than the combined result of the two former entities in the first quarter of 2001, is deemed appreciable considering the still difficult situation characterising the asset management market.

IntesaBci Investimenti, company established as *Compagnia Italiana Investimenti Diversificati* at the end of 2001, operates with the aim of offering advantageous investment opportunities to the Group’s primary customers. Activities of the company are focused on investments in foreign sicavs with simultaneous commitment to resell the shares at a later date, at a predetermined price, with the assistance of swap contracts aimed at assuring an adequate profitability to investments. IntesaBci will replicate each operation – again using repurchase agreements – with IntesaBci Investimenti, whose shares in turn will be covered, by a similar contract with investing customers. The economic performance of this first period of activity led to a net income of 23.9 million euro.

Activities of Product Companies

The good performance of the Italian leasing market led to a further positive commercial development of ***Intesa Leasing*** which stipulated new contracts in the quarter amounting to 596 million euro, with a 20% increase with respect to the first three months of 2001. The real estate sector proved very dynamic and represented approximately half of the new contracts. Total leased assets reached 7,306 million euro. Economic performance also progressed well and financial income for the period equalled 4.7 million euro, with an approximately 11% increase on the corresponding quarter of the previous year.

For ***Mediofactoring***, the first quarter of the year confirmed the expectations of growth for the sector. In fact, turnover registered an expansion of approximately 8% with respect to the same quarter of the previous year. The period closed with a net income of 7.7 million euro (approximately + 4%) as a result of a net interest and other banking income up by over 10%, capable of absorbing higher costs (approximately + 16%) exclusively due to the fact that the first quarter of 2001 did not yet include the personnel acquired with the integration of *Comit Factoring* nor the amortisation instalment of the goodwill sustained for the acquisition.

The establishment in August of last year of ***IntesaBci Italia Sim***, through the merger of the networks of financial consultants previously reporting to *IntesaItalia Sim* and *GenerComit Distribuzione Sim*, represented the first step towards the creation of the Group's new multichannel bank. The company's statement of income, which was obviously also burdened by goodwill costs, was penalised by the unfavourable situation of financial markets and therefore registered a loss for the period of 2.8 million euro, compared with a combined net income of 2.3 million euro achieved by two pre-existing structures in the first quarter of 2001.

Very positive were the results of ***Setefi***, the Group's business unit specialised in management of electronic payments. The Company recorded a net income for the first quarter of 2002 amounting to 4.7 million euro, approximately 22% higher with respect to the same period of 2001. As regards operations, the number of own or managed cards increased by over 200,000 units (+ 14%) over the twelve months to 1,645,000 units, while the number of POS rose by 35% in the twelve months to over 72,000 machines. The total number of transactions processed in the quarter amounted to 27.5 million euro, for a countervalue exceeding 2 billion euro.

Carivita closed the first quarter of 2002 with collected premiums of 353.5 million euro with respect to 259.8 million euro in the first quarter of 2001 (+ 36%) and a net income of 4.9 million euro, against 6.7 million euro of 2001 (approximately – 27%). Significant was the increase of gross technical reserves which, compared with the corresponding period of last year, reached 6,430.6 million euro (+ 16%), despite the approximately 54% rise registered by liquidations and relevant charges. During the quarter, Carivita continued its activities characterised by the launch of new products for the Group, adding the placement of index linked policies (12% of issues in the period) to the distribution of products with minimum guaranteed returns and unit linked (respectively 85% and 3% of issues in the period).

Participated companies operating in the e-banking/e-commerce sector and reporting to ***IntesaBci e.lab***, as well as the subsidiaries ***IntesaTrade***, active in on-line trading, and ***FundsWorld***, specialised in the sale of mutual funds, are developing the projects assigned to them with reference to their respective market segments. This will enable them to be ready to seize the opportunities that the Internet holds and will emerge as soon as current temporary market difficulties will be overcome. At this moment economic results are still penalised by the start-up of the various initiatives and the combined loss for the period amounted to approximately 8 million euro.

Activities of Service Companies

IntesaBci Gestione Crediti had a loan portfolio exceeding 10,000 million euro in nominal value, recorded at approximately 2,500 million euro, and managed loans totalling approximately 4,500 million euro. It achieved revenues in the period exceeding 76 million euro on its own portfolio and exceeding 74 million euro on the managed portfolio. The statement of income included write-backs and value recoveries on collection amounting to 28.4 million euro and the company, although sustaining higher operating costs (approximately + 7%) and higher net adjustments to loans (doubled with respect to the corresponding quarter of 2001), closed the period virtually at breakeven against a net income of 0.2 million euro in the comparison period.

IntesaBci Sistemi e Servizi, the Group service company mainly responsible for centralised data processing and IT system management, is still engaged in certain activities aimed at the complete operational implementation of the Group's New Model. The year closed practically at breakeven (0.1 million euro), in line with its mission of servicing only captive users.

IntesaBci Riscossione Tributi and the subsidiaries ***Esa.Tri.***, ***E.Tr.*** and ***S.Es.I.T.*** in the first quarter of 2002 continued the implementation of company reorganisation in line with the Group's industrial plan for the sector, also considering the development of the radical legislative reform of tax collection activities. The period just closed was however heavily affected by the termination of the system of remuneration for concessionaires (the so-called "clausola di salvaguardia", safeguard clause) expired last 31st December and replaced on a provisional basis – in the period before a definitive assessment of the matter – by "indennità di presidio" (coverage indemnity) which however, from the economic viewpoint, causes a substantial reduction in revenues. The result for the period of the Group's tax collection companies was therefore negative and totalled approximately 16 million euro.

Abroad

IntesaBci Holding International, which is in charge of almost all foreign banking and financial subsidiaries, closed the period with a net income of 7.6 million euro, mostly generated by dividends from the equity investment portfolio.

The Latin-American area and the Sudameris group

The macroeconomic scenario of South-American Countries in which operating units of the ***Sudameris group*** are present did not show particularly significant changes with respect to the synthetic notes indicated on this matter in the Annual Report 2001, with the exception of the aforementioned developments in Argentina.

With regard to the statement of income, the results achieved by Sudameris in the first quarter of the year presented, overall, a more stable situation compared to that – which had led to effective interventions – emerged at the end of 2001, even if the mechanisms generating operating income did not always appear capable of meeting the requirements imposed by particular company situations or by difficult local economic contexts.

The satisfactory performance of interest margin, up by 9% to over 200 million euro mostly as a result of lower funding costs, was offset by considerable reductions in contributions from net commissions and from profits on financial transactions. This led to a contraction in net interest and other banking income, which decreased to 306 million euro, with a contained growth rate slightly exceeding 3%.

Particularly significant were the savings, exceeding 12%, achieved in the area of general and personnel costs, thanks to which operating margin rose to 87.4 million euro, improving by approximately 35% the corresponding comparison figure. Income from operating activities increased strongly to 26 million euro, even if it was penalised by still high adjustments and provisions for risks and charges, which overall remained practically unchanged with respect to the previous period under comparison. The presence of substantial write-backs on loans, however, proves the improvement in loan portfolio quality.

Operating income was further penalised by considerable extraordinary charges (approximately 17 million euro), coupled with the strong incidence of income taxes deriving from group units liable to income tax. Consequently, the net result was negative for approximately 7 million euro, of which approximately 6 million euro pertaining to the group, against a net income of approximately 2 million euro achieved in the corresponding period of 2001.

As to the most significant balance sheet aggregates, with respect to the figures as at the end of 2001 a contraction was registered both for loans to customers standing at 8,966 million euro (– 9%) and for customer deposits (10,222 million euro; approximately – 7%) as direct consequence also of the devaluation of the Argentinean currency and of the economic crisis which provoked an outflow of liquidity from the banking system of that Country.

Eastern Europe

The good opportunities offered by the Hungarian market, where the ***Central-European International Bank group*** is positioned among major players, were confirmed also in the first quarter of 2002 and led to a net income for the period of 11 million euro which highlighted an approximately 17% increase with respect to the corresponding quarter of last year. The group's satisfactory performance concerned all economic margins with appreciable rises both of interest margin and of, above all, net income from services. This allowed to neutralise not only higher operating costs, essentially connected to inflation, but also higher provisions and net adjustments to loans, without penalising net income. As at 31st March 2002 the group's loans to customers exceeded 1,900 million euro (approximately + 4% from last December) and customer deposits, equalled 1,743 million euro, with a moderate decline.

The ***Privredna Banka Zagreb group*** confirmed its potential profitability, with a net income for the period of approximately 30 million euro, over 40% higher than the result achieved in the first three months of 2001. The group's appreciable performance was also due to interventions aimed at rationalising distribution channels and developing more innovative customer services. With respect to the end of last year, the group increased in that way its loans to customers by over 8% to exceeding 1,900 million euro, also confirming customer deposits at over 3,200 million euro.

Also ***Vseobecna Uverova Banka*** – purchased last November and accounted for in the consolidated accounts using the equity method – registered a good profitability with a net income for the period of approximately 20 million euro.

Western Europe

Bankhaus Löbbecke closed the quarter with a net income of 3.2 million euro, registering a progress of approximately 2% with respect to the result of the first three months of 2001. The rise of net commissions (+ 60%) was particularly significant and confirmed the good results achieved through the gradual reduction of traditional lending and deposit collecting activities in favour of a greater push to customer services. Administrative costs resulted in gradual contraction and net adjustments to loans recorded a drastic reduction, the advantage was however fully offset by higher adjustments to the investment portfolio and, above all, by the fact that the substantial non-recurring extraordinary income from the sale of equity investments which characterised the first quarter of 2001 did not recur.

In the first quarter of 2002 ***Société Européenne de Banque***, which with effect as at 1st January 2002 absorbed the activities of *Banca Intesa International*, recorded a moderate contraction of income in comparison with the combined figures of the two pre-existing entities. Net income for the period amounted to 3.5 million euro despite higher charges connected with the increased size of its structure.

The Swiss subsidiary ***Banca Commerciale Italiana (Suisse)*** was still affected by the unfavourable financial market conditions and registered lower volumes in its private banking activities with a further reduction of brokerage commissions and of income from financial intermediation. The particular attention paid to the containment of operating costs and significant write-backs on loans led to a net income for the period of 3.5 million euro, against 3.1 million euro of the corresponding quarter of 2001.

Banca Commerciale Italiana (France) posted a net income for the first three months of 2002 amounting to 8.7 million euro, down by over a third with respect to the corresponding result of the first quarter of 2001, which benefited from particularly high commissions linked to large syndicated loans and structured operations. Higher extraordinary income was not sufficient to recover the same levels of profitability of last year.

Also ***Banca Intesa (France)*** registered a quarterly income lower than that of the corresponding period of 2001 (0.9 million euro against 1.1 million euro) mainly attributable to a lower contribution from interest margin not adequately balanced by a nonetheless appreciable increase of commission income and of profits on financial transactions.

IntesaBci Bank Ireland, new name of *Banca Commerciale Italiana (Ireland)* after the merger with *Intesa Ireland*, continued to develop its activities with large international corporations and its operating capability linked to structured financial products. The statement of income showed an appreciable rise of interest margin in the quarter, partly eroded by a lower contribution from commissions, by higher costs connected with the merger and by higher adjustments to loans, which drove net income for the quarter down to 3.9 million euro against approximately 8 million euro posted by the two pre-existing companies in the first quarter of the previous year.

The North-American area

The improved conditions of the Canadian economy positively affected the performance of the local subsidiary ***IntesaBci Canada***, which closed the quarter with a net income of 0.9 million euro against 0.7 million euro registered as at 31st March 2001. This increase was mainly due to the improved interest margin, although in presence of lower profits on financial transactions and income from services and of higher operating costs, mostly in the component related to personnel costs following staff increases.

Foreign branches

The Group's presence on main international markets is ensured not only by its banking subsidiaries abroad but also by the network of IntesaBci's 12 ***direct branches*** which during the first quarter of this year registered an economic performance which was generally positive and led to an income before taxation exceeding 50 million euro.

Risk control

Market risk

The evolution of the trading portfolio in the first quarter of 2002 showed a decrease in risk. As at 31st March 2002 Value at Risk (6) for market risk equalled 14.2 million euro, with a 1.5 million euro drop compared to the end of 2001. Interest rate risk was mainly responsible for this trend and its contraction reflected the reorganisation of the portfolios of the Finance area which led to the reversal of certain positions. Equity risk showed an opposite trend and, after a drop at the beginning of the year, restarted to rise in the second half of the quarter due to cash position-taking, which led value at risk to slightly increase compared to year-end. Foreign branches continued to make a marginal contribution to the Parent Company's overall risk profile.

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

Risk factors	31st December 2001	31st March 2002
Interest rate	11.9	6.7
Equity	9.7	10.5
Foreign exchange	0.2	0.4
Total (**)	**15.7**	**14.2**

(*) *Risk analysis does not include the position related to Warrants Put IntesaBci issued at the time of the Tender Offer for Banca Commerciale Italiana shares.*
(**) *The sum of individual values is greater than the total because the method used to aggregate the risks of individual activities takes into account the correlations that exist between the different risk factors.*

In the first quarter the project for the integration of the portfolios pertaining to the Caboto group continued according to the implementation plan; the completion of the plan is forecasted within the first half of 2002.

Credit risk

The analyses of the rating methodologies present in the different entities which were merged in IntesaBci were completed in the first months of the year. This led to an accurate directory of the characteristics of the various approaches, their operating application and their consistency with the organisational structure adopted by the Bank after the merger. The programming activities, which have been carried out by Risk Management together with other Units involved, has the objective of identifying the target rating methodologies so that these can be rapidly implemented, in compliance with Basle II standards.

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

Shareholder base and stock price performance

Voting syndicate

38.25% of the 5,869,398,797 ordinary shares which make up IntesaBci's share capital is vested in a voting syndicate, for which the Shareholders' agreement expires on 15th April 2005. Based on the most updated information available, the percentage vested in the syndicate is broken down as follows: *Crédit Agricole* 13.89%; *Fondazione Cariplo* 8.49%; *Generali group* 5.40%; *Fondazione Cariparma* 4%; *Lombardo group* 3.30%; *Commerzbank group* 3.17%.

Stock price performance

In the first quarter of 2002 signs of recovery in world economy intensified, despite the worsening of the Middle East and Argentinean crises. The Comit index thus registered a 4.8% rise in the quarter and partly recovered the lower performance, realised in the preceding twelve months, compared to the main European stock markets.

The expectations of economic recovery enabled the banking sector to outperform the general index, and record an absolute performance of 10.2%, despite the fact that such expectations have not yet led to an acceleration in loans or in wider average spreads.

In this context the IntesaBci ordinary share recorded a 22.4% rise in the first quarter, much higher than the sector average, after having suffered at the end of the previous quarter and at the beginning of the new year investor preoccupations regarding the possible repercussions of the Latin-American crisis and the considerable provisions and adjustments recorded in the 2001 financial statements. Consequently, the value of the *Warrants Put IntesaBci*, issued at the time of the Tender Offer for Banca Commerciale Italiana shares and exercisable in November 2002, dropped by approximately 25% in the quarter.

Stock option plan

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

A total of 10,210,000 options, were offered for free to IntesaBci's Managing Directors and to 97 other Group managers. The assignment was conditional upon the achievement of at least 95% of the Group's target ROE for 2001.

Based on the results contained in the consolidated financial statements presented to the Shareholders' Meeting held on last 30th April this condition had not been met.

Therefore, on 14th May 2002 the Board of Directors acknowledged that the assignment of stock options for 2001 – and referred to the results recorded in the 2001 financial statements – is not valid.

Information on specific issues

Subsidised mortgages as per Law 133/1999 - Unsubsidised fixed-rate mortgages - Anatocism

As concerns the problems related to the determination of interest in favour of the Bank, the Bank confirms the lines of conduct illustrated in the Annual Report 2001 and also recalled during the Shareholders' Meeting for the approval of the financial statements, pursuant to Consob (Italian Securities Exchange Commission) regulations on this matter. In particular, the sums which may be subject to possible reimbursement requests by customers – following the renegotiation of both subsidised interest rates applied to mortgages to the construction industry and interest applied to unsubsidised fixed-rate mortgages (for the reliquidation of the instalments expiring on 31st December 2000) – have been fully covered by specific provisions to the "Allowances for risks and charges". No provisions have been made, in line with the general orientation of the banking system and the conviction of the full legitimacy of the Bank's position, to cover any reimbursement requests for interest calculated using the anatocism criterion.

Incentives provided for by Law 461/98

It must be noted that the tax incentives for bank concentration operations have been suspended as of the 2001 tax period, as set forth by Law Decree 63 of 15th April 2002, issued following the declaration of the European Commission that such incentives were incompatible with Community regulations regarding State subsidies. This suspension had already been prudentially considered in the determination of the tax burden for 2001. The benefits legitimately recorded in the previous years – which are not in any way regulated by the suspending law – have been fully covered by provisions of equal amount should any reimbursement request occur.

Projections for the whole year

The figures in the consolidated financial statements related to the first quarter of 2002 enable to expect results better than those recorded in 2001.

Milano, 14th May 2002

The Board of Directors

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