Consolidated Report as at 30th September 2002

IntesaBci

This is an English translation of the Italian original
“Relazione consolidata al 30 settembre 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
as at 30th September 2002

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

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Board of Directors, Board of Statutory Auditors and Independent Auditors

Board of Directors

Chairman	* GIOVANNI BAZOLI
Deputy Chairmen	* GIAMPIO BRACCHI JEAN LAURENT LUIGI LUCCHINI
Managing Director/ Chief Executive Officer	* CORRADO PASSERA
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 GIANGIACOMO NARDOZZI EUGENIO PAVARANI * AXEL FREIHERR VON RÜDORFFER SANDRO SALVATI ERIC STRUTZ GINO TROMBI

** Members of the Executive Committee*

Board of Statutory Auditors

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

Gruppo IntesaBci

Executive summary

Results for
the first nine months of 2002

The results of the third quarter – though all in all unsatisfactory and certainly under the Group's potential – registered the first important inversion in the trend as concerns both operating revenues and costs. These results confirm the commitment for the turnaround and relaunch presented in the 2003-2005 Business Plan.
Revenue growth and cost reduction represent the key features of the Business Plan, together with the solution of the critical situations that had emerged. The comparison of the third quarter with the second quarter of 2002 provides significant supporting evidence of progress on both fronts: on the one hand, for example, the recovery in net interest income (+ 70 million euro); on the other hand, the decrease in operating costs (– 100 million euro). These interventions will continue in the last part of the year, with both a further reduction in the number of employees and the review of variable compensation to reflect the Company's unsatisfactory profitability.
Also encouraging is the comparison of the third quarter of 2002 with the third quarter of 2001: again net interest income increased, even though slightly (+ 16 million euro) and operating costs showed a 134 million euro decrease. Income from services remained weak, heavily affected by the persisting crisis of financial markets and consequent lower investor propensity for trading activities and asset management.
Operating margin in the third quarter of 2002 recorded a 200 million euro decrease with respect to the previous quarter: however 180 million euro were due to the decline in dividends, essentially connected to seasonal effects. Instead, the comparison with the third quarter of 2001 showed an approximately 30 million euro improvement in operating margin.
Obviously cumulated results for the first nine months of the year only partly benefited from the trends recorded in the last quarter and therefore operating margin decreased by approximately 300 million euro. This is the combined effect of the approximately 600 million euro decline in net interest and other banking income and the approximately 300 million euro reduction in operating costs.
Income from operating activities in the first nine months of 2002 was almost halved compared to the same period of the previous year (approximately 600 million euro compared to approximately 1,100 million euro in 2001). However also this figure showed an improvement in the third quarter compared to the second quarter of 2002 (over 300 million euro compared to a negative result of 260 million euro, mostly attributable to the particularly high net adjustments to loans and provisions for possible loan losses).

The comparison between the first nine months of 2002 with the same period of 2001 should consider the different impact of extraordinary items already illustrated in the Half-Year Report. In 2001 Gruppo IntesaBci had recorded various non-recurring operations (first and foremost the disposals of 75% of Banca Carime, of Banca di Legnano and of numerous branches), which had led to substantial capital gains (approximately 1,500 million euro) and had benefited from the non-recurring dividend of 92 million euro related to the investment in Seat - Pagine Gialle. Conversely, in the quarter under examination further provisions (575 million euro) were accounted for in relation to the *Warrants Put IntesaBci* only partly offset by the 220 million euro capital gain on the sale of the remaining 25% stake in Banca Carime.

A correct assessment of the various income levels must also note the substantial devaluation of the South-American currencies. For example, interest margin, which showed a 4.9% decrease, net of the currency effect and non-recurring income connected to merchant banking activities, would be slightly higher than in 2001.

In conclusion, *net income* for the first nine months of 2002 equalled 56 million euro.

The Business Plan

The new 2003-2005 Business Plan – prepared in July and August – was approved by the Board of Directors and launched at the beginning of September.

The Plan's main strategic guidelines are outlined below:

– *Asset quality and risk profile*: risk must be reconducted to the level of comparable benchmarks, via the following interventions: a new asset mix more focused on the retail segment and on the Italian market; exit from Latin America within the next few months, and the last charges recorded in the 2002 financial statements; consolidation of systems and policies which regulate credit granting and monitoring and strengthening Risk management;

– *Capital base:* after a reduction in capital ratios due to the exercise of *Warrants Put IntesaBci* which will influence year-end figures, all indicators will exceed the "attention threshold" already starting from 2003, and will be well above industry benchmarks within 2005. Own shares acquired following the exercise of the *Warrants Put IntesaBci* will be gradually replaced on the market and no operations on IntesaBci's capital are foreseen;

– *Value creation:* the Plan, which has already commenced implementation, enables a strong recovery in performance already starting from 2003 and the achievement of satisfactory results between 2004 and 2005. The levers to reach these objectives are: revenue growth in certain, clearly-identified opportunity areas, great reduction in operating costs and the costs of bad credit, significant investments in technology, innovation and, especially, in the Group's human capital.

Little more than two months after the initial implementation of the Business Plan it is too early to assess results, however it is important to provide an update on initiatives under way. Compared to consolidated figures as at 30th June 2002, loans to customers decreased from over 177 billion euro to 170 billion euro (– 4.1%). Interventions led to a decrease in capital absorbed and to an improvement in capital ratios. In particular, the Tier 1 ratio, which equalled 6.4% as at 30th June 2002 increased to 6.7% at the end of September, while the Core Tier 1 (that is the same ratio net of preference shares) improved in the quarter from 5.6% to 5.8%.

As concerns another strategic objective indicated in the plan, that is the exit from Latin America, IntesaBci received a binding offer from Banco Patagonia SA, Buenos Aires, for Banco Sudameris Argentina, currently controlled via Sudameris. The offer sets out a recapitalisation of Sudameris Argentina and the merger with Banco Patagonia, following which IntesaBci will have a minority stake in the merged entity. The operation should be completed within the end of the current year. The further charges which the Group will sustain in the fourth quarter should be approximately 150 million dollars.
As concerns the situation in Peru, approximately 300 million euro of exit charges are forecasted to be recorded in the fourth quarter.
Lastly, the disposal of *Banco Sudameris Brasil:* negotiations under way with Banco Itaù suffered a slowdown also as a result of the deterioration of the economic and financial situation of the Country. At the time being it is probable that negotiations will be interrupted. The commitment to sell the subsidiary is confirmed, however it must be conditional upon the possibility of achieving a price in line with its intrinsic value.

The *Warrants Put IntesaBci*

The mark-to-market valuation as at 30th September 2002 of the 330,170,484 *Warrants Put IntesaBci* – assigned to the holders of BCI shares at the time of the Tender Offer in 1999 – determined a charge of 575 million euro, thus leading to total provisions of 1,733 million euro.
The exercise of *warrants put* must occur within 15th November.

Assuming the complete exercise of all issued warrants, on 29th November IntesaBci will purchase 478,747,202 own ordinary shares (corresponding to 8% of voting share capital) for a total countervalue of 2,576 million euro.

The Carime operation

As part of the process aimed at selling non-strategic equity investments, IntesaBci recently signed an agreement with Deutsche Bank and Banca Popolare Commercio e Industria which entailed IntesaBci's sale to Deutsche Bank, of the bare property of 24.92% of Banca Carime still held by IntesaBci and the stipulation between Deutsche Bank and Banca Popolare Commercio e Industria, of a call option (exercisable within 2006) and a put option (exercisable in 2006) on that equity investment, at equivalent conditions as those in force between IntesaBci and Banca Popolare Commercio e Industria. The sale, for a countervalue of approximately 400 million euro, led to the registration in the accounts as at 30th September 2002 of a gross capital gain of approximately 220 million euro.

Relations with Fiat

In the third quarter of 2002 the banks which had taken part in the restructuring of the Fiat group granted the 3 billion euro "convertendo", with three-year maturity and therefore expiring in September 2005. The portion underwritten by IntesaBci equalled 650 million euro and substituted existing loans. It did not therefore increase exposure to the Fiat group.
As part of the plan aimed at reducing the Fiat group's debt position, IntesaBci's exposure decreased by over 800 million euro in the quarter.
Also following the new industrial plan recently presented by Fiat, which sets out structural organisational interventions, before the end of the year an assessment will be made of the programmed actions and their capability of decreasing net and gross financial positions within the values set forth in the agreement of 27th May 2002.
Again as part of these agreements, negotiations are under way for the acquisition by IntesaBci, Unicredit, Capitalia and San Paolo - IMI of 51% of the company Fidis from the Fiat group. This will involve a limited portion of the company's business, that is the management of consumer credit to retail car purchasers. The agreements relative to the price, the governance and the entire financial structure of the operation will be described, after they have been defined, in one of the next Reports. The operation, which will be closed within 31st December 2002, will enable Fiat to reduce its gross financial position by approximately 6 billion euro.

As concerns IntesaBci's equity investment in Italenergia, complemented by a put option to be exercised in 2005 and settled by EDF and/or Fiat, during the last quarter all the agreements have been redefined and all the forecasted actions have been taken – together with all the other banks involved in both the equity and the financing – to reduce Edison's overall exposure, through bond issues and asset sales.

Gruppo IntesaBci

Financial highlights

	30/09/2002	31/12/2001 pro forma (1)	30/09/2001 pro forma (1)	Changes	
	(A)	(B)	(C)	A/B	A/C
Statement of income (in millions of euro)					
Net interest income	4,277	6,053	4,462		(4.1)
Interest margin	4,549	6,867	4,781		(4.9)
Net commissions	2,527	3,752	2,828		(10.6)
Net interest and other banking income	7,453	11,202	8,076		(7.7)
Operating costs	(5,027)	(7,447)	(5,337)		(5.8)
including Payroll	*(2,790)*	*(4,079)*	*(2,983)*		*(6.5)*
Operating margin	2,426	3,755	2,739		(11.4)
Net adjustments to loans and provisions for possible loan losses	(1,380)	(2,687)	(1,276)		8.2
Income from operating activities	591	276	1,081		(45.3)
Extraordinary income (loss)	(312)	798	376		
Net income for the period	56	928	1,063		(94.7)

	30/09/2002	31/12/2001 pro forma (1)	30/09/2001 pro forma (1)	Changes	
	(A)	(B)	(C)	A/B	A/C
Balance sheet (in millions of euro)					
Loans to customers	170,043	184,429	182,091	(7.8)	(6.6)
Securities	40,534	49,281	51,845	(17.7)	(21.8)
including Investment portfolio	*7,703*	*11,282*	*11,964*	*(31.7)*	*(35.6)*
Equity investments	4,711	4,610	3,821	2.2	23.3
Total assets	290,123	316,665	317,937	(8.4)	(8.7)
Direct customer deposits	180,367	186,434	180,568	(3.3)	(0.1)
including Subordinated and perpetual liabilities	*11,726*	*11,687*	*11,221*	*0.3*	*4.5*
Indirect customer deposits	308,039	327,751	295,468	(6.0)	4.3
including Managed funds	*128,025*	*138,596*	*128,239*	*(7.6)*	*(0.2)*
Customer deposits under administration	488,406	514,185	476,036	(5.0)	2.6
Due to banks, net	19,457	37,100	40,976	(47.6)	(52.5)
Shareholders' equity (2)	13,794	14,172	14,349	(2.7)	(3.9)
Operating structure					
Staff (number)	69,823	70,545	71,295	(722)	(1,472)
Branches (number)	4,281	4,261	4,235	20	46
including Italy	*3,356*	*3,332*	*3,300*	*24*	*56*
Abroad	*925*	*929*	*935*	*(4)*	*(10)*

(1) *Figures restated on a consistent basis.*
(2) *Including net income for the period.*

Gruppo IntesaBci

Financial ratios

	30/09/2002	31/12/2001 pro forma [1]	30/09/2001 pro forma [1]
Balance sheet ratios (%)			
Loans to customers/Total assets	58.6	58.2	57.3
Securities/Total assets	14.0	15.6	16.3
Direct customer deposits/Total assets	62.2	58.9	56.8
Managed funds/Indirect customer deposits	41.6	42.3	43.4
Statement of income ratios (%)			
Interest margin/Net interest and other banking income	61.0	61.3	59.2
Net commissions/Net interest and other banking income	33.9	33.5	35.0
Operating costs/Net interest and other banking income	67.4	66.5	66.1
Net income for the period/Average total assets (ROA) [2] [3]	0.0	0.3	0.4
Net income for the period/Average shareholders' equity (ROE) [3] [4]	0.5	6.7	10.3
Risk ratios (%)			
Net doubtful loans/Total loans	3.2	3.0	3.0
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	61.5	58.9	57.0
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets [5]	6.7	6.0	6.6
Total capital/Risk-weighted assets [5]	10.7	9.3	10.5
Risk-weighted assets (in millions of euro) [5]	218,201	246,124	227,181
EPS – Earnings per share – euro	0.01	0.14	0.06

(1) *Figures restated on a consistent basis.*
(2) *Based upon the arithmetical average of total assets at the end of the current and previous period.*
(3) *Figures have been annualised.*
(4) *Net income for the period, excluding the change in the reserve for general banking risks, divided by the weighted average of share capital, share premium reserve, revaluation reserves, reserves from retained earnings, and the reserve for general banking risks.*
(5) *Figures for 2001 and as at 30th September 2001 have not been restated.*

Gruppo IntesaBci
Financial statements

Reclassified consolidated statement of income

(in millions of euro)

Captions	30/09/2002	30/09/2001 (1)	Changes	
			amount	%
Net interest income	**4,277**	4,462	(185)	(4.1)
Dividends and other revenues	**204**	253	(49)	(19.4)
Income from investments carried at equity	**68**	66	2	3.0
Interest margin	**4,549**	4,781	(232)	(4.9)
Net commissions	**2,527**	2,828	(301)	(10.6)
Profits on financial transactions	**107**	109	(2)	(1.8)
Other operating income, net	**270**	358	(88)	(24.6)
Net interest and other banking income	**7,453**	8,076	(623)	(7.7)
Administrative costs	**(4,532)**	(4,827)	295	(6.1)
including Payroll	***(2,790)***	*(2,983)*	*(193)*	*(6.5)*
Other	***(1,742)***	*(1,844)*	*(102)*	*(5.5)*
Adjustments to fixed assets and intangibles	**(495)**	(510)	(15)	(2.9)
Operating costs	**(5,027)**	(5,337)	(310)	(5.8)
Operating margin	**2,426**	2,739	(313)	(11.4)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(108)**	(67)	41	61.2
Provisions for risks and charges	**(259)**	(298)	(39)	(13.1)
Net adjustments to loans and provisions for possible loan losses	**(1,380)**	(1,276)	104	8.2
Net adjustments to financial fixed assets	**(88)**	(17)	71	
Income from operating activities	**591**	1,081	(490)	(45.3)
Extraordinary income (loss), net	**(312)**	376	(688)	
Income taxes for the period	**(166)**	(385)	(219)	(56.9)
Change in the reserve for general banking risks and other changes	**4**	6	(2)	(33.3)
Minority interests	**(61)**	(15)	46	
Net income for the period	**56**	1,063	(1,007)	(94.7)

(1) *Figures restated on a consistent basis.*

Quarterly development of the reclassified statement of income

(in millions of euro)

Captions	2002 [1]			2001 [1]			
	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,420	1,350	1,507	1,590	1,404	1,522	1,536
Dividends and income from investments carried at equity	20	200	52	464	41	151	127
Interest margin	**1,440**	**1,550**	**1,559**	**2,054**	**1,445**	**1,673**	**1,663**
Net commissions	793	861	873	925	913	955	960
Profits (Losses) on financial transactions	(44)	61	90	35	(92)	122	79
Other operating income, net	69	86	115	112	99	110	149
Net interest and other banking income	**2,258**	**2,558**	**2,637**	**3,126**	**2,365**	**2,860**	**2,851**
Administrative costs	(1,401)	(1,505)	(1,626)	(1,880)	(1,535)	(1,664)	(1,628)
including Payroll	*(846)*	*(945)*	*(999)*	*(1,096)*	*(957)*	*(1,039)*	*(987)*
Other	*(555)*	*(560)*	*(627)*	*(784)*	*(578)*	*(625)*	*(641)*
Adjustments to fixed assets and intangibles	(167)	(163)	(165)	(230)	(167)	(172)	(171)
Operating costs	(1,568)	(1,668)	(1,791)	(2,110)	(1,702)	(1,836)	(1,799)
Operating margin	**690**	**890**	**846**	**1,016**	**663**	**1,024**	**1,052**
Adjustments to goodwill arising on consolidation and on application of the equity method	(60)	(25)	(23)	(112)	(22)	(23)	(22)
Provisions for risks and charges	25	(225)	(59)	(278)	(128)	(108)	(62)
Net adjustments to loans and provisions for possible loan losses	(325)	(842)	(213)	(1,354)	(490)	(555)	(231)
Net adjustments to financial fixed assets	(18)	(58)	(12)	(77)	(8)	(10)	1
Income (Loss) from operating activities	**312**	**(260)**	**539**	**(805)**	**15**	**328**	**738**
Extraordinary income (loss), net	(374)	(169)	231	422	(400)	621	155
Income taxes for the period	(1)	158	(323)	179	54	(126)	(313)
Change in the reserve for general banking risks and other changes	2	–	2	21	2	3	1
Minority interests	3	(40)	(24)	48	6	7	(28)
Net income (loss) for the period	**(58)**	**(311)**	**425**	**(135)**	**(323)**	**833**	**553**

[1] *Figures for 2001 and for the first quarter of 2002 have been restated on a consistent basis.*

Reclassified consolidated balance sheet

(in millions of euro)

Assets	30/09/2002 (A)	31/12/2001 pro forma [1] (B)	30/09/2001 pro forma [1] (C)	% change A/B	% change A/C
1. Cash and deposits with central banks and post offices	**1,367**	1,960	1,514	(30.3)	(9.7)
2. Loans					
– loans to customers	**170,043**	184,429	182,091	(7.8)	(6.6)
– due from banks	**35,741**	40,337	45,563	(11.4)	(21.6)
3. Trading portfolio	**32,831**	37,999	39,881	(13.6)	(17.7)
4. Fixed assets					
a) investment portfolio	**7,703**	11,282	11,964	(31.7)	(35.6)
b) equity investments	**4,711**	4,610	3,821	2.2	23.3
c) tangible and intangible	**4,947**	5,213	5,737	(5.1)	(13.8)
5. Goodwill arising on consolidation	**558**	482	600	15.8	(7.0)
6. Goodwill arising on application of the equity method	**206**	27	50		
7. Other assets	**32,016**	30,326	26,716	5.6	19.8
Total Assets	**290,123**	316,665	317,937	(8.4)	(8.7)

(in millions of euro)

Liabilities and Shareholders' Equity	30/09/2002 (A)	31/12/2001 pro forma [1] (B)	30/09/2001 pro forma [1] (C)	% change A/B	% change A/C
1. Debts					
– due to customers	**111,989**	113,569	111,376	(1.4)	0.6
– securities issued	**56,652**	61,178	57,971	(7.4)	(2.3)
– due to banks	**55,198**	77,437	86,539	(28.7)	(36.2)
2. Allowances with specific purpose	**5,076**	5,503	4,933	(7.8)	2.9
3. Other liabilities	**34,687**	31,990	30,326	8.4	14.4
4. Allowances for possible loan losses	**151**	146	154	3.4	(1.9)
5. Subordinated and perpetual liabilities	**11,726**	11,687	11,221	0.3	4.5
6. Minority interests	**850**	983	1,068	(13.5)	(20.4)
7. Shareholders' equity					
– share capital, reserves and reserve for general banking risks	**13,708**	13,228	13,265	3.6	3.3
– negative goodwill arising on consolidation	**29**	15	20	93.3	45.0
– negative goodwill arising on application of the equity method	**1**	1	1	–	–
– net income for the period	**56**	928	1,063	(94.0)	(94.7)
Total Liabilities and Shareholders' Equity	**290,123**	316,665	317,937	(8.4)	(8.7)

Indirect customer deposits	**308,039**	327,751	295,468	(6.0)	4.3

[1] *Figures for 2001 have been restated on a consistent basis.*

Quarterly development of the consolidated balance sheet

(in millions of euro)

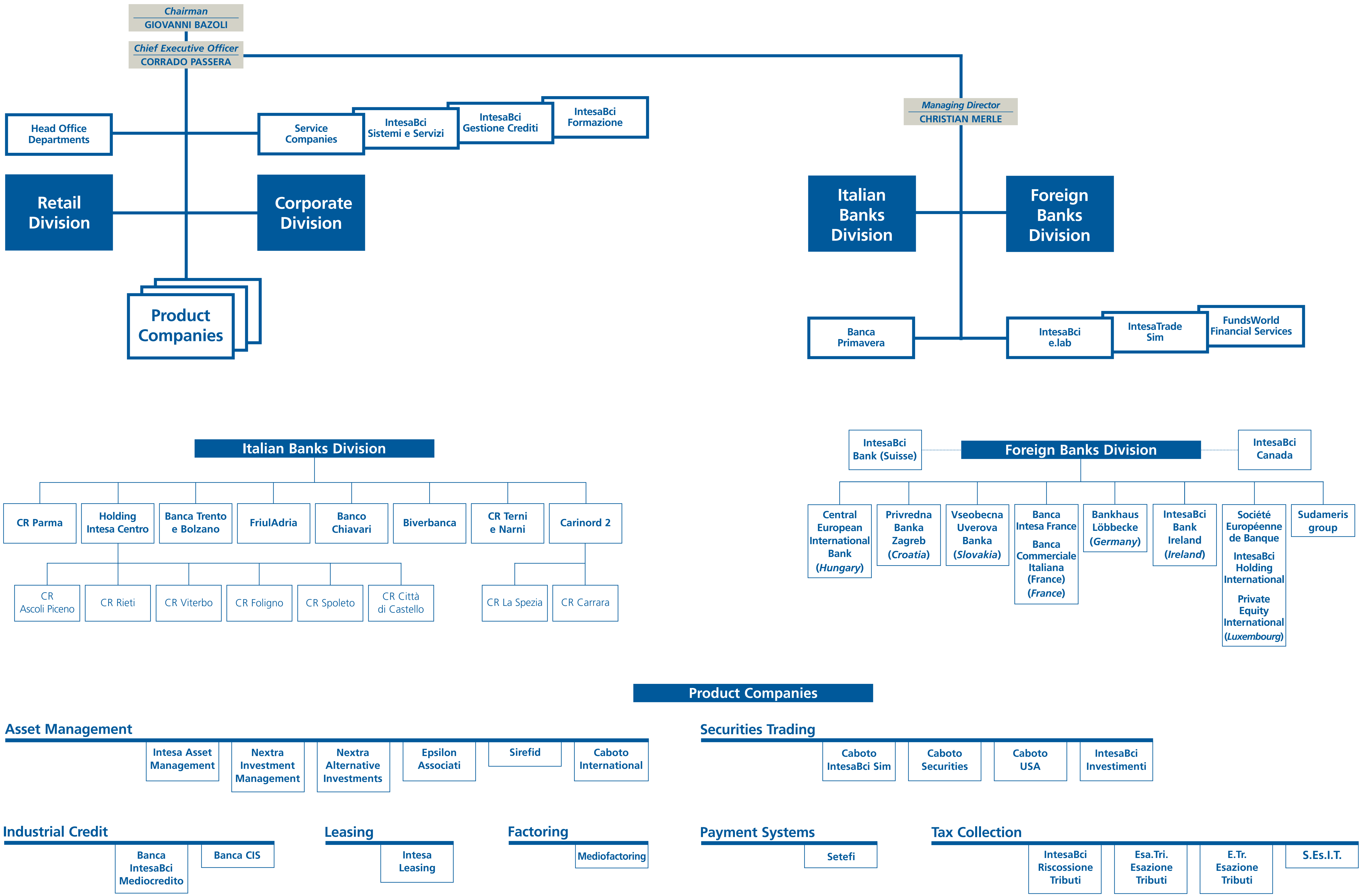
Assets	2002 (1) Third quarter	2002 (1) Second quarter	2002 (1) First quarter	2001 (1) Fourth quarter	2001 (1) Third quarter	2001 (1) Second quarter	2001 (1) First quarter
1. Cash and deposits with central banks and post offices	**1,367**	1,392	1,594	1,960	1,514	1,488	1,344
2. Loans							
– loans to customers	**170,043**	177,345	180,432	184,429	182,091	189,535	184,209
– due from banks	**35,741**	37,171	42,480	40,337	45,563	45,239	44,608
3. Trading portfolio	**32,831**	38,364	41,789	37,999	39,881	53,362	52,383
4. Fixed assets							
a) investment portfolio	**7,703**	8,010	9,294	11,282	11,964	12,441	12,830
b) equity investments	**4,711**	4,412	4,841	4,610	3,821	3,254	3,837
c) tangible and intangible	**4,947**	4,973	5,168	5,213	5,737	5,312	6,250
5. Goodwill arising on consolidation	**558**	577	451	482	600	653	655
6. Goodwill arising on application of the equity method	**206**	210	225	27	50	32	47
7. Other assets	**32,016**	30,760	30,241	30,326	26,716	30,149	30,159
Total Assets	**290,123**	303,214	316,515	316,665	317,937	341,465	336,322

(in millions of euro)

Liabilities and Shareholders' Equity	2002 (1) Third quarter	2002 (1) Second quarter	2002 (1) First quarter	2001 (1) Fourth quarter	2001 (1) Third quarter	2001 (1) Second quarter	2001 (1) First quarter
1. Debts							
– due to customers	**111,989**	110,933	113,509	113,569	111,376	113,234	110,186
– securities issued	**56,652**	59,799	60,747	61,178	57,971	63,627	62,358
– due to banks	**55,198**	65,187	77,416	77,437	86,539	98,004	98,345
2. Allowances with specific purpose	**5,076**	5,210	5,717	5,503	4,933	5,071	6,889
3. Other liabilities	**34,687**	35,498	32,356	31,990	30,326	34,947	33,804
4. Allowances for possible loan losses	**151**	146	157	146	154	153	236
5. Subordinated and perpetual liabilities	**11,726**	11,654	11,335	11,687	11,221	10,541	9,573
6. Minority interests	**850**	852	998	983	1,068	1,079	2,676
7. Shareholders' equity							
– share capital, reserves and reserve for general banking risks	**13,708**	13,791	13,839	13,228	13,265	13,389	11,669
– negative goodwill arising on consolidation	**29**	29	15	15	20	32	32
– negative goodwill arising on application of the equity method	**1**	1	1	1	1	2	1
– net income for the period	**56**	114	425	928	1,063	1,386	553
Total Liabilities and Shareholders' Equity	**290,123**	303,214	316,515	316,665	317,937	341,465	336,322

(1) *Figures for 2001 and for the first quarter of 2002 have been restated on a consistent basis.*

The structure of Gruppo IntesaBci as at 30th September 2002



Report on operations

The domestic banking industry and the Group's operations

Bank interest rates

Continuing uncertainties on the timing and intensity of the economic recovery, which were reflected in the strong volatility of stock market prices and bond yields, did not heavily affect the structure of bank interest rates, which remained relatively stable at the levels of last June, and still presented a declining trend. In the first nine months of the year the downward trend of interest rates was more pronounced on loans and therefore provoked a contraction in the overall spread [1].

More specifically – at system level – the interest rate on short-term loans equalled 5.77% in September, corresponding to a reduction of 14 basis points from December and of 2 basis points from June. Instead, the interest rate applied by banks on deposits touched 1.44%, only 3 basis points below the level reached in both months used for comparison. The higher resistance of the interest rate on deposits is also confirmed by the variation of the nine-month average over the twelve months, down by 63 basis points against 88 basis points lost by the short-term interest rate on loans.

Again with reference to the system, in comparison to the short-term segment, longer-term bank interest rates registered a more pronounced decline, with respect both to last December and to June. In particular, the reduction from the end of 2001 amounted to 41 basis points for interest rates on loans (5.42% in September) and to 21 basis points for interest rates on bonds (4.03%). The change in the nine-month average over the twelve months equalled – 89 basis points for the interest rate on loans (5.51% average) and – 67 basis points for the interest rate on deposits (4.10%).

Interest rate spread

These changes determined a contraction in the overall spread, from 3.41% last December to 3.18% in September, with a 25 basis point drop in the nine-month average over the twelve months, from 3.48% to 3.23%. In particular, the short-term spread (interest rate on short-term loans minus interest rate on short-term deposits), down from 4.44% in December to 4.33% in September, registered a reduction in the average for the period amounting to 25 basis points with respect to the first nine months of 2001.

Loans to customers

The persisting weakness of the economic cycle continued to restrain the development of Italian banks' lending activities. In particular, a further slowdown was recorded by short-term loans that finance ordinary operations and by extraordinary corporate operations. At the same time, medium- and long-term loans maintained sustained growth rates, mainly supported by the renewed attractiveness of household investments in real estate properties and by the contained borrowing cost.

Despite the difficult context, in the third quarter of 2002, the growth in Italian banks' lending activities resulted higher than the European average: in fact, only for September, loans (including doubtful loans and repurchase agreements) to ordinary resident customers registered a 4.9% growth rate for Italy against a stagnant growth rate of approximately 4% for the whole Euroland (4.4% in August).
Net of doubtful loans and repurchase agreements, performing loans at the end of September recorded a modest 1.8% expansion from December 2001 and a 6.3% variation over the twelve months in the nine-month average volume. With reference to breakdown by maturity, average short-term loans rose by 2.3% on an annual basis, while the longer-term component registered a 10.4% increase.

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(1) *Difference between the weighted average of interest rates on loans and interest rates on deposits.*

Gruppo IntesaBci's performing loans – made up of the sum of the volumes indicated by all Italian subsidiaries [2] – recorded a 1% reduction in the nine-month average. A 4% reduction was registered at the end of the third quarter compared to the volumes as at the end of December, this led to an 80 basis point contraction in market share, down to 14.1%. Short-term loans recorded a fall of 14.5% from last December and of 7.9% over the twelve months in the nine-month average, whilst longer-term loans continued to register satisfactory growth rates, though lower than the system: average volumes rose by 6.7%, and by 7.4% from the figure at the end of December. Following these changes, the percentage weight of longer-term loans on total loans increased considerably, up to 53.8% in September, higher by over five percentage points over the twelve months.

Direct customer deposits

The system's direct customer deposits continued to rise during the quarter, benefiting from economic and financial uncertainty which increased the risk aversion of households and institutional investors. This led, on the one hand, to a further substantial expansion in liquid deposits and, on the other hand, to an equally strong demand for capital-guaranteed instruments such as bonds.

Similarly to loans, also Italian banks' deposits from resident customers, determined according to the Eurosystem's harmonised definition [3], recorded for the period under consideration growth rates higher than Euroland's average: as at the end of September, deposits from Italian residents (including repurchase agreements) registered a 6.9% growth rate, much higher than Euroland's (+ 4.8% in August).
In the first nine months, the considerable acceleration in the growth rate of funding determined a 9% rise in volumes. This was due to the strong expansion recorded by deposits (including repurchase agreements), driven by the substantial rise in current accounts (up by 12.2% on average over the twelve months). Also bonds, gross of subordinated liabilities, continued to register very high growth rates, with a 10.9% rise in the nine-month average. This expansion of bonds was also favoured by specific issuing policies adopted by banks, aimed not only at financing longer-term loans, but also at strengthening their capital structure through subordinated issues.

Gruppo IntesaBci's direct customer deposits, after the long stagnation phase experienced in 2001 and in the first months of the current year, registered a gradual acceleration, returning to growth rates in line with the system's. The rise in average volumes for the first nine months equalled 8.2% and contributed to keep market share close to 14%. The expansion in the Group's funding was due to deposits (including repurchase agreements), with a growth rate in nine-month average volumes equalling 4.7% (+ 0.9% on December 2001), but, above all, by bonds which recorded a 14.4% average growth rate (+ 16.1% from the end of 2001) that proves rising customer appreciation for this type of investment.

Indirect customer deposits

Despite the strong demand for liquid instruments, also the system's indirect customer deposits, represented by customers' securities at nominal value managed, administered and held in custody by banks [4], recorded a satisfactory trend, with an 8.1% increase in the eight-month average over the twelve months. The positive performance of the total aggregate, which contrasted with the subdued trend of asset management, was also due to higher direct investments in Government securities.

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

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

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

Gruppo IntesaBci, after the previous year's disappointing performance, recorded on this aggregate a trend in line with the national average: in fact, the rise over the twelve months in nine-month average nominal volumes amounted to 9.6%, with a 3.2% increase with respect to the end of 2001. Market share as at the end of August exceeded 22%.

Short-term prospects

In the light of most recent forecasts on the short-term development of the Italian economy, no significant changes are expected in the current trends of lending and deposit collecting activities.

Demand for credit should therefore remain sustained on longer-term maturities, while short-term loans should maintain a very modest, if not even negative, trend. Also direct customer deposits are expected to continue to expand on all maturities, even if at progressively lower growth rates compared to the last few quarters.

The system's statement of income is expected to close 2002 with a virtually stable interest margin compared to 2001, mainly as a result of the contraction in the average spread and of the marked deceleration in loan growth rates. Furthermore, the higher volatility of financial markets, which further penalised the demand for asset management and securities trading services, suggests to review downwards the previous forecasts of growth in the margin from services.

Accounting criteria and consolidation area

Accounting criteria

The Quarterly Report as at 30th September 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 the Indipendent 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 used in the Annual Report 2001 and in the Half-Year Report 2002. 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 and in the Half-Year Report 2002 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 June 2002 there have been no substantial variations in the area of full consolidation. Variations which have occurred compared to the situation as at 31st December 2001 are the same as those illustrated in the Half-Year Report 2002 to which reference must be made for details. In addition to those variations, changes compared to the area of consolidation as at 30th September 2001 are the inclusion of the companies controlled by *Privredna Banka Zagreb*, previously consolidated with the equity method, and the first consolidation of *IntesaBci Investimenti* and *IntesaBci Immobiliare*, both established at the end of 2001. The 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.

Statement of income figures as at 30th September 2001 and balance sheet figures as at 31st December 2001, have therefore been restated on a consistent basis.

Furthermore it must be noted that *Vseobecna Uverova Banka*, acquired at the end of last year, is still consolidated at equity, whereas it will be subject to “line by line” consolidation starting with the Annual Report 2002.

Information regarding quarterly figures as at 31st December 2002

IntesaBci notifies that – pursuant to provisions set forth in Art. 82, par. 2, of Consob Resolution 11971 – the Annual Report 2002 will be available for shareholders and the market within the maximum term provided for by the law, that is 31st March 2003, instead of the Quarterly Report as at 31st December 2002.

Economic results in the period

As already outlined in the Executive Summary at the beginning of this Report, the economic results for the first nine months of the current year show an unsatisfactory trend which had already clearly manifested itself in the second quarter.
The formation of income for the quarter, as reported in the reclassified statement of income in the previous pages, is illustrated in detail below.

Interest margin

In the first nine months of 2002 interest margin equalled 4,549 million euro, down by 4.9% compared to the first nine months of the previous year. It must be noted that the corresponding period of 2001 had benefited from a non-recurring dividend of 92 million euro connected to the Seat - Pagine Gialle operation. Another noteworthy aspect is the substantial devaluation of the currencies of the South-American Countries, where the Sudameris group has its operations, which make the figures for the two periods not directly comparable.
Net of these two effects, interest margin would be slightly higher than as at 30th September 2001.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes	
			amount	%
Interest income from loans to customers	**7,422**	9,133	(1,711)	(18.7)
Interest income from portfolio securities	**1,441**	2,373	(932)	(39.3)
Interest expense on customer deposits	**(1,726)**	(2,202)	(476)	(21.6)
Interest expense on securities issued	**(1,733)**	(2,276)	(543)	(23.9)
Interest expense on subordinated liabilities	**(483)**	(447)	36	8.1
Interest expense due to banks, net	**(367)**	(1,936)	(1,569)	(81.0)
Total	**4,554**	4,645	(91)	(2.0)
Differentials on hedge contracts	**(304)**	(199)	105	52.8
Other interest (net)	**27**	16	11	68.8
Total net interest income	**4,277**	4,462	(185)	(4.1)
Dividends and other revenues	**204**	253	(49)	(19.4)
Income from investments carried at equity	**68**	66	2	3.0
Interest margin	**4,549**	4,781	(232)	(4.9)

As concerns net interest income, the reduction is the combined effect of the contraction in the interest rate spread and the lower intermediated volumes. This aspect is mostly attributable to the Group’s policy of reducing exposure to large corporates, but also reflects the delayed economic recovery. Breakdown of the single items which make up the margin, shows that the substantial decrease in interest due to banks almost more than offset the lower flow of interest on portfolio securities and the decrease in the contribution from lending and deposit collecting with customers.
Almost 700 million euro of the decrease in interest due to banks over the twelve months is the combination of foreign exchange effects for South-American subsidiaries and, for the domestic area, of the growth of average deposit volumes and the contraction in the spread. In particular operations of the Parent Company and of the main Italian banks showed a virtual stability in average loan volumes – attributable to an approximately 7% growth rate in medium- and long-term lending and to a practically equal decrease in short-term lending – and a substantial rise in deposits (+ approximately 8%) mostly concentrated in bond issues.

Dividends also decreased exclusively as a result of the aforementioned non-recurring dividend collected in 2001. In consistent terms dividends would instead show an approximately 27% growth rate. Income from investments carried at equity was practically stable.

Net interest and other banking income

Net interest and other banking income equalled 7,453 million euro, with a – 7.7% change over the twelve months. In consistent terms, that is net of the two effects mentioned for the interest margin, it would show a far more contained decline (– 3%).
This margin was mostly affected by lower net commissions and, to a lower extent, by the decline in other operating income, while profits on financial transactions remained stable.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes	
			amount	%
Commission income	**2,980**	3,269	(289)	(8.8)
Commission expense	**(453)**	(441)	12	2.7
Net commissions	**2,527**	2,828	(301)	(10.6)

The reduction in net commissions, which exceeded 10% (approximately – 8% net of the foreign exchange effects), stemmed from the uncertainty characterising international financial markets and persisting investor preference for liquid positions which are not exposed to stock market volatility. Commission income from management, dealing and consultancy – which alone represent more than 40% of the caption – showed in absolute terms the most substantial contraction which, in percentage terms, corresponded – again net – to an approximately –16% change. Within this aggregate, the most significant decreases were recorded by individual portfolio management (– 14% approximately), placement of securities (– 60%) and securities dealing and acceptance of trading instructions (– 19%).

Also other net operating income registered a contraction exceeding 20% mostly due to the reduction in income from merchant banking operations.

Profits on financial transactions recorded a result almost the same as that of the corresponding period in 2001.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes amount	Changes %
Securities and securities derivatives				
• results from trading	**(58)**	7	(65)	
• valuation effects	**(196)**	(179)	17	9.5
• results from derivatives	**69**	84	(15)	(17.9)
	(185)	(88)	97	
• structured share portfolio	**(276)**	(151)	125	82.8
• restatement of dividends on structured share portfolio and hedge derivatives	**371**	243	128	52.7
	95	92	3	3.3
Total securities and securities derivatives	**(90)**	4	(94)	
Currencies and currency derivatives	**260**	138	122	88.4
Other transactions (interest rate derivatives and credit derivatives – trading book)	**(63)**	(33)	30	90.9
Profits on financial transactions	**107**	109	(2)	(1.8)

More specifically, appreciable results (260 million euro) were achieved in currencies and currency derivatives which considerably improved the positive result already generated in September 2001. Conversely, the results from interest rate and credit derivatives in the trading book and in securities and securities derivatives registered a contraction. In particular, securities and securities derivatives recorded a 90 million euro loss, mostly attributable to valuation effects on period-end inventories that determined write-downs of 196 million euro, only partly offset by profits on structured portfolios (95 million euro). Therefore securities and interest rate derivatives led to losses of 153 million euro which eroded the overall result of this area which equalled 107 million euro, practically stable compared to the figure as at 30th September 2001.

Operating margin

Operating margin totalled 2,426 million euro, with an 11.4% decrease in nominal terms, which becomes approximately – 6% in consistent terms.
This result is obtained after the deduction of operating costs which summed up to 5,027 million euro, with a nominal contraction of 5.8%. Considered net of the effects related to the devaluation of the South-American currencies, the decrease amounted to approximately 2%.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes amount	Changes %
Administrative costs				
• payroll	**(2,790)**	(2,983)	(193)	(6.5)
• other	**(1,742)**	(1,844)	(102)	(5.5)
	(4,532)	(4,827)	(295)	(6.1)
Adjustments to				
• fixed assets	**(247)**	(261)	(14)	(5.4)
• intangibles	**(248)**	(249)	(1)	(0.4)
	(495)	(510)	(15)	(2.9)
Operating costs	**(5,027)**	(5,337)	(310)	(5.8)

These costs are made up of administrative costs of 4,532 million euro and adjustments to fixed assets and intangibles – excluding goodwill arising on consolidation and application of the equity method – of 495 million euro.

The downward trend in administrative costs is essentially due to personnel costs – which represents over 60% of the entire aggregate – while other expenses – in consistent terms – are practically stable. In fact, the former showed a 6.5% drop and, even considering the foreign exchange effect, the decrease totalled 3.6%. This is the first result of staff reductions and the review of forecasted bonuses considering the Group's unsatisfactory profitability, that was carried out starting from the Parent Company.

Other administrative costs, which showed a 5.5% decrease in nominal terms, remained practically stable compared to the reference period in consistent terms – that is net of foreign exchange effects – thus testifying the great attention paid to cost containment by all Group entities. The increase in charges related to the integration process under way were offset by the reduction in various types of expenses, from rentals, to postal and telephonic services, advertising and maintenance expenses.

Adjustments to fixed assets and intangibles registered values – expressed in consistent terms – in line with those of the same period of 2001.

Income from operating activities

Income from operating activities, which equalled 591 million euro, registered a 45% decrease and reflected net adjustments to loans of 1,380 million euro, provisions for risks and charges of 259 million euro, net adjustments to financial fixed assets of 88 million euro as well as charges for the amortisation of goodwill arising on consolidation or on application of the equity method for a total of 108 million euro. Taken together such items showed an approximately 11% increase compared to the same period of 2001.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes	
			amount	%
Adjustments to loans and provisions for guarantees and commitments	**(1,782)**	(1,571)	211	13.4
Write-back of adjustments to loans	**423**	324	99	30.6
Provisions for possible loan losses	**(21)**	(29)	(8)	(27.6)
	(1,380)	(1,276)	104	8.2
Provisions for risks and charges	**(259)**	(298)	(39)	(13.1)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(108)**	(67)	41	61.2
Adjustments to financial fixed assets	**(94)**	(24)	70	
Write-back of adjustments to financial fixed assets	**6**	7	(1)	(14.3)
	(88)	(17)	71	
Total, net	**(1,835)**	(1,658)	177	10.7

In particular, net adjustments to loans and various types of provisions are due to the same phenomena illustrated in the Half-Year Report 2002: from the deterioration of certain positions relative to large multinational groups to the need to cover charges related to the disposal of the operations of the South-American subsidiaries.
With regard to loans, significant value adjustments referred to the telecommunication and energy sectors. Adjustments to loans granted to the telecommunication sector exceeded 330 million euro, of which 220 million euro attributable to the exposures to Worldcom and Marconi. Provisions made in the period reflected the general negative situation of this sector. The high debt position of telecom companies, the delay recorded in demand for innovative services, combined with the intense competition following the liberalisation process, cut profitability of telecom companies and of technology producers. In this scenario, the Group decided to take a more prudent and more selective stance towards this sector, also paying great attention to the monitoring of the existing portfolio.
As concerns the energy sector, provisions exceeding 80 million euro mostly referred to companies operating in North America. Following the failure of Enron, the market suffered an important contraction and most of the main players in the sector had to restructure their activities. The effects of this situation further worsened the significant cyclical slump which always characterises this sector in a downward market.
Furthermore, total value adjustments to loans were also affected by provisions (over 120 million euro) referred to the exposure to former shareholders of the Bipop-Carire group.

In addition to all mentioned above, the periodic review of performing credit positions highlighted that certain exposures were suffering from the adverse economic situation which is affecting most world economies.

As concerns provisions for risks and charges, the most important item referred to the provision amounting to approximately 170 million euro, already accounted for in the financial statements as at 30th June 2002 and confirmed in this quarterly report, relative to the write-off of the book value of Peruvian subsidiaries.

The increase in adjustments to goodwill arising on consolidation and on application of the equity method was determined, among other things, by the complete amortisation of goodwill on Bankhaus Löbbecke and the beginning of the amortisation of goodwill referred to Vseobecna Uverova Banka.

Lastly, the increase in adjustments to financial fixed assets is attributable to provisions made by the Parent Company on equity investments part of merchant banking activities and on investment securities.

Income from extraordinary activities and net income

Extraordinary charges equalled 931 million euro, offset by 619 million euro of extraordinary income, which resulted in a net extraordinary charge of 312 million euro.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes	
			amount	%
Income from operating activities	**591**	1,081	(490)	(45.3)
Extraordinary income	**619**	2,017	(1,398)	(69.3)
Extraordinary charges	**(931)**	(1,641)	(710)	(43.3)
Extraordinary income (loss), net	**(312)**	376	(688)	
Use of allowance for risks and charges arising on consolidation	**2**	4	(2)	(50.0)
Change in the reserve for general banking risks	**2**	2	–	–
Income taxes for the period	**(166)**	(385)	(219)	(56.9)
Minority interests	**(61)**	(15)	46	
Net income for the period	**56**	1,063	(1,007)	(94.7)

As already mentioned, extraordinary activities in the period cannot be compared in consistent terms with those of the first nine months of the previous year due to the numerous non-recurring operations which had been carried out in 2001: the capital gains on the sales of branches and the disposals of Banca di Legnano and the majority interest in Banca Carime. The minority stake in the latter was sold in the third quarter of the current year (with a capital gain of 220 million euro). Taken together such events led to higher extraordinary income in 2001 amounting to approximately 1,300 million euro. Conversely the first nine months of 2001 had been affected by most of the provisions for the *Warrants Put IntesaBci* (1,234 million euro) compared to the 575 million euro required as at 30th September 2002.
The comparison of the two periods showed a negative variation for the first nine months of 2002 of 688 million euro.

After the deduction of taxes and minority interests, net income for the period equalled 56 million euro.

Performance in the third quarter

The third quarter of 2002, taken alone, showed – with regard to operations development – a trend in line with that of the second quarter of the year (net of dividends which are concentrated in April and May).

Net interest income, after the severe contraction recorded between the first and the second quarter, equalled approximately 70 million euro which only partly offset lower income from services both from commissions (– 68 million euro) and financial transactions (– 105 million euro).
The substantial containment of operating costs (down by over 100 million euro in the third quarter) led to achieve an operating margin in the last three months of 690 million euro which, net of dividends, presented a contraction of only 20 million euro compared to the consistent figure for the second quarter of 2002.

Within valuation effects, no critical situations emerged in the third quarter and therefore total adjustments and provisions decreased by over 700 million euro compared to the second quarter, returning to the more physiological levels recorded in the first three months of the year.

However this improvement was partly absorbed by higher extraordinary charges related to the aforementioned *warrants put*. The third quarter closed with a loss of 58 million euro.

Main balance sheet aggregates

Loans to customers

Loans to customers as at 30th September 2002 equalled 170,043 million euro, with a 7.8% decrease compared to the end of the previous year.

The decrease stemmed from various factors. Among these the most important were, on the one hand, the Group's new policy aimed at reducing exposure to large corporates – mainly in the foreign network – and, on the other hand, the significant reduction of loans granted by the Sudameris group, which dropped also as a result of the significant devaluation of the South-American currencies. Also the development of lending granted by the domestic network of IntesaBci and by the Group's Italian subsidiaries was negatively affected by the persisting weakness of the economic cycle.

(in millions of euro)

Subcaptions	**30/09/2002**	**31/12/2001 pro forma**	**Changes**	
			amount	**%**
Current accounts	**26,621**	33,214	(6,593)	(19.9)
Mortgages	**59,925**	56,917	3,008	5.3
Advances and other loans	**73,492**	83,942	(10,450)	(12.4)
Repurchase agreements and securities lending	**4,627**	4,783	(156)	(3.3)
Doubtful loans	**5,378**	5,573	(195)	(3.5)
Total loans	**170,043**	184,429	(14,386)	(7.8)

The trend recorded by the various components showed that the decline impacted to different extents on the various types of loans. Short-term loans, made up of current accounts, recorded an approximately 20% decrease and advances and other loans declined by little over 12%, while longer-term loans – made up of mortgages – recorded an appreciable 5.3% growth rate. Lastly repurchase agreements registered a 3.3% contraction.

(in millions of euro)

Subcaptions	**30/09/2002**	**31/12/2001 pro forma**	**Changes**	
			amount	**%**
Doubtful loans	**5,378**	5,573	(195)	(3.5)
Substandard loans	**4,075**	3,551	524	14.8
Restructured loans and loans under restructuring	**333**	467	(134)	(28.7)
Loans subject to Country risk	**936**	1,074	(138)	(12.8)
Performing loans	**159,321**	173,764	(14,443)	(8.3)
Total loans	**170,043**	184,429	(14,386)	(7.8)

Doubtful loans – net of value adjustments – decreased to 5,378 million euro (– 3.5%) and represented 3.2% of the total loan portfolio with a degree of coverage of 61%. Instead substandard loans increased to 4,075 million euro (+ 14.8%) with a 22% degree of coverage. Taken together restructured loans and loans under restructuring decreased and loans subject to Country risk also declined.

Direct customer deposits

Direct customer deposits equalled 180,367 million euro, with a 3.3% contraction with respect to the figure at the end of 2001. The expansion of deposits collected in Italy and in the Eastern-European subsidiaries was offset by the substantial decline recorded by IntesaBci's foreign network and the South-American subsidiaries, the latter was also further amplified by the aforementioned devaluation of the local currencies.

(in millions of euro)

Subcaptions	30/09/2002	31/12/2001 pro forma	Changes	
			amount	%
Deposits	**8,706**	10,957	(2,251)	(20.5)
Current accounts and other	**85,903**	88,151	(2,248)	(2.6)
Bonds	**44,602**	40,833	3,769	9.2
Certificates of deposit	**10,297**	17,561	(7,264)	(41.4)
Other	**6,748**	6,589	159	2.4
Repurchase agreements	**12,385**	10,656	1,729	16.2
Subordinated and perpetual liabilities	**11,726**	11,687	39	0.3
Total direct deposits	**180,367**	186,434	(6,067)	(3.3)
Indirect customer deposits	**308,039**	327,751	(19,712)	(6.0)
Customer deposits under administration	**488,406**	514,185	(25,779)	(5.0)

The decrease in direct customer deposits was far more contained compared to the decline in loans to customers. Again the different contract types recorded diverse trends based on their maturities. Short-term deposits registered a 4.5% drop as a result of a decline in both deposits and current accounts, while as concerns medium- and long-term deposits, the progress of bond issues (+ 9.2%) was more than offset by the over 40% decrease in certificates of deposit. Repurchase agreements increased, while subordinated and perpetual liabilities remained practically stable.

Indirect customer deposits and managed funds

The negative trend which is still affecting all the main financial markets, which determined a growing investor mistrust for equities and mutual funds, manifested its effects on the value of indirect customer deposits that showed a 6% contraction compared to December 2001. More than half of this decline referred to managed funds, which equalled 128,025 million euro (– 7.6%), with positive growth rates only on insurance products, up by approximately 20%. As already described above, the nominal value of funds administered by the domestic network (which are not marked to market) showed a growth rate in excess of 3% compared to as at 31st December 2001.

Securities portfolio

The securities portfolio registered a 17.7% reduction attributable mainly to securities held for trading which – despite the good progress of equities – recorded an approximately 14% decrease. Also investment securities registered a significant percentage decline (– 31.7%) even though in absolute terms its drop was far lower than that of the trading portfolio. These trends were partly the effect of an overall recomposition of the Group's assets.

(in millions of euro)

Subcaptions	30/09/2002		Implicit gains/ losses	31/12/2001 pro forma		Implicit gains/ losses
	Book value	Market value		Book value	Market value	
Investment portfolio	**7,703**	**7,768**	**65**	11,282	11,291	9
Trading portfolio						
– debt securities	**30,673**	**30,725**	**52**	36,263	36,336	73
– shares, quotas and other forms of capital	**2,158**	**2,183**	**25**	1,736	1,750	14
Total trading portfolio	**32,831**	**32,908**	**77**	37,999	38,086	87
Securities	**40,534**	**40,676**	**142**	49,281	49,377	96

Interbank position

Net interbank position was negative and amounted to 19,457 million euro, with a substantial reduction (–47.6%) compared to December 2001. This trend, which started some time ago is the result of a specific policy aimed at improving the Group's liquidity and reducing interbank funding which in previous years had reached extremely high levels.

Shareholders' equity

Consolidated shareholders' equity – excluding net income for the period as at 30th September 2002 – amounted to 13,738 million euro. The tables below show, respectively: the details of the changes in shareholders' equity which occurred between the end of December 2001 and as at 30th September 2002; the reconciliation between the Parent Company's shareholders' equity and net income for the period and the same figures in the consolidated accounts.

(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**	**4,075**	**773**	**4,526**	**(114)**	**93**	**386**	**16**	**928**	**14,172**
Allocation of consolidated net income										
– Reserves				593					(593)	–
– Dividends									(331)	(331)
– Allowances for charitable contributions									(4)	(4)
Other variations										
– Increase in capital	72	93								165
– Changes in the consolidation area				14			3	14		31
– Changes in the reserve for general banking risks						(2)				(2)
– Changes in the reserve for foreign exchange differences					(294)					(294)
– Other changes and rounding off				1						1
Net income for the period									56	56
Balance as at 30/09/2002	**3,561**	**4,168**	**773**	**5,134**	**(408)**	**91**	**389**	**30**	**56**	**13,794**

(in millions of euro)

Items	**Shareholders' equity**	**including net income for the period as at 30/09/2002**
Parent Company's balances as at 30th September 2002	13,756	(52)
Effect of full and proportional consolidation	718	283
Effect of consolidation of subsidiaries carried at equity	219	69
Adjustments to capital gains from the sale of equity investments	–	126
Reversal of write-downs on equity investments	117	117
Reversal of provisions recorded for fiscal purposes	131	(11)
Amortisation of goodwill arising on consolidation and application of the equity method	(783)	(81)
Use of allowance for risks and charges arising on consolidation	24	2
Revaluation of real estate	321	(7)
Restatement of goodwill	(32)	6
Dividends collected during the period	–	(26)
Dividends accrued, net of fiscal effects	(373)	(373)
Other changes	(304)	3
Consolidated balances as at 30th September 2002	**13,794**	**56**

Capital ratios

Shareholders' equity for supervisory purposes amounted to 22,271 million euro against risk-weighted assets of 218,201 million euro. The relative solvency ratio equalled 10.7% and the Tier 1 ratio equalled 6.7%.
The improvement in capital ratios (respectively 9.3% and 6% as at 31st December 2001) reflected interventions on loans aimed at reducing their capital absorption.

Performance in the third quarter

The trend recorded in the most important balance sheet items over the twelve months clearly shows the almost constant decrease – with the exception of a slight recovery at the end of 2001, then reabsorbed in the subsequent quarters – of *loans to customers* which equalled 170,043 million euro compared to 182,091 in September 2001.

The figure as at 31st December 2001 was also a peak for *customer deposits*, however the subsequent erosion occurred more slowly and therefore the figure as at 30th September 2002 is practically in line with that of September 2001.

The *securities portfolio* showed – again over the twelve months – a significant and almost constant downward trend which led to an overall 11,311 million euro decrease to 40,534 million euro as at 30th September 2002.

Performance of main consolidated companies

In Italy

Banking area

IntesaBci

In the third quarter of 2002 the Parent Company's operations continued in line with the trends recorded in the previous two quarters of the year, taking obviously account of the typical seasonality of dividends which are mainly collected in the second quarter.

During the nine months, margins from operating activities stood – also due to the reduction achieved in operating costs, which offset the slowdown in net commissions and in other net operating income – at levels almost in line with the corresponding figures of 2001, considering that the latter also benefited from 92 million euro of non-recurring dividends linked to the Seat - Pagine Gialle operation. Net of this effect, operating margin as at 30th September 2002 showed a 7.2% reduction from the corresponding period of 2001.

The substantial adjustments to cover credit risk made during the first nine months of the year – particularly in the second quarter – to cover any possible risk mainly connected to exposures towards important international industrial groups, as well as the heavy balance of extraordinary operations, unfortunately greatly penalised overall performance, leading to a negative **net result** for the period amounting to 52 million euro.

(in millions of euro)

Captions	30/09/2002	30/09/2001 pro forma	Changes	
			amount	%
Net interest income	**2,607**	2,714	(107)	(3.9)
Dividends and other revenues	**621**	714	(93)	(13.0)
Interest margin	**3,228**	3,428	(200)	(5.8)
Net commissions	**1,446**	1,560	(114)	(7.3)
Profits (Losses) on financial transactions	**(9)**	(15)	(6)	(40.0)
Other operating income, net	**172**	211	(39)	(18.5)
Net interest and other banking income	**4,837**	5,184	(347)	(6.7)
Administrative costs	**(2,907)**	(2,965)	(58)	(2.0)
including Payroll	***(1,611)***	*(1,743)*	*(132)*	*(7.6)*
Other	***(1,296)***	*(1,222)*	*74*	*6.1*
Adjustments to fixed assets and intangibles	**(140)**	(197)	(57)	(28.9)
Operating costs	**(3,047)**	(3,162)	(115)	(3.6)
Operating margin	**1,790**	2,022	(232)	(11.5)
Provisions for risks and charges	**(80)**	(100)	(20)	(20.0)
Net adjustments to loans and provisions for possible loan losses	**(1,028)**	(760)	268	35.3
Net adjustments to financial fixed assets	**(177)**	(103)	74	71.8
Income from operating activities	**505**	1,059	(554)	(52.3)
Extraordinary income (loss)	**(546)**	(458)	88	19.2
Income taxes for the period	**(11)**	(100)	(89)	(89.0)
Change in the reserve for general banking risks	**–**	–	–	–
Net income (loss) for the period	**(52)**	501	(553)	

Interest margin, equalling 3.228 million euro, registered a 5.8% contraction with respect to the first nine months of 2001 which on a consistent basis – excluding the non-recurring dividend of 92 million euro collected in the first quarter of last year from the Seat - Pagine Gialle operation – would become minus 3.2%. This reduction is almost exclusively attributable to net interest income, down by 3.9% to 2,607 million euro.
This decrease stemmed from the different trends recorded by loans and deposits and from the changes in interest rates on loans and deposits occurred in the twelve months. In fact, average figures show a moderate slowdown in loans to customers – due to a reduction in the short-term component, counterbalanced by a lower growth rate in the longer-term component – and a substantial expansion of short-term customer deposits and, to a greater extent, of medium- and long-term customer deposits. Instead, average interest rates on both loans and deposits recorded a contraction. The combined effect of the mentioned elements determined a reduction exceeding 520 million euro in the contribution from lending and deposit collecting activities with customers.
Among the other components, noteworthy is the virtual elimination of interest due to banks which amply offset the contraction in interest income generated by portfolio securities; both reflect actions aimed at rationalising assets and liabilities, with the consequent re-balance of the relevant flows.
Dividends (621 million euro) decreased exclusively as a consequence of the mentioned non-recurring dividend of 92 million euro collected in 2001. Within this item, dividends related to subsidiaries, booked on an accrual basis, amounted to 481 million euro – including the relevant tax credits – and dividends from other equity investments and the equity portfolio, which are instead registered on collection, totalled 140 million euro.

Net interest and other banking income, 4,837 million euro, registered a relatively more pronounced reduction compared to the corresponding figure of 2001 than that recorded by interest margin (-6.7% which, net of the aforementioned non-recurring dividend, would decrease to -5%), mainly as a result of a lower contribution from net commissions.
In fact, net commissions contributed to this margin for 1,446 million euro, with a 7.3% reduction on the corresponding figure of 2001. This segment has long been affected by the unfavourable conditions of financial markets, the recovery of which is not objectively foreseeable, at least in the short-term. Commission income from management, dealing and consultancy was penalised most and recorded a 13.4% decrease. In this area, lower contributions were mainly due to securities trading and placement activities (– 17.1%) and to the individual portfolio management sector (– 12.3%). The persisting market difficulties understandably also affected the typical banking and commercial operations, which showed a 2.7% contraction in net commissions.
Uncertainty and volatility of stock markets and financial activities in general made it difficult to engineer operations with secure profit opportunities. Overall, in fact, financial transactions generated a negative result of 9 million euro compared to – 15 million euro as at September 2001. The securities and securities derivatives sector, on the one hand, showed the negative effects of persisting stock market volatility, registering 65 million euro of net adjustments to securities inventories at period-end, but, on the other hand, succeeded in closing the period with a globally positive result (20 million euro, against the 36 million euro loss as at September 2001) thanks to a profit of 95 million euro from shares trading performed near dividend-payment dates. Results from the securities sector allowed to mitigate the fall in profits on currencies and currency derivatives (31 million euro against 51 million euro in the reference period) and the result from transactions on interest rates, equity linked and credit derivatives in the trading book which compare with the 30 million euro loss registered in the nine months of the previous year. This negative result is mainly offset by a higher contribution, in the same period, from interest income on securities.

Net interest and other banking income included the contribution from other net operating income which, with 172 million euro, was 18.5% lower with respect to the nine months of 2001. The greatest portion of this reduction is attributable to the capital gains generated in the reference period by merchant banking activities.

Operating margin, 1,790 million euro, was 11.5% lower than the corresponding figure of 2001. This reduction, if considered on a consistent basis taking account of the already mentioned non-recurring dividend collected in 2001, would decrease to a more modest – 7.2%.
Within operating margin, operating costs showed an appreciable contraction (– 3.6%) down to 3,047 million euro. The breakdown of this aggregate reflects the centralisation in IntesaBci Sistemi e Servizi (ISS) of numerous service functions after the merger of BCI. This affected the cost structure, determining, on the one hand, a reduction in personnel costs and in depreciation (estimated to equal 15 and 49 million euro respectively) following the transfer to ISS of IT equipment and relevant personnel and, on the other hand, a rise in administrative costs for approximately 64 million euro following the invoicing of the mentioned services.
Higher savings occurred in personnel costs which, at 1,611 million euro, recorded a contraction of approximately 8%, or 7% net effect of the mentioned transfer to ISS. This result was achieved through a substantial reduction in the number of staff and through a review of the provisions for variable salary components. In fact, during the third quarter of the year, the actions aimed at cutting manpower continued and led to a reduction of almost 1,200 employees at period-end and of over 1,300 on average for the last twelve months. This led to an estimated approximately 3.7% contraction in costs which more than offset the rise – slightly exceeding 2% – of unit costs due to the application of collective labour contracts. More significant was the containment of variable costs, which were estimated according to a methodology reviewed on the basis of the Business Plan considering also the unsatisfactory economic performance of the Company.
Administrative costs instead registered an approximately 6% rise to 1,296 million euro, almost entirely attributable to the aforementioned transfer of functions to IntesaBci Sistemi e Servizi. The types of costs more affected by increases were those related to the development of the IT system, consultancy, professional assistance and reimbursement of costs to Group companies. Furthermore, substantial increases were registered in security and costs for the transport of valuables connected to the last phase of the changeover to the euro (last months of 2001 and first months of 2002) which determined an additional charge estimated in approximately 10 million euro. Reductions occurred in advertising and promotional costs, maintenance of assets, postal and telegraphic expenses.
Adjustments to fixed assets and intangibles decreased to 140 million euro (– 28.9%), mainly due to the transfer to IntesaBci Sistemi e Servizi of hardware and software IT equipment.

Income from operating activities amounted to 505 million euro, with a 52.3% reduction over the twelve months, because of substantial adjustments to loans made in the period.
The mentioned difficulties affecting the economies of many Countries and the stability of certain large international groups, had already required considerable provisions in the first half. In the first nine months of 2002, net adjustments to loans and provisions for possible loan losses totalled 1,028 million euro (+ 35.3% on the corresponding period of the previous year) and mainly concerned the telecom and energy sectors, which were more affected by the crisis of the financial markets and by the accounting scandals emerged in the last twelve months. The telecom sector registered adjustments exceeding 320 million euro, attributable for approximately 220 million euro to the Marconi and Worldcom groups. Adjustments exceeding 80 million euro were made for companies operating in the energy sector, through both manufacturing and trading activities. Provisions for energy companies, mainly concentrated on firms operating in North America, are attributable to the difficult situation experienced by the sector last year. Moreover, in the first nine months of 2002, exposures to the former-shareholders of the Bipop-Carire group were covered by further adjustments exceeding 120 million euro. The provision for the revolving loan granted to Banco Sudameris Argentina to guarantee a possible liquidity shortage remained unchanged at approximately 40 million euro.
Provisions for risks and charges recorded a 20% contraction from 100 million euro in September 2001 to 80 million euro in the first nine months of 2002. This amount mainly reflected provisions of 70 million euro for the potential effects on the financial statements of the subsidiary IntesaBci Holding International, related to the Peruvian subsidiaries.
A significant increase was registered in net adjustments to financial fixed assets which stood at 177 million euro (103 million euro as at September 2001). Most important adjustments referred

to: Bankhaus Löbbecke (72 million euro) negatively affected by substantial adjustments to loans, IntesaBci Gestione Crediti (35 million euro, stable compared to as at last 30th June), IntesaBci e.lab (14 million euro), plus approximately 34 million euro for adjustments to equity investments acquired in the framework of merchant banking activities and 13 million euro of net capital losses on the investment portfolio.

The net balance of **extraordinary activities** showed a loss of 546 million euro resulting, for the most important items, from charges of 575 million euro, generated by the marking-to-market of the *Warrants Put IntesaBci* reflecting the negative peak touched by the share price towards the end of the third quarter, and from charges for 99 million euro for the continuation of the integration of IT systems of the various entities merged in IntesaBci, which in 2001 had been covered by the complete use of the specific allowance set up at the start of the integration process. Extraordinary income recorded in the period included 144 million euro from the disposal of equity investments attributable for approximately 95 million euro to the capital gain generated by the sale of the remaining stake in Banca Carime. 47 million euro of charges referred to incentive-driven exit plans and 30 million euro of revenues came from the sale of real estate properties.

As to the balance sheet, in the first nine months of 2002, intermediation with customers registered a contraction in loans and a slight rise in deposits. This phenomenon reflected the new strategic lines aimed at gradually reducing activities with foreign customers and focusing on the domestic market. The contraction in the operations of foreign branches reduced loans to customers and customer deposits by 7 billion euro and 10 billion euro respectively. Net of these contractions and of the reduction made by Italian branches on loans granted to non-resident customers (– 1 billion euro), loans to customers would register a 2% drop and direct customer deposits an 8% rise.

Loans to customers as at 30th September amounted to 121,489 million euro, with an 8% reduction on the 2001 balance sheet figure mainly determined by the contraction in loans granted by foreign branches (– 33.9%). In fact, with reference only to the units operating in Italy, loans to customers, equalling 108,800 million euro, showed a decline contained to 3.6% for period-end figures and to 2.9% in terms of average volumes; the latter decreased because of a reduction in the short-term component (– 8.5%) only partly offset by a rise in the medium- and long-term component (+ 4.7%). Breakdown by type of contract showed the good performance of mortgages (+ 6.2%) and the sustained growth of repurchase agreements (+ 34.6%), while current accounts dropped considerably (– 24.2%). Advances and other loans decreased (– 12.4%) mostly as a result of the reduction in foreign branches’ operations. Non-performing loans recorded rises with regard both to doubtful loans (+ 13.1%) and to substandard loans (+ 22.1%). These increases are attributable to the unfavourable economic context, but, above all, to the difficulties experienced by certain large groups operating in the telecom and energy sectors, which had in part already emerged at the end of 2001. Doubtful loans was also affected by the merger of Comit Factoring in IntesaBci, which led to record doubtful loans for a net amount of 92 million euro. The nominal value of doubtful loans as at 30th September 2002 equalled 3,552 million euro, with adjustments of 2,118 million euro, corresponding to a 60% coverage, up by 15 percentage points with respect to the 2001 balance sheet. The incidence of doubtful loans on total loans to customers stood at 1.2%, with a minimal rise compared to the 2001 balance sheet. Substandard loans had a nominal value of 3,981 million euro; the relevant adjustments, equalled 909 million euro, with a 23% coverage. Restructured loans and loans under restructuring (– 34.2% from 31st December) and loans to customers resident in Countries at risk (– 28.1%) again declined.

Total direct and indirect customer deposits (354,363 million euro as at 30th September 2002) showed a 4% reduction from 31st December 2001 as a result of a 1% increase in direct deposits and a 6.9% fall in indirect deposits.
Direct deposits (135,729 million euro) recorded differentiated developments for the units operating in Italy and for foreign branches. In fact the former presented a growth rate exceeding

10.1% for period-end figures and a growth rate of 10.2% for average volumes, with higher growth for medium- and long-term components (+ 18.8%). Direct deposits collected by foreign branches registered instead a strong fall (– 38.7%) as a consequence of the already-mentioned reduction in operating activities. Breakdown of deposits as at 30th September 2002 by type of contract highlighted: a strong growth in bond issues (+ 22.2%) and repurchase agreements (+ 24.8%); declining, though to a limited extent, savings deposits and current accounts (the latter as a result of a 1.8% rise in the units operating in Italy and of a 25.5% drop in foreign branches); a sharp decrease in certificates of deposit (– 50.1%) because of the reduction in the operations of the London branch.
Indirect deposits, equalling 218,634 million euro, recorded a 6.9% reduction from as at 31st December 2001, which concerned both asset management (– 5.3%) and securities under administration and in custody (– 7.7%). The reduction is mainly attributable to the lower market values of securities. It must be noted that the persisting negative market trend induced certain customers to transfer funds from asset management to direct deposits for short-term investments or to increase liquidity.

Securities portfolio as at 30th September amounted to 24,132 million euro, with a 6.8% reduction from as at 31st December 2001. It comprised 21,975 million euro of securities in the trading portfolio, 2,113 million euro of securities in the investment portfolio and 44 million euro of securities linked to the internal pension fund.
The investment portfolio decreased by 2,363 million euro from the figure of the 2001 balance sheet due to the expiry of the securities used to guarantee the *Warrants Put IntesaBci* which, in consideration of the short time remaining until the exercise period of the warrants (from 1st to 15th November 2002), were replaced with other securities in the trading portfolio. Securities in the trading portfolio only registered a slight increase compared to the 2001 balance sheet (+ 2.8%), which is the combined effect of higher investments of the Head Office for the aforementioned reason and the substantial reduction in securities held by foreign branches.

Main Group banks

In the first nine months of 2002 ***Cassa di Risparmio di Parma e Piacenza*** recorded a net income of 107 million euro, which cannot be directly compared to 134 million euro of the same period of 2001, since that result included extraordinary income from the sale of branches. Income from operating activities registered a 7.2% rise as a result of: interest margin virtually stable at levels of September 2001; a decrease in net commissions (– 9.3%) almost entirely balanced by higher profits on financial transactions; an approximately 6% reduction in operating costs; operating margin up by 3.4%. A further contribution to the improvement of profitability for the period was given by lower net adjustments to loans and provisions for risks and charges. The main balance sheet aggregates showed, with respect to December 2001, an increase in loans to customers which totalled 8,865 million euro (+ 3.4%) and practically stable direct customer deposits, 10,184 million euro. Also indirect customer deposits, 21,178 million euro, remained in line with the end of the previous year.

The statement of income as at 30th September 2002 of ***Banca Popolare FriulAdria*** showed a net income of 24 million euro, with an 11.5% reduction compared to the same period of 2001 which had benefited from the substantial extraordinary income generated by the sale of branches. In fact, income from operating activities recorded a more contained drop (– 7.2%) as a result of lower contributions both from interest margin (– 7.2%) and from net interest and other banking income (– 4.9%), despite reductions in operating costs (– 2.7%) and in net adjustments to loans (– 17.6%). In particular, interest margin was affected by the contraction in interest rate spreads, which offset higher volumes, while net interest and other banking income was penalised by lower net commissions, which were not adequately balanced by profits on financial transactions. As to the balance sheet, loans to customers (2,594 million euro) and direct customer deposits (2,649 million euro) were practically stable compared to as at 31st December 2001 while indirect customer deposits, 4,878 million euro, recorded a moderate decline (approximately – 3%).

Banca IntesaBci Mediocredito, which effective as of 1st July 2001 absorbed the activities performed by Mediocredito Lombardo before its merger in IntesaBci, closed the first nine months of 2002 with a net income of approximately 35 million euro, which cannot be compared to the corresponding period of the previous year. The various economic components showed the significant contribution of net interest income (132 million euro), contained operating costs (32 million euro) and provisions for possible loan losses, accounted for on a straight-line basis, up to current 58 million euro. The company's loan portfolio equalled 12,390 million euro, in line with the figure at the end of 2001.

The other Regional banks and the Saving banks

Banco di Chiavari e della Riviera Ligure recorded a significant increase in profitability. In fact, the statement of income posted a net income of approximately 14 million euro, up by 16%. All intermediate margins contributed to this rise starting from interest margin, up by 6.7%. Profits on financial transactions amply offset the contraction in net commissions (– 3.7%), allowing net interest and other banking income to maintain a 5.3% rise. Contained operating costs (– 0.2%) led to rises of 18% in operating margin and of 22% in income from operating activities, thanks to lower adjustments and provisions for possible loan losses. Balance sheet figures showed loans to customers amounting to 1,434 million euro, up by 1% on the 2001 balance sheet, and direct deposits amounting to 1,740 million euro, up by 4.2%. Indirect deposits (3,108 million euro) – with asset management again penalised (– 3%) by the downward trend of financial markets – was practically stable compared to as at 31st December 2001.

Banca di Trento e Bolzano registered a positive increase in profitability for the first nine months of this year. Interest margin recorded a moderate decline (– 3.3%), whereas net commissions remained stable and profits on financial transactions and other net operating income rose. The further contribution given by containment of operating costs (– 2%) led to an approximately 12% increase in operating margin, only partly affected by a modest rise in net adjustments to loans. The resulting net income rose to 7.4 million euro, with an approximately 6% increase on the corresponding period of 2001. As to balance sheet aggregates, loans to customers amounted to 1,397 million euro, up from December 2001 (+ 4.8%), while direct deposits, 1,434 million euro, showed a 3% drop mainly attributable to the reduction in repurchase agreements. Also indirect deposits decreased to 1,590 million euro (– 2.3%).

Banca Cis closed the statement of income with a net income for the period of 11.4 million euro, down by 8.8% from that recorded as at 30th September 2001, which however benefited from substantial net commissions generated by tenders for subsidised investments concentrated in that period. Lower contributions from interest margin (– 8.7%) and, especially, from net interest and other banking income (– 13.3% for the aforementioned reason) were in fact only partly balanced by the effective containment of operating costs (– 9.7%) and by lower adjustments for possible loan losses (– 27% net adjustments). Balance sheet aggregates evidenced a practical stability of loans to customers, which stood at 1,152 million euro (– 1.4% from 31st December 2001), while the considerable contraction in direct deposits to 407 million euro (828 million euro as at the end of 2001) was solely attributable to the replacement of issued bonds with interbank funding. Indirect deposits increased to 166 million euro (+ 8.7%).

In the first nine months of 2002, ***Cassa di Risparmio di Biella e Vercelli*** recorded a net income of approximately 21 million euro (+ 19%) resulting from an approximately 4% improvement in interest margin – which almost entirely absorbed the lower contributions from net commissions and from other operating income – and from an over 3% contraction in operating costs. This led to a 4.8% increase in operating margin. The statement of income for the period also benefited from lower net adjustments to loans – thus income from operating activities exceeded by approximately 21% the corresponding figure of 2001 – and from substantial extraordinary income but was burdened by higher income taxes. Among the main balance sheet aggregates, the comparison with figures at the end of 2001 showed a rise both in loans to customers (+ 2.6%) and in direct customer deposits (+ 5.5%), while indirect deposits recorded a 3.3% reduction, mostly due to managed funds.

The Saving Banks reporting to *Carinord 1* and *Carinord 2* achieved positive results. The former holds the control of ***Cassa di Risparmio di Alessandria*** which closed the period with a net income of 5.9 million euro (7.5 million euro as at 30th September 2001), while the latter is the parent company of ***Cassa di Risparmio della Spezia*** and ***Cassa di Risparmio di Carrara*** which registered net incomes respectively amounting to 3.6 million euro and 3.8 million euro (*ex* 3.9 million euro and 4.7 million euro).
Also the Saving Banks controlled by *Holding IntesaBci Centro* recorded positive performances. In particular, the following net incomes were booked: ***Cassa di Risparmio di Ascoli Piceno*** (10.8 million euro *ex* 5.8 million euro), ***Cassa di Risparmio di Viterbo*** (9.4 million euro *ex* 7.3 million euro), ***Cassa di Risparmio di Foligno*** (4.6 million euro *ex* 2.9 million euro), ***Cassa di Risparmio di Rieti*** (4.6 million euro *ex* 8 million euro), ***Cassa di Risparmio di Spoleto*** (3.9 million euro *ex* 3.2 million euro) and ***Cassa di Risparmio di Città di Castello*** (1.3 million euro *ex* 1 million euro). The majority of the Saving Banks effectively defended their income levels and, at the same time, enacted a tight control on costs. As concerns the balance sheet, customer deposits and loans to customers showed – taken as a whole – an increase from the positions reached at the end of 2001.

Cassa di Risparmio di Terni e Narni – the control of which was acquired during the first part of the year – closed the period with a net income of 5.6 million euro, down from 7.4 million euro recorded as at 30th September 2001 exclusively as a result of the extraordinary income generated last year by the capital gain on the sale of the equity investment held in Mediocredito dell'Umbria. In fact, income from operating activities remained at the same level as in the period under comparison. The main balance sheet aggregates highlighted a rise from December 2001 both of loans to customers (+ 3.7%) and of direct customer deposits (+ 15.5%). Also indirect deposits recorded an increase (approximately + 9%).

Financial activities

Despite the difficult market context, further deteriorated in the third quarter, ***Caboto IntesaBci Sim*** – in which Caboto Sim was merged, whereas the activities destined to IntesaTrade were spun off – achieved appreciable results. The reorganisation, already started during the previous year, enabled the company to deploy a competitive structure, with a continuously–upgraded product range capable of competing with the most important competitors.
The most significant operating target achieved in the period was the leadership in the Stock Futures market.
Despite the unfavourable context, the statement of income for the first nine months of 2002 closed with a net income of approximately 20 million euro compared to a loss of approximately 18 million euro of the pro forma statement of income as at 30th September 2001. This result was achieved through an over 60% increase in the subsidiary's operating income.

Nextra Investment Management Sgr – formed in the framework of the reorganisation and integration of the pre-existing entities operating in the asset management sector – is specialised in mutual funds, sicavs, real estate funds and individual portfolio management. As at 30th September 2002 managed assets amounted to 102 billion euro and, notwithstanding negative net collection, enabled the company to maintain first position in the mutual funds and sicavs market, with an 18.8% market share. The statement of income for the period closed with a net income of 44 million euro. ***Intesa Asset Management*** (IAM) focuses on direct portfolio management schemes ("open private banking"), after the sale (1st August 2002) of the company arm in charge of complementary pensions to *Sim Co.Gef.*, Group company responsible for that sector. IAM's net income for the nine months of 2002 (net of the dividends approved by the subsidiary Nextra) amounted to 8 million euro, while managed assets as at 30th September equalled 2 billion euro. The comparison between the total income of the two companies (52 million euro) and the aggregated results of the pre-existing entities as at 30th September 2001 (60 million euro), though showing a decline, is anyhow appreciable in view of the unfavourable market context. A net income was also recorded by ***Nextra Alternative Investments Sgr***, company operating in Hedge Funds and ***Epsilon Sgr***, in charge of quantitative financial management activities.

IntesaBci Investimenti*,* established at the end of 2001 as Compagnia Italiana Investimenti Diversificati, offers advantageous investment opportunities to the Group's primary customers. In particular, 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 return on investment. IntesaBci replicates 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 the first nine months of 2002 equalled 72 million euro.

Activities of Product Companies

Despite a general economic context characterised by recurring uncertainties, the leasing market registered a further development. In the first nine months of the year, ***Intesa Leasing*** stipulated 14,877 contracts for a value of 2,046 million euro with a 26% increase on the same period of the previous year mostly due to the real estate sector. The company, which confirms its position at the top of the players on the Italian leasing market, holds a portfolio of leased assets of 8,068 million euro (+ 14.4% from December 2001) and recorded a net income for the period of 13 million euro, with a 14.5% rise with respect of the first nine months of the previous year.

Operations in the third quarter of 2002 confirmed for ***Mediofactoring*** the rising trend already manifested in the Half-Year Report. In the nine months, turnover recorded a 5.5% rise in volumes on the figure as at 30th September 2001. The statement of income closed with a net income for the period of 24 million euro (+ 5.2% on the corresponding period of 2001). The increase was recorded by all main income levels – interest margin (+ 3.7%), net interest and other banking income (+ 4.2%) – while operating costs (+ 8.5%) was negatively affected by the integration with *Comit Factoring* which occurred in the last part of 2001.

Banca Primavera, established through the integration of the networks of financial consultants of the Intesa and BCI groups, with the name of IntesaBci Italia Sim, only recently took the new name and, as of 1st July 2002, it operates as the Group's multichannel bank. The high costs incurred for the creation of the new operating structure, which is still under completion, inevitably affected the statement of income for the period, which closed with a loss of approximately 30 million euro. As at 30th September 2002 the company operates with a network of approximately 1,700 consultants and had total direct and indirect customer deposits nearing 6 billion euro.

Noteworthy is the economic performance of ***Setefi***, the Group's business unit specialised in the management of electronic payments. The company performs the function of acquirer of retailers, issues own credit cards and manages the *Moneta* card issued by Group banks. For such activities it utilises its own network of POS machines and provides e-money through the management of the *Monetaonline* web site. The company closed the period with a net income of 15.7 million euro, up by approximately 21%. From the operating standpoint, the number of own or managed cards rose to over 1,710,000 (+ 11.3% compared to December 2001), while the number of POS installed exceeded 80,000 units (+ 31%). 88.2 million operations were made using the company's POS machines for a countervalue of 6.7 billion euro.

Carivita**,** the Group's bancassurance company, closed the statement of income for the first nine months with a net income of 11.6 million euro, down from 15.6 million euro as at 30th September 2001, mainly because of the unfavourable trend registered by financial markets. Premiums for the period totalled 910 million euro, with a 24% increase, while technical reserves reached 6.8 billion euro (+ 16.4%).

IntesaBci e.lab – the company operating in the sector of acquisitions, management and development of strategic equity investments and partnerships in the e-banking and e-commerce sectors in co-ordination with the same activities at Group level – developed its projects through its subsidiary companies. In particular, ***IntesaTrade Sim*** operates as the Group's on-line trading platform, ***FundsWorld*** is specialised in the on-line sale of mutual funds and sicavs while ***Shoplà*** operates in the electronic commerce sector where it represents an important reference point for many small and medium-sized enterprises. Overall the economic results of the companies reporting to e.lab, still penalised by the start-up phase of various initiatives and by the difficult financial markets situation, recorded a loss for the period of approximately 15 million euro.

Activities of Service companies

IntesaBci Gestione Crediti closed the statement of income for the period with a loss of 35 million euro, in line with that reported in the Half-Year Report. In fact, commission income and other operating income (111 million euro) did not absorb net adjustments to loans, net financial charges and overhead costs. As at 30th September the company held a doubtful loan portfolio exceeding 10 billion euro at nominal value, in addition to loans managed on behalf of Group companies totalling 5 billion euro.

IntesaBci Sistemi e Servizi, the service company which concentrates the centralised management of IT systems and data processing, was again involved in numerous activities supporting the integration of various Group entities. The statement of income for the period closed with a net income of 0.2 million euro, reflecting the pricing policy applied towards its users, which were all inside the Group.

IntesaBci Riscossione Tributi and the operating companies ***Esa.Tri.***, ***E.Tr.*** and ***S.Es.I.T.*** continued their activities in the new operating context characterised by the expiry – as of 1st January 2002 – of the pre-existing payment system for tax collectors. The parameters currently in force determine pay-levels for the 2002-2003 period which are much lower and inadequate to guarantee the already uncertain economic balance of the sector. The impact of the new payment system will be different for the Group's three tax-collection companies: Esa.Tri. will face a substantial reduction in its profitability, but especially S.Es.I.T. and E.Tr. will be affected by a considerable deterioration of their economic situation, jeopardising the results of the whole sector. It must however be noted that certain legal and administrative provisions still under preparation could significantly improve the projected results of tax-collection companies. In this context, the statement of income for the period closed with an overall loss of 7 million euro, against a net income of 7 million euro as at 30th September 2001, determined by the negative results of E.Tr. and S.Es.I.T., which were not offset by the – lower – net income of Esa.Tri.

Abroad

In the first nine months of 2002, ***IntesaBci Holding International***, which is the parent company of almost all foreign subsidiary banks and financial companies of Gruppo IntesaBci, recorded a net income of 34 million euro, mostly generated by dividends from the equity investment portfolio.

The Latin-American area and the Sudameris group

In the third quarter of 2002, the ***Sudameris group*** continued to operate in a very difficult context which, though with diverse scenarios and with more or less pronounced degrees of instability, involved all main Countries of the South-American area.
The Sudameris group's financial statements were clearly affected by this socio-economic environment, registering an operating margin (167 million euro) approximately 8% lower than in the same period of 2001. However – as already pointed out in the Half-Year Report – in this

context it is very important, for a correct comparison of economic performances, to consider the effects of the devaluation of the local currencies. On a consistent basis, in fact, operating margin would show an increase close to 50%.
Interest margin contributed to operating margin with 413 million euro, with a nominal reduction of approximately 21% (approximately + 20% in consistent terms). The contraction in net commissions and other operating income led, notwithstanding higher profits on financial transactions, to a net interest and other banking income of 600 million euro, down by 28% on a nominal basis and up by approximately 12% on a consistent basis.
The foreign exchange effect was obviously also reflected in operating costs, which decreased by approximately 34% on a nominal basis, but up by approximately 2% in consistent terms.
Net adjustments to loans and financial fixed assets exceeding 190 million euro, virtually in line – in consistent terms – with those as at 30th September 2001, led income from operating activities to a loss (– 79 million euro) compared however to a greater loss as at 30th September 2001.
Net extraordinary charges for 30 million euro, mainly determined by the evolution of the situation in Argentina, and the tax burden led to a loss, net of minority interests, of approximately 120 million euro.

Considering the single entities belonging to the Group and taking account of the adjustments made in consolidation by the parent company, Sudameris of Paris, the consolidated loss – for the portion pertaining to the Group – was mainly due to the loss of 72 million euro attributable to the Peruvian subsidiary, which made considerable adjustments to the loan portfolio. This was also the main reason for the 11 million euro loss registered by the Argentinean subsidiary while the entity operating in Colombia closed the period with a loss of approximately 5 million euro, also as a result of rising operating costs. On the contrary, the Brazilian network recorded a net income of 12 million euro, well below expectations notwithstanding the reduction in operating costs, because of the fall recorded in operating margins.

With regard to the most significant balance sheet aggregates, loans to customers, 6,055 million euro, as well as – although to a lower extent – customer deposits, 7,666 million euro, continued to decline. Net of the effect connected to the devaluation of the local currencies, the estimated negative growth rate equalled 16% for loans to customers and slightly over 3% for customer deposits.

Eastern Europe

Even if the Hungarian economy is showing signs of slowdown, contrasted by expansive measures taken by local authorities, the ***Central-European International Bank*** group posted a net income for the period (approximately 34 million euro) approximately 9% higher than as at 30th September 2001. This rise was determined by all intermediate margins with particularly satisfactory progress both for interest margin and for net commissions, which absorbed the increase in operating costs and in net adjustments to loans. In fact, income from operating activities recorded an approximately 13% rise. As to the balance sheet, loans to customers rose (2,080 million euro; approximately + 14% on the figure of December 2001) while total customer deposits were virtually stable at 1,713 million euro.

The still favourable economic context characterising the Croatian market enabled the ***Privredna Banka Zagreb*** (PBZ) group to post a net income for the period of 75 million euro, with a 15% increase with respect to the same period of 2001. The PBZ group continued its reorganisation and the development of IT technologies. Particular attention was paid to the opening of new distribution channels, the reorganisation of the finance area and the launch of increasingly customer-oriented initiatives for retail and corporate clients. Loans to customers (2,409 million euro) and customer deposits (3,553 million euro) registered increases from last December amounting to 34% and 9.5% respectively.

The prospects for the Slovakian economy remained positive in the light of the Country’s improved macroeconomic data. The subsidiary ***Vseobecna Uverova Banka*** (VUB), acquired at the end of 2001, continued in the third quarter the restructuring aimed at increasing its efficiency and competitiveness, consolidating its position in retail banking and expanding its operations to small and medium-sized enterprises. VUB posted a net income for the period of 28 million euro.

Western Europe

Bankhaus Löbbecke's statement of income highlighted an approximately 13% rise in net interest and other banking income, as a result of an improvement of both interest margin and net commissions and profits on financial transactions. A further positive contribution was the approximately 7% reduction in operating costs which led to an approximately 65% rise in operating margin. However, a more severe valuation of real estate assets to cover doubtful loans and of riskiest positions in the securities and credit default swaps portfolio required a considerable increase in net adjustments to loans and to financial fixed assets. This already negative situation was then aggravated by extraordinary charges due to capital losses generated by the sale of securities in the investment portfolio, leading to an overall loss for the period of 35 million euro.

The persisting uncertainty affecting international markets negatively influenced the activities of institutional and private investors, determining lower incomes in the three main business areas (private banking, corporate activities, mutual funds) of the subsidiary ***Société Européenne de Banque***. The company, which took over *Banca Intesa International*'s activities in January 2002, succeeded however in containing the effects of the unfavourable market conditions, closing the nine months with a net income of approximately 9 million euro, only slightly lower than the result achieved in the same period of 2001 by the two separate Luxembourghian entities.

In the third quarter of 2002, the subsidiary company ***IntesaBci Bank (Suisse)*** was also affected by the unfavourable political and economic scenario and the persisting downward trend of international stock markets. Consequently, intermediated volumes decreased together with commissions from private banking – which constitute the subsidiary's main activities – and securities trading also recorded a negative result. Despite effective cost control, the subsidiary registered a net income of 3.8 million euro, almost half of the corresponding figure for 2001.

In the first nine months of the year, ***Banca Commerciale Italiana (France)*** registered a contraction in its corporate banking activities because of the unfavourable international economic situation. Despite new prudent provisions on positions in securities, the subsidiary closed the period – also thanks to effective cost control – with a net income of 20.2 million euro, over 40% lower than as at 30th September 2001.

The other French subsidiary ***Banca Intesa (France)*** recorded a net income for the period of 3 million euro, higher than that of the same period in the previous year.

Also the Irish subsidiary ***IntesaBci Bank Ireland*** could not avoid the heavily negative effects determined by world economy. A contraction in operations and substantial adjustments for possible loan losses decreased the subsidiary's net income to 14.5 million euro, less than half of the corresponding figure of the previous year.

The North-American area

In the favourable economic context still characterising the Canadian market, the subsidiary ***IntesaBci Canada*** confirmed its good economic performance, closing the period with a net income of 4 million euro. This result was mainly due to interest margin combined with a positive contribution from commissions and from profits on financial transactions. Adjustments to loans were contained, as a result of the extremely prudent approach adopted by the subsidiary, whilst the incidence of operating costs on total income still appeared at non-optimal levels.

Foreign branches

The presence on the main international markets is ensured not only by the subsidiary companies but also by the network of IntesaBci's 12 foreign branches for which a reorganisation is being implemented. At this moment, the latter entails the closure of the Abu Dhabi branch, currently under way, and the transformation of the Singapore branch in a representative office. The relevant economic results were included in IntesaBci's financial statements.

Risk control

Market risk

The plan integrating Caboto IntesaBci's portfolios – initiated in the first months of the year with the objective of extending the Internal Model to calculate capital requirements for the entire IntesaBci aggregate – was completed this quarter according to schedule.

As at 30th September 2002 the Value at Risk [1] of IntesaBci's portfolio (excluding Caboto positions) equalled 13.7 million euro, slightly higher compared to the figure as at 30th June 2002. Analysis of various risk factors – summarised in the table below – highlights how such a result arose from the increase in interest and exchange rates components, in contrast with the marked reduction of equity risk. The rise in foreign exchange risk is the result of greater activity in forex markets.

Capital absorption for market risks remained always within the prescribed limits for the whole of the quarter.

VALUE AT RISK OF THE TRADING PORTFOLIO (*)
(in millions of euro)

Risk factors	30th September 2002	30th June 2002
Interest rate	9.4	8.9
Equity	6.0	8.0
Foreign exchange	1.7	0.3
Total (**)	**13.7**	**12.1**

(*) *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.*

As regards Caboto, the analysis conducted as at 30th September does not show substantial changes in risk profile compared to the end of the first half. Interest rate risk of the bond portfolio showed that a one basis point rise in the yield curve would lead to a reduction in present value of approximately 85,000 euro. Conversely, for the position in the interest rate derivatives portfolio an increase of one basis point in the yield curve would lead to a rise in value of 56,000 euro. Still with reference to this portfolio, a 1% rise in volatility of underlying financial instruments would produce a fall in options value equal to 262,000 euro. Exposure to emerging Countries remained limited. As regards equity risk, the position as at 30th September 2002 showed a VaR that, although higher than at the end of the first half, is still extremely low (511,000 euro).

Credit risk

As regards credit risk, after completing the analysis of various rating methods adopted by different group entities within IntesaBci, the project commenced the phase dedicated to the identification of unitary target rating procedures which also consider Basel II standards.

(1) *VaR is calculated by a parametric approach that takes into account existing correlations between the risk factors considered, assuming a one working day holding period and a 99% confidence level.*

In the meantime IntesaBci monitors – via an appropriate model – credit risk from large clients both via a weekly analysis of portfolio composition broken down by geographic areas and economic sectors, as well as via an overall risk index for each client, in order to promptly identify any negative trends.

As regards the monitoring of Credit Derivatives, the Bank prepares a monthly analysis of Credit Value at Risk of the overall Credit Default Swaps portfolio (banking and trading), that simulates the value of the portfolio exposed to credit risk assuming numerous creditworthiness scenarios of reference entities and reference obligations. As at 30th September 2002 portfolio CreditVar amounted to 22.2 million euro, calculated as maximum possible loss on a time frame of one year at the 99% confidence level, slightly higher than 18.9 million euro as at 30th June 2002.

Shareholder base and stock price performance

Voting syndicate

37.98% of the 5,915,707,226 ordinary shares which make up IntesaBci's share capital is vested in a voting syndicate, expiring on 15th April 2005.
The percentage vested in the syndicate – unchanged with respect to as at 30th June 2002 – is broken down as follows: *Crédit Agricole* 13.78%; *Fondazione Cariplo* 8.42%; *Generali group* 5.36%; *Fondazione Cariparma* 4%; *Lombardo group* 3.27%; *Commerzbank group* 3.15%.

Stock price performance

In 2002, the Italian stock market showed at first a slight recovery, which reached its maximum in April, then it started a new decline which led it to close the first nine months far below the levels of the beginning of the year. The Comit global index dropped in the period by 29.6%.

Also the banking sector – after a positive trend in the initial upward period (+ 15.6% in absolute terms and + 11% with respect to the general index) – suffered from the inversion in the trend following both the worsened macroeconomic situation and the fears of its possible repercussions on the quality of bank assets. Thus, the sector index closed the first nine months of the year with a 31% decline.

The IntesaBci share, after having followed the sector index in the first two months of 2002, in March outperformed both the general and the sector indices, and reached in April a performance from the beginning of the year of 33%. Subsequently, the forecasted delays in economic recovery and the slowdown in the macroeconomic context, made the IntesaBci share lose ground. At the end of September, the share had recorded a negative performance from the beginning of the year, both in absolute terms (– 39.5%) and with respect to the sector index (– 8.5%).
Consequently, the value of the *Warrants Put IntesaBci*, exercisable in November 2002, showed a 48.5% rise in the first nine months of the year.

Information on specific issues

Subsidised mortgages as per Law 133/99 and unsubsidised fixed rate mortgages

In relation to the problems concerning the determination of interest income, the lines of action illustrated in the Report on operations in the Annual Report 2001 are confirmed.
In particular, amounts which may be subject to reimbursement to customers following the renegotiation of subsidised mortgages have been fully provisioned with a specific Allowance for risks and charges, while charges in excess for unsubsidised fixed rate mortgages, subsequent to flattening of interest rates to those set forth by relevant laws, have already been paid to customers.

Anatocism

In line with the general orientation of the banking system and the conviction of the full legitimacy of the Bank's position, no provisions have been made 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.

Explanation added for the English translation

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

Projections for the whole year

As already illustrated in the Half-Year Report, the result for 2002 will be affected by the extraordinary items which will be recorded in the second part of the year.
In particular the charges related to the disposal of the South-American subsidiaries and the charges forecasted for the restructuring currently under way, which will influence the accounts in the fourth quarter.
Conversely the sale of non-strategic assets will continue.
Based on the results for the first nine months and the forecasted extraordinary items it is possible to forecast that the 2002 financial statements will close with a consolidated net income significantly lower than in the previous year, which had equalled 928 million euro.

Milano, 12th November 2002

The Board of Directors

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