Banca Intesa

Consolidated report as at 30th September 2003

This is an English translation of the Italian original “Relazione consolidata al 30 settembre 2003” 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
Banca Intesa s.p.a.
Corporate image and marketing communications Via Monte di Pietà 8 20121 Milano Italy Fax +39 02 879.62898/63638.

Banca Intesa

Registered office Piazza Paolo Ferrari 10 20121 Milano Italy
Telephone +39 02 879.11 info@bancaintesa.it www.bancaintesa.it

Investor Relations Piazza della Scala 6 20121 Milano Italy
Fax +39 02 879.42587 investorelations@bancaintesa.it

Consolidated report as at 30th September 2003

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

Contents

Board of Directors, Board of Statutory Auditors and Independent Auditors

Board of Directors

Chairman	* Giovanni Bazoli
Deputy Chairmen	* Giampio Bracchi Jean Laurent Luigi Lucchini
Managing Director and Chief Executive Officer	* Corrado Passera
Directors	Giovanni Ancarani Francesco Arcucci Marc Antoine Autheman Benito Benedini Antoine Bernheim René Carron Alfonso Desiata * Ariberto Fassati * Giancarlo Forestieri Paolo Fumagalli Jorge M. Jardim Gonçalves Gilles Gramat Giangiacomo Nardozzi Eugenio Pavarani Giovanni Perissinotto * Mariano Riestra 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 s.p.a.

Gruppo Intesa in the third quarter of 2003

EXECUTIVE SUMMARY

Results for the first nine months

Gruppo Intesa's results in the first nine months of 2003 show, if compared with those of the corresponding period in 2002, a positive trend in line with objectives, with a 4% rise in net interest and other banking income, a 4.4% reduction in operating costs and, therefore, a progress in operating margin exceeding 21%. Net income as at 30th September 2003 reached 1,038 million euro, with respect to 56 million euro of the same period of the previous year.
In an economic context which is improving slowly, these results have been achieved via the Group's deep restructuring which commenced little more than a year ago with the definition of the new Business Plan, that has the objective of taking Banca Intesa to the efficiency and profitability levels of its best competitors in three years.

The third quarter confirmed the trends which had characterised the first part of the year and which were illustrated in the Half-year report. As concerns revenues, particularly significant were profits on financial transactions – that increased to 687 million euro, from 170 million euro of September 2002 – and the positive trend recorded by net commissions (+0.2%). Interest margin recorded instead a 5.9% contraction, attributable not only to market reasons but also to precise strategic decisions.
As regards charges, the reduction in operating costs was considerable, while net adjustments to loans proved to be lower than forecasted and recorded a decrease in the nine months exceeding 500 million euro (approximately –41%).

The development of quarterly results basically confirms these trends. It must be noted that the third quarter recorded a practically stable contribution of net interest income, the recovery in commissions and profits from financial transactions, the reduction in operating costs and lower adjustments to loans.

Balance sheet aggregates registered, with respect to December 2002, the stability of direct customer deposits, practically unchanged, and a decrease in loans to customers (–5.2%). Both were affected by precise strategic decisions aimed at repositioning activities with particular focus on the domestic retail segment with a consequent significant contraction in both lending and deposit collecting activities of foreign branches. Also indirect customer deposits basically confirmed the positions reached at the end of last December with the satisfactory progress of managed funds (+2.9%), capable of almost offsetting the persisting decrease in deposits under administration.

The Business Plan

The 2003-2005 Business Plan led to an in-depth restructuring and a strong relaunch of the Group, which is beginning to show in economic results. Like in the previous reports on operations, an update on the implementation of the various projects contained in Business Plan is provided below.

Asset quality and risk profile. The figures as at 30th September 2003 confirm the efforts aimed at reducing the Group's risk profile. In the third quarter, the asset mix continued to shift towards retail customers (from 59% of December 2002 to 66%) and in particular in the domestic market, without weakening the Group's leadership in the sectors related to international trade. Credit derivatives activities decreased further: the value of open positions in the banking book recorded a 50% decrease with respect to December 2002. Again in line with the indications of the Business Plan, foreign operations were further downsized in the large corporate segment which as at September 2003 recorded an approximately 10 billion euro decrease in risk-weighted assets with respect to December 2002.

Capital adequacy. Capital ratios as at 30th September 2003 improved with regard to both the end of the year and to as at 30th June 2003. The Tier 1 ratio reached 7.2%, 24 b.p. higher than in June 2003. Core Tier 1, that is the ratio of Tier 1 capital net of preference shares and risk-weighted assets, was far over 6%.

Rationalisation of the foreign network and of the portfolio of non strategic assets: South-American subsidiaries. On 24th October Banca Intesa and ABN AMRO closed the sale to Banco ABN AMRO Real S.A. of 94.57% of the share capital of Banco Sudameris Brasil S.A.
The consideration was paid part in cash (156 million euro) and part in ABN AMRO Real shares (492 million euro, which represent approximately 11.6% of the bank's capital). At the same time as the transfer of the shares, Banca Intesa and ABN AMRO NV (Dutch Parent Company of the ABN AMRO group, listed at the Amsterdam Stock Exchange) signed a swap contract which sets out the right of Banca Intesa to convert the shares of Banco ABN AMRO Real in ABN AMRO NV shares. This right is exercisable in three tranches in June 2005, 2006 and 2007 at a price of 1.82 times the shareholders' equity of Banco ABN AMRO Real using each time the bank's most recent balance sheet situation.
Conversely, ABN AMRO holds a call option (exercisable, all or in part, at any time) which conveys it the right to convert the Banco ABN AMRO Real shares held by Banca Intesa in ABN AMRO NV shares at the same price. The sale of Banco Sudameris Brasil should lead to an approximately 20 b.p. improvement in Gruppo Intesa's consolidated Tier 1 ratio.
Again as part of the forecasted disengagement from Latin America, Banca Intesa signed the contract for the sale of Banco Sudameris Colombia to Gilex Holding B.V., a holding company established under Dutch law. The operation – which will be closed before the end of the year conditional upon the necessary legal authorisations – will lead to a 14 million euro loss for the Group, which has already been expensed in the accounts as at 30th June 2003.

Contribution of Banca Primavera's PFS operations to Banca Generali. The contribution to Banca Generali of Banca Primavera's PFS operations, made up of the approximately 1,600 financial consultants, which manage assets exceeding 5 billion euro, and of 17 bank branches, was closed with legal effects as of 1st October 2003. The value of the contribution was determined as approximately 252 million euro and, following the transaction, Banca Primavera holds an approximately 31.6% stake in Banca Generali's new capital base. At the end of the subsequent sales to be settled in cash, already at the end of the year the shareholders of Banca Generali will be Gruppo Generali (75%) and Gruppo Intesa through Banca Primavera (25%). At the end of such transactions, the Group's consolidated financial statements will record a capital gain on the contribution of approximately 135 million euro, compared to the value of the contributed shareholders' equity of 32 million euro and a book value of the shares of Banca Generali in Banca Primavera's financial statements of 210 million euro. The transaction has the objective of forming a large and highly-efficient multichannel bank at the top of the rankings of the Italian personal financial services market. The new entity has a 9% market share, over 5,000 financial consultants, 400,000 clients and 21 "light" bank branches; it is in third position in the Italian market in terms of managed assets. Gruppo Intesa therefore optimises its investments in the financial services field with an equity investment in a company with a significant critical mass and capable of realising significant economies of scale.

Spin-off of real estate assets. As part of the real estate spin-off already illustrated in the Half-year report and as already agreed upon in the letter of intent signed last June by Banca Intesa and Beni Stabili, the preliminary contract for the purchase of Milano Zerotre s.r.l. was signed. Milano Zerotre s.r.l. is a to-be-established company in which Gruppo Intesa will hold a 49% stake and Beni Stabili a 51% stake. 46 commercial assets which are not used by Gruppo Intesa, for a total value of approximately 340 million euro will be contributed to the newco, with an overall investment for Beni Stabili of approximately 175 million euro, made up of debt and equity. The real estate assets, which are mainly located in Northern Italy and are mainly for office use, will be capitalised on/sold in a five-year period as set out in the Business Plan. The operation will lead to a capital gain estimated in approximately 40 million euro in Gruppo Intesa's 2003 consolidated financial statements.

IT systems. The project, set out in the Business Plan, of making all Banca Intesa branches operate on a single system was completed in October.

Personnel and training. On 1st October 2003 the Group's personnel had recorded an approximately 4,000 unit reduction with respect to as at 31st December 2002, on a consistent basis. This included over 3,000 resources that decided to benefit from the special treatment provided for by Ministerial Decree 158 of 2000 with the activation of the relevant "Solidarity allowance". As concerns the development and training of human resources, which is one of the qualifying aspects of the Business Plan, 140,000 of the 800,000 man-days of training set out in the 2003-2005 three-year plan have already been provided in the first nine months of the year.

Gruppo Intesa – Financial highlights

	30/9/2003 (A)	31/12/2002 pro forma [1] (B)	30/9/2002 pro forma [1] (C)	% change (A/B)	% change (A/C)
Statement of income					
(in millions of euro)					
Net interest income	3,793	5,368	4,045		(6.2)
Interest margin	3,973	5,580	4,222		(5.9)
Net commissions	2,454	3,248	2,448		0.2
Net interest and other banking income	7,370	9,437	7,088		4.0
Operating costs	(4,563)	(6,460)	(4,774)		(4.4)
including Payroll	*(2,511)*	*(3,506)*	*(2,651)*		*(5.3)*
Operating margin	2,807	2,977	2,314		21.3
Net adjustments to loans and provisions for possible loan losses	(756)	(2,288)	(1,276)		(40.8)
Income (Loss) from operating activities	1,766	(41)	564		
Extraordinary income (loss)	107	280	(322)		
Net income for the period	1,038	200	56		
Balance sheet					
(in millions of euro)					
Loans to customers	156,566	165,102	165,817	(5.2)	(5.6)
Securities [2]	33,557	34,978	40,318	(4.1)	(16.8)
including Investment portfolio	*7,153*	*7,892*	*9,186*	*(9.4)*	*(22.1)*
Equity investments	4,614	4,170	4,966	10.6	(7.1)
Total assets	278,620	275,742	286,569	1.0	(2.8)
Direct customer deposits	176,339	177,227	177,273	(0.5)	(0.5)
including Subordinated and perpetual liabilities	*11,221*	*11,488*	*11,593*	*(2.3)*	*(3.2)*
Indirect customer deposits	295,433	296,914	299,407	(0.5)	(1.3)
including Managed funds	*125,683*	*122,145*	*123,286*	*2.9*	*1.9*
Customer deposits under administration	471,772	474,141	476,680	(0.5)	(1.0)
Due to banks, net	(2,115)	(14,688)	(18,624)	(85.6)	(88.6)
Shareholders' equity [3]	14,576	13,947	13,760	4.5	5.9
Operating structure					
Staff (number)	61,295	65,312	66,428	(4,017)	(5,133)
Branches (number)	3,856	3,991	3,977	(135)	(121)
including Italy	*3,169*	*3,277*	*3,278*	*(108)*	*(109)*
Abroad	*687*	*714*	*699*	*(27)*	*(12)*

[1] Figures restated on a consistent basis.

[2] Including own shares amounting to 894 million euro as at 30th September 2003 and 891 million euro as at 31st December 2002.

[3] Including net income for the period.

Gruppo Intesa – Financial ratios

	30/9/2003	31/12/2002 pro forma [1]	30/9/2002 pro forma [1]
Balance sheet ratios (%)			
Loans to customers/Total assets	56.2	59.9	57.9
Securities/Total assets	12.0	12.7	14.1
Direct customer deposits/Total assets	63.3	64.3	61.9
Managed funds/Indirect customer deposits	42.5	41.1	41.2
Statement of income ratios (%)			
Interest margin/Net interest and other banking income	53.9	59.1	59.6
Net commissions/Net interest and other banking income	33.3	34.4	34.5
Operating costs/Net interest and other banking income	61.9	68.5	67.4
Net income for the period/Average total assets (ROA) [2] [3]	0.5	0.1	
Net income for the period/Average shareholders' equity (ROE) [3] [4]	10.7	1.6	0.5
Risk ratios (%)			
Net doubtful loans/Total loans	3.2	3.2	3.2
Accrued adjustments on doubtful loans/Gross doubtful loans to customers	63.7	62.5	62.0
Capital ratios (%)			
Tier 1 capital/Risk-weighted assets [5]	7.2	6.8	6.7
Total capital/Risk-weighted assets [5]	11.1	11.1	10.7
Risk-weighted assets (in millions of euro) [5]	193,440	199,714	218,201
EPS – Earnings per share – euro [3]	0.22	0.03	0.01

[1] Figures restated on a consistent basis.

[2] Based upon the arithmetical average of total assets at the end of the reference periods.

[3] Figures for the period 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, negative goodwill arising on consolidation and on application of the equity method and the reserve for general banking risks.

[5] Figures for 2002 and as at 30th September 2002 have not been restated.

Gruppo Intesa
Financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma [1]	Changes amount	Changes %
Net interest income	**3,793**	4,045	(252)	(6.2)
Dividends and other revenues	**89**	123	(34)	(27.6)
Income from investments carried at equity	**91**	54	37	68.5
Interest margin	**3,973**	4,222	(249)	(5.9)
Net commissions	**2,454**	2,448	6	0.2
Profits on financial transactions	**687**	170	517	
Other operating income, net	**256**	248	8	3.2
Net interest and other banking income	**7,370**	7,088	282	4.0
Administrative costs	**(4,064)**	(4,282)	(218)	(5.1)
including Payroll	***(2,511)***	*(2,651)*	*(140)*	*(5.3)*
Other	***(1,553)***	*(1,631)*	*(78)*	*(4.8)*
Adjustments to fixed assets and intangibles	**(499)**	(492)	7	1.4
Operating costs	**(4,563)**	(4,774)	(211)	(4.4)
Operating margin	**2,807**	2,314	493	21.3
Adjustments to goodwill arising on consolidation and on application of the equity method	**(94)**	(107)	(13)	(12.1)
Provisions for risks and charges	**(156)**	(281)	(125)	(44.5)
Net adjustments to loans and provisions for possible loan losses	**(756)**	(1,276)	(520)	(40.8)
Net adjustments to financial fixed assets	**(35)**	(86)	(51)	(59.3)
Income from operating activities	**1,766**	564	1,202	
Extraordinary income (loss)	**107**	(322)	429	
Income taxes for the period	**(781)**	(129)	652	
Change in the reserve for general banking risks and other reserves	**10**	4	6	
Minority interests	**(64)**	(61)	3	4.9
Net income for the period	**1,038**	56	982	

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

Captions	2003			2002 [1]			
	Third quarter	Second quarter [1]	First quarter [1]	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	**1,257**	**1,253**	**1,283**	**1,323**	**1,359**	**1,322**	**1,364**
Dividends and income from investments carried at equity	21	91	68	35	15	118	44
Interest margin	**1,278**	**1,344**	**1,351**	**1,358**	**1,374**	**1,440**	**1,408**
Net commissions	838	831	785	800	795	834	819
Profits (Losses) on financial transactions	186	311	190	22	(33)	119	84
Other operating income, net	114	68	74	169	71	81	96
Net interest and other banking income	**2,416**	**2,554**	**2,400**	**2,349**	**2,207**	**2,474**	**2,407**
Administrative costs	(1,338)	(1,373)	(1,353)	(1,462)	(1,357)	(1,444)	(1,481)
including Payroll	*(825)*	*(833)*	*(853)*	*(855)*	*(818)*	*(914)*	*(919)*
Other	*(513)*	*(540)*	*(500)*	*(607)*	*(539)*	*(530)*	*(562)*
Adjustments to fixed assets and intangibles	(172)	(171)	(156)	(224)	(175)	(162)	(155)
Operating costs	(1,510)	(1,544)	(1,509)	(1,686)	(1,532)	(1,606)	(1,636)
Operating margin	**906**	**1,010**	**891**	**663**	**675**	**868**	**771**
Adjustments to goodwill arising on consolidation and on application of the equity method	(30)	(32)	(32)	(33)	(60)	(24)	(23)
Provisions for risks and charges	(20)	(100)	(36)	(22)	(13)	(213)	(55)
Net adjustments to loans and provisions for possible loan losses	(245)	(244)	(267)	(1,012)	(282)	(818)	(176)
Net adjustments to financial fixed assets	10	(12)	(33)	(201)	(14)	(60)	(12)
Income (Loss) from operating activities	**621**	**622**	**523**	**(605)**	**306**	**(247)**	**505**
Extraordinary income (loss)	(7)	84	30	602	(373)	(190)	241
Income taxes for the period	(263)	(294)	(224)	163	4	167	(300)
Change in the reserve for general banking risks and other reserves	2	6	2	(24)	2	–	2
Minority interests	(25)	(21)	(18)	8	3	(41)	(23)
Net income (loss) for the period	**328**	**397**	**313**	**144**	**(58)**	**(311)**	**425**

[1] Figures restated on a consistent basis.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in millions of euro)

Assets	30/9/2003	31/12/2002 pro forma [1]	Changes amount	Changes %
1. Cash and deposits with central banks and post offices	**1,390**	1,634	(244)	(14.9)
2. Loans				
– loans to customers	**156,566**	165,102	(8,536)	(5.2)
– due from banks	**35,899**	30,321	5,578	18.4
3. Trading portfolio	**26,404**	27,086	(682)	(2.5)
including Own shares	***894***	*981*	*(87)*	*(8.9)*
4. Fixed assets				
a) investment portfolio	**7,153**	7,892	(739)	(9.4)
b) equity investments	**4,614**	4,170	444	10.6
c) tangible and intangible	**4,461**	4,792	(331)	(6.9)
5. Goodwill arising on consolidation	**570**	612	(42)	(6.9)
6. Goodwill arising on application of the equity method	**285**	161	124	77.0
7. Other assets	**41,278**	33,972	7,306	21.5
Total Assets	**278,620**	275,742	2,878	1.0

(in millions of euro)

Liabilities and Shareholders' Equity	30/9/2003	31/12/2002 pro forma [1]	Changes amount	Changes %
1. Debts				
– due to customers	**109,458**	110,662	(1,204)	(1.1)
– securities issued	**55,660**	55,077	583	1.1
– due to banks	**38,014**	45,009	(6,995)	(15.5)
2. Allowances with specific purpose	**5,425**	5,240	185	3.5
3. Other liabilities	**43,518**	33,553	9,965	29.7
4. Allowances for possible loan losses	**51**	50	1	2.0
5. Subordinated and perpetual liabilities	**11,221**	11,488	(267)	(2.3)
6. Minority interests	**697**	716	(19)	(2.7)
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,508**	13,717	(209)	(1.5)
– negative goodwill arising on consolidation	**29**	29	–	–
– negative goodwill arising on application of the equity method	**1**	1	–	–
– net income for the period	**1,038**	200	838	
Total Liabilities and Shareholders' Equity	**278,620**	275,742	2,878	1.0

Indirect customer deposits	**295,433**	296,914	(1,481)	(0.5)

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

Assets	2003			2002 [1]			
	30/9	30/6 [1]	31/3 [1]	31/12	30/9	30/6	31/3
1. Cash and deposits with central banks and post offices	1,390	1,370	1,354	1,634	1,488	1,409	1,666
2. Loans							
– loans to customers	156,566	161,701	162,108	165,102	165,817	172,445	174,314
– due from banks	35,899	33,548	32,878	30,321	37,246	38,274	43,510
3. Trading portfolio	26,404	31,989	28,333	27,086	31,132	36,417	39,115
including Own shares	*894*	*891*	*664*	*981*	–	–	–
4. Fixed assets							
a) investment portfolio	7,153	7,746	8,012	7,892	9,186	9,535	11,026
b) equity investments	4,614	4,631	4,397	4,170	4,966	4,765	5,260
c) tangible and intangible	4,461	4,532	4,586	4,792	4,809	4,774	4,887
5. Goodwill arising on consolidation	570	594	590	612	631	640	611
6. Goodwill arising on application of the equity method	285	293	250	161	120	129	39
7. Other assets	41,278	35,400	35,066	33,972	31,174	29,956	29,165
Total Assets	278,620	281,804	277,574	275,742	286,569	298,344	309,593

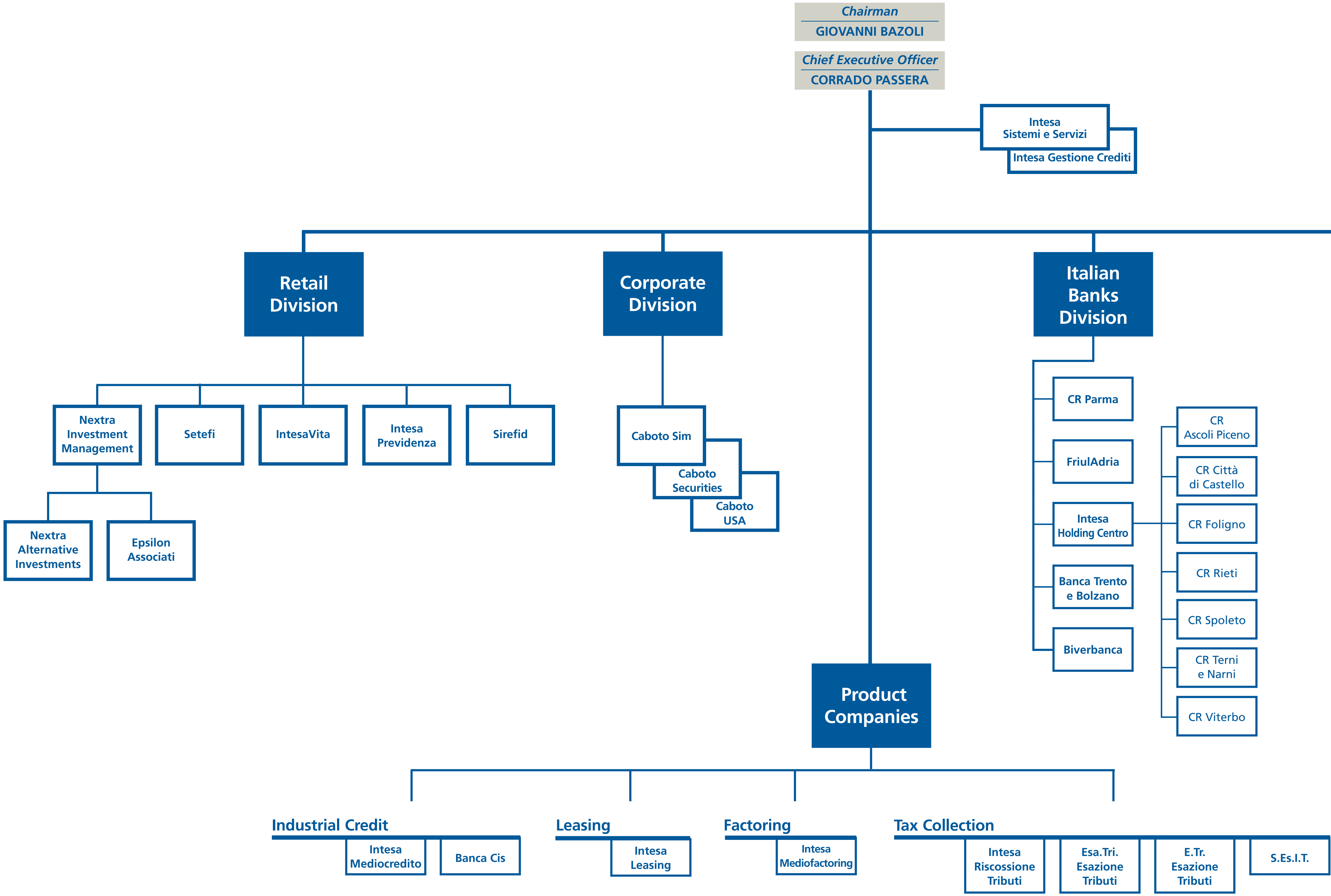
(in millions of euro)

Liabilities and Shareholders' Equity	2003			2002 [1]			
	30/9	30/6 [1]	31/3 [1]	31/12	30/9	30/6	31/3
1. Debts							
– due to customers	109,458	111,517	112,233	110,662	111,214	109,855	111,924
– securities issued	55,660	57,371	53,857	55,077	54,466	57,166	57,828
– due to banks	38,014	42,914	44,264	45,009	55,870	65,239	76,313
2. Allowances with specific purpose	5,425	5,311	5,483	5,240	4,908	4,963	5,418
3. Other liabilities	43,518	38,525	35,726	33,553	33,850	34,801	31,731
4. Allowances for possible loan losses	51	51	51	50	147	146	156
5. Subordinated and perpetual liabilities	11,221	11,228	11,441	11,488	11,593	11,519	11,177
6. Minority interests	697	672	722	716	761	753	799
7. Shareholders' equity							
– share capital, reserves and reserve for general banking risks	13,508	13,475	13,454	13,717	13,674	13,758	13,806
– negative goodwill arising on consolidation	29	29	29	29	29	29	15
– negative goodwill arising on application of the equity method	1	1	1	1	1	1	1
– net income for the period	1,038	710	313	200	56	114	425
Total Liabilities and Shareholders' Equity	278,620	281,804	277,574	275,742	286,569	298,344	309,593

Indirect customer deposits	295,433	292,892	286,501	296,914	299,407	309,839	314,733

[1] Figures restated on a consistent basis.

Main Group companies



Report on operations

Accounting criteria and consolidation area

Accounting criteria

The Quarterly report as at 30th September 2003 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 Banca Intesa and of its banking, financial and auxiliary subsidiaries.
This document was not certified by the Independent Auditors.

The statement of income is shown in a reclassified condensed format, highlighting intermediate margins and net income. The reclassification was carried out for the purpose of greater transparency and completeness of information by using presentation criteria, widespread in the banking system, which are deemed to better define the areas in which overall profitability is generated, and changing and aggregating the contents of the captions included in the compulsory forms, according to the same principles used in the Annual report 2002 and in the Half-year report 2003. The balance sheet was obtained specifying the most significant asset and liability items and grouping all the others.

Valuation criteria and consolidation methodologies have remained the same as in the Annual report 2002 and the Half-year report 2003, 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 balance sheet and statement of income balances, the financial statements of each company have been adjusted where necessary to make them consistent with consolidated financial statement principles. Any provisions and/or adjustments recorded for tax purposes only were also reversed.

If not otherwise stated, the amounts in this report are expressed in millions of euro.

Area of consolidation

Changes in the Group's composition compared to as at 30th June 2003 are the following: exits referring to Carinord 1 and Carinord 2, which are being sold and which respectively controlled Cassa di Risparmio di Alessandria, Cassa di Risparmio della Spezia and Cassa di Risparmio di Carrara, as well as the closing of the sale of Banque Sudameris' Chilean branch. Such sales have already been described in the Half-year report, in the section dedicated to significant events which occurred subsequent to as at 30th June 2003. With respect to as at 30th September 2002 the most significant changes in the consolidation area are the exit of the subsidiaries in Argentina and Brazil as well as the sales of IntesaBci Bank (Suisse) and Banco di Chiavari e della Riviera Ligure.
Furthermore, as at 30th September 2002, Vseobecna Uverova Banka was still carried at equity instead of being fully consolidated.

Following the changes in the Group's consolidation area, statement of income and balance sheet figures relative to the previous periods have been restated to permit a consistent comparison.

Information on specific issues

In relation to the problems concerning the determination of interest income, the actions illustrated in the Report on operations in the Annual report 2002 and the Half-year report 2003 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, also considering the Decree of the Ministry of Economics of

31st March 2003 which set the interest rate to be applied in the renegotiation to 12.61%. As concerns the Parent Company, during the second quarter, the Bank calculated the instalments due on 30th June 2003 using the indicated conditions, while it will liquidate the differences on previous instalments (starting from 31st December 1999) presumably within 31st December 2003. 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.

In line with the general orientation of the banking system and the conviction of the full legitimacy of the Group's position, no provisions have been made to cover any reimbursement requests for interest calculated using the anatocism criterion.

Information regarding quarterly figures as at 31st December 2003

Banca Intesa notifies that – pursuant to provisions set forth in Art. 82, par. 2, of Consob Resolution 11971 – the draft Parent Company's report and the consolidated annual report as at 31st December 2003 will be available for Shareholders and the market within the maximum term of 90 days, instead of the quarterly report as at 31st December 2003.

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 compliance with Consob Regulations approved with Resolution 11971 of 14th May 1999 and amendments, and applying the provisions contained in Legislative Decree 87 of 27th January 1992 and in the instructions of the Governor of the Bank of Italy of 30th July 2002. 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.

The macroeconomic scenario and the domestic banking system

International economy

During the Summer a greater optimism emerged on the prospects of economic recovery. A higher confidence on the economic cycle was once again boosted by the United States. In North America domestic demand registered a strong growth and economic operators appear confident that a new durable expansion phase has commenced.

Europe instead registered only timid signs of recovery. Economic growth rates remain low and, at least short-term, prospects remain less brilliant than in other areas.
Our continent is penalised by the appreciation of the exchange rate, which prevents the European industry to fully benefit from the current recovery in foreign demand, and by the rigidity of public budgets.

International financial markets reflect the improvement in the confidence climate. Central Banks maintained official interest rates stable, whilst longer-term interest rates rose by a minimum of 25 basis points on thirty-year bonds to over 50 basis points on five-year bonds.

Stock exchange indices recorded important increases, exceeding 9% at the world level and 20% in the Japanese market, the latter being favoured by substantial foreign capital flows.
European markets, penalised by the stagnation in domestic economy, registered a below-average performance.

Italy took part in the timid recovery characterising the European economy. After having touched the bottom of the cycle in the second quarter, economic activities appear now under a marginal expansion. However, low income growth and the erosion in international competitiveness hinder economic recovery.

The Italian banking system

In the third quarter of this year, the whole structure of bank interest rates continued, although more slowly than before, to go downward, in line with market rates. Spreads with customers decreased, due to the high elasticity of lending rates to changes in market conditions. Overall spreads with ordinary customers [(1)], were estimated at 2.80% in September (– 41 basis points on December 2002 and – 17 basis points on June) and at 2.97% as nine-month average (– 25 basis points on the corresponding value of 2002). Short-term spreads down to 3.97% in September, lost 38 basis points from last December and 15 basis points from the end of June, while medium- and long-term spreads lost 32 basis points from December and 11 basis points from last June.

In the third quarter, the system's abundant liquidity favoured a good expansion in lending activities. Net of doubtful loans, loans granted by the Italian system increased in September by 7.2% on a twelve-month basis, recording a 6.4% growth in the average volume over the nine months. Loan portfolio continued to evolve in favour of the medium- and long-term component, which reached 56% of the total (53% as at 30th September 2002): short-term loans remained virtually stable (+ 0.1% in September on an annual basis), due to stagnation in economic activity, while the longer-term component continued to strengthen and rose by 13.6% on an annual basis at the end of the quarter.

[(1)] Difference between estimated lending income and funding cost.

In the third quarter of this year, direct deposits was affected by the still very high risk-aversion felt by savers and by the contained opportunity-cost of liquidity, so as to favour growth in current accounts. However, compared to the previous quarters, the growth rate in funding activities (including repurchase agreements) registered a slowdown, with a 5% rise at the end of September, against a nine-month average of 5.6% over the twelve months. With regard to individual funding instruments, in addition to the mentioned good performance of current accounts, which rose in September by 10.5% on a twelve-month basis, bonds (including subordinated liabilities) registered a 5.8% increase, below the average growth rate of 7.6% recorded in the first eight months of the year. Finally, repurchase agreement registered a considerable drop (– 18.7% on an annual basis).

While direct deposits recorded a slowdown, indirect deposits [2] registered a gradual recovery, up 2.6% in August compared to December 2002. Also managed funds (individual asset management schemes and mutual funds) showed a recovery (up 0.5%) after a long subdued phase. This seems to imply a cautious return of investors' interest for financial instruments with a higher risk and return profile, favoured by the relatively stable phase of stock and bond markets.

[2] Third party securities in custody, administration and under management are accounted for at nominal value. Percentage changes are calculated with respect to December 2002, for which the consistency in the figures is assured.

Economic results in the period

CONSOLIDATED STATEMENT OF INCOME

General aspects

Economic results for the first nine months of the year confirm the effectiveness of the strategic decisions contained in the Business Plan.
An analogous confirmation comes from the examination of the trend recorded in the various quarters, despite the fact that the third period shows less marked growth rates, after the strong acceleration registered in the first half. The trend recorded by operating margin is particularly significant: up by 21.3% over the twelve months following, on the one hand, the increase in net income from financial transactions and services – which more than offset the retreat of interest margin – and, on the other hand, the positive result of the operating cost containment policy. The considerable contraction in adjustments and provisions gave a further contribution to profitability for the period. Net income for the nine months amounted to 1,038 million euro compared to 56 million euro as at 30th September 2002.

Interest margin

Interest margin, 3,973 million euro, presented a decrease close to 6% due to the persisting erosion of net interest income.
In fact, in the comparison with the figure as at 30th September 2002 the decline in net interest income continued to be mostly attributable to the strategic decision to reduce loans to foreign corporates. The reduction was also due to the unfavourable trend recorded by both interest rates and volumes, especially in the Italian market, which is particularly significant in the Group's overall operations. In terms of quarterly development, the decrease in net interest income, which had characterised the last quarters and the previous years, seems to have halted.

Breakdown of the consolidated figure shows that the Parent Company was responsible for approximately 52% of the margin, Italian subsidiaries 35% and foreign subsidiaries the remaining 13%.

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes	
			amount	%
Net interest income with customers				
• interest income	**5,950**	6,770	(820)	(12.1)
• interest expense	**(1,184)**	(1,686)	(502)	(29.8)
• interest expense on securities issued	**(1,432)**	(1,557)	(125)	(8.0)
• interest expense on subordinated liabilities	**(442)**	(477)	(35)	(7.3)
	2,892	3,050	(158)	(5.2)
Interest income on securities	**1,020**	1,335	(315)	(23.6)
Net interest income with banks				
• interest income	**870**	1,456	(586)	(40.2)
• interest expense	**(786)**	(1,519)	(733)	(48.3)
	84	(63)	147	
Differentials on hedge contracts	**(224)**	(304)	(80)	(26.3)
Other interest (net)	**21**	27	(6)	(22.2)
Total net interest income	**3,793**	4,045	(252)	(6.2)
Dividends and other revenues	**89**	123	(34)	(27.6)
Income from investments carried at equity	**91**	54	37	68.5
Interest margin	**3,973**	4,222	(249)	(5.9)

Operations with customers produced net interest income of 2,892 million euro (–5.2%). On the domestic market there was a generalised downward trend in interest rates both short and medium and long term. Interest rates on loans adapted faster to the lower market rates than interest rates on deposits, thus producing a further erosion in the spreads for all maturities. Volumes over the twelve months showed a further decrease in average volumes intermediated with customers. In addition to external factors related to the unfavourable economic situation in Italy and all over the world, this reflected also the effects of the Group's decision to reduce exposure to foreign counterparties, in particular foreign corporates. The reduction in average loans on the domestic market mostly referred to short-term loans while medium-long term lending continued to increase. As concerns funding, average volumes rose both for short and medium-long term maturities.

Interest income on the net interbank position, including the differentials on hedges which mostly referred to this operating area, showed a significant improvement, while interest income on proprietary securities decreased, as a result of the lower average size of the portfolio and the flattening of the yield curve.

Dividends made a lower contribution to this margin and the decrease was entirely offset by the rise in the income of companies carried at equity.

Net interest and other banking income

Net interest and other banking income rose to 7,370 million euro, with a 4% increase on September 2002, due to extremely satisfactory profits on financial transactions which, combined with the consolidation of commission flows and the rise of net operating income, more than offset the reduction in interest margin.
The quarterly development of this margin shows a peak in the second quarter and a slowdown in the third quarter, which is in any case higher than in the first three months of the year, thus confirming an appreciable increase with respect to results of the second part of the previous year.

Breakdown of the consolidated figure shows that 50% was due to the Parent Company, approximately 40% to Italian subsidiaries and the residual portion to foreign subsidiaries.

Net commissions

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes	
			amount	%
Commercial banking activities	**1,053**	1,009	44	4.4
Management, dealing and consultancy	**986**	1,052	(66)	(6.3)
Tax collection	**194**	136	58	42.6
Other net commissions	**221**	251	(30)	(12.0)
Total net commissions	**2,454**	2,448	6	0.2

Net commissions already in the second quarter had shown an inversion in the trend – halting the decrease which had lasted for some time – and confirmed in the third quarter their growth rate. Therefore, in the first nine months of the year, commissions was slightly higher than as at 30th September 2002. In particular, noteworthy is the 4.4% rise of commissions from commercial banking activities, especially from the management of current accounts (+7.5%) and of POS services and credit cards (+7.4%). Commissions on tax collection activities recorded a 42.6% growth rate and benefited from both the rise in the fees paid by Tax authorities to tax collectors and the sector's increased operations. Instead, management, dealing and consultancy services still showed certain weak areas, especially connected to individual portfolio management schemes, which recorded a 15.6% decrease, alongside clearly-expanding sectors such as distribution of bancassurance products that registered a 42.5% growth rate.

Profits (Losses) on financial transactions

As already mentioned, financial transactions made a fundamental contribution to net interest and other banking income, with net profits four times higher than in the same period of the previous year.

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes	
			amount	%
Interest rates	**237**	(37)	274	
Equity	**304**	85	219	
Foreign exchange	**119**	133	(14)	(10.5)
Credit derivatives (trading book)	**27**	(11)	38	
Profits on financial transactions	**687**	170	517	

Growth was particularly evident in interest rate activities – that is transactions on the bond market and on interest rate and other debt securities derivatives market – which reached 237 million euro (with respect to a negative result of 37 million euro in September 2002). The equities area also presented profits for 304 million euro (85 million euro in the first nine months of 2002). The results of these two areas are especially due to the operations of Banca Intesa and Caboto Sim. Also increasing, even though on far lower absolute levels, were profits from credit derivatives in the trading book, which totalled 27 million euro (*ex* –11 million euro) entirely attributable to the Parent Company, while currencies and currency derivatives showed a decrease (119 million euro with respect to 133 million euro as at 30th September 2002) which mostly referred to the Eastern-European subsidiaries and Sudameris.
The overall result from financial transactions includes income on hedges of structured issues.

Other net operating income also increased (+3.2%) especially in the third quarter and reached 256 million euro mostly due to the income realised on the sale of certain loans and the satisfactory results of merchant banking activities.

Operating margin

Operating margin totalled 2,807 million euro and highlighted an increase exceeding 20%, which was achieved as a result of the significant reduction in operating costs that recorded a 4.4% decrease. In fact, in the first nine months of the year, substantial savings were achieved both in payroll and in other administrative costs, while adjustments to fixed assets and intangibles remained practically constant.

Breakdown of the consolidated result shows a 46% contribution by the Parent Company, while Italian and foreign subsidiaries represented respectively 47% and 7%.

Operating costs

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes	
			amount	%
Payroll	**2,511**	2,651	(140)	(5.3)
Administrative costs				
• general structure costs	**424**	474	(50)	(10.5)
• IT expenses	**281**	269	12	4.5
• indirect taxes and duties	**245**	258	(13)	(5.0)
• management of real estate properties	**265**	266	(1)	(0.4)
• legal and professional expenses	**158**	149	9	6.0
• indirect personnel costs	**47**	43	4	9.3
• advertising and promotional expenses	**44**	55	(11)	(20.0)
• other costs	**89**	117	(28)	(23.9)
	1,553	1,631	(78)	(4.8)
Adjustments to				
• intangibles	**237**	237	–	–
• fixed assets	**262**	255	7	2.7
Operating costs	**4,563**	4,774	(211)	(4.4)

Payroll dropped to 2,511 million euro, with a 5.3% decrease compared to the same period of the previous year, as a result of the reduction in headcount due not only to physiological turnover but especially to the progressive implementation of the reorganisation plan agreed upon with Trade Unions (agreement of 5/12/2002) also following the specific regulations in force as concerns the Solidarity allowance.

Also other administrative costs were deeply reviewed for the purpose of rationalising both purchase processes and channels for the procurement of goods and services, to achieve cost containment. Particular savings referred to general structure costs, while IT expenditure increased, due to the numerous, important projects – for the reorganisation and new product development – currently under way at the Parent Company and certain subsidiaries. Real estate management expenses, inclusive of the relevant depreciation, recorded a 2.7% drop.

Adjustments to fixed assets and intangibles remained on similar absolute levels, 499 million euro, up by 1.4% compared to as at 30th September 2002.

Income from operating activities

Income from operating activities more than tripled: 1,766 million euro with respect to 564 million euro as at 30th September 2002, after net adjustments to loans for 756 million euro (–40.8%), provisions for risks and charges for 156 million euro (–44.5%), adjustments to goodwill for 94 million euro (–12.1%) and net adjustments to financial fixed assets for 35 million euro (–59.3%).

Adjustments, write-backs and provisions

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes amount	Changes %
Net adjustments to loans				
• doubtful loans	**(224)**	(614)	(390)	(63.5)
• substandard loans	**(381)**	(460)	(79)	(17.2)
• restructured loans and loans under restructuring	**(9)**	(2)	7	
• loans subject to Country risk	**(24)**	5	(29)	
• other	**(147)**	(64)	83	
Net provisions for guarantees and commitments	**36**	(120)	156	
	(749)	(1,255)	(506)	(40.3)
Provisions for possible loan losses	**(7)**	(21)	(14)	(66.7)
	(756)	(1,276)	(520)	(40.8)
Provisions for risks and charges	**(156)**	(281)	(125)	(44.5)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(94)**	(107)	(13)	(12.1)
Adjustments to financial fixed assets	**(50)**	(95)	(45)	(47.4)
Write-back of financial fixed assets	**15**	9	6	66.7
	(35)	(86)	(51)	(59.3)
Total, net	**(1,041)**	(1,750)	(709)	(40.5)

Adjustments and provisions for credit risk – which had significantly impacted on the results of all last year and mainly referred to the exposure to certain international groups operating especially in the telecom and energy sectors – returned in the first nine months of the current year to more regular levels which may be deemed to be physiological. The improvement is clear in both the reduction in adjustments (– 18.1%), in particular on doubtful loans and the simultaneous increase in write-backs (+ 39.7%), mainly on substandard loans and provisions for guarantees and commitments.
Approximately 70% of net adjustments and provisions referred to Banca Intesa.

A significant decrease was also recorded by provisions for risks and charges, which in 2002 had recorded significant amounts to cover the charges forecasted for the progressive disengagement from certain Latin-American Countries, in line with the commitments made in the Business Plan.

Net adjustments to financial fixed assets were also lower than as at 30th September 2002 and equalled 35 million euro.

Adjustments to goodwill arising on consolidation and on application of the equity method was lower than in the corresponding period of 2002, which had recorded the write-off of goodwill relative to Bankhaus Löbbecke.

Income from extraordinary activities and net income

Net extraordinary income equalled 107 million euro compared to a negative result of the first nine months of last year of 322 million euro, which had been significantly affected by the marking to market of the *Warrants Put IntesaBci*.

(in millions of euro)

Captions	30/9/2003	30/9/2002 pro forma	Changes	
			amount	%
Income from operating activities	**1,766**	564	1,202	
Extraordinary income	**573**	637	(64)	(10.0)
Extraordinary charges	**(466)**	(959)	(493)	(51.4)
Extraordinary income (loss), net	**107**	(322)	429	
Income taxes for the period	**(781)**	(129)	652	
Use of allowance for risks and charges arising on consolidation	**6**	2	4	
Change in the reserve for general banking risks	**4**	2	2	
Minority interests	**(64)**	(61)	3	4.9
Net income for the period	**1,038**	56	982	

The most important component of extraordinary income referred to marking to market of own shares in the Parent Company's portfolio (235 million euro).
The most significant negative components referred to approximately 160 million euro of charges related to the sale of equity investments mostly in the South-American area, as well as 39 million euro of charges for the Group's reorganisation and integration.

Main balance sheet aggregates

Loans to customers

Loans to customers – which as at 30th September 2003 equalled 156,566 million euro – recorded a 5.2% decrease compared to the end of the previous year. This trend was closely connected to aforementioned strategic decisions, set out in the Business Plan, aimed at a gradual reduction of exposure to corporate customers especially in Banca Intesa's foreign branches.

In the first nine months of 2003 exposure to large corporates recorded an approximately 10 billion euro decrease in terms of risk-weighed assets. The reduction in loans to customers also reflected the extinguishment of the financing granted to the special purpose vehicle company Intesa Sec. 2. The loan was related to the sale of performing mortgages amounting to 2 billion euro, whose securitisation commenced at the end of last year and was completed in January 2003.

The effects of the strategic decisions also affected the diverse trend recorded by the various loan contract types. Current accounts was practically stable, mortgages – which represent 38% of total loans to customers – increased (+5.5%), while advances and other loans decreased (–13.1%) especially those granted by foreign branches and repurchase agreements also dropped.

In terms of contribution to the consolidated figure the Parent Company was responsible for 61% of loans to customers while the Group's Italian subsidiaries represented 31% and foreign subsidiaries approximately 8%.

(in millions of euro)

Subcaptions	30/9/2003	31/12/2002 pro forma	Changes amount	Changes %
Current accounts	**22,778**	23,439	(661)	(2.8)
Mortgages	**59,560**	56,437	3,123	5.5
Advances and other loans	**66,502**	76,526	(10,024)	(13.1)
Repurchase agreements	**2,730**	3,457	(727)	(21.0)
Doubtful loans	**4,996**	5,243	(247)	(4.7)
Total loans	**156,566**	165,102	(8,536)	(5.2)
including with residents in Italy	***133,322***	*136,899*	*(3,577)*	*(2.6)*
with residents in other EU Countries	***7,691***	*10,685*	*(2,994)*	*(28.0)*
with residents in non-EU Countries	***15,553***	*17,518*	*(1,965)*	*(11.2)*

The table below details geographic breakdown of loans to customers and shows the predominance of domestic loans which represented 85% of the total and which were mainly concentrated in North-West Italy (52% of domestic customers).

As concerns foreign counterparties, loans to customers not resident in Italy were granted to EU residents for approximately 33% and non-EU residents, among which Eastern-European borrowers, for 67%.

Geographic areas	**30/9/2003**	**31/12/2002**
North West	44.5%	45.0%
North East	16.4%	14.8%
Centre	14.0%	13.9%
South and Isles	10.3%	9.2%
Total Italy	**85.2%**	**82.9%**
France	0.9%	1.1%
Portugal	0.8%	0.9%
Germany	0.5%	0.7%
Spain	0.3%	0.5%
Holland	0.5%	0.4%
Belgium	0.1%	0.2%
Ireland	0.2%	0.2%
Luxembourg	0.6%	0.2%
United Kingdom	0.8%	2.1%
Other EU Countries	0.2%	0.2%
Total EU Countries	**4.9%**	**6.5%**
United States of America	2.2%	2.8%
Croatia	1.8%	1.5%
Canada	0.3%	0.3%
Japan	0.3%	0.4%
Brazil	0.1%	0.2%
Hungary	1.8%	1.4%
Peru	0.7%	0.9%
Slovakia	0.6%	0.7%
Other non-EU Countries	2.1%	2.4%
Total other non-EU Countries	**9.9%**	**10.6%**
Total loans to customers	**100.0%**	**100.0%**

As concerns breakdown of loans by borrowing counterparty, the table below shows the net prevalence of loans granted to non-financial companies and family-run businesses (65% of the total). Wholesale and retail trade and businesses offering other services for sale represented 25% of the total. Loans to consumer families and other categories were also important and together were granted approximately 21% of total disbursements.

(in millions of euro)

Counterparties	30/9/2003	31/12/2002 pro forma
Governments	1,983	2,799
Other public agencies	3,643	4,136
Financial institutions	15,938	14,036
Non-financial companies and family-run businesses	101,460	106,305
• *wholesale and retail trade, recovery and repairs*	*17,103*	*16,581*
• *construction and public works*	*9,704*	*9,676*
• *food products, beverages and tobacco-based products*	*4,322*	*4,929*
• *textiles, leather and footwear, clothing*	*4,276*	*4,642*
• *agricultural and industrial machinery*	*4,143*	*4,414*
• *metal products, excluding cars and means of transport*	*4,094*	*4,324*
• *energy products*	*4,145*	*4,102*
• *chemical products*	*2,839*	*3,264*
• *electric materials and supplies*	*2,335*	*2,510*
• *other industrial products*	*3,477*	*4,800*
• *agricultural and forestry products and fishing*	*3,154*	*2,920*
• *transport*	*2,490*	*2,090*
• *paper, paper products, printed products and publishing*	*2,101*	*2,129*
• *minerals and non-metallic mineral based products*	*1,975*	*2,114*
• *rubber and plastic products*	*1,927*	*1,991*
• *other services for sale*	*22,277*	*22,986*
• *other non-financial companies*	*11,098*	*12,833*
Other	33,542	37,826
Total	**156,566**	**165,102**

Non-performing loans and Country risk

Breakdown of loans to customers based on credit quality is shown in the table below. Particularly noteworthy was the significant contraction in net doubtful loans (–4.7%) and in substandard loans (–8.4%) which decreased respectively to 4,996 million euro and 3,743 million euro. The parallel contraction in total loans led to a practically unchanged doubtful and substandard loans to loans to customers ratio. The decrease in net doubtful loans was mainly attributable to the reductions recorded by Intesa Gestione Crediti, while the Parent Company is entirely responsible for the improvement of substandard loans.

Cumulated net adjustments led to a degree of coverage of doubtful loans of approximately 64%, one percentage point higher than the figure as at 31st December 2002. The degree of coverage of substandard loans remained constant at approximately 25%.

(in millions of euro)

	30/9/2003			31/12/2002 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	19,406	(10,144)	9,262	20,688	(10,380)	10,308
• *Doubtful loans*	*13,757*	*(8,761)*	*4,996*	*13,994*	*(8,751)*	*5,243*
• *Substandard loans*	*4,962*	*(1,219)*	*3,743*	*5,475*	*(1,388)*	*4,087*
• *Restructured loans and loans under restructuring*	*502*	*(132)*	*370*	*432*	*(151)*	*281*
• *Loans subject to Country risk*	*185*	*(32)*	*153*	*787*	*(90)*	*697*
Performing loans	148,408	(1,104)	147,304	155,871	(1,077)	154,794
Total	**167,814**	**(11,248)**	**156,566**	176,559	(11,457)	165,102

The table below shows breakdown of doubtful and substandard loans by borrowing counterparty. As in the case of loans to customers, non-financial companies and family-run businesses are the sectors with the highest incidence (in terms of net book value of doubtful and substandard loans).

(in millions of euro)

Counterparties	**30/9/2003**	**31/12/2002 pro forma**
Financial institutions	148	316
Non-financial companies and family-run businesses	6,949	7,364
• *construction and public works*	*1,408*	*1,531*
• *wholesale and retail trade, recovery and repairs*	*1,132*	*1,089*
• *textiles, leather and footwear, clothing*	*308*	*306*
• *food products, beverages and tobacco-based products*	*312*	*289*
• *agricultural and forestry products and fishing*	*275*	*274*
• *hotels and catering*	*271*	*260*
• *metal products, excluding cars and means of transport*	*253*	*221*
• *other industrial products*	*183*	*162*
• *agricultural and industrial machinery*	*199*	*184*
• *electric materials and supplies*	*152*	*223*
• *transport*	*218*	*164*
• *communication services*	*14*	*138*
• *sea and air carriers*	*176*	*125*
• *energy products*	*67*	*48*
• *minerals and non-metal mineral based products*	*133*	*114*
• *other services for sale*	*1,348*	*1,713*
• *other non-financial companies*	*500*	*523*
Other	1,642	1,650
Total	**8,739**	**9,330**

Restructured loans and loans under restructuring, though on contained absolute levels, showed an increase entirely attributable to the Parent Company, and reached 370 million euro (*ex* 281 million euro).

A significant net drop occurred in loans subject to Country risk – considering both on- and off-balance sheet exposures – which totalled 732 million euro, with an approximately 41% reduction. Also nominal non-guaranteed exposure decreased to 984 million euro with a 34% contraction. In terms of value at risk, overall exposure registered a 13% increase to 786 million euro, mostly attributable to interventions aimed at relaunching the Peruvian subsidiary and to a different loan portfolio mix of the Brazilian subsidiary which, as already described, was sold in October.

(in millions of euro)

Countries	30/9/2003				31/12/2002 pro forma			
	Non-guaranteed exposure	Value at risk	Adjustments	Net amount	Non-guaranteed exposure	Value at risk	Adjustments	Net amount
Brazil	**420**	**364**	**101**	**319**	851	267	91	760
Peru	**161**	**154**	**31**	**130**	55	46	9	46
Colombia	**46**	**16**	**3**	**43**	82	31	7	75
Argentina	**162**	**162**	**98**	**64**	253	216	129	124
Dutch Antilles	**17**	**3**	**1**	**16**	49	26	5	44
Lebanon	**36**	**6**	**1**	**35**	42	7	2	40
Venezuela	**3**	**3**	**1**	**2**	3	3	1	2
Russia	**30**	**19**	**4**	**26**	24	23	4	20
Jordan	**13**	**5**	**1**	**12**	14	5	1	13
Egypt	**–**	**–**	**–**	**–**	22	11	2	20
Uruguay	**6**	**1**	**–**	**6**	10	4	1	9
Indonesia	**2**	**2**	**1**	**1**	3	3	1	2
Other Countries	**88**	**51**	**10**	**78**	94	52	16	78
Total	**984**	**786**	**252**	**732**	1,502	694	269	1,233
including								
On-balance sheet loans								
- customers	***185***	***112***	***32***	***153***	*787*	*289*	*90*	*697*
- banks	***446***	***445***	***105***	***341***	*267*	*131*	*52*	*215*
- securities portfolio	***98***	***98***	***57***	***41***	*132*	*132*	*72*	*60*
Off-balance sheet loans								
- customers	***73***	***29***	***13***	***60***	*98*	*52*	*18*	*80*
- banks	***182***	***102***	***45***	***137***	*218*	*90*	*37*	*181*

Cumulated adjustments to cover "Country risk" amounted to 252 million euro, only slightly lower with respect to as at 31st December 2002, and guaranteed a coverage exceeding 25%, compared to an 18% coverage at the end of last year, due to the lower gross exposure.

To cover performing loans there is a generic allowance of 1,104 million euro which has the purpose of covering the intrinsic risk of performing loans. The degree of coverage exceeded 0.7% of total performing loans net of repurchase agreements and is deemed to adequately cover the exposures to the industrial sectors more affected by the adverse economic situation and the slowdown in consumption.

Customer funds

Direct customer deposits confirmed the figure as at 31st December 2002 totalling 176,339 million euro, despite the downsizing of Banca Intesa's foreign branches.

(in millions of euro)

Subcaptions	30/9/2003	31/12/2002 pro forma	Changes	
			amount	%
Deposits	**11,259**	11,164	95	0.9
Current accounts and other	**83,076**	86,084	(3,008)	(3.5)
Bonds	**45,893**	44,278	1,615	3.6
Certificates of deposit	**8,687**	9,378	(691)	(7.4)
Other	**5,114**	5,205	(91)	(1.7)
Repurchase agreements	**11,089**	9,630	1,459	15.2
Subordinated and perpetual liabilities	**11,221**	11,488	(267)	(2.3)
Total direct deposits	**176,339**	177,227	(888)	(0.5)
Indirect customer deposits	**295,433**	296,914	(1,481)	(0.5)
Customer deposits under administration	**471,772**	474,141	(2,369)	(0.5)

Breakdown of deposits by contract type showed differentiated trends: the reduction in deposits and current accounts (–3%), due to the repositioning of the activities of the operations of foreign branches and the rise in issued bonds (+3.6%) mostly attributable to Banca Intesa. Again reflecting the trend recorded by the Parent Company, certificates of deposit showed a 7.4% decrease. Lastly, repurchase agreements increased while subordinated liabilities remained on the same levels as in December 2002.

In terms of contribution to the consolidated figure, the Parent Company represented 71% of direct customer deposits, the Group's Italian subsidiaries 17% and foreign subsidiaries approximately 12%.

Indirect customer deposits

Indirect customer deposits totalled 295,433 million euro and practically confirmed the figure recorded at the end of the previous year, thus halting the decreasing trend which had characterised 2002.
Particularly significant was the rise in managed funds (+2.9%), capable of contrasting the decrease in assets under administration and in custody (–2.9%).
Also noteworthy was the fact that the rise in managed assets was recorded by all components, with a particularly high growth rate of insurance products (up by over 15%).

(in millions of euro)

Subcaptions	30/9/2003	31/12/2002 pro forma	Changes	
			amount	%
Individual portfolio management schemes	**48,837**	49,072	(235)	(0.5)
Assets managed by mutual funds	**90,089**	87,176	2,913	3.3
Insurance products	**19,487**	16,908	2,579	15.3
minus Funds from individual portfolios placed in mutual funds	**(32,730)**	(31,011)	1,719	5.5
Total managed funds	**125,683**	122,145	3,538	2.9
Asset under administration and in custody	**169,750**	174,769	(5,019)	(2.9)
Indirect customer deposits	**295,433**	296,914	(1,481)	(0.5)

Securities portfolio

Securities portfolio as at 30th September 2003, net of treasury shares, amounted to 32,663 million euro, with a drop close to 4% compared to the figure as at 31st December 2002. The decrease refers to both the trading portfolio, which decreased to 25,510 million euro (– 2.3%), and the investment portfolio that recorded a 9.4% decline to 7,153 million euro.
The decrease in the trading portfolio was the combined effect of a marked reduction in Government securities (– 19.6%), and higher investments in bonds (+ 4.3%) and equities (+ 3.4%).

Implicit capital gains in the investment portfolio are practically equal to implicit capital losses on hedge derivatives.

(in millions of euro)

Subcaptions	**30/9/2003**		**Implicit gains/losses**	**31/12/2002 pro forma**		**Implicit gains/losses**
	Book value	**Market value**		**Book value**	**Market value**	
Investment portfolio	**7,153**	**7,508**	**355**	7,892	8,185	293
Trading portfolio						
– Government securities	**5,736**	**5,736**	**–**	7,133	7,133	–
– Bonds and other debt securities	**17,281**	**17,307**	**26**	16,562	16,583	21
• *listed*	***6,915***	***6,915***	***–***	*5,490*	*5,490*	*–*
• *unlisted*	***10,366***	***10,392***	***26***	*11,072*	*11,093*	*21*
– Shares, quotas and other forms of capital	**2,493**	**2,510**	**17**	2,410	2,436	26
• *listed*	***1,904***	***1,904***	***–***	*1,901*	*1,901*	*–*
• *unlisted*	***589***	***606***	***17***	*509*	*535*	*26*
Total trading portfolio	**25,510**	**25,553**	**43**	26,105	26,152	47
Own shares	**894**	**894**	**–**	981	981	–
Total	**33,557**	**33,955**	**398**	34,978	35,318	340

Equity investments

Equity investments recorded a net increase of 444 million euro mainly attributable to equity investments which are part of strategic collaboration agreements with important partners. Operations were closed in the first part of 2003 which led to the purchase of a 1.4% stake in Generali, with an approximately 370 million euro investment, as well as a 40% stake, with an approximately 87 million euro investment, in a joint venture with Lazard.

Net interbank position

Net interbank position recorded a marked improvement with respect to the situation as at 31st December 2002, following the decisions made in the Business Plan aimed at achieving the complete rebalancing of the treasury. The negative balance of the net interbank position is close to being completely eliminated.

(in millions of euro)

Subcaptions	30/9/2003	31/12/2002 pro forma	Changes	
			amount	%
Net interbank position repayable on demand	**(4,012)**	(5,610)	(1,598)	(28.5)
Net interbank position with notice period	**1,897**	(9,078)	10,975	
Net interbank position	**(2,115)**	(14,688)	(12,573)	(85.6)

Shareholders' equity

The Group's shareholders' equity, excluding net income for the period of 1,038 million euro, amounted to 13,538 million euro. The table below details the variations which occurred with respect to as at 31st December 2002.

(in millions of euro)

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserves for foreign exchange differences	Reserve for general banking risks	Revaluation reserves	Negative goodwill	Net income for the period	Total shareholders' equity
Balance as at 31st December 2002 (*)	**3,561**	**5,764**	**773**	**3,553**	**(403)**	**115**	**358**	**30**	**200**	**13,951**
Allocation of consolidated net income										
– Reserves				186					(186)	–
– Dividends				(422)					(12)	(434)
– Allowances for charitable contributions									(2)	(2)
Other variations										
– Transfers within reserves for own shares revaluation		(235)		235						–
– Changes in the consolidation area		1		(16)		(2)	(2)			(19)
– Changes in the reserve for general banking risks						(4)				(4)
– Changes in the reserve for foreign exchange differences					47					47
– Other changes and rounding off				(1)						(1)
Net income for the period									1,038	1,038
Balance as at 30th September 2003 (§)	**3,561**	**5,530**	**773**	**3,535**	**(356)**	**109**	**356**	**30**	**1,038**	**14,576**

(*) Official figures not restated.

(§) The caption Other reserves includes 894 million euro of Reserve for own shares.

Shareholders' equity for supervisory purposes amounted to 20,551 million euro, against risk-weighted assets of 193,440 million euro. The total solvency ratio equalled 11.1% and the Tier 1 ratio 7.2%. The ratio between shareholders' equity for supervisory purposes net of preference shares and risk-weighted assets (Core Tier 1) equalled 6.3%.

(in millions of euro)

Total capital and capital ratios	30/9/2003	30/6/2003	31/3/2003	31/12/2002
Total capital				
Tier 1 capital	13,879	13,604	13,610	13,494
Tier 2 capital	7,857	7,924	8,094	8,192
Items to be deducted	(1,185)	(1,180)	(535)	(630)
Total capital	20,551	20,348	21,169	21,056
Capital requirements				
Credit risks	13,784	14,118	14,365	14,611
Market risks	1,498	1,374	1,304	1,173
Tier 3 subordinated loans	943	947	1,146	1,148
Other capital requirements	193	203	240	193
Total capital requirements	15,475	15,695	15,909	15,977
Risk-weighted assets	193,440	196,187	198,857	199,714
Capital ratios %				
Tier 1/Total risk-weighted assets	7.17	6.93	6.84	6.76
Total capital/Total risk-weighted assets	11.11	10.85	11.22	11.12
Excess capital	5,076	4,653	5,260	5,079

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

Items	Shareholders' equity	including net income for the period as at 30/9/2003
Parent Company's balances as at 30th September 2003	14,375	988
Effect of full and proportional consolidation	1,233	486
Effect of consolidation of subsidiaries carried at equity	(3)	85
Adjustments to capital gains from the sale of equity investments	–	(19)
Reversal of write-downs on equity investments	70	70
Reversal of provisions recorded for fiscal purposes	115	3
Amortisation of goodwill arising on consolidation and on application of the equity method	(906)	(94)
Use of allowance for risks and charges arising on consolidation	30	6
Revaluation of real estate	267	(5)
Restatement of goodwill	(7)	3
Dividends collected during the period	–	(22)
Dividends accrued, net of fiscal effects	(407)	(407)
Other changes	(191)	(56)
Consolidated balances as at 30th September 2003	**14,576**	**1,038**

The Parent Company Banca Intesa

RECLASSIFIED STATEMENT OF INCOME

(in millions of euro)

Captions	30/9/2003	30/9/2002	Changes	
			amount	%
Net interest income	**2,371**	2,607	(236)	(9.1)
Dividends and other revenues (*)	**518**	459	59	12.9
Interest margin	**2,889**	3,066	(177)	(5.8)
Net commissions	**1,456**	1,446	10	0.7
Profits (Losses) on financial transactions	**352**	(9)	361	
Other operating income, net	**201**	172	29	16.9
Net interest and other banking income	**4,898**	4,675	223	4.8
Administrative costs	**(2,786)**	(2,907)	(121)	(4.2)
including Payroll	***(1,597)***	*(1,692)*	*(95)*	*(5.6)*
Other	***(1,189)***	*(1,215)*	*(26)*	*(2.1)*
Adjustments to fixed assets and intangibles	**(104)**	(140)	(36)	(25.7)
Operating costs	**(2,890)**	(3,047)	(157)	(5.2)
Operating margin	**2,008**	1,628	380	23.3
Provisions for risks and charges	**(55)**	(80)	(25)	(31.3)
Net adjustments to loans and provisions for possible loan losses	**(523)**	(1,028)	(505)	(49.1)
Net adjustments to financial fixed assets	**(97)**	(177)	(80)	(45.2)
Income from operating activities	**1,333**	343	990	
Extraordinary income (loss)	**118**	(546)	664	
Income taxes for the period	**(463)**	151	(614)	
Net income for the period	**988**	(52)	1,040	

(*) Following the change in tax regulations, dividends accounted for as accruals exclude the tax credit. 2002 figures have been restated on a consistent basis.

RECLASSIFIED BALANCE SHEET

(in millions of euro)

Assets	30/9/2003	31/12/2002	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**610**	864	(254)	(29.4)
2. Loans				
– loans to customers	**114,267**	122,513	(8,246)	(6.7)
– due from banks	**36,092**	33,891	2,201	6.5
3. Trading portfolio	**19,646**	19,643	3	0.0
including Own shares	***889***	*980*	*(91)*	*(9.3)*
4. Fixed assets				
a) investment portfolio	**930**	1,288	(358)	(27.8)
b) equity investments	**13,710**	12,102	1,608	13.3
c) tangible and intangible	**1,451**	2,508	(1,057)	(42.1)
5. Other assets	**20,746**	21,255	(509)	(2.4)
Total Assets	**207,452**	214,064	(6,612)	(3.1)

(in millions of euro)

Liabilities and Shareholders' Equity	30/9/2003	31/12/2002	Changes	
			amount	%
1. Debts				
– due to customers	**77,544**	79,650	(2,106)	(2.6)
– securities issued	**48,416**	47,087	1,329	2.8
– due to banks	**30,607**	38,161	(7,554)	(19.8)
2. Allowances with specific purpose	**3,423**	3,401	22	0.6
3. Other liabilities	**22,244**	20,637	1,607	7.8
4. Allowances for possible loan losses	**–**	–	–	
5. Subordinated and perpetual liabilities	**10,843**	11,308	(465)	(4.1)
6. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,387**	13,808	(421)	(3.0)
– net income for the period	**988**	12	976	
Total Liabilities and Shareholders' Equity	**207,452**	214,064	(6,612)	(3.1)

Indirect customer deposits	**215,764**	216,535	(771)	(0.4)

Comments

The contribution of Banca Intesa is the most significant component of consolidated figures and thus the Parent Company's statement of income shows trends consistent with those registered in the Group's consolidated accounts.

Operating margin continued to improve (+23.3% with respect to as at 30th September 2002) as a result of the rise in net interest and other banking income (+4.8%) – due to profits on financial transactions and the consolidation in the flows of net commissions, that neutralised the decline in interest margin – and the reduction achieved in operating costs (–5.2%), especially in payroll.

A further contribution to the improvement in overall profitability came from the lower net adjustments to loans and provisions for risks and charges, almost halved compared to as at 30th September 2002.
Thus, income from operating activities reached 1,333 million euro, with respect to 343 million euro of the first nine months of 2002.

The positive contribution from extraordinary items, compared to significant net extraordinary charges in September 2002, led to net income for the period of 988 million euro, compared to a 52 million euro loss in the corresponding period of the previous year.

A more detailed analysis of the single components which make up the statement of income shows the reduction in **interest margin**, down to 2,889 million euro (–5.8%), due to the decline in net interest income attributable to the same reasons illustrated in the previous Reports of the current year. In short, interest rates on loans continued to decrease more than interest rates on deposits, which are traditionally less reactive. This trend occurred both on short-term and longer-term lending and deposit collecting, thus leading to a contraction in the spreads for all maturities. Average volumes intermediated with customers continued to decrease, as a result of a precise management decision aimed at reducing exposure to the corporate counterparties of the foreign branches. As concerns, in particular, the domestic market, the decrease was entirely attributable to the short-term component, while medium and long-term loans continued to increase. As concerns direct customer deposits, again in average terms, funding rose both with respect to deposits and bonds.

A precise strategic decision aimed at more targeted asset allocation strategies is at the base of the net result achieved on interbank relations which, also considering the differentials on related hedges, mostly closed with banking counterparties, showed a marked improvement. Interest income on the securities portfolio instead decreased.

Dividends for 377 million euro (+12.9%) referred to subsidiaries and was accounted for as accruals – excluding the tax credit – and for 141 million euro referred to other equity investments and shares, accounted for on collection.

Quarterly development shows that net interest income in the third quarter was on average in line with the two previous quarters, while dividends were lower since these are resolved upon and collected mainly in the first six months of the year.

Net interest and other banking income (4,898 million euro, +4.8%) was positively affected by the contribution of net profits on financial transactions which totalled 352 million euro (–9 million euro the result for the same period of 2002) and recorded improvements in all operating areas. In particular, interest rate activities generated profits of 98 million euro compared to an 81 million euro loss in the corresponding period of 2002. Also trading on shares recorded a considerable profit (188 million euro compared to 53 million euro as at 30th September 2002) and transactions in currencies and currency derivatives, with 39 million euro, recorded an increase in profits exceeding 30% with respect to the first nine months of the previous year. Lastly, activities in credit derivatives in the trading book, which in the first nine months of 2002 had recorded losses of 11 million euro, now showed a 27 million euro profit. The overall result of profits on financial transactions also benefited from income on structured issues.

Net commissions totalled 1,456 million euro, slightly higher than as at 30th September 2002 with a constant recovery after the minimum levels reached in the last part of the previous year and confirmed the positive trend of flows from commercial banking activities (+4.2%) and the lower profitability of asset management and dealing (–6.7%), still affected by the weak financial market recovery.

Other net operating income increased (+16.9%) especially as a result of the capital gain realised in the third quarter on the sale of certain loans.

Quarterly development of the margin, excluding the seasonal peak of dividends in the second quarter, showed a continuously increasing trend starting from the third quarter of 2002.

Operating margin (2,008 million euro; +23.3%) was positively affected by the constant contraction in operating costs, which over the twelve months recorded a 5.2% decrease. Following the transfer to Banca Intesa, at the beginning of 2003, of the operations of Intesa Sistemi e Servizi not attributable to information and communication technology activities and the dedicated employees, it was necessary – to ensure a consistent comparison – to restate the figures as at 30th September 2002 by transferring 81 million euro from administrative costs to payroll. On this basis, payroll showed a 5.6% decrease and other administrative costs recorded a 2.1% reduction. The latter included generalised decreases in all captions, with the exclusion of fees for professional consultancies connected to the numerous organisational projects under way, and depreciation charged by Intesa Sistemi e Servizi, especially with regard to software. Adjustments to tangible fixed assets and intangibles also decreased (approximately –26%).

Operating costs over the last twelve months showed: a significant decrease in the first quarter of 2003; a moderate growth starting from the second period of the year, connected to the launch of structural interventions and new products; a virtual stability in the third quarter.

Income from operating activities amounted to 1,333 million euro compared to 343 million euro of the same period of 2002, after net adjustments and provisions totalling 675 million euro (1,285 million euro as at 30th September 2002). Net adjustments to loans and provisions for risks and charges were almost halved and returned to more regular levels after the heavy interventions required last year, due to the crises of certain international groups operating mainly in the telecom and energy sectors. The decrease in net adjustments to loans contributed, together with lower adjustments, and also the considerable rise in write-backs, which referred for approximately 40% to positions of foreign branches, already written-down in the previous year. Provisions for risks and charges recorded a decrease exceeding 30% and referred to amounts reclaimed and legal disputes, as well as to some residual future charges on equity investments.
Net adjustments to financial fixed assets, 45% down with respect to the figure for the first nine months of 2002, mostly referred to Intesa Holding International (69 million euro), which holds the equity investment in Banque Sudameris.

The balance of extraordinary income and charges, which as at 30th September 2002 presented a heavily negative result, especially due to the effect of the marking to market of the *Warrants Put IntesaBci*, registered, in the first nine months of the current year, a 118 million euro income. Among positive components, the most significant was the marking to market of treasury shares (235 million euro). The main charges were 50 million euro related to the definition of the sale of Banco Sudameris Brasil and 39 million euro for company reorganisation.

After tax charges of 463 million euro, net income for the period totalled 988 million euro. The quarterly development of net income shows – considering the cyclical trend of dividends – that it reached its maximum level in the last twelve months.

Comparison of balance sheet figures as at 30th September 2003 with those at the end of the previous year shows a downward trend in loans to customers, while funding with customers remained practically unchanged. The net interbank position inverted its traditionally negative sign and was positive slightly exceeding 5 billion euro and the proprietary securities portfolio showed a moderate decline.

Loans to customers totalled 114,267 million euro and the 6.7% reduction is mostly attributable to foreign loans. As part of the strategic plan which redesigned the role of the Bank's foreign branches, the latter's operations have been downsized, which led to a 39% decrease in loans to customers with respect to the figure at the end of 2002, while the domestic network recorded a moderate 3.6% reduction which decreases to 1.8% in terms of average volumes. This decrease also reflected the extinguishment of the financing granted to Intesa Sec. 2, vehicle company which realised the securitisation of performing mortgages amounting to approximately 2 billion euro, that commenced at the end of 2002 and was completed in January 2003.
Breakdown by contract type shows the decrease in advances and other loans (–13.1%) especially attributable to the reduction in the operations of the foreign network and a satisfactory rise in mortgages (+4.9%). Repurchase agreements and current accounts decreased (–9.8% and –7.9% respectively).

Non-performing loans recorded the strong contraction in substandard loans that decreased to 2,710 million euro (approximately –14%), while doubtful loans showed a moderate rise to 1,501 million euro (+2%). Relative cumulated adjustments in any case guarantee degrees of coverage of respectively approximately 58% for doubtful loans and 25% for substandard loans. Among non-performing loans with lower absolute values, restructured loans recorded a 48.9% rise to 274 million euro, while loans subject to Country risk registered a decrease exceeding 50% to 23 million euro. With regard to the latter, it must be noted that the overall position, that is inclusive of bank relations, showed a rise connected to interventions for the Peruvian subsidiary.

Total direct and indirect customer deposits as at 30th September 2003 summed up to 347,979 million euro, thus basically confirming the levels at the end of 2002.
In particular, for direct customer deposits (including subordinated deposits), which equalled 132,215 million euro, the effect of the downsizing of the operations of foreign branches (–15.1%) had a lower impact with respect to loans to customers and was offset by the growth in this aggregate recorded by Italian branches which, though modest in period-end terms, was 6% higher in average terms and enabled, overall, to confirm the positions of December 2002.
Breakdown by contract type shows the growth of bond issued (+4.5%) and repurchase agreements (+4.8%), while decreases were recorded by deposits and current accounts (–3.7%), certificates of deposit (–8.4%) and subordinated liabilities (–4.3%).
Indirect customer deposits was also stable at the levels at the end of December 2002, as a result of a favourable development of managed funds (+4.2%), confirming the return to investor confidence, while deposits under administration showed a moderately decreasing trend (–2.7%), due to the fact that financial markets have not yet found their stability.

Securities portfolio equalled, net of treasury shares, 19,687 million euro, with a slight reduction (–1.3%) with respect to as at 31st December 2002. Securities held for trading totalled 18,757 million euro, practically unchanged compared to December 2002, while investment securities, 930 million euro, recorded a marked decrease (approximately –28%).

Breakdown of consolidated results by business area

(in millions of euro)

	30/9/2003						
	Retail Division	Italian Banks Division	Product Companies	Corporate Division	Foreign Banks Division	Central Structures	Total
Net interest and other banking income	3,467	1,289	1,024	770	591	229	7,370
Operating costs	(2,488)	(428)	(585)	(511)	(243)	(308)	(4,563)
Operating margin	979	861	439	259	348	(79)	2,807
Provisions and net adjustments to loans and financial fixed assets	(247)	(92)	(64)	(198)	(138)	(302)	(1,041)
Income (Loss) from operating activities	732	769	375	61	210	(381)	1,766
Extraordinary income (loss)	4	4	6	(84)	18	159	107
Use of allowance for risks and charges arising on consolidation/Change in the reserve for general banking risks	–	–	1	–	3	6	10
Income (Loss) before taxes and minority interest	736	773	382	(23)	231	(216)	1,883
Rwa (billions of euro)	57	59	21	16	25	17	193
Allocated capital (billions of euro)	4	4	1	1	2	1	12
Income from operating activities on allocated capital (%)	26	29	40	9	19	(47)	20

Retail Division

The Retail Division was subjected to effective interventions aimed at achieving an increasingly better customer service and a constant attention to the offer of new products meeting any operating need.
The Division's statement of income for the nine months of 2003 recorded an operating margin of 979 million euro and an income from operating activities of 732 million euro, with a considerable improvement from the same period of 2002.
The activities related to wealth management, e-business and credit cards, which focus on services to retail customers, also report to the Retail Division.

The asset management sector reports to **Intesa Holding Asset Management,** which registered an income of 27 million euro as at 30th September 2003.
Nextra Investment Management, which operates in mutual funds/sicavs, in individual portfolio management schemes (Gpf, Gpm and Gpi), in real estate funds and in open-end pension funds closed the first nine months of 2003 with net assets under management, both in collective and individual schemes, of 108 billion euro and with a positive net collection of 3 billion euro. This enabled the Company to stand in second place, with an 18% market share, in the ranking for assets in mutual funds and sicavs of Italian asset management companies (Sgr). Net income for the period exceeded 39 million euro, slightly lower than 44 million euro recorded in the same period of 2002.
The Company recently restructured the fund range offered by the various networks merged in Banca Intesa, regrouping the funds with similar types of investments, and,

with more than one hundred different products available, it can now effectively meet the needs of both traditional and more sophisticated customers.

The Company controls **Nextra Alternative Investments**, operating in the management of hedge funds with assets under management amounting to almost 290 million euro, and **Epsilon Associati** operating in collective asset management with a quantitative approach.
Both subsidiaries registered positive results for the period, 1.5 million euro and 0.5 million euro respectively.

Intesa Previdenza (formerly Sim Co.Ge.F.), specialised in supplementary pension funds, as at 30th September 2003, managed assets totalling 558 million euro, 411 million euro of which were related to open-end pension funds and 147 million euro to closed-end pension funds. Net collection for the first nine months amounted to 80 million euro and the statement of income recorded a 1.3 million euro loss.

During the first nine months of 2003, **IntesaVita** issued premiums of 1,712 million euro, net of transfers for reassurance, with an 88% increase compared to the same period of 2002. Technical reserves reached 8,810 million euro with a 24% rise from the end of the previous year. The Company registered a net income for the first nine months of 19.7 million euro, up by 70%. This also reflected the launch of new guaranteed minimum return/protected capital products and the distribution of its products by the whole network of Banca Intesa, as set out in the project aimed at reorganising the Group's bancassurance activities.

Setefi, the Group's business unit specialised in management of electronic payment systems, closed its statement of income for the first nine months of 2003 with a net income of 19 million euro, up by 21% from the same period of 2002 as a result of a good performance of operating income coupled with an effective cost containment policy. Operating figures showed an over 15% rise to 1,973,000 directly-issued or managed cards, while the number of POS terminals – which handled almost 99 million transactions (88 million as at the end of September 2002) for a counter-value of approximately 8 billion euro (+ 16%) – exceeded 105,000 units. The transactions handled with Carta Moneta – Gruppo Intesa's credit card – rose by approximately 10% in volume and by 13% in overall amount.

Intesa e.lab and its subsidiaries, operating in the e-banking and e-commerce sectors, continued to rationalise and improve the effectiveness of their on-line operations aimed at offering products and services with high-standard multichannel access.
In particular, in these months, remote banking services provided to private customers and to enterprises by the former-BCI network were upgraded to Group standards. As at the end of September the persisting difficulties of the sector did not allow to achieve positive economic results.
IntesaTrade, **FundsWorld**, **Shoplà** and **Charta** registered a total loss of 3.2 million euro as at 30th September 2003.

Corporate Division

The Corporate Division is charged with management and development of relations with large Italian and international groups, larger mid-corporate relations, the State and public administrations as well as relations with financial institutions.
In the first nine months of 2003, the Corporate Division achieved good improvements in profitability, with an operating margin of 861 million euro and an income from operating activities of 769 million euro.

In the first nine months of 2003 **Caboto Sim** further consolidated its position in trading on financial markets, confirming its role as one of the main Italian players with regard to volumes placed in the primary bond market. Positive results were achieved in the Rates Markets area, due to the performance of the derivatives sector which received an important contribution from the activities related to sales to corporate customers.
With regard to the Credit Markets area, positive results were achieved through improved risk management and through repositioning to more profitable areas such as bank subordinated products. Appreciable income was also recorded by the Equity Markets area.
The Alternative Trading System managed by Caboto (RetLots Exchange®) confirmed its role as reference market, with traded volumes of 9.5 billion euro in the first nine

months and approximately 1,200 instruments quoted and twenty-one sales networks served.
The Company closed the first nine months of 2003 with a net income for the period of 108 million euro (approximately 20 million euro at the end of the same period of 2002). The positive results were also influenced by the transfer of operations from the Parent Company's London branch, in the framework of the redefinition of Banca Intesa's direct presence abroad, as set out in the Business Plan.
Net interest and other banking income equalled 262 million euro, twice the corresponding figure of 2002.
Operating costs at 102 million euro registered a 4.2% increase mainly due to the expansion of the company structures to cope with the higher volumes and activities performed.
As better described later, during the forthcoming months Caboto Sim and Banca Primavera will be involved in extraordinary company operations.

Société Européenne de Banque, the Group's Luxembourg subsidiary, maintained a good level of revenues, notwithstanding the persisting stagnation of financial markets, through its broad range of products and services offered to both corporate and private customers. The positive result achieved in the first nine months of 2003 exceeded 8 million euro, down by approximately 8% from that recorded in the same period of 2002.

Intesa Bank Ireland's operations were influenced by the considerable reduction in exposure towards large multinational companies implemented by the Group. This fact generated positive economic results, as confirmed by the net income of approximately 21 million euro for the first nine months of 2003 (14.5 million euro as at 30th September 2002).

During 2003, the in-depth reorganisation of the Parent Company's **foreign branches** was defined and is now in an advanced stage of implementation, in accordance with the Business Plan which assigned to those units the role of supporting foreign operations of Italian customers focusing on the London, New York, Hong Kong, Shanghai and Tokyo branches, alongside the widespread network of representative offices.

Italian Banks Division

The Italian banks which are part of the Group report to this Division, which operates in coordination with the Retail Division in order to optimise any possible commercial and efficiency synergies.
Overall profitability of the Group's Italian banks improved from the same period a year earlier, recording an operating margin of 439 million euro and an income from operating activities of 375 million euro.

As at 30th September 2003, **Cassa di Risparmio di Parma e Piacenza**'s statement of income confirmed the improvement in all operating margins recorded as at 30th June. In fact the period closed with a net income of 121 million euro, 12.8% higher than the figure for the same period of 2002. This result was mainly attributable to the increase in services and particularly to the rise in net commissions (+10.4%), with positive repercussions on net interest and other banking income, which was 3.9% higher than that recorded in the same period of the previous year.
The rise in operating margin (+8.8%) was partly due to the 1% reduction in operating costs. Provisions for risks and charges and net adjustments to loans were at physiological levels.
Also balance sheet figures – compared with the figures as at 31st December 2002 – were positive, with loans to customers up by approximately 9.3% to 9,648 million euro and direct customer deposits up by approximately 5% to 10,997 million euro. Indirect deposits were close to 23,000 million euro, improving the already appreciable growth registered at the end of 2002 (+3.2%)

Banca Popolare FriulAdria closed the first nine months of 2003 with a net income of approximately 30 million euro, with a 26% increase with respect to the same period a year earlier. Net interest and other banking income registered a moderate rise (+1.3%), despite the drop in interest margin (–2.7%) determined by a reduction in proprietary securities and in interbank lending and by a generalised contraction in interest rates.
A positive contribution came from services as a result of the good performance of net commissions (+1.8%) and particularly high profits on financial transactions (approximately +63%).
In line with Group's strategies, the containment policy implemented by the Bank led to an

approximately 7.4% reduction in operating costs. Income from operating activities reached approximately 64 million euro, with a 17.4% rise from September 2002.
Compared with the figures as at 31st December 2002, the main balance sheet aggregates registered a 6.8% increase in loans to customers (2,737 million euro), while direct deposits (2,606 million euro) recorded a moderate decline. Indirect deposits registered a 4% rise to 5,061 million euro.

During the first nine months, **Banca di Trento e Bolzano** achieved a net income for the period of 10.7 million euro with a 45% increase from the figure recorded as at 30th September 2002. This result reflected the positive performance of all main statement of income aggregates. In particular, interest margin rose by 4% mainly as a result of a substantial increase in volumes, while margin on services increased by 7.7% due to the positive performance of financial transactions which more than offset the moderate decline in net commissions (–4%). The 5.8% increase in net interest and other banking income coupled with the approximately 3% contraction in operating costs led to an operating margin of 17.9 million euro, up by approximately 34%.
Net adjustments to loans were virtually stable and at modest levels.
As to the balance sheet, loans to customers (1,508 million euro) recorded a 2.3% rise from the end of 2002, while direct deposits (1,452 million euro) registered a drop from December 2002 (–4.7%) but were slightly above the figure of last September. Indirect deposits (1,900 million euro) registered a considerable expansion (+18.5%).

As at 30th September 2003, **Cassa di Risparmio di Biella e Vercelli** posted a net income of approximately 17 million euro, which was not directly comparable with that recorded in the same period of 2002 since important extraordinary operations occurred in the two years. In particular, the 2002 result benefited from the extraordinary income generated by the sale of a minority equity investment, while the charges for the "Solidarity Allowance" related to the layoffs programmed for 2002 were accounted for in the first half of 2003 instead of in 2002, because the relevant bureaucratic obligations were fulfilled only in the current year. Furthermore, substantial income was generated by the sale of securities held in the investment portfolio. Income from operating activities registered a significant increase to approximately 31 million euro, up by over 15% from September 2002. This result was achieved by the growth (approximately +40%) in margin from services, by the good performance both of commissions and of financial transactions, which more than offset the approximately 9% contraction in interest margin. Operating costs recorded an almost 5% reduction, whereas provisions for risks and charges and net adjustments to loans rose from September 2002.
With regard to balance sheet aggregates, loans to customers (1,740 million euro) and customer deposits (2,087 million euro) were practically in line with the figures at the end of 2002, while indirect deposits, exceeding 2,870 million euro, registered a 6.7% increase.

Positive was also the performance of the Saving Banks in Central Italy controlled by **Holding Intesa Centro**, which closed the first nine months of the year with net incomes generally higher than in the same period of 2002. Overall, interest margin and net interest and other banking income recorded positive performances.
Operating costs registered a contraction, achieved through effective interventions to modernise processes and improve productivity, while net adjustments to loans were contained within physiological limits.
In detail, net incomes amounted to: 9.4 million euro for **Cassa di Risparmio di Ascoli**, 8.4 million euro for **Cassa di Risparmio di Viterbo**, 7.3 million euro for **Cassa di Risparmio di Terni e Narni,** 5.8 million euro for **Cassa di Risparmio di Foligno**, 6.1 million euro for **Cassa di Risparmio di Rieti**, 5.1 million euro for **Cassa di Risparmio di Spoleto** and 1.5 million euro for **Cassa di Risparmio di Città di Castello**.
With regard to the aggregate balance sheet, loans recorded an approximately 5% rise, direct deposits a slight reduction (–3.6%) and indirect deposits confirmed their positive trend with a growth exceeding 6%, with a substantial increase in the asset management component.

Foreign Banks Division

The development of the already existing initiatives in Eastern Europe, aimed at further strengthening their position in the local markets and, by contrast, the gradual

disengagement from the South-American area and from Countries no longer deemed to be strategic, are the key points of the policy which the Group is implementing with regard to its presence and banking operations abroad.
Even if certain critical areas persist, the aggregate statement of income of the Group's foreign banks recorded a positive result, mainly due to the good performance registered by the Eastern-European subsidiaries, which absorbed the still negative results of the Sudameris group. Overall, the Division closed with an operating margin of 259 million euro and an income from operating activities of 61million euro.

Eastern Europe

The growth in the Hungarian economy, though still appreciable, slowed down with more contained expectations of GDP growth, an increase in the balance of trade deficit and a stable inflation.
The policy aimed at consolidating the corporate sector and developing the retail and small- and medium-sized enterprises segments, adopted by the **Central-European International Bank** group, contributed to achieve satisfactory results, with a net income of approximately 40 million euro, up by approximately 19% on the same period of the previous year, due to the contribution from interest margin, sustained by increases both in volumes and spreads and by the good performance of financial operations and of net commissions.

The Croatian economy confirmed its growth phase favoured by an expansion of investments in infrastructures, supported by an increase in imports which worsened the commercial deficit. Inflation remained very contained and the local currency strengthened.
In the period, **Privredna Banka Zagreb** recorded a rise in interest margin, due to a favourable trend of interest rates and to an increase in volumes while, on the contrary, commission income was below expectations. The Company closed the nine months with a net income of 69 million euro, down by approximately 8% on that of the first nine months of 2002.

The Slovakian economy recorded strong growth, with a favourable trend of exports and an improvement of unemployment, while inflation was still high and prevented further interest rate cuts.

The **Vseobecna Uverova Banka** group achieved positive operating results for the first nine months of 2003, facing with effectiveness, even if with a certain decline in margins, the increasingly fiercer competition characterising the local market. With certain extraordinary elements, net income for the period reached 49 million euro with a 40% increase on the figure as at 30th September 2002.

Still with regard to the Eastern-European area, all procedures were completed to authorise the new Russian subsidiary **Zao Banca Intesa**, based in Moscow, to start its operations by the end of the current year. Zao Banca Intesa will assist Italian enterprises already present in the area and all those interested in this important market, offering a complete range of commercial and financial services.

Latin America

As described elsewhere in this report, last 24th October the contract for the sale of **Banco Sudameris Brasil**, signed on 13th June with the ABN AMRO group, was completed. The Brazilian subsidiary, already excluded from consolidation in the half-year financial statements, contributed dividends for approximately 28 million euro to the Group's accounts for the period.

The **Sudameris group**, which, after the sale of its subsidiaries in Argentina and Brazil, concentrated its activities in Peru and Colombia, although also the latter was under sale, closed the nine months of the year contributing a net loss of 220 million euro to Gruppo Intesa's financial statements.
This result was influenced by both the reduction in operating volumes due to the mentioned sales, and high adjustments to loans and provisions for the South-American network.
In particular, the Sudameris group's statement of income recorded a reduction in terms of both interest margin (approximately – 24%) and net interest and other banking income (approximately – 30%), the latter being due to contractions in net commissions (– 22%) and especially to the result of financial transactions (– 79%). This led to an operating margin which, also due to the reduction of operating costs (– 12%), was positive for slightly over 7 million euro, largely below the corresponding figure as at 30th September 2002.
Net adjustments to loans and provisions for risks and charges, 37% higher than those

recorded in the nine months of the previous year, affected income from operating activities, which was negative for 120 million euro.
The statement of income for the period was penalised by net extraordinary charges for 104 million euro, mainly attributable to changes in exchange rates and to extraordinary charges generated by the disengagement from that area.
Following the contraction in operations, balance sheet figures showed a reduction both in loans to customers (– 35%) and in customer deposits (– 27%).

The other geographic areas

On 1st September the merger between the two pre-existing Group entities in France, Banca Commerciale Italiana (France) and Banca Intesa (France), was completed with accounting effects as of 1st January 2003. The new subsidiary, which was named **Banca Intesa (France)**, recorded a net income of 3.8 million euro for the first nine months of the current year.

The considerable contraction in **Bankhaus Löbbecke**'s activities, following the indications of the Business Plan which considers this Company no longer strategic, affected the economic performance for the period, which showed generalised reductions in all margins and closed with a loss of 2.7 million euro.

The programmed reduction in large corporate and trading activities implemented at the subsidiary **Intesa Bank Canada** influenced the Company's economic performance, which showed an approximately 14% drop in net interest and other banking income.
Substantial provisions allocated for positions taken in previous years led to a net income for the period of approximately 2 million euro, half of the figure registered in the same period of the previous year.

Product Companies

Product companies play a key role in favouring and supporting the Group's growth and their activities cover the operating areas of medium- and long-term lending, leasing, factoring and tax collection. During the period, the performance of these sectors was positive with an operating margin of 348 million euro and an income from operating activities of 210 million euro.

In the first nine months of 2003, **Banca Intesa Mediocredito** achieved positive results in terms of both operating volumes and profitability.
In a still unfavourable economic situation, activities were sustained by the offer of personalised solutions to the medium-term financial needs of enterprises, and by the more effective operational co-ordination with Group networks.
The Bank registered a net income for the period of 42 million euro, 21.4% higher than the corresponding figure of 2002.
Net interest and other banking income, 156 million euro (approximately + 6%), was mainly due to interest margin, which benefited from dividends from the subsidiary Banca Cis.
Operating costs recorded a rise, while net adjustments to loans and provisions for possible loan losses were at physiological levels.
The Bank's loan portfolio amounted to 13,292 million euro, + 2.5% from the end of 2002.

In the first half of 2003 **Banca Cis** completed the sale of retail activities to Banca Intesa, concentrating its operations in medium- and long-term lending. Net income as at 30th September 2003 equalled approximately 16.6 million euro and benefited from the capital gain on the spin-off. Lower interest rates and certain income components related to the spin-off operations, determined a reduction in interest margin (– 5.5%) and in net interest and other banking income (– 10.4%). However, the decrease in operating costs (– 11.7%) – due to the aforementioned spin-off and the cost-containment policy – and lower adjustments to loans led to an income from operating activities of 15.2 million euro, 2.2% higher than the figure of the same period of 2002.
Main balance sheet aggregates were negatively affected by the disposal of retail operations. The comparison with figures as at 31st December 2002, net of the effect of the mentioned sale, showed loans at 1,140 million euro (1,143 million euro at the end of 2002, direct customer deposits at 244 million euro (– 30.9%) and the net interbank position with a 716 million euro deficit (+ 24.4%), as a result of the decision to shift funding from customer deposits to the interbank market.

The general economic context did not favour the development of leasing activities: investments decreased, after the acceleration registered in 2002 following tax incentives. **Intesa Leasing** closed as at 30th September 2003 with 12,476 new contracts totalling 1,456 million euro, with a reduction on the same period of 2002 in terms of both number (– 16.1%) and value of new investments (– 28.8%). Leased assets, after the acquisition of Banca Intesa's leasing contracts portfolio at the beginning of the year, reached 10,948 million euro (+ 27%). Net income for the period amounted to 20.6 million euro (20.1 million euro based on the financial method) with an approximately 54% increase on the corresponding figure of the same period of 2002.

In the first nine months of the year, **Intesa Mediofactoring** recorded a 6.4% reduction in turnover compared to the same period a year earlier. Notwithstanding the positive results achieved in terms of net interest and other banking income (+ 4.1%) and operating costs savings (– 4.4%), net income equalled 17.9 million euro, 26% lower than that achieved in the first nine months of 2002, mainly due to the increase in net adjustments to loans (approximately + 57%).

In the first nine months of 2003, **Intesa Riscossione Tributi** and its subsidiaries **Esatri**, **E.Tr.** and **S.Es.I.T.** were positively influenced by i) the effects of the reorganisation foreseen in the Business Plan in the tax collection sector, ii) the changes provided for by the Legislative Decree 143, converted in Law on 31st July 2003 in terms of compensation for tax collection activities for 2003 and iii) the revenues connected to the tax remission introduced by the 2002 Budget. Moreover, tax collection activities registered a good performance due to the introduction of more effective tax collection instruments.
The statement of income of the tax collection holding company recorded a net income of approximately 20 million euro, against a loss of 7 million euro in the same period of 2002, due to the discontinuation of the pre-existing compensation system for concessionaires, which was changed with the aforementioned Legislative Decree only in 2003.

Central structures

The Business Plan assigns to the central structures, namely the Parent Company's Central Units and Service Companies, the task of sustaining and favouring processes aimed at achieving growth and improvement under way. Their main activities are illustrated hereunder.

On the basis of the Business Plan, starting from 1st January 2003, **Intesa Sistemi e Servizi** (ISS) transferred to Banca Intesa the management of real estate, back office, purchases and general services with a consequent 30% reduction in operations in the nine months.
It now exclusively focuses on information and communication technology and is responsible for the numerous strategic projects aimed at completing the migration of IT systems, supporting the integration of the various Group entities and also supporting the Group's ongoing business.
In line with the pricing policy adopted towards its customers, all within the Group, the Company closed the first nine months virtually at breakeven (0.4 million euro).

Intesa Gestione Crediti, responsible for acquiring and managing non-performing loans granted by Group companies with the aim of making their recovery more efficient, closed the first nine months of 2003 with a net income of 10 million euro, against a loss of 34.7 million euro registered as at 30th September 2002.
In the period, the Company recorded repayments on the proprietary doubtful loan portfolio equalling 178.9 million euro and write-backs of adjustments and write-backs on repayments of approximately 66 million euro. Repayments on the third-party doubtful loan portfolio amounted to 342 million euro.
As at 30th September 2003 the Company's loan portfolio at nominal value amounted to approximately 10 billion euro, while loans under management amounted to 5.4 billion euro.

As already described elsewhere in this report, **Banca Primavera** transferred to Banca Generali its PFS operations consisting of approximately 1,600 financial consultants and of 17 "light" bank branches.
The operation was completed on 1st October 2003. Furthermore, in the first days of October, the merger of Caboto Sim in Banca Primavera, with effects as of 1st January 2004, was approved and its corporate name was changed to Banca Caboto.

Risk control

The Bank continues its activities aimed at estimating and monitoring trading portfolio risk. For market risk the analysis includes the subsidiary Caboto Sim.

Market risk

Market risk is measured daily using various indicators and measurement tools (VaR, stress test, sensitivity). Value at risk calculated by the internal model provides the best representation of exposure to market risk. VaR is compared daily with the P&L results achieved by the trading units, thus realising the backtesting of the model.
As concerns counterparty risk of the trading portfolio, to date it is not included in the VaR calculation, but is controlled via a system of operating limits which constrain portfolio allocation based on issuer ratings and concentration criteria.

Banca Intesa Market Risk
The figure for the end of the third quarter refers to the positions of Banca Intesa, in Italian and foreign branches and excludes directional trading positions.
Overall, the trend observed in the quarter was a reduction in risk. This was partly due to portfolio dynamics, especially the fact that the London branch progressively transferred its portfolio to Caboto during the quarter.
As concerns single risk factors, interest rate risk showed a strong downward trend (attributable to both portfolio strategies and lower interest rate market volatilities), after it had reached its maximum for the year at the end of June. This trend was constant during the quarter and was so significant that at the end of September equity risk became the most important risk component. Equity risk was the only risk which was slightly increasing and this was almost entirely attributable to portfolio movements in the desks based in Milano. Foreign exchange risk showed instead a variable trend, with a marked decrease at the beginning of the quarter and a rise in the last part of the period (due to the euro/dollar volatility); overall the figure is lower than at the end of June.
As concerns the bond portfolio, only 41% was made up of securities with issuer risk (mostly investment grade), Government securities represented 38%, and the rest were securities issued by the Group.

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

Risk factors	30/9/2003	30/6/2003
Interest rate	5.6	11.3
Equity	7.0	6.7
Foreign exchange	0.8	1.0
Total (**)	**11.6**	**17.4**

(*) VaR is calculated assuming a one working day holding period and a 99% confidence level.
(**) The sum of individual values is greater than the total because the method used to aggregate the risks of individual activities takes into account the correlations that exist between the different risk factors.

Caboto Market Risk

An analogous risk analysis with regard to Caboto Sim (inclusive of the activities carried out by the London branch) showed a total VaR of 2 million euro, up with a fluctuating trend during the period, also as a result of the transfer to Caboto of Banca Intesa's capital market activities. Contrary to the previous quarter, risk was mainly concentrated in the interest rate risk area. Interest rate risk remained generally higher than equity risk, and represented on average 71% of total risk. On the securities portfolio the issuer risk component represented 40% of the total; for Caboto, as for Banca Intesa, investment grade securities are by far the most significant component.
Equity risk remained stable.

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

Risk factors	30/9/2003	30/6/2003
Interest rate	1.6	0.9
Equity	0.7	0.7
Total (**)	**2.0**	**1.1**

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

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

Credit risk

During the quarter, the project for the development of an internal rating system continued. The project – which will lead to customer classification based on probability of default, in line with the new rules being defined as part of the New Basel Capital Accord – is already in an advanced stage. Together with the development and test of new measurement systems, new regulatory and organisational features are being defined for the purpose of using the rating system in the Bank's decision-making processes effectively.

The monitoring of Credit Derivatives is based on two types of analyses. A monthly Credit Value at Risk analysis is produced for Credit Default Swaps portfolio (banking and trading). The *CreditMetrics* (1) methodology is applied and, as for market risks, VaR represents the main reference measure comparing the risk of various portfolios and monitoring their evolution over time. As at 30th September 2003, portfolio *CreditVaR* (2) continued to decrease with respect to both as at 31st December 2002 and as at 30th June 2003, reaching 10.6 million euro.

(1) Essentially consists in simulating portfolio value exposed to credit risk assuming numerous creditworthiness scenarios of reference entities and reference obligations.

(2) CreditVaR is calculated as the maximum possible loss on a time frame of one year at the 99% confidence level.

Shareholder base and Banca Intesa's stock price performance

Shareholder base

Banca Intesa's shareholder base as at 30th September 2003 – detailed in the following table – includes reference shareholders which are part of a Voting syndicate and hold 43.89% of the Bank's ordinary shares (38.91% is vested in the Syndicate) and approximately 195,000 shareholders holding 50.71%; the remaining 5.40% is represented by own shares.

Name	Shares included in the Voting syndicate	Shares not included in the Voting syndicate	Total shares	% of shares included in the Voting syndicate on total	% of shares held on total
Crédit Agricole S.A.	835,360,705	178,125,945	1,013,486,650	14.12	17.13
Fondazione Cariplo	510,578,954	18,205,025	528,783,979	8.63	8.94
Generali group	324,930,901	24,469,452	349,400,353	5.49	5.91
including					
• *Assicurazioni Generali*	*48,443,269*	*3,191,927*	*51,635,196*		
• *Alleanza Assicurazioni*	*189,137,083*	*44,270*	*189,181,353*		
• *other companies*	*87,350,549*	*21,233,255*	*108,583,804*		
Fondazione Cariparma	242,543,996	5,854,220	248,398,216	4.10	4.20
Gruppo Lombardo	197,308,603	2,453,576	199,762,179	3.34	3.37
including					
• *Banca Lombarda e Piemontese*	*133,453,355*	*194,832*	*133,648,187*		
• *IOR* (*)	*42,917,536*	*2,258,744*	*45,176,280*		
• *Mittel*	*20,937,712*	–	*20,937,712*		
Commerzbank AG	190,975,117	65,642,610	256,617,727	3.23	4.34
Total Shareholders in the Syndicate	2,301,698,276	294,750,828	2,596,449,104	38.91	43.89
Total other Shareholders	–	3,000,043,372	3,000,043,372		50.71
Own shares	–	319,214,748	319,214,748		5.40
Total	2,301,698,276	3,614,008,948	5,915,707,224		100.00

(*) Shares with beneficial interest in favour of Mittel s.p.a.

On 11th April 2000 the main shareholders of Banca Intesa signed a Voting syndicate which modified and/or integrated the one stipulated on 15th April 1999.
The agreement is designed to ensure continuity and stability of management policies regarding the activities of Banca Intesa and its subsidiaries and to guarantee the Banking group's independence and managerial autonomy in the future.

None of the parties to the Agreement may individually control the Company.
The Syndicate operates through:
a) the General Meeting, comprising representatives of the parties to the Syndicate and which meets to consider any matter of common interest relating to the management of Banca Intesa and its subsidiaries;
b) the Management Committee, which is composed by a number of members equal to the number of parties forming the Syndicate, plus a Chairman, if not elected among the Committee members.
The Management Committee establishes Group budget, policies and strategies, financial reporting and dividend policies, capital increases, mergers, changes to the Company's Articles of Association, acquisitions and divestments of controlling interests and of financially or strategically significant businesses and, generally speaking, it expresses its view – in advance – on all relevant decisions for Banca Intesa and its subsidiaries. Furthermore, it appoints the Chairman, the Managing Director and/or the General Manager of Banca Intesa and the Chairmen, the General Managers and the Managing Directors of the principal subsidiaries;
c) the Chairman, elected by the Management Committee, by an absolute majority of syndicated holdings.
The transfer of the syndicated shares is subject to pre-emption, with the exception of the transfer in favour of parent, subsidiary or sister companies as well as for the transfer of shares syndicated within Gruppo Lombardo .
The Agreement expires on 15th April 2005 and it will be tacitly renovated every three years, save for cancellation six months before the expiry date.

Stock price performance

The first nine months of the year were characterised by three distinct phases: the negative cycle of world stock markets, which commenced in the second half of 2000 and which in March led indices to the minimum levels of the last six years; a second period, which lasted until mid-June, characterised by a significantly positive trend supported by a liquidity effect rather than by a sustainable economic recovery; a more stable phase in which prices remained at the levels reached in June.
Therefore, the Italian market closed the first nine months of the year with a 6.8% rise with respect to the beginning of the year, with the COMIT index at 1,165.95, and outperformed the other European markets.
In this context, the Italian banking sector outperformed the domestic market: in the first nine months of the year the Italian banking index recorded an 18.6% rise, and also outperformed the European banking sector.
The Banca Intesa ordinary share, after following the sector index in the first 5 months of 2003, outperformed the sector index at the time of the communication of the first quarter results. The stock therefore closed the first nine months of 2003 with a 29.4% progress.
Banca Intesa saving shares in the same period recorded a 27% rise, and showed a 23% discount with respect to ordinary shares, slightly higher than at the beginning of the year.

Significant subsequent events

In relation to the plan for the disposal of the South-American subsidiaries, the sale of Banco Sudameris Brasil to a company of the ABN Amro group is described in another section of this report.

In October, the necessary steps for the transfer of the Peruvian subsidiary Banco Wiese Sudameris under the direct control of the Parent Company Banca Intesa commenced, for the purpose of better coordinating the interventions aimed at relaunching it.

Again for the purpose of rationalising the equity investment portfolio, in the last few weeks the Boards of the companies involved resolved upon the merger of Caboto Sim in Banca Primavera which, as of 1st October has been named Banca Caboto. The merger, conditional upon the necessary authorisations, should become operational as of 1st January 2004.

Lastly, on 15th October, Intesa Leasing sold to Intesa Lease Sec. s.r.l. – vehicle company set up pursuant to Law 130/99 – approximately 1,500 million euro of performing loans deriving from leasing contracts, in consideration of the imminent issue of asset-backed securities which will be placed in Italy by a syndicate led by Banca Intesa.

Projections for the whole year

Results as at 30th September 2003 enable to confirm the forecasts set out in the Half-year report of a positive result for 2003, in line with the objectives of the strategic plan and market expectations.

Milano, 13th November 2003

The Board of Directors

Co-ordination	Banca Intesa s.p.a. External Relations
Design	Fragile, Milano
Editing	Edistudio, Milano
Translation	Networking IR, Milano
Printed by	www.soso.it