Banca Intesa

Consolidated report as at 31st March 2003

This is an English translation of the Italian original “Relazione consolidata al 31 marzo 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
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Consolidated report
as at 31st March 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 / 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 Franco Modigliani Giangiacomo Nardozzi Eugenio Pavarani Giovanni Perissinotto * Axel Freiherr von Rüdorffer Sandro Salvati Eric Strutz Gino Trombi

* *Members of the Executive Committee*

Board of Statutory Auditors

Chairman	Gianluca Ponzellini
Auditors	Francesco Paolo Beato Paolo Andrea Colombo Franco Dalla Sega Bruno Rinaldi

Independent Auditors	Reconta Ernst & Young s.p.a.

Gruppo Intesa
in the first quarter of 2003
Executive summary

Economic results in the first quarter of 2003

The results of the first quarter of 2003 are positive, in line with projections contained in the Business Plan.
Operating margins confirmed the progresses which had already emerged in the last quarter of 2002, and were at their highest in the last two years.
This stemmed from the stability of revenues and the marked contraction in operating costs.
Stable revenues, which were in any case affected by the persisting weakness showed by the economy, also as a result of the tensions that had characterised the international political situation in the last few months, reflected differentiated policies for the retail and corporate areas. For retail customers, actions are being taken to support an attentive rise in volumes, service quality improvements and revised pricing; for corporate customers higher profitability should derive from pricing policies and cross selling of investment banking products.

As concerns banking activities, in the first months of 2003 interest rates continued their downward trend which commenced some time ago, with a further significant contraction in the spread. As concerns instead the evolution of the main balance sheet aggregates, the uncertainty on the timing and the intensity of economic recovery and the disappointing trend recorded by stock prices favoured the expansion of direct customer deposits and slowed down the growth of loans, especially short-term loans, and indirect customer deposits.
These trends – the contraction in the spread and the contained growth rate recorded by loans – significantly affected the interest margin, which recorded a 6.9% decrease compared to the first quarter of 2002.
Such decrease would have been 3.2% considering the effect of the devaluation of the South-American currencies, and in particular of the Brazilian real, and the consequent lower contribution to revenues of the South-American subsidiaries.
The decrease was more contained (–3%) with respect to the fourth quarter of last year; this had been significantly affected by the disposal of certain activities of foreign branches, as well as by the shorter reference period (for over 30 million euro).

The contribution from services remained in excess of 800 million euro. Their continuous decrease – essentially attributable to commissions on asset management and dealing in and placement of securities – seems to have come to a halt.
Instead, in the first quarter profits on financial transactions recorded a marked recovery, especially as a result of the satisfactory performance recorded by transactions on interest rates.

Net interest and other banking income returned above 2,500 million euro, with a 3% decrease with respect to the result of the first quarter of 2002. This decrease is entirely attributable to the aforementioned devaluation of the currencies of the South-American Countries.
With respect to the fourth quarter of 2002, the margin recorded a 2.4% growth rate.

In the first quarter of 2003 operating cost containment actions continued (–10.2% on an annual basis), both as concerns personnel costs and other administrative costs, thus confirming the effectiveness of the interventions implemented so far, in line with the commitments made in the Business Plan.
The cost income ratio decreased to 63.4%, over 5 points lower than the figure of March 2002.
Thanks to cost reduction, operating margin (921 million euro) recorded an appreciable improvement (+12.3%) with respect to the figure for the first quarter of 2002, and it is even more significant compared to the last two quarters of last year.

Net adjustments to loans returned to more regular levels (284 million euro in the quarter), after the substantial provisions made in 2002, following the difficulties of certain primary international groups and certain Countries of the South-American area and the generalised deterioration of loan portfolio quality.

Income from operating activities (534 million euro) was at the same level as last year, but the considerable decline in net extraordinary income (209 million euro lower than in the first quarter of 2002) determined a reduction in net income for the first quarter of 2003 to 313 million euro, which, as already mentioned above, is in line with forecasts made in the Business Plan.

The Business Plan

Since Directors and the Market deem the implementation of the Business Plan to be particularly important, an update of related activities is provided below.

In the first quarter of 2003 the efforts made to reduce the Group's *risk profile* continued and significantly repositioned the asset mix in favour of the retail segment and the Italian market (from 49% as at 31st December 2002 to 51%); in particular, again as part of risk containment actions, open credit derivatives positions in the banking book were decreased by a further 20% with respect to December 2002.
Furthermore, again as set out in the Business Plan, foreign activities were again downsized, especially in the large corporate segment which in the first quarter led to an approximately 4 billion euro decrease in capital absorption, in terms of risk-weighted assets.

Also as concerns *strengthening capital ratios*, further progress was made on the already appreciable result achieved at the end of 2002. The Tier 1 ratio remained at 6.8%, while the Total capital ratio increased by one decimal point to 11.2%. Core Tier 1, that is the ratio of Tier 1 capital net of preference shares and risk-weighted assets, reached 6%.

The *upgrading of the product portfolio* for retail customers was oriented towards a more precise differentiation in the product range for the various market segments.

As concerns the *unification of IT systems*, within the end of May the procedures for the technological infrastructure of all the former-BCI branches will be completed.
The first 7 test branches have "migrated" successfully and the migration of the entire former-BCI network is expected to be completed before the end of next October.

The most important intervention on the foreign network refers to the *disengagement from Latin America*.
As concerns presence in Argentina, the merger of Banco Patagonia in Banco Sudameris Argentina should be signed in the next few weeks. All the charges deemed to be incurred for the exit from that Country have already been provided for in the 2002 financial statements.
Furthermore, during these three months significant progress was made on the sale of Banco Sudameris Brasil. In fact on 16th April 2003, the Board of Directors accepted the binding offer made by Banco ABN AMRO Real SA for the purchase of 94.6% of the share capital of the Brazilian subsidiary.
The closing of the operation is expected to occur within the autumn.
On the basis of the offer, Banca Intesa – which at the end of March acquired the Brazilian bank from Banque Sudameris – will receive the agreed consideration in cash for approximately 160 million euro and in shares of Banco ABN AMRO Real for approximately 530 million euro, corresponding to approximately 12.9% of the share capital of the new entity. The ratio between the price and shareholders' equity was 1.8 times.
Banca Intesa will have an option to convert the stake held in Banco ABN AMRO Real in shares of the Dutch parent company ABN AMRO, exercisable in three tranches starting from the third year after the close of the operation. The price has already been fixed in 1.82 times the shareholders' equity of the new entity at the time of the exercise of the option.
The sale will lead to an improvement in consolidated ratios while it will have no significant effect on consolidated net income, since the capital gain will be absorbed by the cumulated exchange differences, currently deducted from equity, which must be charged to the statement of income.
Lastly, Gruppo Intesa recently accepted the binding offer from Banco del Desarollo for the acquisition of the activities of Banque Sudameris SA in Chile. Banco del Desarollo is a Chilean bank which has in its shareholder

base the local shareholder Inversiones Norte y Sur, the Italian bank San Paolo IMI and the French bank Crédit Agricole.

As concerns the Group's employees, 2,300 lay-offs occurred last year; in the first quarter of 2003, 300 further resources exited the Group, while as of 1st April, following the activation of the "Solidarity allowance", a further 2,000 people (of which approximately 1,700 at the Parent Company) decided to benefit from the special treatment provided for by Ministerial Decree 158 of 2000. Other employees left the Group since they had reached retirement requirements.

Based on the indications of the Business Plan, a three-year training plan has been drawn up and sets out four types of courses aimed at general training to support corporate objectives, specific training for certain functions, training connected to the significant organisational/technological changes which produce widespread requalification needs for existing resources and, lastly, specialised training for certain sectors or structures to sustain the achievement of their particular objectives. In the first quarter of 2003, approximately 30,000 days of training have already been given.

Gruppo Intesa – Financial highlights

	31/3/2003 (A)	31/12/2002 pro forma [1] (B)	31/3/2002 pro forma [1] (C)	Changes (A/B)	Changes (A/C)
Statement of income (in millions of euro)					
Net interest income	1,377	5,743	1,496		(8.0)
Interest margin	1,422	5,935	1,527		(6.9)
Net commissions	804	3,320	855		(6.0)
Net interest and other banking income	2,514	9,898	2,593		(3.0)
Operating costs	(1,593)	(6,795)	(1,773)		(10.2)
including Payroll	*(895)*	*(3,680)*	*(987)*		*(9.3)*
Operating margin	921	3,103	820		12.3
Net adjustments to loans and provisions for possible loan losses	(284)	(2,381)	(196)		44.9
Income (Loss) from operating activities	534	(60)	527		1.3
Extraordinary income	30	287	239		(87.4)
Net income for the period	313	200	425		(26.4)
Balance sheet (in millions of euro)					
Loans to customers	165,201	168,259	179,129	(1.8)	(7.8)
Securities [2]	37,476	36,247	52,813	3.4	(29.0)
including Investment portfolio	*8,041*	*8,088*	*11,098*	*(0.6)*	*(27.5)*
Equity investments	3,935	3,703	4,680	6.3	(15.9)
Total assets	282,036	280,570	317,572	0.5	(11.2)
Direct customer deposits	181,356	181,272	185,802	–	(2.4)
including Subordinated and perpetual liabilities	*11,442*	*11,649*	*11,371*	*(1.8)*	*0.6*
Indirect customer deposits	290,566	299,460	321,061	(3.0)	(9.5)
including Managed funds	*123,578*	*123,777*	*139,080*	*(0.2)*	*(11.1)*
Customer deposits under administration	471,922	480,732	506,863	(1.8)	(6.9)
Due to banks, net	11,393	14,718	34,970	(22.6)	(67.4)
Shareholders' equity [3]	13,799	13,951	14,248	(1.1)	(3.2)
Operating structure					
Staff (number)	71,052	71,388	73,510	(336)	(2,458)
Branches (number)	4,293	4,338	4,305	(45)	(12)
including Italy	*3,251*	*3,277*	*3,248*	*(26)*	*3*
Abroad	*1,042*	*1,061*	*1,057*	*(19)*	*(15)*

[1] Figures restated on a consistent basis.
[2] Including own shares.
[3] Including net income for the period.

Gruppo Intesa – Financial ratios

	31/3/2003	31/12/2002 pro forma [1]	31/3/2002 pro forma [1]
Balance sheet ratios (%)			
Loans to customers / Total assets	58.6	60.0	56.4
Securities / Total assets	13.3	12.9	16.6
Direct customer deposits / Total assets	64.3	64.6	58.5
Managed funds / Indirect customer deposits	42.5	41.3	43.3
Statement of income ratios (%)			
Interest margin / Net interest and other banking income	56.6	60.0	58.9
Net commissions / Net interest and other banking income	32.0	33.5	33.0
Operating costs / Net interest and other banking income	63.4	68.7	68.4
Net income for the period / Average total assets (ROA) [2] [3]	0.4	0.1	0.5
Net income for the period / Average shareholders' equity (ROE) [3] [4]	9.7	1.6	12.0
Risk ratios (%)			
Net doubtful loans / Total loans	3.2	3.2	3.0
Accrued adjustments on doubtful loans / Gross doubtful loans to customers	62.7	62.4	60.0
Capital ratios (%)			
Tier 1 capital / Risk-weighted assets [5]	6.8	6.8	6.3
Total capital / Risk-weighted assets [5]	11.2	11.1	9.7
Risk-weighted assets (in millions of euro) [5]	198,857	199,714	239,905
EPS – Earnings per share – euro	0.20	0.03	0.25

[1] Figures restated on a consistent basis.

[2] Based upon the arithmetical average of total assets at the end of the quarter and of the previous year.

[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, and the reserve for general banking risks.

[5] Figures for 2002 and as at 31st March 2002 have not been restated.

Gruppo Intesa
Financial statements

Reclassified consolidated statement of income

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma [1]	Changes	
			amount	%
Net interest income	**1,377**	1,496	(119)	(8.0)
Dividends and other revenues	**25**	19	6	31.6
Income from investments carried at equity	**20**	12	8	66.7
Interest margin	**1,422**	1,527	(105)	(6.9)
Net commissions	**804**	855	(51)	(6.0)
Profits (Losses) on financial transactions	**194**	94	100	106.4
Other operating income, net	**94**	117	(23)	(19.7)
Net interest and other banking income	**2,514**	2,593	(79)	(3.0)
Administrative costs	**(1,431)**	(1,607)	(176)	(11.0)
including Payroll	***(895)***	*(987)*	*(92)*	*(9.3)*
Other	***(536)***	*(620)*	*(84)*	*(13.5)*
Adjustments to fixed assets and intangibles	**(162)**	(166)	(4)	(2.4)
Operating costs	**(1,593)**	(1,773)	(180)	(10.2)
Operating margin	**921**	820	101	12.3
Adjustments to goodwill arising on consolidation and on application of the equity method	**(32)**	(23)	9	39.1
Provisions for risks and charges	**(38)**	(62)	(24)	(38.7)
Net adjustments to loans and provisions for possible loan losses	**(284)**	(196)	88	44.9
Net adjustments to financial fixed assets	**(33)**	(12)	21	
Income from operating activities	**534**	527	7	1.3
Extraordinary income	**30**	239	(209)	(87.4)
Income taxes for the period	**(233)**	(317)	(84)	(26.5)
Change in the reserve for general banking risks and other reserves	**2**	2	–	
Minority interests	**(20)**	(26)	(6)	(23.1)
Net income for the period	**313**	425	(112)	(26.4)

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

Captions	2003	2002 [1]			
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	**1,377**	**1,434**	**1,416**	**1,397**	**1,496**
Dividends and income from investments carried at equity	45	32	14	115	31
Interest margin	**1,422**	**1,466**	**1,430**	**1,512**	**1,527**
Net commissions	804	820	799	846	855
Profits (Losses) on financial transactions	194	(4)	(30)	129	94
Other operating income, net	94	173	77	87	117
Net interest and other banking income	**2,514**	**2,455**	**2,276**	**2,574**	**2,593**
Administrative costs	(1,431)	(1,551)	(1,395)	(1,510)	(1,607)
including Payroll	*(895)*	*(903)*	*(841)*	*(949)*	*(987)*
Other	*(536)*	*(648)*	*(554)*	*(561)*	*(620)*
Adjustments to fixed assets and intangibles	(162)	(230)	(195)	(141)	(166)
Operating costs	(1,593)	(1,781)	(1,590)	(1,651)	(1,773)
Operating margin	**921**	**674**	**686**	**923**	**820**
Adjustments to goodwill arising on consolidation and on application of the equity method	(32)	(33)	(60)	(25)	(23)
Provisions for risks and charges	(38)	(58)	(17)	(216)	(62)
Net adjustments to loans and provisions for possible loan losses	(284)	(1,041)	(307)	(837)	(196)
Net adjustments to financial fixed assets	(33)	(202)	(14)	(60)	(12)
Income (Loss) from operating activities	**534**	**(660)**	**288**	**(215)**	**527**
Extraordinary income (loss)	30	618	(352)	(218)	239
Income taxes for the period	(233)	203	2	161	(317)
Change in the reserve for general banking risks and other reserves	2	(24)	2	–	2
Minority interests	(20)	7	2	(39)	(26)
Net income (loss) for the period	**313**	**144**	**(58)**	**(311)**	**425**

[1] Figures restated on a consistent basis.

Reclassified consolidated balance sheet

(in millions of euro)

Assets	31/3/2003	31/12/2002 pro forma [1]	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**1,382**	1,667	(285)	(17.1)
2. Loans				
– loans to customers	**165,201**	168,259	(3,058)	(1.8)
– due from banks	**32,904**	30,534	2,370	7.8
3. Trading portfolio	**29,435**	28,159	1,276	4.5
including Own shares	***664***	*981*	*(317)*	*(32.3)*
4. Fixed assets				
a) investment portfolio	**8,041**	8,088	(47)	(0.6)
b) equity investments	**3,935**	3,703	232	6.3
c) tangible and intangible	**4,754**	4,961	(207)	(4.2)
5. Goodwill arising on consolidation	**707**	733	(26)	(3.5)
6. Goodwill arising on application of the equity method	**146**	54	92	
7. Other assets	**35,531**	34,412	1,119	3.3
Total Assets	**282,036**	280,570	1,466	0.5

Liabilities and Shareholders' Equity	31/3/2003	31/12/2002 pro forma [1]	Changes	
			amount	%
1. Debts				
– due to customers	**114,378**	112,952	1,426	1.3
– securities issued	**55,536**	56,671	(1,135)	(2.0)
– due to banks	**44,297**	45,252	(955)	(2.1)
2. Allowances with specific purpose	**5,657**	5,416	241	4.4
3. Other liabilities	**36,093**	33,853	2,240	6.6
4. Allowances for possible loan losses	**51**	50	1	2.0
5. Subordinated and perpetual liabilities	**11,442**	11,649	(207)	(1.8)
6. Minority interests	**783**	776	7	0.9
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,456**	13,721	(265)	(1.9)
– negative goodwill arising on consolidation	**29**	29	–	–
– negative goodwill arising on application of the equity method	**1**	1	–	–
– net income for the period	**313**	200	113	56.5
Total Liabilities and Shareholders' Equity	**282,036**	280,570	1,466	0.5

Indirect customer deposits	**290,566**	299,460	(8,894)	(3.0)

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

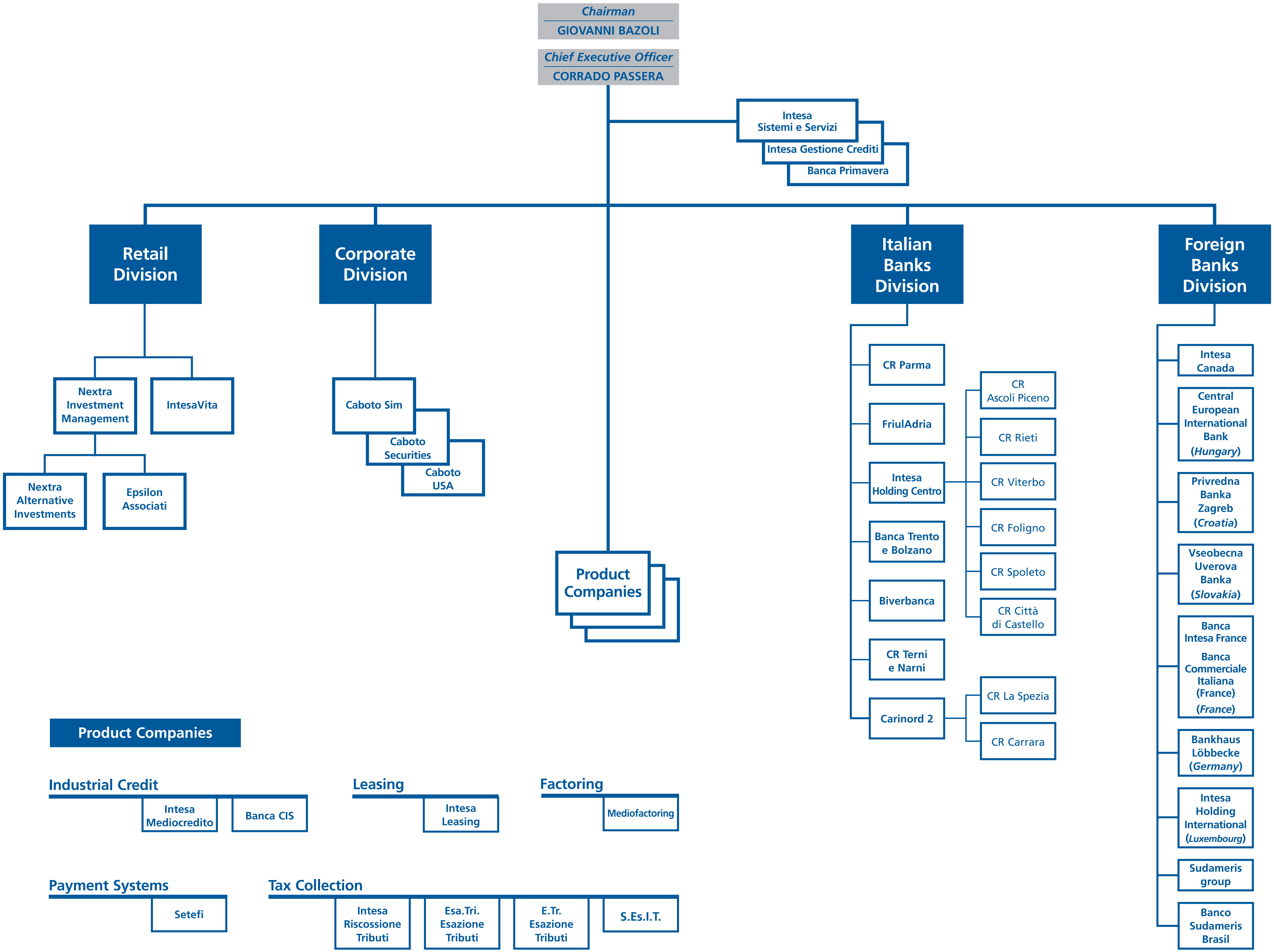
Assets	2003	2002 [1]			
	31/3	31/12	30/9	30/6	31/3
1. Cash and deposits with central banks and post offices	**1,382**	1,667	1,517	1,439	1,697
2. Loans					
– loans to customers	**165,201**	168,259	169,022	176,172	179,129
– due from banks	**32,904**	30,534	37,113	38,206	43,329
3. Trading portfolio	**29,435**	28,159	32,443	38,150	41,715
including Own shares	***664***	*981*	*–*	*9*	*8*
4. Fixed assets					
a) investment portfolio	**8,041**	8,088	9,252	9,599	11,098
b) equity investments	**3,935**	3,703	4,551	4,269	4,680
c) tangible and intangible	**4,754**	4,961	4,977	4,992	5,177
5. Goodwill arising on consolidation	**707**	733	754	771	637
6. Goodwill arising on application of the equity method	**146**	54	10	16	39
7. Other assets	**35,531**	34,412	31,719	30,586	30,071
Total Assets	**282,036**	280,570	291,358	304,200	317,572

Liabilities and Shareholders' Equity	2003	2002 [1]			
	31/3	31/12	30/9	30/6	31/3
1. Debts					
– due to customers	**114,378**	112,952	113,204	111,861	114,233
– securities issued	**55,536**	56,671	56,165	59,300	60,198
– due to banks	**44,297**	45,252	56,060	65,973	78,299
2. Allowances with specific purpose	**5,657**	5,416	5,086	5,183	5,693
3. Other liabilities	**36,093**	33,853	34,352	35,327	32,440
4. Allowances for possible loan losses	**51**	50	147	146	157
5. Subordinated and perpetual liabilities	**11,442**	11,649	11,764	11,690	11,371
6. Minority interests	**783**	776	817	816	933
7. Shareholders' equity					
– share capital, reserves and reserve for general banking risks	**13,456**	13,721	13,677	13,760	13,807
– negative goodwill arising on consolidation	**29**	29	29	29	15
– negative goodwill arising on application of the equity method	**1**	1	1	1	1
– net income for the period	**313**	200	56	114	425
Total Liabilities and Shareholders' Equity	**282,036**	280,570	291,358	304,200	317,572

Indirect customer deposits	**290,566**	299,460	302,501	313,695	321,061

[1] Figures restated on a consistent basis.

Main Group companies (updated as at 31st March 2003)



Report on operations

Accounting criteria and consolidation area

Accounting criteria

The Quarterly Report as at 31st March 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.
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, 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

Compared to the composition of the Group as at 31st December 2002, no substantial variations in the area of full consolidation occurred. The changes solely refer to the exit of IntesaBci Bank (Suisse), sold, and of Finreme Sim, which was merged in Banca Intesa with accounting effects as of 1st January 2003. There are no new inclusions.

It must be noted that at the end of March Banco Sudameris Brasil was transferred under the direct control of the Parent Company Banca Intesa. This did not lead to any variations in the consolidation area.

The changes compared to the consolidation area as at 31st March 2002 are more important: the most significant changes refer to the exclusion of Banco di Chiavari e della Riviera Ligure and of Banco Sudameris Argentina, and the inclusion of the Vseobecna Uverova Banka group, of Cassa di Risparmio di Terni e Narni and of Cassa di Risparmio di Alessandria.

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 specific Consob instructions concerning issues relative to determination of interest income, the decisions illustrated in the Reports on operations in the Annual Reports 2001 and 2002 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 31st March 2003 of the Ministry of the Economy and Finance which set the interest rate to be applied at the time of renegotiation at 12.61%. Excess interest on unsubsidised fixed rate mortgages to be returned to customers, subsequent to flattening of interest rates to those set forth by specific laws, have already been reimbursed.

Banca Intesa confirms that, 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 in previous years using the anatocism criterion.

Information regarding half-year figures as at 30th June 2003

Banca Intesa notifies that – pursuant to provisions set forth in Art. 82, par. 2, of Consob Resolution 11971– the Half-Year Report as at 30th June 2003 will be available for Shareholders and the market within the maximum term of 75 days, instead of the quarterly report as at 30th June 2003.

Economic results in the period

CONSOLIDATED STATEMENT OF INCOME

General aspects

As already described in the introduction, the Group's economic results – if analysed considering the quarterly development in the period of implementation of the Business Plan – show, in the first period of 2003, appreciable signs of recovery. These provide concrete evidence of the validity of the strategic decisions taken, and of the determination with which they have been implemented, to pursue the relaunch of the Group, that will continue for the whole of 2003 and the following two years.

Progress is particularly evident in operating margin, and is mostly due to higher efficiency and cost containment and to a lesser extent to net interest and other banking income which slightly increased but was negatively affected by the delayed economic recovery.

Also income from operating activities evidenced the positive results of the turnaround process, while net income compared to the figure for the first quarter of 2002, was affected by the reduction in extraordinary components as detailed below.

Interest margin

Interest margin (1,422 million euro) had started to decline in 2002 and recorded a 6.9% decrease compared to the first quarter of the previous year. The decrease stemmed from i) the trends registered by the two variables, interest rates and average intermediated volumes – according to the different economic contexts in which the Group operates – and ii) the effects of the downsizing of activities carried out by foreign branches.

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Net interest income with customers				
• interest income	**2,239**	2,594	(355)	(13.7)
• interest expense	**(472)**	(672)	(200)	(29.8)
• interest expense on securities issued	**(497)**	(582)	(85)	(14.6)
• interest expense on subordinated liabilities	**(153)**	(158)	(5)	(3.2)
	1,117	1,182	(65)	(5.5)
Interest income on securities	**389**	565	(176)	(31.2)
Net interest income with banks				
• interest income	**321**	504	(183)	(36.3)
• interest expense	**(379)**	(633)	(254)	(40.1)
	(58)	(129)	(71)	(55.0)
Differentials on hedge contracts	**(79)**	(130)	(51)	(39.2)
Other interest (net)	**8**	8	–	–
Total net interest income	**1,377**	1,496	(119)	(8.0)
Dividends and other revenues	**25**	19	6	31.6
Income from investments carried at equity	**20**	12	8	66.7
Interest margin	**1,422**	1,527	(105)	(6.9)

Another factor which contributed to depress economic results was the devaluation of the South-American currencies in 2002, which, to some extent, make the two periods not comparable. In fact, net of this effect, the decrease in the margin would have been little over 3%.

Interest rates, especially on the Italian market, continued the downward trend which started some time ago, with a more marked descent for interest rates on loans compared to interest rates on deposits and consequent contractions in the spread, estimated – for the entire banking industry and comparing the two reference periods – in approximately 10 basis points for short-term rates and 15 basis points for medium-long term rates.
At the same time – as already mentioned – both the uncertainty on the timing and extent of the economic recovery and the unfavourable trend recorded by stock markets contributed to orient customer resources to bank deposits and slowed down demand for loans, especially for short-term loans thus leading to the worsening of the margin under examination. In addition to these factors, which affected the entire banking industry, certain circumstances specific to our Group and some decisions taken in the Business Plan also affected the margin. The exit from certain business areas, especially on foreign markets, led to a drastic reduction in loans and deposits, amounting to approximately 14 billion euro and a contraction in interest margin of approximately 70 million euro with respect to the analogous period of the previous year, of which 31 million euro connected to the aforementioned downsizing of the operations of foreign branches (with respect to the fourth quarter of 2002 the decrease was 27 million euro).

The motivations highlighted above led to a 5.5% reduction in net interest income from customers. As concerns net interest income on interbank relations, the benefit from the further reduction in interest due to banks was not sufficient to offset lower interest income on the non-equity securities portfolio, originated both from the reduction in the size of the portfolio, following precise strategic decisions implemented during the whole of 2002, and the continuous reduction in the return on securities.
Again compared to the first quarter of 2002, a lower negative contribution came from the differentials on hedging transactions.

Dividends showed – also considering evolution over time and seasonal characteristics – a regular trend. A similar regularity was recorded by income from investments carried at equity.

Net interest and other banking income

Net interest and other banking income equalled 2,514 million euro, only slightly lower (–3%) than in the corresponding period of 2002 while it remained practically stable net of the aforementioned foreign exchange effect.
Conversely, the margin showed significant progress compared to the previous two quarters; this improvement was mostly due to the excellent trend recorded by profits on financial transactions, which more than offset the contraction in other net operating income, in presence of the practical stability of net commissions.

Net commissions

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Commercial banking activities	**339**	313	26	8.3
Management, dealing and consultancy	**328**	406	(78)	(19.2)
Tax collection	**47**	43	4	9.3
Other net commissions	**90**	93	(3)	(3.2)
Total net commissions	**804**	855	(51)	(6.0)

Commissions (– 6% on an annual basis) continued in this first part of the year to be affected by the uncertainty which characterised financial markets, that are still influenced by strong volatility.
In fact, compared to the first quarter of 2002, net commissions on management, dealing and consulting recorded an approximately 19% decrease, with particularly significant drops in commissions on dealing in and placement of securities and asset management. Conversely, commissions related to commercial banking activities increased (+ 8.3%), with a significant rise in both commissions on plastic cards, and on tax collection services (+ 9.3%).

The comparison with the last quarter of 2002 showed a completely different picture, with the confirmation of commissions on commercial banking activities and a promising recovery in commissions on financial activities, while commissions on tax collection activities – which are subject to seasonal trends and to legislative uncertainty – recorded a marked reduction (– 22 million euro).

Other net operating income

Also other net operating income registered an overall contraction of approximately 20% compared to the first quarter of 2002, but the analysis of its quarterly development shows that this caption fluctuates, sometimes significantly, especially on registration of profits and losses from merchant banking activities. In particular, in the fourth quarter of 2002 this caption recorded the substantial capital gains realised on the securitisation of performing mortgages.

Profits (Losses) on financial transactions

As mentioned above, the most significant contribution to net interest and other banking income came from profits on financial transactions. The relative net profits reached 194 million euro and were ascribable for over 75% to the Parent Company and the subsidiary Caboto.

In particular, this area which includes the economic results registered on operations on the bond, interest rate derivatives and structured product markets as well as the relative valuation effects, showed a very positive trend and represented the highest absolute contribution to the caption.
This contribution was attributable for approximately 46% to activities carried out in this sector by Caboto, for approximately 20% by Banca Intesa, while the residual portion derived from the operations of the other Group entities, in particular by the South-American network.

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Interest rates	**105**	19	86	
Equity	**45**	26	19	73.1
Foreign exchange	**34**	66	(32)	(48.5)
Credit derivatives (trading book)	**10**	(17)	27	
Profits (Losses) on financial transactions	**194**	94	100	106.4

Transactions on equities were mainly carried out by the Parent Company (approximately 55%) and Caboto and further improved the already positive results of the comparison period.

The contribution of activities on currencies recorded a significant decrease, deriving from the combined effect of the positive contribution from the Parent Company, which was more than offset by the negative contribution of the South-American network.

Lastly, the results recorded by operations on credit derivatives in the trading portfolio – entirely attributable to the Parent Company – inverted the negative sign which had emerged as at 31st March 2002.

Operating margin

Operating margin equalled 921 million euro, with a 12.3% increase compared to the first quarter of 2002 (approximately 17% net of the foreign exchange effect). This figure is even more significant if analysed in its quarterly evolution, since it had to recover the loss in profitability recorded in the second part of 2002, which had reached its lowest level in the fourth quarter.

The Group generated this result after the registration of operating costs of 1,593 million euro, which marked a reduction in excess of 10% on the corresponding quarter of 2002 and confirmed the effectiveness of the containment actions which Banca Intesa and all the other Group companies started to implement as of the second half of 2002.

Operating costs

Structure costs are the sum of personnel expenses amounting to 895 million euro, other administrative costs amounting to 536 million euro and adjustments to fixed assets and intangibles amounting to 162 million euro.
The decrease with respect to the first quarter of 2002 (–10.2%) remained absolutely noteworthy even net of the foreign exchange effect, and totalled approximately 7%.

The following table shows breakdown of operating costs.

Personnel costs are among the areas in which the most important savings were achieved. Payroll decreased by 92 million euro (–9.3%), essentially due to the reduction in the number of employees attributable to both physiological turnover and incentive-driven exit plans, while the first effects of the special provisions set forth by Ministerial Decree 158 of 2000 will become fully evident starting from April 2003.
The Group's average number of employees recorded an approximately 2,400 unit reduction from March 2002 (approximately –2,500 in terms of end-of-period figures).

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Payroll	**895**	987	(92)	(9.3)
Administrative costs				
General structure costs	**173**	228	(55)	(24.1)
IT expenses	**105**	82	23	28.0
Indirect taxes and duties	**94**	107	(13)	(12.1)
Legal and professional expenses	**43**	67	(24)	(35.8)
Other costs	**121**	136	(15)	(11.0)
	536	620	(84)	(13.5)
Adjustments to				
• intangibles	**76**	72	4	5.6
• fixed assets	**86**	94	(8)	(8.5)
	162	166	(4)	(2.4)
Operating costs	**1,593**	1,773	(180)	(10.2)

Interventions aimed at containing costs also led to an 84 million euro decrease in other administrative costs (– 13.5%). Actions taken are beginning to show the first results in terms of a reduction especially in general structure costs (– 24.1%) and legal and professional expenses (– 35.8%) while IT expenses increased (+ 28%), due to the numerous projects under implementation, at the Parent Company and at certain subsidiaries, aimed at improving customer services and developing new products. Depreciation and amortisation of tangible and intangible fixed assets remained practically stable.

Income from operating activities

Income from operating activities totalled 534 million euro, 1.3% higher with respect to the result of the corresponding period of 2002.
If analysed in the period of activation of the Business Plan, it is an important result, achieved after adjustments and provisions deemed to be physiological in the current economic context, determined with utmost attention to difficult situations and applying the usual rigorous valuation criteria.

Adjustments, write-backs and provisions

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Net adjustments to loans				
• doubtful loans	**(104)**	(76)	28	36.8
• substandard loans	**(120)**	(65)	55	84.6
• restructured loans and loans under restructuring	**(6)**	–	6	
• loans subject to Country risk	**(23)**	(15)	8	53.3
• other	**(49)**	(27)	22	81.5
Net provisions for guarantees and commitments	**21**	5	16	
	(281)	(178)	103	57.9
Provisions for possible loan losses	**(3)**	(18)	(15)	(83.3)
	(284)	(196)	88	44.9
Provisions for risks and charges	**(38)**	(62)	(24)	(38.7)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(32)**	(23)	9	39.1
Adjustments to financial fixed assets	**(36)**	(17)	19	
Write-back of financial fixed assets	**3**	5	(2)	(40.0)
	(33)	(12)	21	
Total, net	**(387)**	(293)	94	32.1

The comparison of adjustments to fixed assets recorded in the first quarter of 2003 and those registered in previous periods must necessarily consider the extremely different scenarios in which they emerged.
As at March 2002, certain critical situations – involving important international groups and entire geographic areas – had not yet completely emerged. In subsequent quarters these led to record considerable write-downs.
In fact, net adjustments to loans – 284 million euro, more than half of which referred to the Parent Company – showed an approximately 45% increase compared to the same quarter of 2002, but were far lower than those recorded on average in the subsequent periods of last year.

Provisions for risks and charges amounted to 38 million euro (– 39% with respect to March 2002), after the peaks recorded in 2002 mostly attributable to the deterioration of the economic situation of certain South-American subsidiaries.

Net adjustments to financial fixed assets (33 million euro), must be compared to 12 million euro of March 2002, after having reached a maximum level exceeding 200 million euro in the fourth quarter of 2002, essentially due to the write-downs on unconsolidated equity investments in banks.

Lastly, adjustments to goodwill arising on consolidation and on application of the equity method reflected the amortisation of goodwill in the consolidated accounts at the respective reference dates.

Income from extraordinary activities and net income

Extraordinary income totalled 92 million euro and extraordinary charges amounted to 62 million euro; therefore net extraordinary income equalled 30 million euro.

The quarter which closed last 31st March benefited from far lower net extraordinary income than in the reference period, which had recorded, among other things, 183 million euro of extraordinary income due to the marking-to-market of the *Warrants Put IntesaBci*.

Even without significant extraordinary components, the first quarter of 2003 closed – after taxes for the period and minority interests – with a net income of 313 million euro.

(in millions of euro)

Captions	31/3/2003	31/3/2002 pro forma	Changes	
			amount	%
Income (Loss) from operating activities	**534**	527	7	1.3
Extraordinary income	**92**	307	(215)	(70.0)
Extraordinary charges	**(62)**	(68)	(6)	(8.8)
Extraordinary income (loss), net	**30**	239	(209)	(87.4)
Taxes for the period	**(233)**	(317)	(84)	(26.5)
Use of allowance for risks and charges arising on consolidation	**2**	1	1	
Change in the reserve for general banking risks	**–**	1	(1)	
Minority interests	**(20)**	(26)	(6)	(23.1)
Net income for the period	**313**	425	(112)	(26.4)

Main balance sheet aggregates

Loans to customers

Loans to customers as at 31st March 2003 equalled 165,201 million euro, with a moderate decrease (– 1.8%) compared to the end of the previous year, which had registered a significant contraction in exposures, especially to large groups and, in particular, in exposures related to foreign branches, as a consequence of a precise strategic decision set out in the Business Plan. In the period, risk-weighted exposure to large groups recorded an approximately 4 billion euro decrease and the financing granted to the special purpose vehicle company "Sec. 2" was extinguished. The loan was related to the sale of performing mortgages amounting to 2 billion euro which commenced at the end of last year and was completed in January 2003.

As at 31st March 2002 loans to customers granted by foreign branches summed up to 18.5 billion euro; as at 31st December 2002 their volume had decreased to 10.9 billion euro, to decrease further to 9.4 billion euro in March 2003, with negative growth rates compared to the two previous reference dates of 49% and 14% respectively.

Breakdown of loans to customers showed that current volumes resulted from differentiated trends recorded by the various loan types. In fact, mortgages and repurchase agreements increased (+ 5.1% and + 36.3% respectively), current accounts remained practically unchanged, while advances and other loans recorded a decrease slightly over 9%, essentially due to the foreign network, attributable to both branches and controlled banks.

(in millions of euro)

Subcaptions	31/3/2003	31/12/2002 pro forma	Changes	
			amount	%
Current accounts	**24,804**	24,604	200	0.8
Mortgages	**59,982**	57,090	2,892	5.1
Advances and other loans	**70,424**	77,760	(7,336)	(9.4)
Repurchase agreements	**4,712**	3,457	1,255	36.3
Doubtful loans	**5,279**	5,348	(69)	(1.3)
Total loans	**165,201**	168,259	(3,058)	(1.8)

The table below confirms, overall, the same geographic breakdown of loans to customers as at 31st December 2002 showing the net prevalence of loans granted to Italian counterparties, which represented over 80% of the total with particular concentration in North West Italy, while the remaining portion for one third had been granted to borrowers in other EU Countries and for two thirds to non-EU borrowers.

Geographic areas	31/3/2003	31/12/2002
North West	43.2%	44.6%
North East	15.3%	14.5%
Centre	14.8%	13.8%
South and Isles	9.2%	9.0%
Total Italy	**82.5%**	**81.9%**
France	1.2%	1.1%
Portugal	0.9%	0.9%
Germany	0.7%	0.6%
Spain	0.4%	0.5%
Holland	0.6%	0.4%
Belgium	0.2%	0.2%
Ireland	0.2%	0.2%
Luxembourg	0.5%	0.2%
United Kingdom	1.3%	1.4%
Other EU Countries	0.0%	0.9%
Total EU Countries	**6.0%**	**6.4%**
United States of America	2.7%	2.8%
Croatia	1.4%	1.5%
Brazil	1.2%	1.3%
Hungary	1.4%	1.3%
Peru	0.8%	0.9%
Slovakia	0.6%	0.7%
Other non-EU Countries	3.4%	3.2%
Total other non-EU Countries	**11.5%**	**11.7%**
Total loans to customers	**100.0%**	**100.0%**

Breakdown of loans by borrowing counterparty confirmed the traditional prevalence of loans granted to non-financial companies (over 65% of the total) and the importance of consumer families and other categories which received over 23% of total disbursements.

(in millions of euro)

Counterparties	31/3/2003	31/12/2002
Governments	2,636	2,805
Other public agencies	3,835	4,203
Financial institutions	11,905	14,234
Non-financial companies and family-run businesses	108,495	108,146
• *wholesale and retail trade, recovery and repairs*	*16,717*	*16,646*
• *construction and public works*	*10,271*	*9,834*
• *food products, beverages and tobacco-based products*	*4,633*	*4,888*
• *textiles, leather and footwear, clothing*	*4,568*	*4,644*
• *agricultural and industrial machinery*	*4,094*	*4,431*
• *metal products, excluding cars and means of transport*	*4,271*	*4,340*
• *energy products*	*4,684*	*4,155*
• *chemical products*	*3,249*	*3,202*
• *electric materials and supplies*	*2,887*	*3,048*
• *other industrial products*	*3,071*	*3,036*
• *agricultural and forestry products and fishing*	*3,412*	*2,957*
• *transport*	*2,171*	*2,245*
• *paper, paper products, printed products and publishing*	*2,118*	*2,184*
• *minerals and non-metallic mineral based products*	*2,239*	*2,156*
• *rubber and plastic products*	*1,895*	*2,025*
• *other services for sale*	*24,219*	*24,252*
• *other non-financial companies*	*13,996*	*14,103*
Other	38,330	38,871
Total	**165,201**	**168,259**

Non-performing loans and Country risk

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

Net doubtful loans decreased to 5,279 million euro (–1.3%) with a percentage incidence on total loans as in December (3.2%) and an approximately 63% coverage of gross doubtful loans.

Substandard loans (4,216 million euro; –1.1%) also declined compared to the end of the previous year and therefore interrupted the significant growth which had occurred in 2002.

(in millions of euro)

	31/3/2003			31/12/2002 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	20,752	(10,256)	10,496	21,128	(10,537)	10,591
• *doubtful loans*	*14,136*	*(8,857)*	*5,279*	*14,239*	*(8,891)*	*5,348*
• *substandard loans*	*5,390*	*(1,174)*	*4,216*	*5,669*	*(1,405)*	*4,264*
• *restructured loans and loans under restructuring*	*473*	*(140)*	*333*	*432*	*(151)*	*281*
• *loans subject to Country risk*	*753*	*(85)*	*668*	*788*	*(90)*	*698*
Performing loans	155,732	(1,027)	154,705	158,757	(1,089)	157,668
Total	**176,484**	**(11,283)**	**165,201**	179,885	(11,626)	168,259

(in millions of euro)

Counterparties	31/3/2003	31/12/2002
Financial institutions	259	368
Non-financial companies and family-run businesses	7,560	7,535
• *construction and public works*	*1,489*	*1,504*
• *wholesale and retail trade, recovery and repairs*	*1,162*	*1,105*
• *textiles, leather and footwear, clothing*	*320*	*292*
• *food products, beverages and tobacco-based products*	*291*	*292*
• *agricultural and forestry products and fishing*	*265*	*275*
• *hotels and catering*	*294*	*231*
• *metal products, excluding cars and means of transport*	*219*	*224*
• *other industrial products*	*168*	*207*
• *agricultural and industrial machinery*	*185*	*185*
• *electric materials and supplies*	*143*	*167*
• *transport*	*208*	*164*
• *communication services*	*6*	*138*
• *sea and air carriers*	*145*	*125*
• *energy products*	*103*	*118*
• *minerals and non-metal mineral based products*	*125*	*114*
• *other services for sale*	*1,869*	*1,881*
• *other non-financial companies*	*568*	*513*
Other	1,676	1,709
Total	**9,495**	**9,612**

In the table above restructured loans and loans under restructuring are broken down by borrowing counterparty.

The sector in which there is the highest concentration of doubtful and substandard loans is the same as that which has been granted the greatest portion of loans, i.e. non-financial companies and family-run businesses. Doubtful and substandard loans to this sector are concentrated for approximately 60% to companies operating in the construction, commerce and services for sale sectors. The drastic drop registered in the communication sector was essentially due to the sale of loans granted to Worldcom.

Restructured loans and loans under restructuring and loans subject to Country risk, though on absolute values far lower than other types of non-performing loans, showed opposite trends: the former increased to 333 million euro (+18.5%) while the latter decreased to 668 million euro (–4.3%).

As shown in the following table, total net on-balance sheet and off-balance sheet exposures to Countries at risk summed up to 1,247 million euro, practically stable on the figure at the end of 2002. Nominal on-balance sheet exposures, also practically in line with December, totalled 1,517 million euro, and adjustments equalled 270 million euro, confirming an approximately 18% coverage, like at the end of last year.
Value at risk totalled 752 million euro, with an approximately 8% growth rate mostly attributable to exposure to Peru following a credit line granted to complete the turnaround currently under way and relaunch the operations of the local subsidiary.

(in millions of euro)

Countries	31/3/2003				31/12/2002 pro forma			
	Non-guaranteed exposure	Value at risk	Adjustments	Net amount	Non-guaranteed exposure	Value at risk	Adjustments	Net amount
Brazil	**827**	**265**	**90**	**737**	851	267	91	760
Peru	**147**	**135**	**27**	**120**	55	46	9	46
Colombia	**77**	**26**	**6**	**71**	82	31	7	75
Argentina	**194**	**194**	**116**	**78**	253	216	129	124
Dutch Antilles	**38**	**16**	**3**	**35**	49	26	5	44
Lebanon	**46**	**8**	**2**	**44**	42	7	2	40
Venezuela	**3**	**3**	**1**	**2**	3	3	1	2
Russia	**23**	**22**	**4**	**19**	24	23	4	20
Jordan	**8**	**1**	**–**	**8**	14	5	1	13
Egypt	**31**	**16**	**3**	**28**	22	11	2	20
Uruguay	**9**	**4**	**1**	**8**	10	4	1	9
Indonesia	**3**	**3**	**1**	**2**	3	3	1	2
Other Countries	**111**	**59**	**16**	**95**	94	52	16	78
Total	**1,517**	**752**	**270**	**1,247**	1,502	694	269	1,233
including								
On-balance sheet loans								
– customers	***753***	***270***	***85***	***668***	*788*	*289*	*90*	*698*
– banks	***318***	***192***	***51***	***267***	*266*	*131*	*52*	*214*
– securities portfolio	***127***	***127***	***68***	***59***	*132*	*132*	*72*	*60*
Off-balance sheet loans								
– customers	***103***	***52***	***18***	***85***	*98*	*52*	*18*	*80*
– banks	***216***	***111***	***48***	***168***	*218*	*90*	*37*	*181*

Customer funds

Direct customer deposits was practically stable and totalled 181,356 million euro. This was the combined result of a decrease in the Parent Company's foreign branches – which follows from a precise strategic decision – offset by the good performance recorded by the domestic network.

As in the case of loans to customers, direct customer deposits of foreign branches amounted to 21.5 billion euro as at 31st March 2002, 12.8 billion euro as at 31st December 2002 (–40%) and 10.4 billion euro as at 31st March 2003 (–19%).

Figures at year-end were instead confirmed by other Group entities.

(in millions of euro)

Subcaptions	31/3/2003	31/12/2002 pro forma	Changes	
			amount	%
Deposits	**11,479**	11,584	(105)	(0.9)
Current accounts and other	**83,805**	87,091	(3,286)	(3.8)
Bonds	**45,434**	44,920	514	1.1
Certificates of deposit	**8,993**	10,330	(1,337)	(12.9)
Other	**5,415**	5,263	152	2.9
Repurchase agreements	**14,788**	10,435	4,353	41.7
Subordinated and perpetual liabilities	**11,442**	11,649	(207)	(1.8)
Total direct deposits	**181,356**	181,272	84	0.0
Indirect customer deposits	**290,566**	299,460	(8,894)	(3.0)
Customer deposits under administration	**471,922**	480,732	(8,810)	(1.8)

As concerns contract types, bond issues remained at the levels reached at the end of December 2002 and repurchase agreements recorded an extremely significant growth rate (over 40%). Conversely, deposits and current accounts taken together registered a 3.4% decrease and certificates of deposit also dropped (approximately – 13%), as a result of the planned downsizing of the operations of foreign branches.

Indirect customer deposits

Indirect customer deposits totalled approximately 291 billion euro with an approximately 3% decline and was still affected by the confidence crisis which hit stock markets, that are still not showing credible signs of recovery.

More specifically, the decrease in indirect customer deposits is exclusively attributable to assets under administration (– 4.9%), while managed funds maintained their position (– 0.2%). This is particularly important since it could lead to an inversion in the trend compared to the negative signs of previous periods. The persistent increase of insurance products must be underlined: technical reserves recorded a 4.5% growth rate.

(in millions of euro)

Subcaptions	31/3/2003	31/12/2002 pro forma	Changes	
			amount	%
Individual portfolio management schemes	**49,997**	50,417	(420)	(0.8)
Assets managed by mutual funds	**87,738**	88,745	(1,007)	(1.1)
Insurance products	**17,328**	16,579	749	4.5
minus Funds from individual portfolios placed in mutual funds	**(31,485)**	(31,964)	(479)	(1.5)
Total managed funds	**123,578**	123,777	(199)	(0.2)
Asset under administration and in custody	**166,988**	175,683	(8,695)	(4.9)
Indirect customer deposits	**290,566**	299,460	(8,894)	(3.0)

Securities portfolio

The securities portfolio as at 31st March 2003 equalled 37,476 million euro, with an approximately 3.4% increase entirely attributable to the equity portfolio at Caboto and, to a lower extent, at the Parent Company for trading near dividend-distribution dates. In fact, as shown in the following table, while the investment portfolio confirmed the same volumes of last December, bonds and Government securities recorded an overall 2.5% decrease.

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

(in millions of euro)

Subcaptions	31/3/2003		Implicit gains/losses	31/12/2002 pro forma		Implicit gains/losses
	Book value	Market value		Book value	Market value	
Investment portfolio	**8,041**	**8,414**	**373**	8,088	8,365	277
Trading portfolio						
– Government securities	**6,847**	**6,847**	**–**	7,328	7,328	–
– Bonds and other debt securities	**17,262**	**17,287**	**25**	17,405	17,426	21
• *listed*	***6,582***	***6,582***	***–***	*5,518*	*5,518*	*–*
• *unlisted*	***10,680***	***10,705***	***25***	*11,887*	*11,908*	*21*
– Shares, quotas and other forms of capital	**4,662**	**4,693**	**31**	2,445	2,470	25
• *listed*	***4,005***	***4,005***	***–***	*1,913*	*1,913*	*–*
• *unlisted*	***657***	***688***	***31***	*532*	*557*	*25*
Total trading portfolio	**28,771**	**28,827**	**56**	27,178	27,224	46
Own shares	**664**	**664**	**–**	981	981	–
Total	**37,476**	**37,905**	**429**	36,247	36,570	323

Equity investments

Equity investments equalled 3,935 million euro, with a 232 million euro increase with respect to the end of the previous year attributable to the purchase of a 1.4% stake in Generali. This investment is aimed at strengthening the collaboration between Banca Intesa and the Generali group, which is crucial for the success of the Business Plan. A first step in this direction was the formation of a joint venture in the bancassurance sector which will be described later.

Furthermore, it must be noted that the sale of Banco di Chiavari e della Riviera Ligure to the Banca Popolare di Lodi group was closed in January 2003, as already described in detail in the Annual report 2002 in the Significant subsequent events section.

Net interbank position

Rebalancing the interbank position is one of the levers with which the Business Plan pursues a more effective liquidity management.

In the quarter, interbank funding showed a further reduction (–22.6%), thus continuing the trend started at the end of last year, and dropped to 11,393 million euro exclusively as a result of the decrease in the “with notice” period component (–43.9%) which more than offset the increase recorded by “on demand” deposits.

(in millions of euro)

Subcaptions	31/3/2003	31/12/2002 pro forma	Changes	
			amount	%
Net interbank position repayable on demand	**(4,685)**	(2,766)	1,919	69.4
Net interbank position with notice period	**(6,708)**	(11,952)	(5,244)	(43.9)
Net interbank position	**(11,393)**	(14,718)	(3,325)	(22.6)

Shareholders' equity and solvency ratios

The Group's shareholders' equity amounted to 13,486 million euro, in addition to 313 million euro of net income for the period as at 31st March 2003. The table below shows the movements in shareholders' equity subcaptions which occurred in the period.

(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				188					(188)	–
– Dividends				(422)					(12)	(434)
Other variations										
– Increase in capital										–
– Transfers within reserves		(6)		6						–
– Changes in the consolidation area				(5)						(5)
– Changes in the reserve for general banking risks						–				–
– Changes in the reserve for foreign exchange differences					(23)					(23)
– Other changes and rounding off				(3)						(3)
Net income for the period									313	313
Balance as at 31st March 2003 (**)	**3,561**	**5,758**	**773**	**3,317**	**(426)**	**115**	**358**	**30**	**313**	**13,799**

(*) Official figures not restated.

(**) The caption Other reserves includes 664 million euro of Reserve for own shares.

(in millions of euro)

Items	Shareholders' equity	including net income for the period as at 31/3/2003
Parent Company's balances as at 31st March 2003	13,639	253
Effect of full and proportional consolidation	847	230
Effect of consolidation of subsidiaries carried at equity	221	20
Adjustments to capital gains from the sale of equity investments	–	(18)
Reversal of write-downs on equity investments	14	14
Reversal of provisions recorded for fiscal purposes	122	6
Amortisation of goodwill arising on consolidation and on application of the equity method	(844)	(32)
Use of allowance for risks and charges arising on consolidation	27	2
Revaluation of real estate	275	(2)
Restatement of goodwill	(29)	2
Dividends collected during the period	–	(1)
Dividend accrued, net of fiscal effects	(120)	(120)
Other changes	(353)	(41)
Consolidated balances as at 31st March 2003	**13,799**	**313**

The table above shows the reconciliation between the Parent Company's shareholders' equity and net income for the period and the same figures in the consolidated accounts.

Shareholders' equity for supervisory purposes amounted to 21,169 million euro – plus 1,146 million euro of Tier 3 subordinated loans – against risk-weighted assets of 198,857 million euro. The total solvency ratio equalled 11.2% and the Tier 1 ratio 6.8%.

The Core Tier 1 ratio, that is the ratio between shareholders' equity for supervisory purposes net of preference shares and risk-weighted assets reached 6%, compared to 5.9% as at 31st December 2002.

(in millions of euro)

Total capital and capital ratios	31/3/2003	31/12/2002
Total capital		
Tier 1 capital	13,610	13,494
Tier 2 capital	8,094	8,192
Items to be deducted	(535)	(630)
Total capital	21,169	21,056
Capital requirements		
Credit risks	14,365	14,611
Market risks	1,304	1,173
Tier 3 subordinated loans	1,146	1,148
Other capital requirements	240	193
Total capital requirements	15,909	15,977
Risk-weighted assets	198,857	199,714
Capital ratios		
Tier 1 / Total risk-weighted assets	6.84%	6.76%
Total capital / Total risk-weighted assets	11.22%	11.12%
Excess capital	5,260	5,079

The Parent Company Banca Intesa

Reclassified statement of income

(in millions of euro)

Captions	31/3/2003	31/3/2002	Changes	
			amount	%
Net interest income	**812**	890	(78)	(8.8)
Dividends and other revenues	**201**	165	36	21.8
Interest margin	**1,013**	1,055	(42)	(4.0)
Net commissions	**469**	504	(35)	(6.9)
Profits (Losses) on financial transactions	**75**	3	72	
Other operating income, net	**52**	58	(6)	(10.3)
Net interest and other banking income	**1,609**	1,620	(11)	(0.7)
Administrative costs	**(917)**	(987)	(70)	(7.1)
including Payroll	***(539)***	*(589)*	*(50)*	*(8.5)*
Other	***(378)***	*(398)*	*(20)*	*(5.0)*
Adjustments to fixed assets and intangibles	**(35)**	(46)	(11)	(23.9)
Operating costs	**(952)**	(1,033)	(81)	(7.8)
Operating margin	**657**	587	70	11.9
Provisions for risks and charges	**(16)**	(26)	(10)	(38.5)
Net adjustments to loans and provisions for possible loan losses	**(166)**	(139)	27	19.4
Net adjustments to financial fixed assets	**(37)**	1	(38)	
Income (Loss) from operating activities	**438**	423	15	3.5
Extraordinary income (loss)	**(15)**	208	(223)	
Income taxes for the period	**(170)**	(230)	(60)	(26.1)
Net income for the period	**253**	401	(148)	(36.9)

Reclassified balance sheet

(in millions of euro)

Assets	31/3/2003	31/12/2002	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**684**	864	(180)	(20.8)
2. Loans				
– loans to customers	**120,181**	122,513	(2,332)	(1.9)
– due from banks	**32,211**	33,891	(1,680)	(5.0)
3. Trading portfolio	**19,833**	19,643	190	1.0
including Own shares	***660***	*980*	*(320)*	*(32.7)*
4. Fixed assets				
a) investment portfolio	**1,367**	1,288	79	6.1
b) equity investments	**13,461**	12,102	1,359	11.2
c) tangible and intangible	**1,505**	2,508	(1,003)	(40.0)
5. Other assets	**21,526**	21,255	271	1.3
Total Assets	**210,768**	214,064	(3,296)	(1.5)

Liabilities and Shareholders' Equity	31/3/2003	31/12/2002	Changes	
			amount	%
1. Debts				
– due to customers	**77,673**	79,650	(1,977)	(2.5)
– securities issued	**46,440**	47,087	(647)	(1.4)
– due to banks	**36,309**	38,161	(1,852)	(4.9)
2. Allowances with specific purpose	**3,580**	3,401	179	5.3
3. Other liabilities	**22,028**	20,637	1,391	6.7
4. Allowances for possible loan losses	**–**	–	–	
5. Subordinated and perpetual liabilities	**11,099**	11,308	(209)	(1.8)
6. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,386**	13,808	(422)	(3.1)
– net income for the period	**253**	12	241	
Total Liabilities and Shareholders' Equity	**210,768**	214,064	(3,296)	(1.5)

Indirect customer deposits	**210,088**	216,260	(6,172)	(2.9)

Comments

The results of the operations of Banca Intesa in the first quarter of 2003 are obviously consistent with those of the Group of which it represents the most significant component. The Parent Company's statement of income, as the consolidated statement of income, registered the first results of the interventions set out in the Business Plan, especially with regard to improved efficiency and cost containment.
In particular, compared to the fourth quarter of 2002, all operating margins increased, with the sole exception of net interest income, which decreased almost entirely as a result of the lower contribution of foreign branches, following the downsizing of their operations, and the shorter reference period.

On an annual basis operating margin presented a significant improvement (+12% approximately), especially as a result of the contraction in operating costs (just under 8%), only partly eroded by the slight decrease in net interest and other banking income (–0.7%).

Value adjustments for credit risk and on financial fixed assets were higher than in the first quarter of 2002 but in any case led to a 3.5% progress in income from operating activities. Such adjustments were far lower than those registered in the last three quarters of 2002.

The lower contribution from extraordinary income, which in the first quarter of 2002 reflected a significant write-back of the *Warrants Put IntesaBci* (183 million euro), led to a decrease in overall profitability.
The statement of income for the period therefore closed with a net income of 253 million euro, lower with respect to 401 million euro of the first quarter of 2002, but far higher than the results achieved in the other quarters of last year.

Interest margin totalled 1,013 million euro, with a 4% decrease entirely attributable to net interest income. This decrease stemmed from the different trends recorded by loans and deposits and from the changes in interest rates on loans and deposits occurred in the twelve months: the faster drop in interest on loans compared to interest rates on deposits led to a progressive contraction in spreads. As concerns in particular operations with customers, intermediated volumes decreased especially with large corporate and foreign counterparties. More specifically, average loan volumes of Italian branches showed a limited contraction in loans to customers – due to a reduction in the short-term component, counterbalanced by a lower growth rate in the longer-term component – while average customer deposits continued to increase, especially for the medium-term component. As concerns interest rates, average figures showed a contraction in both loans and deposits.
Among the other components, noteworthy is the practical elimination of interest due to banks: its decrease offset the contraction in interest generated by portfolio securities, following specific asset allocation interventions.
Dividends (201 million euro) recorded a 21.8% growth rate. Dividends from subsidiaries, accounted for at the time of the generation of income and inclusive of the tax credit, amounted to 181 million euro, while dividends on other equity investments and shares – accounted for on collection – equalled 20 million euro.
The quarterly development of the margin showed a contribution to the statement of income in line with that of the two previous quarters.

Net interest and other banking income totalled 1,609 million euro and was practically in line with the figure for the first quarter of 2002 (–0.7%), thanks to the positive contribution of profits from financial transactions which partly offset the decline in net commissions, which in any case showed a recovery with respect to the two previous quarters.
In fact, net commissions at 469 million euro showed – compared to the figure as at 31st March 2002 – a 6.9% decline, attributable to the negative trend of commissions on management and dealing (–13.8%).
Commissions on commercial banking activities was equal to the first quarter of 2002, also as a result of the contribution of commissions on plastic cards (+36.4%) and current accounts (+2% approximately).
The result of financial transactions, positive for 75 million euro compared to 3 million euro in the first quarter of 2002, showed improvements in all operating areas, despite the difficult market context. In particular:
i) interest rate activities recorded a 20 million euro profit (compared to a 12 million euro loss in the first quarter of 2002), and determined a positive effect on interest

margin of 3 million euro, ii) activities on equities determined a 25 million euro profit (*ex* 23 million euro), iii) operations in currencies and currency derivatives generated a 20 million euro profit (*ex* 9 million euro), and iv) credit derivatives in the trading book determined a 10 million euro profit (*ex* –17 million euro) in addition to a positive effect on interest margin of 3 million euro.
Other net operating income decreased to 52 million euro (–10.3%).
As concerns quarterly development, net interest and other banking income showed a progressive rise starting from the third quarter of 2002.

Thanks to the effective containment of operating costs, operating margin amounted to 657 million euro, with a significant rise compared to the first quarter of 2002 (+11.9%).
In particular, savings referred to both personnel costs, down by 50 million euro to 539 million euro (–8.5%) and other administrative costs, which decreased by 20 million euro to 378 million euro (–5.0%).
As concerns personnel costs, it is worth noting that, as indicated in the reorganisation plan, Intesa Sistemi e Servizi starting from 2003 concentrated its activities on information and communication technology. Therefore, at the beginning of the year, it transferred to Banca Intesa activities dedicated to real estate management and non-IT procurement, back office, general services and consequently the resources dedicated to such activities (1,700 people). This transfer did not have any effects on operating costs, since the relative personnel costs were previously accounted for in other administrative costs as consideration of the services provided by Intesa Sistemi e Servizi to Banca Intesa.
In any case, for the purpose of ensuring a consistent comparison, administrative and personnel costs as at 31st March 2002 have been restated. The consistent figures showed the continuing reduction in personnel costs, due to both the decrease in headcount (net of the aforementioned intergroup transfer) and lower average *per capita* costs, also following the readjustment of variable salary components. The over 2,000 exits connected to the activation of the Solidarity allowance for the banking sector, which occurred as of 1st April 2003, were not included.
As concerns other administrative costs, decreases were recorded on all cost captions, with the sole exceptions of i) rentals (+24% approximately), which increased as a result of new rental charges on the real estate properties sold at the end of 2002 but still used by the Bank, ii) higher IT costs, and iii) depreciation and amortisation charged by Intesa Sistemi e Servizi, especially as concerns software connected to the migration of the former-BCI branches to the target system.
Adjustments to fixed assets and intangibles also decreased, to 35 million euro (approximately –24%), mostly as a result of lower depreciation of real estate following the sales completed at the end of last year.

Income from operating activities amounted to 438 million euro, with a 3.5% increase compared to the first quarter of 2002.
More specifically, net adjustments to loans equalled 166 million euro, with a 19.4% growth rate compared to the first quarter of 2002, but with a significant drop with respect to the subsequent quarters of last year. From this viewpoint it must be recalled that in the first three months of 2002 the problems connected to exposures to important international groups – which led to substantial adjustments already starting from the second quarter – had not yet emerged.
Net adjustments to financial fixed assets (37 million euro), little more than zero in the first quarter of 2002, returned to far lower values than those recorded in the subsequent quarters of the previous year. These had reached a particularly high level at the end of 2002 due to the write-down of the carrying values of the South-American subsidiaries of IntesaBci Holding International.
The most significant write-downs referred to Bayerische Hypo- und Vereinsbank (21 million euro) and equity investments operating in the on-line business (17 million euro).
Provisions for risks and charges, decreased to 16 million euro from 26 million euro in the first quarter of 2002, and referred to provisions for legal disputes and amounts reclaimed for 12 million euro and to provisions for future charges on equity investments for 4 million euro.

The net balance of extraordinary activities showed a loss of 15 million euro compared to a positive balance of 208 million euro in the first quarter of 2002 which – as already mentioned – had benefited from a considerable value recovery on the marking-to-market of the *Warrants Put IntesaBci* (183 million euro) and from capital gains on the sale of real estate (23 million euro). Among income, the most important amount (6 million euro) referred to the value recovery on treasury shares, which are marked-to-market only for the portion that has not been assigned to Shareholders in the allocation of net income for 2002. Among charges, the most important amount referred to integration costs (10 million euro).

The considerable contraction in extraordinary income, explained above, is the sole reason for the reduction in net income which after the registration of income tax of 170 million euro, equalled 253 million euro (401 million euro in the first quarter of 2002). However, the progress in net income for the first quarter of 2003 compared to the last three quarters of 2002 must be underlined.

As concerns balance sheet figures, both lending and deposit collecting with customers showed in the first three months of 2003 downward trends. These were again affected by the programmed reduction in the activities of foreign branches in favour of greater focus on the domestic market.

In particular, loans to customers as at 31st March 2003 amounted to 120,181 million euro with a slight reduction (–1.9%) on the 2002 balance sheet figure mainly due to the aforementioned contraction in loans granted by foreign branches. In the first quarter of 2003, loans granted by units operating abroad recorded a 1.5 billion euro decrease to 9.4 billion euro (–14%).
With regard to the sole units operating in Italy, loans to customers, which amounted to 110,807 million euro, was almost unchanged with respect to as at 31st December 2002 both in terms of period-end figures (–0.7%) and of average volumes (+0.2%).
Breakdown by contract type of period-end loans to customers highlighted increases for mortgages (+1%) and repurchase agreements (+3%), while current accounts and advances and other loans decreased (–2.7% and –3.8%, respectively) also as a result of lower operations at foreign branches.

The trend of non-performing loans showed decreases in doubtful loans (–0.6% to 1,463 million euro), substandard loans (–2.7% to 3,059 million euro) and loans subject to Country risk (–12.8% to 41 million euro), while restructured loans increased (+30.4%) but remained at very contained absolute values (240 million euro). Cumulated provisions determined coverage levels respectively of 57% for doubtful loans and 21% for substandard loans.

Total direct and indirect customer deposits, which as at 31st March 2003 amounted to 340,557 million euro, showed a 2.8.% reduction, due to the trend recorded by both direct deposits (–2.6%), following the marked reduction in foreign branches, and indirect deposits (–2.9%), still negatively affected by the unfavourable financial market situation.
More specifically, *direct customer deposits* (130,469 million euro, net of 4,743 million euro relative to issued bonds and subordinated bonds underwritten by banks) recorded differentiated developments for the units operating in Italy and for foreign branches. The former were practically stable with respect to as at 31st December 2002 (–0.9% to 120,082 million euro), while units operating abroad recorded a substantial decrease (approximately –19%, to 10,387 million euro) as a consequence of the already-mentioned downsizing of their operating activities. As concerns breakdown by contract type, the decreases in current accounts (–3.7%) and in certificates of deposit (–22.3%) were mostly due to foreign branches, while bond issues (+1% approximately) and repurchase agreements (+5.9%) continued to rise.
Indirect deposits, equalling 210,088 million euro, decreased again with respect to as at 31st December 2002 (–2.9%). The decrease is entirely attributable to securities under administration and in custody, while assets under management remained stable.

Securities portfolio, net of treasury shares, amounted to 20,540 million euro, with a 3% increase with respect to the figure in the 2002 financial statements and comprised 1,367 million euro of securities in the investment portfolio and 19,173 million euro of securities in the trading portfolio.
The increase in the portfolio with respect to as at 31st December was entirely attributable to equities, in relation to trading activities near dividend-payment dates.
As concerns treasury shares, it must be noted that over 159 million shares were assigned for free to Shareholders following the resolution of the Shareholders' Meeting of last 16th April.

Breakdown of consolidated results by business area

(in millions of euro)

	31/3/2003						
	Retail Division	Italian Banks Division	Product Companies	Corporate Division	Foreign Banks Division	Central Structures	Total
Net interest and other banking income	1,119	354	179	432	369	61	2,514
Operating costs	(820)	(205)	(79)	(143)	(233)	(113)	(1,593)
Operating margin	299	149	100	289	136	(52)	921
Provisions and net adjustments to loans and financial fixed assets	(70)	(20)	(42)	(22)	(100)	(133)	(387)
Income (Loss) from operating activities	229	129	58	267	36	(185)	534
Extraordinary income (loss)	–	(1)	9	–	–	22	30
Use of allowance for risks and charges arising on consolidation / Change in the reserve for general banking risks	–	–	–	–	–	2	2
Income (Loss) before taxes and minority interest	229	128	67	267	36	(161)	566
Rwa (billions of euro)	55.3	20.6	25.5	63.8	18.8	14.9	198.9
Allocated capital (billions of euro)	3.7	1.2	1.5	3.8	1.1	1.0	12.3
Income from operating activities on allocated capital	25.4%	42.4%	15.3%	28.4%	12.9%	n.s.	17.5%

Retail Division

As already indicated in the 2002 financial statements, the Retail Division represents the Group component in which the greatest efforts are concentrated in the development of the Group's growth potential.
To this purpose numerous initiatives are under way to improve the customer service: i) introducing new branch operations, ii) completing the migration of the IT systems, iii) developing multichannel access and iv) rationalising the product range, which however will produce significant effects only in the last part of the year.
The results of these initiatives will become increasingly evident with the progress of the implementation of the Business Plan but certain effects already started to be visible.
In fact, the quarter recorded a higher income from operating activities (229 million euro), due for 201 million euro to the operations of the Parent Company's domestic network.

The equity investments in the wealth management and e-business sectors – which are specialised in offering services to retail customers – are included in the Retail Division.

The important corporate operations, characterising the asset management sector in 2002, determined a substantial change in the activities of Intesa Holding Asset Management, which took the role of holding company in that sector.
The first quarter of 2003 closed with a net income of 6.8 million euro.

Nextra Investment Management sgr, which operates in mutual funds/sicavs offering 131 funds of the various types, in

individual portfolio management schemes (Gpf, Gpm and Gpi), in real estate funds and in pension funds, closed the first quarter of 2003 with managed assets amounting to 103 billion euro, slightly up from December 2002. As at 31st March 2003, the company was positioned in second place in the ranking of the Italian sgr with respect to assets managed in mutual funds and sicavs.
Net income as at the end of March 2003 amounted to 9.8 million euro, with a 14.5% reduction from the corresponding figure in 2002.
Nextra Investment Management controls two companies, Nextra Alternative Investment sgr operating in the management of hedge funds and Epsilon Associati sgr operating in collective asset management, with a quantitative approach. Both companies closed the first quarter of 2003 with a positive net income, 0.3 million euro and approximately 0.1 million euro respectively.

Intesa Previdenza (formerly sim.Co.Ge.F.), the first Italian company specialised in complementary pension funds, closed the first quarter of 2003 with a loss of 0.2 million euro.

IntesaVita closed the first quarter of 2003 with a net income of 5.7 million euro, with an approximately 16% increase from 31st March 2002 also due to the launch of a "guaranteed-minimum-return" policy linked to a dedicated asset management scheme.
In the first quarter the company issued premiums totalling 460 million euro, up by 30% compared to the same period in 2002. Technical reserves as at 31st March 2003 reached 7,440 million euro with respect to 7,082 million euro in December 2002 (+5%).
In March 2003, Gruppo Intesa and the Generali group signed an agreement to concentrate life-bancassurance activities. The new company – which will be named Intesa Vita, will be a joint venture of Banca Intesa, Alleanza Assicurazioni and, probably, a third shareholder – will be operational in the second half of 2003, will hold reserves exceeding 16 billion euro and premiums amounting to 3-4 billion euro per annum.

Intesa e.lab and its subsidiaries have initiated a number of projects aimed at rationalising the operations of the remote channels and making them more effective, through the integration of the various entities, in terms of both resources and technological platforms.
The objective of these projects is to offer Banca Intesa's customers products and services characterised by high levels of multichannel access, in line with the objectives of the Business Plan, which foresees to serve one third of customers through remote channels by 2005.
In the first quarter of 2003 the subsidiaries IntesaTrade, FundsWorld, Shoplà and Charta, operating in the Internet sector, registered a loss of approximately 1.3 million euro as a result of the persisting difficulties of financial markets and of the on-line sector.

Corporate Division

The Corporate Division is responsible for the management and development of relations with the large Italian and international groups, of the larger mid-corporate relations, of relations with the State and public administrations as well as of relations with financial institutions.
Already in the first quarter of this year, the Corporate Division enjoyed the benefits derived from the implementation of its overall reorganisation and registered an income from operating activities amounting to 267 million euro.

Also in the first months of 2003, the management of the relations with the Fiat group was very important.
During the first quarter of this year, Banca Intesa, together with other three banks, reached an agreement for the acquisition from Fiat Auto of 51% of Fidis Retail Italia, the Fiat group's company in charge of the activities related to financing by instalments retail customers for the purchase of cars and commercial vehicles.
The overall investment is estimated at 370 million euro, of which approximately one fourth to be covered by Banca Intesa, in line with equity values. The equity investment will be held by the four banks through the newly-established company Fidis Retail Holding.
Fidis Retail Italia operates in Italy and in other 11 European Countries, with approximately 1,200 employees and a distribution structure consisting of approximately 1,900 Fiat concessionaires. The group boasts 1.5 million active customers and 6.9 billion euro of net loans as at June 2002. With regard to liabilities, the four banks subscribed, for equal amounts, a financing in favour of Fidis Retail Italia totalling 2.5 billion euro, which

will be used to reinburse its exposure toward Fiat, in compliance with the provisions set forth by the General Agreement signed by Fiat and the Financing Banks on 27th May 2002.

During the first quarter, the 2.1 billion euro capital increase for Edison was also initiated. This operation was completed on 5th May with the subscription by Banca Intesa of 56 million euro of shares and 56 million euro of warrants at market conditions.
The overall investment amounted to 56 million euro corresponding to a 1.4% stake of Edison's capital.

In line with the strategy set out in the Group's three-year plan, in the first quarter of 2003 the co-operation with the Retail Division and the Corporate Division enabled Caboto Intesa sim to achieve important results in the derivative sector, including: i) the successful placement of structured products for the Bank and ii) the strong rise in operations with Corporate and Business customers, in terms of both profitability and new customers.
In the Equity area the company held a strong position in derivative market making activities reaching, in the quarter, a 13.4% market share in equity options and a 23.5% market share in stock-futures.
The first quarter of 2003 closed with a net income of 35.9 million euro, compared to 14.6 million euro in the first quarter of 2002. Net interest and other banking income rose by 61.9% (93.6 million euro) and evidenced a more balanced distribution of revenues among the various operating activities with respect to the same period the previous year.

The persisting uncertainties characterising international markets negatively affected the three main sectors in which operates Société Européenne de Banque – SEB (private banking, corporate activities and mutual funds), which closed the first quarter of 2003 with a net income of 2.9 million euro, approximately 17% lower than the result recorded in the first quarter of 2002.

IntesaBci Bank (Ireland) closed the first quarter of 2003 with a net income of approximately 9 million euro, compared to 3.9 million euro in the same period the previous year.

In the first quarter, the deep reorganisation of the role and operations of the Parent Company's foreign branches continued.
In this framework, the Los Angeles branch was closed and a new Representative Office will be shortly established in Tunis.

Italian Banks Division

In the first three months of the year, the overall performance of the Group's Italian banks was very positive. The net result was generally better than that achieved in the first quarter of 2002, even considerably better in certain cases, whereas loans to customers and customer deposits stood at last December levels.

Cassa di Risparmio di Parma e Piacenza started 2003 very positively: net income for the first three months amounted to 42 million euro, compared to 32.6 million euro in the same period of the previous year.
This result reflected the improvement in interest margin (+ 4.4%), mainly due to higher volumes, and the rise in net commissions (+ 9.7%), mostly resulting from the placement of financial products, particularly in the bancassurance sector.
Operating costs decreased (– 7%), while adjustments to loans and provisions for risks and charges remained at physiological levels.
The main balance sheet aggregates virtually confirmed the figures as at December 2002 with regard to loans (8,814 million euro) and to direct customer deposits (10,604 million euro). Indirect deposits, amounting to 21,518 million euro, registered a 3.4% reduction.

In the first quarter of 2003, Banca Popolare FriulAdria registered a net income (8.7 million euro) practically equal to the one recorded in the same period of the previous year.
Interest margin equalled 29.2 million euro and recorded a 3.1% reduction from the same period a year earlier, resulting from a contraction in traded volumes for the financial component and, to a lower extent, from a drop in interest rates. The statement of income aggregates resulted practically in line with the first quarter of 2002, with the exception of operating costs which recorded a 5.9% reduction (31.7 million euro).
With regard to balance sheet figures, in the first quarter of 2003 loans slightly increased from December 2002 (2,621 million euro; + 2.2%), while direct deposits (2,660 million euro) were virtually in line with the end of 2002. Also indirect deposits (4,830 million euro) were unchanged from year-end.

During the first quarter of 2003, Banca di Trento e Bolzano achieved a net income of 3.3 million euro, 50% higher than the net income recorded in the same period the previous year. This result reflected the positive performance of almost all statement of income aggregates compared to the first quarter of 2002. In particular, interest margin, 11.1 million euro, rose by approximately 12% due to the growth in volumes and especially to the improvement in customer spreads. Also the margin from services (8.8 million euro) recorded an 11.4% increase. Operating costs totalled 13.8 million euro and were practically in line with last year.
The main balance sheet figures showed a slight decline from December 2002 both in loans (1,423 million euro; –3.5%) and in direct deposits (1,463 million euro; –4%). Indirect deposits instead rose by 2.3%.

In the first quarter of 2003, Cassa di Risparmio di Biella e Vercelli considerably improved its profitability with a net income of 6.9 million euro, 62.5% higher with respect to net income in the first quarter of 2002. Interest margin (17 million euro) registered a 5.6% reduction, whilst important increases were recorded in net commissions (8 million euro; +38.1%) and in profits on financial transactions (3.1 million euro).
The main balance sheet aggregates were in line with December 2002 figures. Loans to customers stood at 1,723 million euro, while direct deposits amounted to 2,090 million euro. Indirect deposits, 2,730 million euro, recorded a slight rise (approximately +1.4%).

Cassa di Risparmio di Terni e Narni closed the first quarter of 2003 with a net income of approximately 1.6 million euro, with a 9.6% increase compared to the net income recorded in the same period the previous year.
With regard to the main balance sheet aggregates, loans to customers registered a modest decline (524 million euro; –1.2%) from December 2002, while direct deposits recorded a more substantial drop (761 million euro; –3.9%). By contrast, indirect deposits recorded an appreciable growth rate (approximately +7%) to 778 million euro.
In April, in the context of a process aimed at rationalising subsidiaries, Cassa di Risparmio di Terni e Narni was contributed to Intesa Holding Centro.

The Saving Banks of Central Italy, controlled by Intesa Holding Centro, closed the first quarter of 2003 with positive net results, generally higher than those recorded at the end of the first quarter of 2002. In detail net incomes were: 3.2 million euro for Cassa di Risparmio di Ascoli, 1.6 million euro for Cassa di Risparmio di Foligno, 1.5 million euro for Cassa di Risparmio di Spoleto and for Cassa di Risparmio di Rieti, 0.9 million euro for Cassa di Risparmio di Viterbo (1.7 million euro at the end of the first quarter of 2002) and 0.4 million euro for Cassa di Risparmio di Città di Castello.
Lending and funding balance sheet aggregates mostly confirmed December 2002 figures.

The Saving Banks reporting to Carinord 2, instead, recorded opposite performances. Cassa di Risparmio di Carrara closed the first quarter of 2003 with a net income of 1.9 million euro, higher than that registered in the first quarter of 2002, whereas Cassa di Risparmio della Spezia recorded a net income of 1.6 million euro, lower than that registered in the first quarter of the previous year.

Foreign Banks Division

For the Foreign Banks Division the Business Plan foresees the gradual withdrawal from Latin America and from the banks operating in Countries or sectors not strategic for the Group. On the contrary, top priority will be given to increasing profitability of the subsidiaries in Eastern Europe, through strengthening their commercial activities (mainly in the retail market) and improving their organisational effectiveness.

Eastern Europe

In Hungary's favourable economic context, the Central-European International Bank (CIB) group closed the first quarter of 2003 with a net income of 12.6 million euro improving net income recorded in the first quarter of the previous year (11 million euro). This result reflected the contribution of both net interest income and net commissions. The subsidiary continued to expand its activities in retail banking sectors where it was so far present to a limited extent. To achieve these results CIB is considering the possibility of expanding its commercial network currently made up of 44 branches.

Vseobecna Uberova Banka achieved satisfactory results improving both interest margin and margin from services with respect to the same period a year earlier. Despite this good performance and contained costs, net income for the first quarter of 2003, equalling 10 million euro, was lower than that recorded in the same period the previous year, since the latter had been influenced by extraordinary income.

The Privredna Banka Zagreb group continued to pursue the improvement of its customer service in the framework of a strategy aimed at consolidating its market share.
The first quarter of 2003 closed with a net income of 19.9 million euro, down from the same period a year earlier (approximately 30 million euro).
In fact, the positive interest margin, considerably higher due to increased volumes, did not offset the contraction in margin from services, mainly determined by fiercer competition which led to a reduction in conditions applied to customers.
In addition the revenues from financial trading activities and the levels of operations decreased as a consequence of the negative international economic situation.

Latin America

As already mentioned, Banca Intesa has accepted the binding offer from Banco ABN AMRO Real SA for the purchase of 94.57% of the capital of Banco Sudameris Brasil, the closing of which is expected this autumn. To facilitate the operations leading to the sale of the subsidiary, Banca Intesa purchased the direct control of the company from Banque Sudameris at the end of March.
In the first quarter of 2003, the prospects for higher stability which followed the elections positively influenced the market context of the Brazilian group, which – after the effective turnaround actions conducted in previous years – closed the period with a net income (excluding minority interests) of 21 million euro, with a considerable increase from 12 million euro recorded in the first quarter of 2002. A consistent comparison of the financial statements must consider the effects linked to the devaluation of the Brazilian currency, which significantly reduced revenues and charges in comparison with the same period of 2002. Interest margin registered an approximately 34% reduction, whilst, net of the exchange rate effect, it recorded an almost 20% rise. The virtual stability of net commissions (+0.4% in consistent terms) led, despite lower profits on financial transactions, to a substantial increase in net interest and other banking income (approximately +17% net of the exchange rate effect), while operating costs containment (+2.2% in consistent terms) led to an operating margin almost 50% higher than the comparable figure, again net of the exchange rate effect. After adjustments to loans and provisions for possible loan losses (down from the first quarter of 2002), income from operating activities resulted practically stable.
The most significant balance sheet figures, compared under consistent terms with the figures as at 31st December 2002, showed a contraction in loans to customers (–4.3%), also as a result of the adoption of a more prudent and selective lending policy, and a slight reduction in direct deposits (–1.8%). Indirect deposits amounted to 1,034 million euro.

In the first quarter of 2003 the *Sudameris* group operated in a persistently difficult context, even if with differentiated characteristics in the various Countries.
After the exit from Argentina, to be completed by the first half of this year, and from Brazil, following the transfer of the equity investment to Banca Intesa, operations were mainly related to the holding company, *Banque Sudameris* and the subsidiaries in Peru and Colombia.

Banque Sudameris' consolidated financial statements as at 31st March 2003, no longer inclusive of the contributions from the Brazilian subsidiaries, were affected by lower operating volumes resulting from both the adoption of a more prudent and selective lending policy and the prospects of Gruppo Intesa's gradual disengagement from Latin America. Also significant were the provisions recorded on consolidation.
The statement of income for the first quarter, in terms of contribution to the Group's consolidated financial statements, closed with a loss of 38 million euro.
Income from operating activities, excluding the effect of the devaluation of the local currencies, fell considerably from the first quarter of 2002 (–85%), since the containment of operating costs (–13%) was unable to absorb the adjustments and provisions connected with the gradual disengagement from the South-American area.

Balance sheet figures recorded a reduction both in loans to customers (–14%) and in direct customer deposits (–15%) also as a consequence of the already-mentioned contraction in operations, while indirect deposits equalled 3,140 million euro.
With regard to Banque Sudameris' subsidiaries, the most positive contribution was given by the Peruvian subsidiary which, notwithstanding the difficulties, closed the first quarter at breakeven. This company has prepared a relaunch plan which has produced the first results: operating volumes dropped in the first weeks of the year but showed signs of recovery in the second part of the quarter.

The other geographic areas

In the first quarter of 2003, Banca Commerciale Italiana (France) registered a further contraction in its corporate banking activities and closed the first quarter of 2003 with a loss of 4.3 million euro compared to a net income of 8.7 million euro in the first quarter of 2002.
Banca Intesa (France) registered a net income for the quarter of 0.3 million euro, with an approximately 60% reduction from that recorded in the same period of 2002 because of the heavy burden of provisions for possible loan losses.

"*Plan social*", leading to substantial cost reductions, have been already presented for both banks.

The Business Plan considers Bankhaus Löbbecke a non-strategic subsidiary. Therefore, already in the second half of last year, the process leading to the gradual sale of the assets, which generated strong losses in the 2002 financial statements, commenced.
The financial statements for the first quarter of 2003 showed a considerable reduction with respect to the previous reference periods and net income stood at 1 million euro. Various possible options are being considered for the disposal of the subsidiary – or of its main activities – by the end of this year.

IntesaBci Canada, which is mainly focused on retail activities, closed the first quarter of 2003 with a net income of 1.5 million euro, almost doubling the net income recorded in the same period a year earlier, mainly as a result of a higher margin from services and lower operating costs that more than offset the reduction in interest margin.

Product Companies

The Product Companies, which have a key role in supporting the growth of Group Divisions, are mainly focused on the activities related to leasing, factoring, industrial credit, tax collection and payment systems.
These sectors recorded different performances in the first quarter of 2003 since they were affected by the difficult economic situation and by uncertainties in the regulatory context (tax collection sector) which penalised the economic results of that business area. The payment systems sector, which continued its positive trend, was an exception.

In the first quarter of 2003 Banca Intesa Mediocredito received 2,096 loan requests for 1,559 million euro (+31% on the first quarter of 2002). Granted loans totalled 811 million euro (+42% from the end of March 2002).
The company recorded a net income for the first quarter of 2003 amounting to 18.6 million euro with a 42% increase with respect to the same period of 2002. Its performance, however, was significantly influenced by approximately 7.7 million euro of dividends received from the subsidiary Banca CIS at the end of March. Compared to the same period of the previous year, interest margin, net of the dividends effect, recorded a 7.6% rise determined by the fact that the reduction in interest expense (–8.2%) was far higher than the contraction in interest income (–3.7%). Administrative costs rose by approximately 25% while personnel costs were in line with the first quarter of 2002.
Banca Intesa Mediocredito's loan portfolio equalled 12,974 million euro as at 31st March 2003, close to last December levels.

In the first quarter of 2003, Banca CIS sold its retail operations to Banca Intesa in the framework of the project aimed at rationalising its activities. Net income for the first quarter of 2003, including the capital gain generated by the sale of branches, amounted to 9.5 million euro, against 3.9 million euro in the same period a year earlier. Interest margin (9.9 million euro; –4%) was affected partly by the evolution of market conditions and partly by the sale of its retail operations. The reduction in operating costs (5.7 million euro; –13.8%) was determined by both the effects of the aforementioned sale and the continuation of the cost containment policy.

Main balance sheet aggregates were practically in line with the figures at the end of 2002, net of the effect of the sale of retail operations. In particular, loans to customers amounted to 1,141 million euro and direct deposits stood at 324 million euro.
Net interbank funding totalled 650 million euro.

The leasing market which, in the first quarter of 2003, registered an approximately 14% reduction in terms of new investments with respect to the same period of 2002, was negatively influenced by i) the economic situation evolving below expectations in the first three months of the year, and ii) the expiration of the Tremonti bis Law on 31st December 2002. **Intesa Leasing** was penalised by this scenario and recorded an approximately 30% drop in terms of value of contracts (3,637 new contracts for a value of 415 million euro). The subsidiary adopted a commercial policy more focused on small and medium-sized transactions, leading to a recovery in profitability.
In fact, the spreads applied to customers rose by 46 basis points (approximately +30%) compared to the same period in 2002.
The subsidiary's financial statements were also influenced by the contribution – effective as of 1st January 2003 – of the Parent Company's leasing contracts portfolio.
Net income for the period amounted to 8.7 million euro (7.3 million euro based on IAS 17), with an increase exceeding 55% with respect to the same period in 2002.
As at 31st March 2003 total leased assets reached 10,770 million euro with a 25% increase from the end of 2002.

Mediofactoring's activities in the first quarter of 2003 were characterised by a practical stability at last year's levels. Turnover for the period recorded a slight decline (–1%) compared to the first quarter of 2002. Net income for the first quarter of 2003 equalling 6.2 million euro (down by 20% with respect to net income for the same period a year earlier) was heavily penalised by net adjustments recorded in the quarter (11.1 million euro; +34.3%).

Setefi, the Group's business unit specialised in the management of electronic payments systems, closed the first quarter of 2003 with a net income of 5.9 million euro, 25.4% higher than net income recorded at the end of March 2002, thanks to the increase in operating income and the containment of administrative costs. With regard to operations, the number of proprietary or managed cards recorded an 11.6% growth rate from 31st March 2002, to approximately 1,836,000 units. The number of POS terminals rose to approximately 85,000. These handled approximately 30.5 million transactions for a counter-value exceeding 2.3 billion euro.

In the first quarter of 2003, **Intesa Riscossione Tributi**, the holding company of Group subsidiaries operating in the tax collection sector, and the collectors Esa.Tri., E.Tr. and S.Es.I.T. continued the reorganisation process aimed at exploiting the synergies indispensable to achieve their economic objectives. This process was hampered by the known uncertainties regarding the regulatory context of the sector, with consequent reduction in collectors' operations.
In the first quarter of 2003 Intesa Riscossione Tributi recorded a loss of 1.2 million euro.

Central structures

Sustaining and favouring the processes of change still underway within the Group is the objective assigned to Central Units and Service Companies.

Intesa Sistemi e Servizi as of 1st January 2003 transferred to the Parent Company the company arm related to the management of real estate, non-IT purchases, back-office, general services, accountancy of suppliers and the help desk on regulations/procedures. Consequently, operations recorded a 28% decline compared to the first quarter of the previous year.
The subsidiary's mission now focuses on information and communication technology. The first quarter of 2003 – in line with the pricing policy adopted toward its customers, all within the Group – closed virtually at breakeven (0.2 million euro).

Banca Primavera, the Group's multichannel bank, closed the quarter with a loss of approximately 16 million euro. This result was heavily affected by operating costs, connected with the bank's start-up phase, which amounted to 20.6 million euro at the end of March 2003 (9.8 million euro at the end of the first quarter of 2002).

At the end of the quarter the company, controlled by Intesa e.lab, operated with a sales network consisting of over 1,600 consultants and had indirect deposits totalling approximately 5.3 billion euro, slightly down from the figure at the end of 2002.

In the first quarter of 2003, **Intesa Gestione Crediti** collected 63.6 million euro on the portfolio of proprietary non-performing loans and recorded write-backs and out-of-period income totalling 26.3 million euro.
It also collected 96.9 million euro on the portfolio of non-performing loans under management.
Net income for the first quarter of 2003 amounting to 4.2 million euro, compared to a virtually breakeven result in the first quarter of 2002, mainly reflected the reduction in financial charges and the increase in income.

Risk control

Market risk

The evolution of market risk of Banca Intesa's entire trading portfolio in the first quarter of 2003 showed a slight increase in risk, involving equity risk and foreign exchange risk (more significant in the foreign branches), while interest rate risk decreased. If the increase in equity risk was partly attributable to the higher hedge funds portfolio and partly to volatility movements; variations in interest rate risk depended on the rationalisation, still under way, of the trading portfolios of foreign branches: the greater dynamism shown by the Hong Kong branch was offset by the containment in the operations of London and New York, while Singapore ceased operations at the end of 2002. Foreign exchange rate risk of foreign branches was more marked also as a result of the trend recorded by the euro-US dollar exchange rate.
Equity risk is now the most important component of portfolio risk, higher than interest rate risk.

With reference to risk control carried out at Caboto, the VaR of the proprietary portfolio was stable at 1 million euro, even though with a fluctuating trend during the quarter. Foreign exchange rate risk was almost constantly higher than equity risk, representing on average 56% of total risks, compared to 44% of equity risk.

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

Risk factors	31st March 2003	31st December 2002
Interest rate	5.7	6.1
Equity	7.6	6.4
Foreign exchange	0.8	0.5
Total (**)	**10.8**	**10.0**

(*) 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, activities continued on the project aimed at identifying an integrated approach to Gruppo Intesa's credit risk management, consistently with the new rules currently being defined as part of the New Basel Accord.

In the first months of the year the Bank continued the activity aimed at analysing and monitoring corporate clients, using the instruments and risk measures available on the financial markets. The analysis of large foreign corporates and of the main Italian groups is based on the joint use of agency ratings relative to Moody's and Standard & Poor's, of internal ratings assigned by the competent units using segment-specific models, of spreads on bonds and credit derivatives relative to the company under examination, and lastly expected default frequency estimated with models based on the daily quotations of the firm's equity.

As regards the monitoring of Credit Derivatives, in addition to daily controls to verify stop-loss limits, the Bank prepares a monthly analysis of Credit Value at Risk of the overall 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 31st March 2003 portfolio CreditVar calculated as the maximum possible loss on a time frame of one year at the 99% confidence level, amounted to 18.6 million euro with a marked reduction (– 3.7 million euro) compared to 31st December 2002. The Credit Derivatives portfolio is subject to quarterly review from the Auditors.

Operational risk

During the first quarter of 2003 Banca Intesa further consolidated the organisational model, which is now made up of a growing number of referents within the Group's main Business Units, coordinated by the *Operational Risk Management* entity of the Parent Company's Risk Management Unit.

Activities continued aimed at the definition of the processes regulating both the means of integration between the various Group structures which carry out operational risk management, and the development of the various components of the internal model, in particular the qualitative and quantitative valuation methodologies of exposure to operational risk. Banca Intesa continued, via its *Operational Risk Management Unit*, to be actively involved in the discussion with national and international regulators with regard to methodological evolution, also via the participation to numerous international work groups.

Significant impulse was also given to the development of IT components to support operational risk management: a new and more advanced application dedicated to the monitoring and management of lost data from internal and external sources and from the Intranet portal of the Operational Risk Management Unit. This will be a fundamental instrument to spread a risk culture within the Group and will be used to share documentation and information relative to operational risk with the entity responsible for the management of such risk.

Activities continued on the project aimed at defining a methodology capable of improving the valuation of the Group as a whole and of the various business units in terms of value creation inclusive of capital allocated/absorbed for operational risks.

Furthermore activities were intensified on the Group Insurance Management project, whose purpose is to rationalise, standardise and centralise the management of insurance coverage and define an insurance programme for the Group integrated with the management of operational risk and capital allocation.

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

Shareholder base and stock price performance

Shareholder base

Banca Intesa's shareholder base as at 31st March 2003 – detailed in the following table – includes reference shareholders which are part of a Voting syndicate and hold 42.78% of the Bank's ordinary shares (37.98% is vested in the syndicate) and approximately 200,000 shareholders holding 49.13%; the remaining 8.09% is represented by own shares.

It must be noted that 159,243,488 shares (equal to approximately 2.7%) were assigned for free to Shareholders, following the Shareholders' Meeting resolution of 16th April 2003.

Name	**Shares included in the Voting syndicate**	**Shares not included in the Voting syndicate**	**Total shares**	**% of shares included in the Voting syndicate on total**	**% of shares held on total**
Crédit Agricole SA	814,986,054	171,532,142	986,518,196	13.78	16.68
Fondazione Cariplo	498,125,809	17,761,000	515,886,809	8.42	8.72
Generali group	317,005,757	23,825,702	340,831,459	5.36	5.76
including					
• *Assicurazioni Generali*	*47,261,726*	*3,114,075*	*50,375,801*		
• *Alleanza Assicurazioni*	*184,523,983*	*–*	*184,523,983*		
• *other companies*	*85,220,048*	*20,711,627*	*105,931,675*		
Fondazione Cariparma	236,628,289	5,711,434	242,339,723	4.00	4.10
Lombardo group	193,542,967	1,311,313	194,854,280	3.27	3.29
including					
• *Banca Lombarda e Piemontese*	*130,198,395*	*190,080*	*130,388,475*		
• *IOR* (*)	*42,917,536*	*1,121,233*	*44,038,769*		
• *Mittel*	*20,427,036*	*–*	*20,427,036*		
Commerzbank group	186,317,187	64,041,572	250,358,759	3.15	4.23
including					
• *Commerzbank AG*	*66,194,071*	*64,041,572*	*130,235,643*		
• *Commerzbank International SA*	*120,123,116*	*–*	*120,123,116*		
Total Shareholders in the syndicate	2,246,606,063	284,183,163	2,530,789,226	37.98	42.78
Total other Shareholders	–	2,906,459,764	2,906,459,764		49.13
Own shares	–	478,458,236	478,458,236		8.09
Total	2,246,606,063	3,669,101,163	5,915,707,226		100.00

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

On 11th April 2000 the main shareholders of Banca Intesa signed a Voting syndicate which modifies and/or integrates that 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 the Lombardo group.
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 negative cycle of world stock markets, which commenced in the second half of 2000, also continued in the first quarter of 2003: in the first half of March the market touched the minimum levels of the last six years. The quarter, characterised by the absence of signs of economic recovery, closed for the Italian market with a 7.5% drop, lower than that recorded at European level: the Euro Stoxx index dropped by 12.9%.

In this context the banking sector outperformed the market: Italian banks closed the quarter with a slight decrease (–2.9%) after having already suffered in the previous quarters from the worsening of the economic scenario and the reduction in average spreads. Stock price stability was also favoured by the fact that results were basically in line with expectations.

The Banca Intesa share, though showing certain volatility during the quarter, closed the period with a slight progress compared to the end of 2002 (+1.5%), outperforming both general and sector indices.

Significant subsequent events

The significant events which occurred between the end of the quarter and the approval of this report are described in the Introduction to this report.

In addition to those, no events occurred capable of significantly affecting management strategies or which may produce appreciable economic effects on the Group's results.

Projections for the whole year

As concerns prospects for the entire year, in the next quarters the effects of the actions taken with regard to both costs and revenues should emerge to the full, therefore leading to a significant recovery in profitability, as indicated in the Business Plan.

The Board of Directors

Milano, 13th May 2003

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