Banca Intesa

Consolidated Financial Statements and Report 2004

Abstract

This abstract in English of the Italian original "Bilanci 2004" has been prepared solely for the convenience of the reader.
The version in Italian takes precedence and will be made available to interested readers upon written request to Banca Intesa S.p.A.
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CONSOLIDATED FINANCIAL STATEMENTS AND REPORT 2004

ABSTRACT

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, General Management, Board of Statutory Auditors and Independent Auditors

Board of Directors

Chairman	* Giovanni Bazoli
Deputy Chairmen	* Giampio Bracchi René Carron
Managing Director Chief Executive Officer	* Corrado Passera
Directors	Giovanni Ancarani Francesco Arcucci Benito Benedini Antoine Bernheim Jean Frédéric De Leusse Gilles De Margerie Alfonso Desiata * Ariberto Fassati * Giancarlo Forestieri Paolo Fumagalli Jorge M. Jardim Gonçalves Jean Laurent Giangiacomo Nardozzi Eugenio Pavarani Giovanni Perissinotto * Mariano Riestra Ugo Ruffolo Eric Strutz Gino Trombi

* *Members of the Executive Committee*

General Management

General Manager	Corrado Passera

Board of Statutory Auditors

Chairman	Gianluca Ponzellini
Auditors	Paolo Andrea Colombo Franco Dalla Sega Bruno Rinaldi Carlo Sarasso

Independent Auditors	Reconta Ernst & Young S.p.A.

Chairman's Letter

Distinguished Shareholders,

2004 was again a year of modest growth for the Italian economy, which was plagued by the problem of competitiveness on the international markets and penalised by weak domestic demand.

Despite the unfavourable economic backdrop, Gruppo Intesa, leveraging on renovated customer relationships and thanks to the effort and participation of all collaborators, achieved results that were both positive and in line with the Business Plan, summarised by a consolidated net income of 1,884 million euro, over 50% higher than that of the previous year.

Even if in these two years the reference economic scenario proved to be worse than had been envisaged in the Plan and despite Italy's missed recovery, with 2004 we have completed the second year of the Business Plan, which started the turnaround of our Group. Problem issues have been addressed and solved, sacrifices have been shared equitably, the creation of sustainable value has recommenced. The objectives we had set ourselves have been reached even ahead of schedule; the commitments we had made with Shareholders have been kept and the successes achieved have been appreciated by the market: capitalisation increased from over 15 billion euro at the time of the presentation of the Business Plan to over 25 billion euro today (+60%). We can be satisfied with our work.

The development of a single corporate culture – capable of integrating the experiences and the best practices of the three original banks – and the speed with which the main modernisation projects were commenced and implemented proved to be potent catalysts for the improvement of customer service. This enabled Banca Intesa to strengthen its leadership in all the sectors in which it operates: in services to retail customers, in supporting innovation and competitiveness of small and medium-sized enterprises, in interventions to sustain large Italian industrial companies in their turnarounds, in the many projects to support infrastructure projects and Public Administrations. Operating in this way, Banca Intesa has testified that the financial industry may play a strategic role in Italy's development.

However, the Italian and European situation is still burdened by critical areas which have not been eliminated and which must be addressed. Credible turnaround programmes must be defined aimed at strengthening competitiveness without decreasing social cohesion and solidarity. Also in this area Banca Intesa's recent experience may be proposed as a model, since it has proved that turnaround objectives may be pursued alongside development *targets and that it is possible to conquer and maintain confidence even at difficult times.*

If with 2004 we can consider the important and challenging moment of the integration of our Group over, we must now set ourselves further, even more ambitious targets.

In the spring we will present to the market the new Business Plan, that will indicate the objectives and the strategies for the next three years. We feel the responsibility of contributing in a significant fashion to the growth and development of Italy and of all the other Countries in which we operate.

Giovanni Bazoli

Milano, 7th March 2005

Gruppo Intesa - Financial highlights

	2004	2003 pro forma [1]	Changes amount	Changes %
Statement of income (in millions of euro)				
Net interest income	4,962	4,937	25	0.5
Interest margin	5,182	5,103	79	1.5
Net commissions	3,447	3,326	121	3.6
Net interest and other banking income	9,726	9,519	207	2.2
Operating costs	(5,830)	(6,088)	(258)	(4.2)
including Payroll	*(3,147)*	*(3,298)*	*(151)*	*(4.6)*
Operating margin	3,896	3,431	465	13.6
Net adjustments to loans and provisions for possible loan losses	(887)	(1,180)	(293)	(24.8)
Income from operating activities	2,693	1,718	975	56.8
Extraordinary income (loss)	(61)	131	(192)	
Net income for the period	1,884	1,214	670	55.2
Balance sheet (in millions of euro)				
Loans to customers	157,698	154,614	3,084	2.0
Securities [2]	38,734	29,435	9,299	31.6
including Investment portfolio	*5,158*	*5,318*	*(160)*	*(3.0)*
Equity investments	4,834	4,908	(74)	(1.5)
Total assets	274,598	259,678	14,920	5.7
Direct customer deposits	180,237	171,870	8,367	4.9
including Subordinated and perpetual liabilities	*9,278*	*10,603*	*(1,325)*	*(12.5)*
Indirect customer deposits	293,001	287,523	5,478	1.9
including Managed funds	*117,906*	*121,869*	*(3,963)*	*(3.3)*
Customer deposits under administration	473,238	459,393	13,845	3.0
Net interbank position	(5,484)	(3,147)	2,337	74.3
Shareholders' equity [3]	15,564	15,093	471	3.1
Operating structure				
Staff (number)	56,958	59,463	(2,505)	
Branches (number)	3,698	3,711	(13)	
including Italy	*3,080*	*3,089*	*(9)*	
Abroad	*618*	*622*	*(4)*	

[1] Figures restated on a consistent basis

[2] Including own shares amounting to 10 million euro as at 31st December 2004 and 1,017 million euro as at 31st December 2003.

[3] Including net income for the period.

Gruppo Intesa - Financial ratios

	2004	2003 pro forma [1]
Balance sheet ratios (%)		
Loans to customers/Total assets	57.4	59.5
Securities/Total assets	14.1	11.3
Direct customer deposits/Total assets	65.6	66.2
Managed funds/Indirect customer deposits	40.2	42.4
Statement of income ratios (%)		
Interest margin/Net interest and other banking income	53.3	53.6
Net commissions/Net interest and other banking income	35.4	34.9
Operating costs/Net interest and other banking income	59.9	64.0
Net income for the period/Average total assets (ROA) [2]	0.7	0.4
Net income for the period/Average shareholders' equity (ROE) [3]	12.9	9.3
Risk ratios (%)		
Net doubtful loans/Total loans to customers	2.7	3.0
Cumulated adjustments on doubtful loans/Gross doubtful loans to customers	66.8	65.2
Capital ratios (%)		
Tier 1 capital/Risk-weighted assets [4]	8.5	7.8
Total capital/Risk-weighted assets [4]	11.6	11.7
Risk-weighted assets (in millions of euro) [4]	182,486	182,344
EPS – Earnings per share – euro	**0.28**	**0.19**

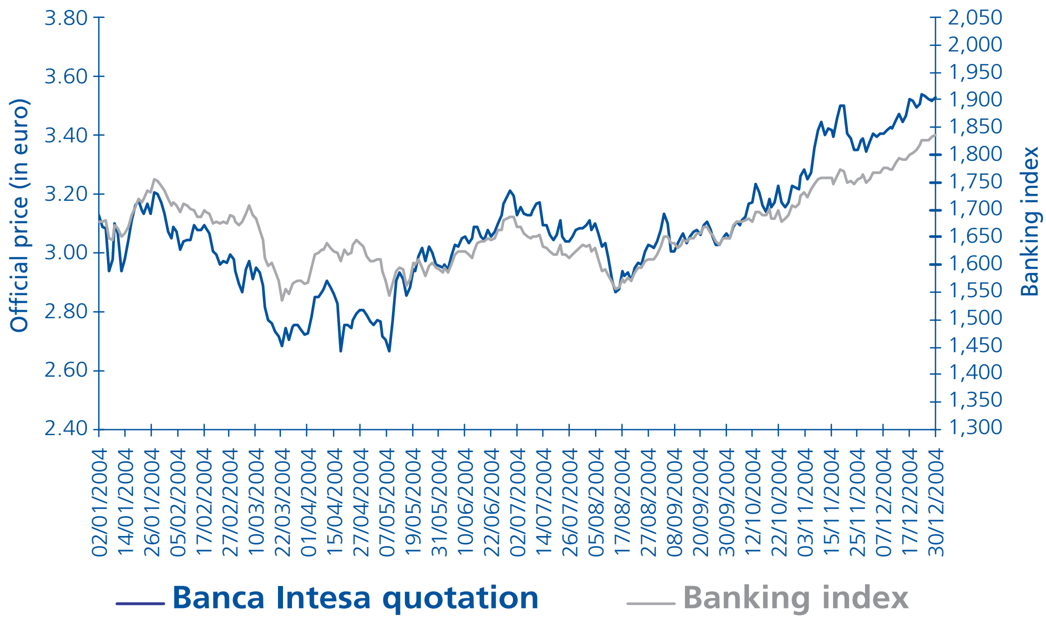
(1) Figures restated on a consistent basis.

(2) Based upon the arithmetical average of total assets at the end of the reference periods.

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

(4) Figures for 2003 have not been restated.

The Banca Intesa share



(1) Comit Banking Index

(in millions of euro)

	2004	2003	2002	2001	2000
Market capitalisation	20,414	17,140	16,856	22,776	22,895
Shareholders' equity	15,328	14,521	14,061	13,209	11,245
Price/book value	**1.33**	**1.18**	**1.20**	**1.72**	**2.04**

(in millions of euro)

	2004	2003	2002	2001	2000
Net income for the period	1,884	1,214	200	928	1,461
Dividends (*)	729	330	108	331	551
Pay-out ratio	39%	27%	54%	36%	38%

(*) Dividends in 2003 and 2002 do not consider the countervalue of the free distribution of own shares which using book value of shares in the two financial statements (3.180 euro and 2.049 euro respectively per share) was overall equal to 1,013 million euro in 2003 and 326 million euro in 2002.

(in euro)

	2004	2003	2002	2001	2000
Ordinary share					
Dividend per share (*)	0.105	0.049	0.015	0.045	0.093
Average stock price	3.072	2.600	2.578	3.809	4.338
Dividend yield	3.42%	1.88%	0.58%	1.18%	2.14%
Saving share					
Dividend per share (*)	0.116	0.060	0.028	0.080	0.103
Average stock price	2.403	1.887	1.878	2.437	2.421
Dividend yield	4.83%	3.18%	1.49%	3.28%	4.25%

(*) Dividends in 2003 and 2002 do not consider the countervalue of the free distribution of own shares which using book value of shares in the two financial statements (3.180 euro and 2.049 euro respectively per share) was overall equal to 1,013 million euro in 2003 and 326 million euro in 2002.

Rating

The ratings assigned in 2004 to Banca Intesa's debt, set out in the following table, highlighted – compared to 2003 – an improvement as concerns Standard & Poor's and remained unchanged for Moody's and Fitch. Moody's revised the outlook from "stable" to "positive".

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

Shareholder base and Voting syndicate

Banca Intesa's shareholder base as at 31st December 2004 – detailed in the following table – includes reference shareholders which are part of a Voting syndicate and hold 44.76% of the Bank's ordinary shares (40.77% is vested in the Syndicate) and approximately 202,000 shareholders holding 55.24%.

Name	Shares included in the Voting syndicate	Shares not included in the Voting syndicate	Total shares	% of shares included in the Voting syndicate on total	% of shares held on total
Crédit Agricole S.A.	876,110,007	191,313,552	1,067,423,559	14.81	18.04
Fondazione CARIPLO	535,485,244	19,093,075	554,578,319	9.05	9.38
Generali group	340,781,182	16,994,793	357,775,975	5.76	6.05
including					
• *Assicurazioni Generali*	*1,000,000*	–	*1,000,000*		
• *Alleanza Assicurazioni*	*248,169,637*	*67,201*	*248,236,838*		
• *other subsidiary companies*	*91,611,545*	*16,927,592*	*108,539,137*		
Fondazione Cariparma	254,375,410	6,139,792	260,515,202	4.30	4.40
"Gruppo Lombardo"	204,839,873	2,271,302	207,111,175	3.46	3.50
including					
• *Banca Lombarda e Piemontese*	*139,963,274*	*204,336*	*140,167,610*		
• *I.O.R.* (*)	*42,917,536*	*2,066,966*	*44,984,502*		
• *Mittel*	*21,959,063*	–	*21,959,063*		
Commerzbank A.G.	200,290,976	–	200,290,976	3.39	3.39
Total Shareholders in the Syndicate	**2,411,882,692**	**235,812,514**	**2,647,695,206**	**40.77**	**44.76**
Total other Shareholders	–	3,268,012,020	3,268,012,020		55.24
Total	**2,411,882,692**	**3,503,824,534**	**5,915,707,226**		**100.00**

(*) Shares with beneficial interest in favour of Mittel S.p.A.

Gruppo Intesa
Report on operations

Gruppo Intesa in 2004
Executive summary

With the 2004 financial statements, Gruppo Intesa closed the second of the three years which the 2003-2005 Business Plan had addressed for the turnaround and relaunch of the Group and is about to present a new Business Plan which will refer to operations until 2007. The commitment to proceed to an in-depth reorganisation was maintained, with the solution of the main problem issues and the implementation of initiatives aimed at strengthening and consolidating the Group's leadership in Italy and in certain foreign markets.

The achievement of such objectives is all the more significant, since it occurred in a macroeconomic scenario which – far from improving – in 2004 remained extremely weak and uncertain, especially as concerns the domestic market, with the simultaneous increase in competitive pressure and a growth rate for Gross Domestic Product which more than halved with respect to the already modest forecasted growth rate (1.1% compared to 2.3%). In addition customer confidence in the financial and banking sector was put to the test, by the recent default of certain important industrial companies and of a Foreign Country.

But banks, and especially Gruppo Intesa, showed that they can react promptly and with strategic vision. As concerns the solution of the weaknesses of the Italian industrial system, Gruppo Intesa actively sustained small, medium-sized and large companies, which manifested – through credible repositioning and relaunch plans, supported by the necessary investments and the great commitment of shareholders and management – the will to accept to the full the challenge of growth.

Lastly, as concerns the damages borne by investors on certain bond issues, the conciliation tables activated by the Group with the main consumer associations contributed to solving in a mutually satisfactory fashion the great majority of cases.

For Gruppo Intesa 2003 had been characterised by reorganisation and restructuring operations, 2004 was rich with initiatives which consolidated the "platforms for growth" and led to higher commercial effectiveness and greater operating efficiency, especially with innovation in products and organisational structures, aimed at an ever-increasing fit between offering and the needs of the various customer segments.

The year which has just ended may therefore be considered a bridge between a phase of emergency which had characterised the first part of the Business Plan and a development phase, which is forecasted to accelerate further in 2005.

The Business Plan

An update of the main implementations which occurred during the year, according to the framework and the commitments set out in the 2003-2005 Business Plan, presented in September 2002, is provided below.

Risk profile. In 2004 Banca Intesa fully achieved the objective of reducing the risk profile via an increase in the weight of risk-weighted assets with retail customers and with the domestic market. Exposure in terms of risk-weighted assets with large corporates, especially international with no relations with Italy, more than halved from December 2001 to December 2004, with a decrease exceeding 30 billion euro (from 53.4 billion euro to 22.3 billion euro) and determined a considerable shift in the asset mix to the retail business: from 51% of December 2001 to 71%, higher than the 68% target indicated for 2005. In 2004 the disengagement from Latin America and non-strategic Countries continued, with a consequent increase in the asset mix in favour of the Italian market: from 71% in 2001 to 86% in 2004. The sale of the assets of Banque Sudameris is part of this strategy. Disposals in 2004 referred to i) activities in Uruguay (to Banca ACAC Crédit Agricole, the Uruguayan subsidiary of the Crédit Agricole group), ii) Banco Sudameris Paraguay and iii) the activities of the branches in Miami, Panama and Grand Cayman. In March 2004 Intesa Bank Canada, wholly-owned by Banca Intesa, was sold to HSBC Bank Canada. Gruppo Intesa instead increased its foreign operations in Central-Eastern Europe, which represents its second "domestic" market. In 2004 *ZAO Banca Intesa Moscow,* the only Italian bank with an operating licence in Russia, became fully operational. The already intense commercial relations between our Group and the Generali group were developed further in 2004 with a new joint venture which will operate in the pension fund market that is emerging in Slovakia and was set up by the respective subsidiaries in that Country, each with a 50% stake. Again in Slovakia, our local subsidiary VUB acquired the financial group Kiska, specialised in the consumer lending and credit card sectors. Furthermore, as concerns Gruppo Intesa, Banca di Trento e Bolzano opened a representative office in Innsbruck and Banca Popolare FriulAdria acquired in Slovenia i) a 75% stake in Centurion, exclusive concessionary of American Express cards, ii) an approximately 10% stake in Medvesek Puskin, a company specialised in asset management, and iii) a 5.5% stake in Dezelna Banka. Lastly, in the first months of 2005, Banca Intesa signed agreements for the acquisition of two banks operating in the area: Delta Banka, in Serbia and Montenegro, and ABS Banka, in Bosnia and Herzegovina.

Asset quality. The reduction in the risk profile was accompanied by a considerable improvement in credit quality with net doubtful loans which recorded a 24% drop from 2001 to 2004 (from 5.6 billion euro to 4.2 billion euro). Over the same period, the ratio of net adjustments to loans and loans to customers decreased from 1.3% to 0.6%, confirming the decreasing trend in the generation of new doubtful loans, and the degree of coverage of doubtful loans increased from 59% to 67%: in both cases the targets for 2005 were achieved one year ahead of schedule.

Rationalisation of non-strategic assets. In 2004 the active management of the Group's real estate assets generated capital gains of approximately 260 million euro, realised both via direct disposals and via the sale of equity investments in real estate companies. Other non-strategic equity investments sold referred to Caridata and the spin-off of Magazzini Generali Fiduciari Cariplo.

Capital ratios. In 2004 the reduction in the risk profile, the sale of non-strategic assets, the improvement in economic results and the optimisation of capital deployment led to further strengthen capital ratios. As at 31st December 2004 capital ratios increased to the levels in line with the best international standards and with the targets set out in the Business Plan. In fact, the Tier 1 ratio – that is the ratio between Tier 1 capital and risk-weighted assets – reached 8.5% (with respect to 7.8% of 2003 and 6% of 2001) and the Core tier 1 ratio – that is the ratio between Tier 1 capital net of preference shares and risk-weighted assets – reached 7.6% (with respect to 6.9% of 2003 and 5.3% of 2001). The positive trend recorded by Banca Intesa's capital ratios is confirmed by the fact that in June 2004 the international rating agency Moody's improved from stable to positive the outlook for the ratings given on deposits and long-term debt (A1) and financial strength (B-) and in July the international rating agency Standard & Poor's increased the rating assigned to Banca Intesa from A- to the current A for long-term debt and from A-2 to A-1 for short-term debt, with a stable outlook.

Platforms for growth. Numerous projects aimed at pursuing growth were implemented in 2004, and referred to five main fields of action:

- *training*. The Business Plan assigns fundamental importance in the growth of the Company and the Group to the valorisation and professional development of its collaborators, via training plans programmed over a number of years. In 2004 over 335,000 man-days of training were delivered, which added to the 255,000 man-days of 2003 lead to 75% the percentage of realisation of the 800,000 man-days set out in the Business Plan; Progetto Arcobaleno (the Rainbow project) the training programme for the improvement of the network's sales effectiveness which involved more than 20,000 people, is part of this strategy;

- *new products.* The unification of IT systems, which occurred in the last quarter of 2003, enabled the launch of numerous new products, supported by considerable advertising investments, among which for example:
  - *Conto Intesa*, the current account for households, with over 300,000 current accounts opened in 12 months;
  - *Conto Intesa Personal*, the current account targeted to customers searching for personalised solutions that was launched in June, with over 40,000 accounts activated in six months;
  - *Conto Intesa Business*, the current account dedicated to retailers, artisans and free-lance professionals, promoted by an advertising campaign launched in mid-September reached 30,000 activations;
  - *Carta Intesa*, the debit card with on-line authorisation, with over 750,000 cards sold in the year;
  - *PrestIntesa*, the personal loan for a maximum of 30,000 euro available within 48 hours which, with approximately 1.5 billion euro disbursed in the period, more than doubled the aggregate amount of personal loans disbursed in 2003;
  - the life insurance policies of *Intesa Vita (Intesa Segnopiù, Intesa StrategiaPiù, Intesa4x4, IntesaObiettivo 24, IntesaProtezione Attiva, IntesaSempre)*, the products of the new company – established with the Generali group – fully operational as of 1st January 2004, leader in the Italian bancassurance market with new premiums amounting to 5.6 billion euro in 2004, corresponding to a 55% growth rate with respect to 2003;
- *supporting enterprises in their projects for growth and for relaunching competitiveness*. Various types of activities were realised in 2004 aimed at favouring the development of companies, and – more in general – Italy's economy, such as for example:
  - the establishment of the new Corporate Relations Department, formed by the unification of the former Large Corporate Department and the former Mid Corporate Department, for the purpose of extending simplified access to high value-added services, typical of larger customers, also to medium-large companies;
  - the strengthening of the Public & Infrastructure Finance Department, to support investment programmes both at central and local level;
  - interventions in favour of companies under restructuring, which sometimes required the Bank's direct presence in the company's equity;
  - important *collaboration agreements* signed with the Asian Development Bank and the African Export-Import Bank, to support Italian companies in their import-export activities in other continents;
  - the launch – in the third quarter of 2004 – of *IntesaNova*, the initiative dedicated to enterprises which invest in technological innovation, developed in collaboration with some of the most prestigious universities and Italian research centres. Banca Intesa – under the usual creditworthiness assessment – finances with medium-term loans (3-5 years), without real guarantees and at more favourable conditions, the innovative projects prepared by enterprises within two weeks of validation by the universities that partner the initiative;
  - the launch – in the first months of 2005 – of *Intesa Export*, an initiative dedicated to export-oriented companies, developed in collaboration with SACE (Italian export credit agency). Banca Intesa will grant loans with a maximum maturity of 5 years, without real guarantees and at very competitive terms, with a 70% guarantee given by SACE and which will subsequently be securitised, with the relative securities issued on the market and also guaranteed by SACE;
- *private banking.* Intesa Private Banking, established in the third quarter of 2004, is the bank specialised in serving private customers and is integrated in the Retail Division for the purpose of fully seizing the commercial synergies with the structure dedicated to relations with enterprises and the operating synergies with the branch network. The distinctive feature of this organisational model is the flexibility in the relationship offered to customers, which may use the specialised bank (with 60 private centres and 375 private bankers), the 2,000 branches of the Retail Division and Gruppo Intesa's on-line channels. Intesa Private Banking offers, in addition to

a complete range of financial products and services produced by both Gruppo Intesa and high-standing outside companies, financial planning tools which are cutting edge for Italy and consulting services, fiduciary and legal entity advisory, real estate and art advisory, as well as investment-related legal and tax consulting services;
- *the new branch model.* The branch service and customer access model was deeply revisited, 120 branches have already been completely renovated – according to a space design and lay-out which simplifies customer access to both branch operations and the consulting area, which has been expanded and specialised by customer segment – and 150 branches have been restructured to adapt them to the new model.

2004 results

Also in 2004 Italy's modest economic growth did not sustain revenues. Despite this Gruppo Intesa's consolidated financial statements closed with a net income of 1,884 million euro, with a growth rate exceeding 55% with respect to the previous year.
This result was mostly attributable to the continuation of the interventions set out in the Business Plan which, as illustrated above, in almost all cases achieved their targets ahead of schedule. This is particularly true for the shift in the asset mix, the improvement in asset quality, the increase in operating efficiency and the requalification of commercial strategies.

Particularly significant was the positive trend recorded by net interest income which returned to increase on an annual basis. The modest percentage rise (+0.5%) indicates an inversion in the trend, which is based on an increase in the volume of loans which offset the slight decrease in spreads.

The trend of commissions for services – that net reached 3,447 million euro, with a 3.6% growth rate – was also positive. Particularly noteworthy rises were recorded by distribution of insurance products (+65%) and dealing and placement of securities (+53%).

Also profits on financial transactions made an appreciable contribution to the operating margin, improving the result of the previous year by 2.8%, especially thanks to the positive trend recorded on activities on equities and interest rates.

Net interest and other banking income therefore recorded a 2.2% rise to 9,726 million euro, as a result of the sustained growth rate of revenues from retail activities (+7.2% for the entire Retail Division and subsidiary banks operating in Italy and in Central-Eastern Europe) and the decrease in revenues from corporate activities (–7.7%) attributable to the programmed reduction of Banca Intesa's exposure to large groups, especially international, with no relations with Italy.

The interventions with regard to resources, made possible by the activation of the "Fondo di accompagnamento all'esodo", the Solidarity Allowance, led to further savings on payroll (–4.6%); while other administrative expenses remained stable, as the combined result of considerable savings in current expenses, and strong growth in expenses for the purchase of IT services and for advertising, which are directly related to the new commercial initiatives and the promotion campaigns. Also as a result of the reduction in depreciation and amortisation, operating costs in the twelve months recorded a 258 million euro decrease, corresponding to a 4.2% drop.

Operating margin (3,896 million euro) therefore showed an improvement exceeding 13% with respect to the figure for 2003.

A considerable contribution to income from operating activities came – as forecasted – from adjustments, write-backs and provisions. The negative balance recorded an approximately 30% decrease, to little over 1,200 million euro.
Net adjustments and provisions to cover credit risk, which in previous years had heavily affected the Group's profitability, remained at more contained levels, with an approximately 25% drop with respect to 2003. Also provisions for risks and charges were more contained (approximately –16%) and adjustments to financial fixed assets were significantly lower than in the 2003 accounts.

Income from operating activities reached 2,693 million euro, with a 57% growth rate on the corresponding figure for 2003.

The 2003 financial statements had benefited from considerable net extraordinary income whereas in 2004 the result from extraordinary activities was negative and equalled 61 million euro. The most significant extraordinary charges referred to the agreement with the Commissioner of Parmalat for the bond underwritten in 2003 by Nextra (160 million euro), as well as provisions for personnel exits.

Therefore net income totalled 1,884 million euro, with a growth rate exceeding 55% on the corresponding figure for 2003.

In 2004 the Group significantly improved value creation for shareholders. Earnings per share rose to 28 eurocents (from 19 eurocents in 2003 and 3 eurocents in 2002), within the target range of 27-31 eurocents indicated in the Business Plan for 2004. ROE (Return on Equity) increased to 13% (from 9% of 2003 and 2% of 2002). EVA® (Economic Value Added), which basically measures the value creation resulting from the difference between the return and the cost of capital employed, highlighted the Group's transformation from consumer of resources to producer of value in 2004 for an amount of approximately 310 million euro, with a 570 million euro rise with respect to 2003 and 1.5 billion euro rise with respect to 2002. The enhanced value creation for shareholders was reflected by stock price performance: in 2004 the Banca Intesa ordinary share recorded a 12.4% progress, with respect to the 9.7% rise recorded by the index of the Italian banking sector.

Balance sheet figures

As concerns balance sheet aggregates, loans to customers exceeded 157 billion euro, with a 2% growth rate with respect to the figure at the end of 2003, despite the continuing effects of the decision to reduce exposures to large corporates that partly absorbed the growth recorded by the retail segment.
Loans to customers was also affected by the securitisation of leasing contracts, as illustrated in greater detail hereafter.
Direct customer deposits instead recorded an approximately 5% growth rate to 180 billion euro, especially as a result of the positive trend recorded by bond issues. Also indirect customer deposits registered an increase, with an approximately 2% growth rate to 293 billion euro, exclusively ascribable to the rise in assets under administration which entirely absorbed the decrease in managed funds. Overall the Group's customer deposits under administration exceeded 473 billion euro, with a 3% improvement with respect to the end of the previous year.

Introduction of International Accounting Standards

The new International Accounting Standards (IAS) came into legal effects as of 1st January 2005 in all the Countries of the European Union. These refer to an extensive and complex set of regulations which substitutes the rules which have been used to date for the preparation of the annual and interim financial statements.
The Italian legislator ratified the new rules in the internal legislation and also adapted tax regulations to the new standards.

The first time application of the international accounting principles as of 2005 must occur according to the provisions indicated in a specific International principle (IFRS 1) which sets out a retroactive application of the new rules. Therefore it is necessary to calculate the balance sheet as at 1st January 2005 on the basis of the new principles and the effects of such adjustment must be recognised in a reserve of shareholders' equity.

The analysis of the new accounting rules and specific projects have led to identify the following main impacts on balance sheet items.

Loans

IAS principles require that the valuation of non-performing loans consider the time for recovery of exposures. This requires the determination of the net present value of the presumed recovery value. Furthermore, for the determination of collective adjustments to performing loans compliance to IAS provisions considers the criteria indicated by Basel II which are being progressively introduced.

Securities

The new principles set out the classification of securities in four categories: securities at fair value through profit and loss, securities available for sale, securities held to maturity and loans and receivables. The securities classified in the first two categories must be measured at fair value. The application of this valuation criterion, also for unlisted securities, contrary to their current registration, leads to the registration of capital gains.

Derivatives held for trading

The impacts of IAS on derivatives refer to both accounting and valuation criteria. With reference to the first aspect, all derivative contracts must be recorded separately in the financial statements, even if they are embedded in other financial instruments which are not recorded at fair value. As concerns valuation criteria, IAS 39 requires – in the determination of market value – the application of the bid-ask spread and a risk adjustment to consider the counterparty's credit risk.

Hedge derivatives

The application of fair value in the valuation of derivatives also refers to contracts stipulated for hedging financial risks. This leads – in the case of hedging of the variation in the market value of another financial instrument – to the need of extending, for the purposes of a consistent valuation method, the same valuation criteria to the hedged item. This principle of consistency may only be maintained in presence of effective hedges, that is hedges in which the changes in fair value offset opposite changes in the value of the hedged item. Instead in the case of cash flow hedging, IAS 39 requires the valuation at fair value (with recognition of the effect in a reserve in shareholders' equity) of the sole hedging derivative. Furthermore, derivative contracts stipulated between Group companies may no longer be accounted in consolidated financial statements.
These new rules have led to revise the accounting and valuation criteria of hedges and in certain cases it has been necessary to close the contracts in advance, subsequently stipulating new hedges compliant with the requisites of IAS 39.

Equity investments

IAS principles require the valuation of equity investments in companies, which cannot be qualified as subsidiaries, associates and joint ventures, at fair value and complex criteria to verify the presence of permanent losses in the value of equity investments which are part of the consolidation area. Furthermore, goodwill recorded in previous periods may no longer be amortised over a set period of time but must be subject to impairment testing based on the estimated future cash flows from the companies or operating units which generated such goodwill.

Other significant impacts

Among the other factors which affect shareholders' equity as at 1st January 2005, with reference to tangible fixed assets, noteworthy is the adoption of the so-called "component approach" in the amortisation of assets and this will require the elimination in the book value of assets of the component attributable to land and the consequent reversal of past amortisation attributable to this last value; as concerns the allowances for risks and charges, the need to consider the time value of money determines a reduction in provisions made in previous years.
The combined effect of the interventions described above should lead to a decrease in shareholders' equity, mostly attributable to the inclusion of the maturity factor in the valuation of loan positions, which should lead to positive impacts on the statement of income in future years.

After the adoption of IAS principles and the connected interventions on shareholders' equity, capital ratios would in any case remain on more than adequate levels.

Gruppo Intesa
Reclassified consolidated statement of income

(in millions of euro)

Captions	2004	2003 pro forma [1]	Changes amount	Changes %
Net interest income	**4,962**	4,937	25	0.5
Dividends and other revenues	**77**	70	7	10.0
Income from investments carried at equity	**143**	96	47	49.0
Interest margin	**5,182**	5,103	79	1.5
Net commissions	**3,447**	3,326	121	3.6
Profits on financial transactions	**737**	717	20	2.8
Other operating income, net	**360**	373	(13)	(3.5)
Net interest and other banking income	**9,726**	9,519	207	2.2
Administrative costs	**(5,247)**	(5,398)	(151)	(2.8)
including Payroll	***(3,147)***	*(3,298)*	*(151)*	*(4.6)*
Other	***(2,100)***	*(2,100)*	–	
Adjustments to fixed assets and intangibles	**(583)**	(690)	(107)	(15.5)
Operating costs	**(5,830)**	(6,088)	(258)	(4.2)
Operating margin	**3,896**	3,431	465	13.6
Adjustments to goodwill arising on consolidation and on application of the equity method	**(130)**	(130)	–	
Provisions for risks and charges	**(167)**	(199)	(32)	(16.1)
Net adjustments to loans and provisions for possible loan losses	**(887)**	(1,180)	(293)	(24.8)
Net adjustments to financial fixed assets	**(19)**	(204)	(185)	(90.7)
Income from operating activities	**2,693**	1,718	975	56.8
Extraordinary income (loss)	**(61)**	131	(192)	
Income taxes for the period	**(805)**	(580)	225	38.8
Change in the reserve for general banking risks and other reserves	**163**	26	137	
Minority interests	**(106)**	(81)	25	30.9
Net income for the period	**1,884**	1,214	670	55.2

[1] Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

Captions	2004 [1]				2003 [1]			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,252	1,260	1,204	1,246	1,211	1,235	1,225	1,266
Dividends and income from investments carried at equity	58	42	82	38	21	9	94	42
Interest margin	**1,310**	**1,302**	**1,286**	**1,284**	**1,232**	**1,244**	**1,319**	**1,308**
Net commissions	917	849	859	822	890	833	825	778
Profits on financial transactions	148	160	209	220	136	186	204	191
Other operating income, net	86	83	103	88	117	116	70	70
Net interest and other banking income	**2,461**	**2,394**	**2,457**	**2,414**	**2,375**	**2,379**	**2,418**	**2,347**
Administrative costs	(1,355)	(1,256)	(1,333)	(1,303)	(1,390)	(1,323)	(1,354)	(1,331)
including Payroll	*(778)*	*(772)*	*(793)*	*(804)*	*(822)*	*(814)*	*(822)*	*(840)*
Other	*(577)*	*(484)*	*(540)*	*(499)*	*(568)*	*(509)*	*(532)*	*(491)*
Adjustments to fixed assets and intangibles	(175)	(137)	(138)	(133)	(202)	(171)	(164)	(153)
Operating costs	**(1,530)**	**(1,393)**	**(1,471)**	**(1,436)**	**(1,592)**	**(1,494)**	**(1,518)**	**(1,484)**
Operating margin	**931**	**1,001**	**986**	**978**	**783**	**885**	**900**	**863**
Adjustments to goodwill arising on consolidation and on application of the equity method	(33)	(33)	(32)	(32)	(36)	(30)	(32)	(32)
Provisions for risks and charges	(60)	(11)	(57)	(39)	(43)	(21)	(102)	(33)
Net adjustments to loans and provisions for possible loan losses	(259)	(157)	(258)	(213)	(452)	(233)	(243)	(252)
Net adjustments to financial fixed assets	(18)	(6)	13	(8)	(177)	12	(7)	(32)
Income from operating activities	**561**	**794**	**652**	**686**	**75**	**613**	**516**	**514**
Extraordinary income (loss)	9	(61)	(13)	4	53	(19)	57	40
Income taxes for the period	(124)	(251)	(176)	(254)	46	(246)	(156)	(224)
Change in the reserve for general banking risks and other reserves	142	6	14	1	16	2	6	2
Minority interests	(45)	(23)	(19)	(19)	(14)	(22)	(26)	(19)
Net income for the period	**543**	**465**	**458**	**418**	**176**	**328**	**397**	**313**

[1] Figures for 2003 and for the first three quarters of 2004 have been restated on a consistent basis.

Interest margin

Interest margin reached 5,182 million euro and showed a positive growth rate (+1.5%), after various periods in which it had been characterised by signs of slowdown, partly attributable to exogenous factors related to the uncertain development of the European economy and partly to the Group's management decision aimed at downsizing exposure to large corporates and foreign borrowers.

The positive trend referred to all the components of the margin under examination: net interest income in fact recorded a modest 0.5% growth rate which is however significant since it marks the inversion of a downward trend that, considering year-end figures, had lasted from the end of 2001; dividends and other revenues recorded a 10% growth rate and income from investments carried at equity posted an even higher rise (+49%).

(in millions of euro)

Captions	2004	2003 pro forma	Changes amount	Changes %
Net interest income with customers				
• interest income	**7,224**	7,685	(461)	(6.0)
• interest expense	**(1,265)**	(1,548)	(283)	(18.3)
• interest expense on securities issued	**(1,801)**	(1,883)	(82)	(4.4)
• interest expense on subordinated liabilities	**(452)**	(511)	(59)	(11.5)
	3,706	3,743	(37)	(1.0)
Interest income on securities	**1,333**	1,231	102	8.3
Net interest income with banks				
• interest income	**899**	1,126	(227)	(20.2)
• interest expense	**(768)**	(992)	(224)	(22.6)
	131	134	(3)	(2.2)
Differentials on hedge contracts	**(247)**	(200)	47	23.5
Other net interest income	**39**	29	10	34.5
Total net interest income	**4,962**	4,937	25	0.5
Dividends and other revenues	**77**	70	7	10.0
Income from investments carried at equity	**143**	96	47	49.0
Interest margin	**5,182**	5,103	79	1.5

Net interest and other banking income

Net interest and other banking income reached 9,726 million euro, highlighting a 2.2% rise on the corresponding figure for 2003. As concerns non-interest income, the most positive result was achieved by commissions, which, net, registered a 3.6% increase. Profits on financial transactions was globally higher (+2.8% with respect to the previous year), even though with a slowdown in correspondence to the last two quarters of the year. A moderate reduction instead occurred in other net operating income (–3.5%).

Net commissions

(in millions of euro)

Captions	2004	2003 pro forma	Changes	
			amount	%
Commercial banking activities				
• guarantees given	**139**	147	(8)	(5.4)
• collection and payment services	**273**	283	(10)	(3.5)
• current accounts	**767**	756	11	1.5
• fees on credit and debit cards	**268**	245	23	9.4
	1,447	1,431	16	1.1
Management, dealing and consultancy				
• dealing and placement of securities	**235**	154	81	52.6
• dealing in currencies	**40**	46	(6)	(13.0)
• portfolio management	**804**	835	(31)	(3.7)
• distribution of insurance products	**221**	134	87	64.9
• other	**153**	170	(17)	(10.0)
	1,453	1,339	114	8.5
Tax collection	**278**	291	(13)	(4.5)
Other net commissions	**269**	265	4	1.5
Total net commissions	**3,447**	3,326	121	3.6

Net commissions summed up to 3,447 million euro (+3.6% on the figure for 2003), as a result of higher commission income (+2.4%) and lower commission expense (–4.6%). Particularly significant was the performance in the fourth quarter of 2004, which reached the highest level of the last two years.
With reference to the various operating areas which generate commissions, a moderate growth rate was recorded by commissions on commercial banking activities (+1.1%) and a more evident rise was registered by commissions on management dealing and consultancy (+8.5%). Among the former, a particularly substantial rise came from fees on credit and debit cards (+9.4%). Among the second, particularly noteworthy was the growing contribution made by dealing and placement of securities, that recorded a 52.6% improvement on the corresponding figure for 2003 and, especially, by the important increase in commissions for the distribution of insurance products (+64.9%) following the development of this type of activity. Conversely commissions on individual portfolio management schemes and tax collection recorded a slowdown. The latter decreased also as a result of the persisting uncertainty in the regulation of the sector.

Profits on financial transactions

Profits on financial transactions totalled 737 million euro and thus made an appreciable contribution to net interest and other banking income, despite the decrease in profitability in the second part of the year. In fact profits on financial transactions recorded a 2.8% growth rate over the twelve months.

The table below details the result achieved by the single business areas, highlighting the improvement realised by activities on equities and interest rates and the decrease in foreign exchange activities and credit derivatives in the trading book.

(in millions of euro)

Captions	2004	2003 pro forma	Changes amount	Changes %
Interest rates	**253**	230	23	10.0
Equity	**358**	306	52	17.0
Foreign exchange	**111**	151	(40)	(26.5)
Credit derivatives (trading book)	**15**	30	(15)	(50.0)
Profits on financial transactions	**737**	717	20	2.8

Operating margin

Operating margin achieved by the Group in 2004 showed a 13.6% increase on the corresponding figure of the previous year and reached 3,896 million euro.
In addition to the rise of net interest and other banking income, operating margin also benefited from the considerable savings achieved in operating costs (–4.2%),which essentially referred to payroll (–4.6%) while other administrative costs were contained to the levels of the previous year.

Operating costs

As already mentioned, in 2004 the Group achieved further significant cost savings, operating costs decreased from 6,088 million euro of 2003 to 5,830 million euro, with a 4.2% decrease. The reduction was mostly attributable to payroll, while other administrative costs remained at the levels of the previous year, since the higher charges related to the various initiatives to support the Group's growth, the development of products offered and their promotion, entirely absorbed the considerable decreases achieved in other types of expenses.

(in millions of euro)

Captions	2004	2003 pro forma	Changes amount	Changes %
Payroll	**3,147**	3,298	(151)	(4.6)
Administrative costs				
• general structure costs	**545**	553	(8)	(1.4)
• indirect taxes and duties	**315**	326	(11)	(3.4)
• legal and professional expenses	**225**	228	(3)	(1.3)
• IT expenses	**414**	383	31	8.1
• management of real estate assets	**310**	347	(37)	(10.7)
• advertising and promotional expenses	**120**	74	46	62.2
• indirect personnel costs	**64**	73	(9)	(12.3)
• other costs	**107**	116	(9)	(7.8)
	2,100	**2,100**	**–**	**–**
Adjustments to				
• intangibles	**301**	341	(40)	(11.7)
• fixed assets	**282**	349	(67)	(19.2)
Operating costs	**5,830**	**6,088**	**(258)**	**(4.2)**

The contraction in payroll was essentially connected to the reduction in Group staff which, with respect to as at 31st December 2003, decreased on average by 3,424 units and in year-end figures by 2,505 units. This phenomenon is mostly attributable to the exit, over the twelve months, of over 2,400 resources as part of procedures provided for by Ministerial Decree 158 of 2000 as concerns the Solidarity Allowance and for the remaining part by normal personnel turnover.

As mentioned above, other administrative costs – despite the cost of the projects under way aimed at launching new and competitive products, as well as improving customer service – confirmed the levels of 2003, with a selective increase in expenses, especially those related to the advertising campaigns under way (+62.2%) and to IT services (+8.1%), while most other expense items remained stable or decreased.

The adjustments to intangibles and fixed assets decreased respectively by 11.7% and 19.2%, as a result of both the extinguishing of the normal amortisation process of certain deferred charges and of the lower adjustments related to the disposal of certain real estate assets.

Progress in revenues and the reduction in costs enabled, over the twelve months, to improve by over 4 percentage points the cost/income ratio which as at 31st December 2004 equalled 59.9%.

Income from operating activities

Income from operating activities totalled 2,693 million euro, with a 56.8% growth rate on the corresponding figure of the previous year.
The Group achieved this result after recording net adjustments to loans and provisions for possible loans losses and for risks and charges amounting to 1,054 million euro, approximately 24% down on the analogous figure of 2003, and after registering amortisation of goodwill for an identical amount as in the previous year. Net adjustments to financial fixed assets (19 million euro) recorded a substantial decrease compared to 204 million euro of 2003.

Adjustments, write-backs and provisions

(in millions of euro)

Captions	2004	2003 pro forma	Changes	
			amount	%
Net adjustments to/write-backs of loans				
• doubtful loans	**(489)**	(614)	(125)	(20.4)
• substandard loans	**(314)**	(447)	(133)	(29.8)
• restructured loans and loans under restructuring	**47**	(15)	62	
• loans subject to Country risk	**42**	51	(9)	(17.6)
• other	**(159)**	(113)	46	40.7
Net provisions for guarantees and commitments	**(13)**	(41)	(28)	(68.3)
	(886)	(1,179)	(293)	(24.9)
Provisions for possible loan losses	**(1)**	(1)	–	–
	(887)	(1,180)	(293)	(24.8)
Provisions for risks and charges	**(167)**	(199)	(32)	(16.1)
Adjustments to goodwill arising on consolidation and on application of the equity method	**(130)**	(130)	–	–
Adjustments to financial fixed assets	**(43)**	(214)	(171)	(79.9)
Write-back of financial fixed assets	**24**	10	14	
	(19)	(204)	(185)	(90.7)
Total, net	**(1,203)**	(1,713)	(510)	(29.8)

Net adjustments to loans, on aggregate 293 million euro lower with respect to 2003, recorded the combined effect of lower adjustments of 426 million euro and lower write-backs of 133 million euro.

The improvement occurred to almost the same extent as concerns both doubtful loans and substandard loans. As concerns the former net adjustments totalled 489 million euro. While on substandard loans the improvement led to a 133 million euro decrease in net adjustments, down to 314 million euro. Restructured loans and loans subject to Country risk recorded instead net write-backs of 89 million euro, mostly attributable to the Parent Company.
It must be noted that the Enron position was definitively closed in 2004 with the registration of further write-backs of 49 million euro. It must also be noted that the attentive management of the relation enabled to recover a considerable part of the exposure, which in 2001 had been written down for 280 million euro.

Lastly net adjustments to cover the intrinsic risk of performing loans were further strengthened with provisions of 159 million euro. The generic allowance reached 1,087 million euro and covers the intrinsic risk of the portfolio which does not show any signs of degradation, with particular reference to the industrial sectors that were more heavily affected by the economic downturn. In particular, the generic allowance also covers the Fiat *convertendo*.

The need for provisions for risks and charges was calculated as 167 million euro (32 million euro lower than in the previous year) and mainly referred to legal disputes and amounts reclaimed.
As concerns the Allowances for risks and charges and their volumes, it must be noted that these are meant to cover specific risk categories. In particular, the risk of revocatory actions is covered by cumulated provisions amounting to 320 million euro, the risk of legal disputes by an allowance of 365 million euro, the risk for guarantees given and commitments by an allowance of 300 million euro. A further approximately 200 million euro covers charges which may derive from the equity investment portfolio. These allowances – quantified on the basis of needs which may emerge over a number of years – are adapted each year based on new assessments.

Adjustments to goodwill arising on consolidation and on application of the equity method was unchanged with respect to 2003 due to the continuation of the normal amortisation process applied to goodwill recorded on equity investments that are fully consolidated or carried at equity.

Net adjustments to financial fixed assets amounted to 19 million euro, which is the balance between adjustments of 43 million euro and write-backs of 24 million euro. In 2003, the caption had been negatively influenced by considerable adjustments which had mostly referred to the equity investments in Banco Comercial Portugues and Bayerische Hypo-und Vereinsbank.

Result from extraordinary activities and net income

Extraordinary activities registered a negative net result of 61 million euro, which stemmed from extraordinary income of 707 million euro and extraordinary charges of 768 million euro. The most significant income item referred to capital gains on the disposal of real estate assets, sold as part of the process aimed at rationalising the Group's real estate assets (approximately 260 million euro); other significant items (306 million euro) were out-of-period income and amounts not payable (deferred tax assets generated in previous periods, expired debts, accounting adjustments) as well as the reversal to the statement of income of excess allowances (92 million euro). The most significant extraordinary charges referred to the settlement, which was described in great detail to the market, between the subsidiary Nextra and the Commissioner of the Parmalat group (160 million euro) referred to the purchase and subsequent sale by Nextra of the bonds issued by Parmalat BV for a principal amount of 300 million euro. Other considerable charges referred to the sale of equity investments (152 million euro), integration and reorganisation costs (89 million euro), as well as provisions for personnel exits as provided for by Ministerial Decree 158 of 2000 (72 million euro).

The previous year had instead closed with a net extraordinary income of 131 million euro that resulted from the following most important captions: write-backs on treasury shares (361 million euro), capital gains on disposal of equity investments, spin-offs and sale of real estate assets (381 million euro), charges related to the disposal of equity investments (326 million euro), charges related to staff reductions as provided for by Ministerial Decree158/2000 (287 million euro) and reorganisation costs (154 million euro).

Net income totalled 1,884 million euro, after the deduction of taxes of 805 million euro, minority interests (106 million euro) and after the reversal of the Allowance for risks and charges arising on consolidation (68 million euro) and the Reserve for general banking risks (95 million euro).

As concerns the *Allowance for risks and charges arising on consolidation*, it was deemed that the reasons which had led to its formation no longer exist. It must be noted that the allowance was set up in the consolidated financial statements at the time of the acquisition of Banca CIS, via the attribution of a part of the difference between the pro quota book value of the latter and the lower cost sustained for the acquisition. This allowance, estimated on the basis of the presumed lower profitability of the company with respect to market benchmarks, which the investment would have required before the complete integration of the company in the Group, appears – considering the profitability of the subsidiary – no longer necessary and it was therefore decided to reverse it to the statement of income.

Instead the *Reserve for general banking risks* was provided for by Legislative Decree 87/92 as a means to stabilise annual results, to mitigate the effects that an eccessive variability over time of results could have over investors and the market. The function of such Reserve, which was set up with provisions from the statement of income of certain Group companies, may no longer be performed in the future since the international accounting principles, in force as of 1st January 2005, will not permit this type of provisions. Therefore, since the motivations for its formation no longer apply the reserve has been reversed to the statement of income.

(in millions of euro)

Captions	2004	2003 pro forma	Changes	
			amount	%
Income from operating activities	**2,693**	1,718	975	56.8
Extraordinary income	**707**	1,329	(622)	(46.8)
Extraordinary charges	**(768)**	(1,198)	(430)	(35.9)
Extraordinary income (loss), net	**(61)**	131	(192)	
Income taxes for the period	**(805)**	(580)	225	38.8
Use of allowance for risks and charges arising on consolidation	**68**	7	61	
Change in the reserve for general banking risks	**95**	19	76	
Minority interests	**(106)**	(81)	25	30.9
Net income for the period	**1,884**	1,214	670	55.2

Gruppo Intesa
Reclassified consolidated balance sheet

(in millions of euro)

Assets	31/12/2004	31/12/2003 pro forma (1)	Changes amount	Changes %
1. Cash and deposits with central banks and post offices	**1,488**	1,576	(88)	(5.6)
2. Loans				
– loans to customers	**157,698**	154,614	3,084	2.0
– due from banks	**28,730**	28,521	209	0.7
3. Trading portfolio	**33,576**	24,117	9,459	39.2
including Own shares	***10***	*1,017*	*(1,007)*	*(99.0)*
4. Fixed assets				
a) investment portfolio	**5,158**	5,318	(160)	(3.0)
b) equity investments	**4,834**	4,908	(74)	(1.5)
c) tangible and intangible	**4,075**	4,274	(199)	(4.7)
5. Goodwill arising on consolidation	**484**	546	(62)	(11.4)
6. Goodwill arising on application of the equity method	**253**	286	(33)	(11.5)
7. Other assets	**38,302**	35,518	2,784	7.8
Total Assets	**274,598**	259,678	14,920	5.7

(in millions of euro)

Liabilities and Shareholders' Equity	31/12/2004	31/12/2003 pro forma (1)	Changes amount	Changes %
1. Debts				
– due to customers	**109,542**	104,676	4,866	4.6
– securities issued	**61,417**	56,591	4,826	8.5
– due to banks	**34,214**	31,668	2,546	8.0
2. Allowances with specific purpose	**4,715**	5,047	(332)	(6.6)
3. Other liabilities	**39,121**	35,240	3,881	11.0
4. Allowances for possible loan losses	**4**	25	(21)	(84.0)
5. Subordinated and perpetual liabilities	**9,278**	10,603	(1,325)	(12.5)
6. Minority interests	**743**	735	8	1.1
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	**13,649**	13,849	(200)	(1.4)
– negative goodwill arising on consolidation	**29**	29	–	–
– negative goodwill arising on application of the equity method	**2**	1	1	
– net income for the period	**1,884**	1,214	670	55.2
Total Liabilities and Shareholders' Equity	**274,598**	259,678	14,920	5.7

Guarantees, commitments and credit derivatives	**107,549**	105,287	2,262	2.1
Indirect customer deposits	**293,001**	287,523	5,478	1.9

(1) Figures restated on a consistent basis.

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

Assets	2004 (1)				2003 (1)			
	31/12	30/09	30/06	31/03	31/12	30/09	30/06	31/03
1. Cash and deposits with central banks and post offices	**1,488**	1,317	1,229	1,294	1,576	1,352	1,336	1,329
2. Loans								
– loans to customers	**157,698**	154,363	154,195	153,245	154,614	155,570	160,534	160,875
– due from banks	**28,730**	27,499	29,800	31,011	28,521	36,082	33,648	33,039
3. Trading portfolio	**33,576**	34,667	35,943	39,147	24,117	26,324	31,868	28,192
including Own shares	***10***	*4*	*11*	*9*	*1,017*	*894*	*891*	*664*
4. Fixed assets								
a) investment portfolio	**5,158**	5,303	5,237	5,166	5,318	5,644	5,967	6,038
b) equity investments	**4,834**	4,857	4,816	4,846	4,908	5,137	5,167	4,921
c) tangible and intangible	**4,075**	4,073	4,061	4,105	4,274	4,427	4,494	4,544
5. Goodwill arising on consolidation	**484**	476	500	522	546	570	594	590
6. Goodwill arising on application of the equity method	**253**	294	270	278	286	285	293	250
7. Other assets	**38,302**	31,785	31,201	34,293	35,518	41,214	35,315	34,924
Total Assets	**274,598**	264,634	267,252	273,907	259,678	276,605	279,216	274,702

(in millions of euro)

Liabilities and Shareholders' Equity	2004 (1)				2003 (1)			
	31/12	30/09	30/06	31/03	31/12	30/09	30/06	31/03
1. Debts								
– due to customers	**109,542**	106,505	108,871	104,266	104,676	108,356	110,302	110,913
– securities issued	**61,417**	61,581	59,574	57,931	56,591	55,782	57,489	53,965
– due to banks	**34,214**	32,008	34,443	44,679	31,668	37,040	41,547	42,778
2. Allowances with specific purpose	**4,715**	4,661	4,447	5,301	5,047	5,374	5,236	5,379
3. Other liabilities	**39,121**	34,072	34,358	36,459	35,240	43,469	38,466	35,656
4. Allowances for possible loan losses	**4**	12	11	24	25	45	44	44
5. Subordinated and perpetual liabilities	**9,278**	9,960	10,182	10,288	10,603	11,241	11,248	11,456
6. Minority interests	**743**	726	708	751	735	722	668	712
7. Shareholders' equity								
– share capital, reserves and reserve for general banking risks	**13,649**	13,737	13,751	13,759	13,849	13,508	13,476	13,456
– negative goodwill arising on consolidation	**29**	29	29	29	29	29	29	18
– negative goodwill arising on application of the equity method	**2**	2	2	2	1	1	1	12
– net income for the period	**1,884**	1,341	876	418	1,214	1,038	710	313
Total Liabilities and Shareholders' Equity	**274,598**	264,634	267,252	273,907	259,678	276,605	279,216	274,702

Indirect customer deposits	**293,001**	287,991	289,342	290,595	287,523	292,312	288,741	282,410

(1) Figures for 2003 and for the first three quarters of 2004 have been restated on a consistent basis.

Lending and deposit collecting activities

Loans to customers

Loans to customers as at 31st December 2004 reached 157,698 million euro and recorded a 2% increase compared to the same figure of December 2003. This result is even more positive considering that the figure at the end of 2004 was affected by two phenomena, as already illustrated in the interim reports: i) the programmed reduction in exposure to large corporates (approximately –5 billion euro, with respect to December 2003, in terms of risk-weighted assets), as well as ii) the extinguishment of the loan granted by Intesa Leasing to the vehicle company Intesa Lease Sec., for the sale – at the end of 2003 – of approximately 1,500 million euro of performing loans originated from leasing contracts. These were securitised in the first quarter of 2004 with the issue of securities and the corresponding extinguishment of the aforementioned loan. If the comparison in the two year-end figures occurred on a consistent basis, the growth rate would be far higher than that which emerges from accounting figures.

The increase in the medium/long term component represented by mortgages continued vigorously (+13.3%), and led mortgages to reach a 44% portion of total loans to customers. Decreases were instead recorded by advances and other loans and current accounts which, overall, were down by approximately 8% also due to the aforementioned two phenomena. Repurchase agreements posted considerable growth and still represented only 3.5% of total loans to customers.

In terms of contribution to the consolidated figure, the Parent Company was responsible for 58% of loans to customers while the Group's Italian subsidiaries represented 34% and foreign subsidiaries 8%.

(in millions of euro)

Subcaptions	31/12/2004	31/12/2003 pro forma	Changes	
			amount	%
Current accounts	**19,910**	21,580	(1,670)	(7.7)
Mortgages	**69,514**	61,378	8,136	13.3
Advances and other loans	**58,467**	63,758	(5,291)	(8.3)
Repurchase agreements	**5,591**	3,325	2,266	68.2
Doubtful loans	**4,216**	4,573	(357)	(7.8)
Total loans	**157,698**	**154,614**	**3,084**	**2.0**
including with residents in Italy	***135,745***	*133,528*	*2,217*	*1.7*
with residents in other EU Countries	***13,467***	*11,397*	*2,070*	*18.2*
with residents in non-EU Countries	***8,486***	*9,689*	*(1,203)*	*(12.4)*

The table below details geographic breakdown of loans to customers and highlights that domestic loans represented 86% of the total and were mostly granted to residents in North-West Italy (43%). As concerns foreign counterparties, loans to customers not resident in Italy were granted for over 60% to EU residents, while the rest referred to non-EU borrowers.

Geographic areas	31/12/2004	31/12/2003 pro forma
North West	43.2%	44.9%
North East	17.4%	16.8%
Centre	14.3%	14.2%
South and Isles	11.1%	10.4%
Total Italy	**86.0%**	**86.3%**
France	0.7%	0.8%
Portugal	0.4%	0.8%
Germany	0.3%	0.3%
Spain	0.2%	0.3%
Holland	1.0%	0.4%
Belgium	0.1%	0.1%
Ireland	0.2%	0.2%
Luxembourg	0.3%	0.6%
United Kingdom	1.6%	1.0%
Slovakia	1.1%	0.7%
Hungary	2.5%	1.9%
Other new EU Countries	0.1%	0.1%
Other EU Countries	0.1%	0.2%
Total EU Countries	**8.6%**	**7.4%**
United States of America	1.5%	1.8%
Croatia	2.0%	2.0%
Japan	0.2%	0.3%
Brazil	0.0%	0.1%
Peru	0.7%	0.8%
Other non-EU Countries	1.0%	1.3%
Total other non-EU Countries	**5.4%**	**6.3%**
Total loans to customers	**100.0%**	**100.0%**

As concerns breakdown of loans by borrowing counterparty, the table below confirms the net prevalence of loans granted to non-financial companies and family-run businesses which represented 63% of the total, and within these the most significant sectors were wholesale and retail trade and businesses offering other services for sale. The Group also pays great attention to consumer families and other categories which, together, absorbed approximately 23% of loans disbursed.

(in millions of euro)

Counterparties	31/12/2004	31/12/2003 pro forma
Governments	**2,605**	2,279
Other public entities	**3,598**	3,684
Financial institutions	**15,367**	16,908
Non-financial companies and family-run businesses	**99,725**	97,956
• *wholesale and retail trade, recovery and repairs*	***16,237***	*16,712*
• *construction and public works*	***9,770***	*9,568*
• *food products, beverages and tobacco-based products*	***4,093***	*4,033*
• *textiles, leather and footwear, clothing*	***3,895***	*4,027*
• *agricultural and industrial machinery*	***3,702***	*4,032*
• *metal products, excluding cars and means of transport*	***3,889***	*3,988*
• *energy products*	***3,000***	*3,189*
• *chemical products*	***2,297***	*2,718*
• *electric materials and supplies*	***2,045***	*2,275*
• *other industrial products*	***3,154***	*3,369*
• *agricultural and forestry products and fishing*	***3,443***	*3,161*
• *transport*	***2,049***	*2,272*
• *paper, paper products, printed products and publishing*	***1,779***	*1,920*
• *minerals and non-metal mineral based products*	***2,056***	*1,917*
• *rubber and plastic products*	***1,839***	*1,928*
• *other services for sale*	***26,232***	*22,116*
• *other non-financial companies*	***10,245***	*10,731*
Consumer families and other	**36,403**	33,787
Total	**157,698**	**154,614**

Non-performing loans and Country risk

The various categories of total non-performing loans showed a decrease which in addition to the increase in loans to customers, led non-performing loans to represent little more than 5% of the loan portfolio, compared to 5.5% of the end of 2003.
Non-performing loans, recorded differentiated trends: doubtful loans, restructured loans and loans under restructuring and loans subject to Country risk decreased, while substandard loans rose.

In detail, d*oubtful loans* registered, in net terms, a 7.8% contraction to 4,216 million euro, and represented 2.7% of total loans compared to 3% at the end of 2003. The reduction is mainly attributable to lower net doubtful loans registered by Intesa Gestione Crediti, while amounts related to other subsidiaries – though with variegated trends – contributed to the positive variation to a far lower extent. Cumulated adjustments to cover doubtful loans led to a 66.8% coverage compared to the 65.2% of the end of previous year.

A different trend was instead recorded by *substandard loans* which, year on year, recorded a 3.3% rise to 3,649 million euro though, in percentage terms compared to total loans to customers, still continued to represent 2.3%. The year-end rise is attributable for approximately half to the Parent Company, following the classification in substandard loans of certain substantial positions for which the conditions have already been created for the possible return, in reasonable time frames, to regular conditions.
Gross substandard loans had a degree of coverage exceeding 23% which, though slightly lower than the figure of the end of 2003, is deemed to be sufficient to cover the related risks.

(in millions of euro)

	31/12/2004			31/12/2003 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
Non-performing loans	17,750	(9,644)	8,106	18,399	(9,876)	8,523
• *Doubtful loans*	*12,710*	*(8,494)*	*4,216*	*13,131*	*(8,558)*	*4,573*
• *Substandard loans*	*4,767*	*(1,118)*	*3,649*	*4,700*	*(1,167)*	*3,533*
• *Restructured loans and loans under restructuring*	*239*	*(26)*	*213*	*465*	*(129)*	*336*
• *Loans subject to Country risk*	*34*	*(6)*	*28*	*103*	*(22)*	*81*
Performing loans	150,679	(1,087)	149,592	147,130	(1,039)	146,091
Total	**168,429**	**(10,731)**	**157,698**	**165,529**	**(10,915)**	**154,614**

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

(in millions of euro)

Counterparties	31/12/2004	31/12/2003 pro forma
Financial institutions	**164**	194
Non-financial companies and family-run businesses	**6,301**	6,339
• *construction and public works*	***1,196***	*1,232*
• *wholesale and retail trade, recovery and repairs*	***1,111***	*1,127*
• *textiles, leather and footwear, clothing*	***309***	*302*
• *food products, beverages and tobacco-based products*	***337***	*409*
• *agricultural and forestry products and fishing*	***258***	*307*
• *hotels and catering*	***256***	*219*
• *metal products, excluding cars and means of transport*	***198***	*218*
• *other industrial products*	***158***	*143*
• *agricultural and industrial machinery*	***147***	*176*
• *electric materials and supplies*	***140***	*126*
• *transport*	***101***	*200*
• *communication services*	***8***	*9*
• *sea and air carriers*	***68***	*149*
• *energy products*	***43***	*45*
• *minerals and non-metal mineral based products*	***94***	*108*
• *other services for sale*	***1,388***	*1,080*
• *other non-financial companies*	***489***	*489*
Other	**1,400**	1,573
Total	**7,865**	**8,106**

Restructured loans and loans under restructuring, which still represent a marginal percentage of total loans, recorded a decrease of over one third, to 213 million euro.

Even more contained in absolute terms, *loans to customers subject to Country risk* (28 million euro, net) showed a contraction exceeding 60%.

Extending the analysis to cover the entire exposure to Countries at risk, including all on- and off-balance sheet positions, a further reduction in total loans emerges, thus confirming the trend already recorded at the end of the first half. Considering both on- and off-balance sheet exposures with customers and banks such loans booked a considerable net reduction from the 480 million euro of the end of 2003 to the 286 million euro, both connected to the disengagement from South America and to a generalised decrease in exposures.

Sharp drops were also recorded by net non-guaranteed exposures, that decreased from 635 million euro of the end of 2003 to 362 million euro of 2004 (–43%), and value at risk, down from 537 million euro to 300 million euro (–44%). Cumulated adjustments amounted to 76 million euro and guaranteed an approximately 21% coverage, lower compared to 24% as at December 2003 due to lower exposure to riskier Countries.

(in millions of euro)

Countries	31/12/2004				31/12/2003 pro forma			
	Non-guaranteed exposure	Value at risk	Adjust-ments	Net amount	Non-guaranteed exposure	Value at risk	Adjust-ments	Net amount
Brazil	**132**	**127**	**25**	**107**	219	204	40	179
Peru	**40**	**37**	**6**	**34**	57	55	11	46
Lebanon	**29**	**5**	**1**	**28**	34	6	1	33
Argentina	**49**	**49**	**29**	**20**	124	124	74	50
Cayman Islands	**22**	**22**	**4**	**18**	53	51	8	45
Jordan	**17**	**12**	**2**	**15**	15	6	1	14
Venezuela	**18**	**18**	**3**	**15**	2	2	–	2
Uruguay	**9**	**8**	**3**	**6**	3	–	–	3
Indonesia	**4**	**1**	**–**	**4**	2	2	–	2
Colombia	**2**	**2**	**–**	**2**	22	22	5	17
Dutch Antilles	**–**	**–**	**–**	**–**	33	13	4	29
Russia (*)	**–**	**–**	**–**	**–**	23	17	3	20
Panama (*)	**–**	**–**	**–**	**–**	19	13	2	17
Other Countries	**40**	**19**	**3**	**37**	29	22	6	23
Total	**362**	**300**	**76**	**286**	635	537	155	480
including								
On-balance sheet loans								
– customers	***34***	***33***	***6***	***28***	*103*	*85*	*22*	*81*
– banks	***153***	***152***	***28***	***125***	*259*	*258*	*52*	*207*
– securities portfolio	***47***	***47***	***21***	***26***	*64*	*64*	*32*	*32*
Off-balance sheet loans								
– customers	***50***	***44***	***13***	***37***	*82*	*62*	*15*	*67*
– banks	***78***	***24***	***8***	***70***	*127*	*68*	*34*	*93*

(*) As of December 2004 no longer included among Countries at risk, as defined by the Banking profession.

As usual, value at risk reflects the exclusion of loans to Bermuda for which the judgement of creditworthiness is confirmed by its positive market quotations, based on expectations of full debt repayment. Likewise, securities held in the trading portfolio were excluded from the risk calculation as they had already been marked to market. For supervisory purposes, all these loans at risk, which totalled 491 million euro, were considered under the direct coverage of shareholders' equity, with an overall capital absorption of 65 million euro, determined, for securities held in the trading portfolio, considering the write-downs already accounted for in the financial statements. The absorption of a further 54 million euro referred to the domestic component of loans granted by Banco Wiese Sudameris – Peru (361 million euro) to Central Government and public sector entities, denominated in or indexed to foreign currencies.

Performing loans

To cover performing loans there is a generic allowance of 1,087 million euro which ensures a coverage – net of repurchase agreements – of 0.7% related to the intrinsic risk of performing positions, also including those granted to the industrial sectors, such as automotive production, in which physiological risks are concentrated connected to market and economic factors. In particular, this allowance also covers the Fiat *convertendo*.

Customer funds

Direct customer deposits recorded an almost 5% increase compared to as at 31st December 2003, and reached 180,237 million euro, mostly ascribable to the positive trend of bond issues.

(in millions of euro)

Subcaptions	31/12/2004	31/12/2003 pro forma	Changes	
			amount	%
Deposits	**11,147**	10,521	626	6.0
Current accounts and other	**85,875**	83,430	2,445	2.9
Bonds	**53,003**	47,908	5,095	10.6
Certificates of deposit	**6,326**	7,512	(1,186)	(15.8)
Other	**5,092**	4,339	753	17.4
Repurchase agreements	**9,516**	7,557	1,959	25.9
Subordinated and perpetual liabilities	**9,278**	10,603	(1,325)	(12.5)
Total direct deposits (*)	**180,237**	171,870	8,367	4.9
Indirect customer deposits	**293,001**	287,523	5,478	1.9
Customer deposits under administration	**473,238**	**459,393**	**13,845**	**3.0**
(*) *including with residents in Italy*	***150,374***	*145,458*	*4,916*	*3.4*
with residents in EU Countries	***15,800***	*13,692*	*2,108*	*15.4*
with residents in non-EU Countries	***14,063***	*12,720*	*1,343*	*10.6*

As illustrated in the table above, breakdown of single components shows the key contribution of bonds, which recorded an over 10% rise with respect to the figure at the end of 2003 and completely absorbed the contraction in subordinated and perpetual liabilities (–12.5%, also related to the expiry of Tier 3 subordinated loans) and the physiological decline of certificates of deposit (approximately –16%).
Conversely increases were recorded by current accounts (approximately +3%) and deposits (+6%), as well as the more typical pure financing source of repurchase agreements (approximately +26%).

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

Indirect customer deposits

Indirect customer deposits equalled 293,001 million euro, with a growth rate slightly under 2% with respect to the 2003 figure. Also at year-end, in line with the trend shown during the year, the rise of assets under administration and in custody (+5.7%) entirely absorbed the reduction in managed funds (–3.3%). Within managed funds noteworthy was however the positive performance of insurance products, which recorded a 24% growth rate in terms of volumes compared to the end of 2003.

(in millions of euro)

Subcaptions	31/12/2004	31/12/2003 pro forma	Changes	
			amount	%
Individual portfolio management schemes	**49,762**	49,350	412	0.8
Assets managed by mutual funds	**75,793**	87,347	(11,554)	(13.2)
Insurance products	**23,000**	18,528	4,472	24.1
minus Funds from individual portfolios placed in mutual funds	**(30,649)**	(33,356)	(2,707)	(8.1)
Total managed funds	**117,906**	121,869	(3,963)	(3.3)
Assets under administration and in custody	**175,095**	165,654	9,441	5.7
Indirect customer deposits	**293,001**	287,523	5,478	1.9

Financial activities

(in millions of euro)

Subcaptions	31/12/2004		Implicit gains/ losses	31/12/2003 pro forma		Implicit gains/ losses
	Book value	Market value		Book value	Market value	
Investment portfolio	**5,158**	**5,634**	**476**	5,318	5,595	277
Trading portfolio						
– Government securities	**3,182**	**3,182**	**–**	3,934	3,934	–
– Bonds and other debt securities	**27,801**	**27,819**	**18**	17,162	17,197	35
• *listed*	***14,189***	***14,189***	***–***	*6,051*	*6,051*	*–*
• *unlisted*	***13,612***	***13,630***	***18***	*11,111*	*11,146*	*35*
– Shares, quotas and other forms of capital	**2,583**	**2,589**	**6**	2,004	2,059	55
• *listed*	***2,165***	***2,165***	***–***	*1,395*	*1,395*	*–*
• *unlisted*	***418***	***424***	***6***	*609*	*664*	*55*
Total trading portfolio	**33,566**	**33,590**	**24**	23,100	23,190	90
Own shares	**10**	**10**	**–**	1,017	1,017	–
Total	**38,734**	**39,234**	**500**	29,435	29,802	367

(in millions of euro)

Subcaptions	31/12/2004	31/12/2003 pro forma	Changes	
			amount	%
Net interbank position repayable on demand				
• current accounts	**(513)**	(930)	(417)	(44.8)
• deposits	**(3,216)**	(3,732)	(516)	(13.8)
• other	**315**	23	292	
	(3,414)	(4,639)	(1,225)	(26.4)
Net interbank position with notice period				
• compulsory reserve requirement	**1,511**	1,091	420	38.5
• time deposits	**(6,556)**	(7,567)	(1,011)	(13.4)
• repurchase agreements	**2,194**	6,577	(4,383)	(66.6)
• other	**781**	1,391	(610)	(43.9)
	(2,070)	1,492	(3,562)	
Net interbank position	**(5,484)**	(3,147)	2,337	74.3

Shareholders' equity and capital ratios

The Group's shareholders' equity, including net income for the period of 1,884 million euro, amounted to 15,564 million euro. The table below details the variations which occurred with respect to as at 31st December 2003.

Shareholders' equity for supervisory purposes amounted to 21,161 million euro, against risk-weighted assets of 182,486 million euro. The total capital ratio equalled 11.6% and the Tier 1 ratio 8.5%. The ratio between Tier 1 capital net of preference shares and risk-weighted assets (Core Tier 1) equalled 7.6%.

(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 2003 (*)	**3,561**	**5,404**	**773**	**3,661**	**(1)**	**95**	**356**	**30**	**1,214**	**15,093**
Allocation of consolidated net income										
– Reserves				879					(879)	–
– Dividends									(330)	(330)
– Allowances for charitable contributions				(2)					(5)	(7)
Other variations										
– Free assignement of 318,486,977 Banca Intesa ordinary shares to the Shareholders				(1,013)						(1,013)
– Changes in the consolidation area				(1)			1	1		1
– Transfer to Share premium reserve from reserve for own shares		2		(2)						–
– Changes in the reserve for general banking risks						(95)				(95)
– Changes in the reserve for foreign exchange differences				(7)	38					31
Net income for the period									1,884	1,884
Balance as at 31st December 2004	**3,561**	**5,406**	**773**	**3,515**	**37**	**–**	**357**	**31**	**1,884**	**15,564**

(*) Official figures not restated.

N.B.: The caption Other reserves includes 10 million euro of Reserve for own shares.

(in millions of euro)

TOTAL CAPITAL AND CAPITAL RATIOS	2004				31/12/2003
	31/12	30/09	30/06	31/03	
Total capital					
Tier 1 capital	15,564	15,317	15,019	14,700	14,292
Tier 2 capital	6,714	6,913	7,001	7,234	7,585
Items to be deducted	(1,117)	(1,419)	(1,371)	(1,249)	(1,233)
Total capital	**21,161**	**20,811**	**20,649**	**20,685**	**20,644**
Capital requirements					
Credit risks	13,112	13,045	13,216	13,240	13,390
Market risks	1,210	1,039	1,107	1,090	970
Tier 3 subordinated loans	–	431	632	639	647
Other capital requirements	277	221	227	234	228
Total capital requirements	14,599	14,305	14,550	14,564	14,588
Risk-weighted assets	182,486	178,819	181,878	182,052	182,344
Capital ratios %					
Tier 1/Total risk-weighted assets	8.53	8.57	8.26	8.07	7.84
Total capital/Total risk-weighted assets	11.60	11.88	11.70	11.71	11.68
Excess capital	**6,562**	**6,506**	**6,099**	**6,121**	**6,056**

Shareholders' equity for supervisory purposes used to determine the total capital/total risk-weighted assets ratios includes Tier 3 subordinated loans

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

(in millions of euro)

Items	Shareholders' equity	including net income for the period as at 31/12/2004
Parent Company's balances as at 31st December 2004	14,544	1,141
Effect of full and proportional consolidation	1,520	1,097
Effect of consolidation of subsidiaries carried at equity	73	143
Reversal of write-downs on equity investments	(139)	(139)
Amortisation of goodwill arising on consolidation and on application of the equity method	(1,018)	(130)
Use of allowance for risks and charges arising on consolidation	100	68
Allocation of consolidation differences to the value of real estate assets	226	(9)
Restatement of goodwill	(5)	2
Dividends collected during the period	–	(91)
Dividends accrued, net of fiscal effects	(297)	(297)
Other changes	560	99
Consolidated balances as at 31st December 2004	**15,564**	**1,884**

Breakdown of results by business area

(in millions of euro)

	Retail Division		Corporate Division		Italian Subsidiary Banks Division		International Subsidiary Banks Division		Central Structures		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net interest and other banking income	5,302	5,039	1,811	1,963	1,459	1,363	1,021	930	133	224	9,726	9,519
Operating costs	(3,250)	(3,421)	(804)	(843)	(791)	(781)	(603)	(599)	(382)	(444)	(5,830)	(6,088)
Operating margin	**2,052**	**1,618**	**1,007**	**1,120**	**668**	**582**	**418**	**331**	**(249)**	**(220)**	**3,896**	**3,431**
Provisions and net adjustments to loans and financial fixed assets	(406)	(426)	(202)	(406)	(136)	(203)	(123)	(133)	(336)	(545)	(1,203)	(1,713)
Income (Loss) from operating activities	**1,646**	**1,192**	**805**	**714**	**532**	**379**	**295**	**198**	**(585)**	**(765)**	**2,693**	**1,718**
Extraordinary income (loss)	14	13	(14)	54	12	17	5	(207)	(78)	254	(61)	131
Use of allowance for risks and charges arising on consolidation/Change in the reserve for general banking risks	45	3	24	16	59	–	–	–	35	7	163	26
Income (Loss) before taxes and minority interests	**1,705**	**1,208**	**815**	**784**	**603**	**396**	**300**	**(9)**	**(628)**	**(504)**	**2,795**	**1,875**
Rwa (billions of euro)	78.2	76.5	48.9	49.9	23.7	21.4	14.2	13.1	17.5	21.1	182.5	182.0
Allocated capital (billions of euro)	5.0	4.9	2.9	3.0	1.4	1.3	0.9	0.8	1.1	1.3	11.3	11.3
Income from operating activities on allocated capital (%)	32.8%	24.2%	27.4%	23.9%	37.4%	29.6%	34.6%	25.2%	(55.8%)	(59.6%)	23.9%	15.2%

Figures for 2003 have been restated on a consistent basis.

Product companies were put under the direct co-ordination of the Retail Division and the Corporate Division in order to progressively adapt the Group's organisational structure to the strategic objectives of the Business Plan and in the perspective of an enhanced effectiveness in the governance of Group companies, ensuring centralised company management, new synergies and scale economies, together with improved operating efficiency. In particular: Intesa Leasing, Banca Intesa Mediocredito and Banca CIS report to the Retail Division; Intesa Mediofactoring and tax collection companies (E.Tr., Esa.Tri. and S.Es.I.T.) were included in the Corporate Division.

2004 breakdown by business area reflects this new structure and, consistently, 2003 figures have been reclassified.

Retail Division

The Division greatly improved its profitability with respect to the previous year and closed the period with an operating margin of 2,052 million euro and an income from operating activities of 1,646 million euro. The Retail Division is the centre driving the Bank's operations. The Division is always involved in new projects aimed at enhancing service quality and meeting customers' specific needs. It must be noted with regard to households, that new products, already described in a specific chapter in this Report, such as *Conto Intesa, Carta Intesa, Prestintesa, Mutuo Protetto,* as well as a broad range of life insurance policies were highly appreciated by customers.

Corporate Division

The Corporate Division is charged with management and development of relations with large Italian and international groups, large mid-corporates, the State and public administrations as well as relations with financial institutions. The Corporate Division also co-ordinates factoring and tax collection activities performed by Group subsidiaries. In 2004, the Corporate Division recorded a net income for the period before taxes and minority interests of 815 million euro, with an improvement compared to the previous year, mainly due to lower adjustments for possible loan losses. The operating margin amounted to 1,007 million euro and income from operating activities equalled 805 million euro.

Italian Subsidiary Banks Division

The Italian Subsidiary Banks Division, which for the purpose of optimising any possible commercial synergy, operates in strict co-ordination with the Retail Division, is in charge of Italian subsidiary banks operating in the retail business. They are medium or small-sized banks, with a markedly local vocation, that provide to the Group a widespread presence in certain regions and provinces in North and Central Italy. The Division's results – which showed a considerable improvement – confirm these Banks' ability to take advantage of their key strengths: lean operating structure, solid territorial presence and possibility of taking full advantage of being part of the largest Italian banking group. Operating margin reached 668 million euro and income from operating activities 532 million euro.

International Subsidiary Banks Division

The expansion of the Group's operations in the Eastern-European markets and the almost complete withdrawal from Latin-American Countries considerably improved the economic performance of the International Subsidiary Banks Division. In fact, the Division closed the period with an operating margin of 418 million euro and an income from operating activities of 295 million euro.

Significant subsequent events

In February 2005, Banca Intesa signed with the controlling shareholders of **Delta Banka, Belgrade**, an agreement for the acquisition of 75% plus one share or, under certain circumstances, 100% of the voting share capital of the Serbian bank. The transaction is expected to close at the beginning of the second quarter of 2005, after the necessary authorisations and Banca Intesa has launched a takeover bid.
Delta Banka is the second largest bank in Serbia and Montenegro in terms of total assets, it has a network of 144 branches and 16 outlets and serves over 400,000 clients. As at 31st December 2004, it registered 691 million euro of total assets, 553 million euro of customer deposits, 332 million euro of loans to customers and 114 million euro of shareholders' equity. For the twelve months ended 31st December 2004, its net income amounted to 22 million euro. Banca Intesa will pay either 277.5 million euro cash for the 75% plus one share (with an attendant shareholders agreement regulating, amongst others, the exercise of a call option by Banca Intesa and a put option by the sellers on the remaining stake over the course of the next four years) or 370 million euro cash for 100% of the share capital of Delta Banka. The purchase price has been determined by applying a 3.2 multiple to the shareholders' equity of Delta Banka as at 31st December 2004. The outlay will be funded by the disposal of non-core assets, including the recently-sold stakes in Commerzbank and HVB.

Again in February, Beni Stabili and Banca Intesa signed a preliminary agreement for Beni Stabili's purchase of 49% of **Milano Zero Tre** from Banca Intesa at a price of 134 million euro (value after deducting net income for 2004 and the subsequent distribution of dividends and reserves, totalling 81.6 million euro). The closing is expected to occur within the end of March 2005. It must be noted that, at the end of 2003, Gruppo Intesa transferred 45 non-strategic properties with a book value of approximately 291 million euro to Milano Zero Tre at the time of its establishment, by Beni Stabili (51%) and Banca Intesa (49%). The sale of such properties was initially set out by the business plan over a period of five years. However, in view of the positive results already achieved as at 31st December 2004 and following the significant reduction in the time horizon of the business plan, the parties agreed to dissolve the joint venture. The sale, which forms part of the programmed disposal of non-core activities set out in Banca Intesa's Business Plan for the period 2003-2005, will enable the Bank to report a capital gain of approximately 50 million euro in its 2005 consolidated financial statements.

Lastly, on 28th February 2005 Banca Intesa and **ABS Banka, Sarajevo** reached an agreement on the terms of a tender offer to be launched by Banca Intesa for ABS Banka's shares. The tender offer will be launched for 100% of the share capital of ABS Banka for a total cash consideration of approximately 11.9 million euro. Its closing is conditional, in addition to the authorisations of the competent authorities in the two Countries, also upon no less than 50% plus one share of ABS Banka's share capital being tendered by its shareholders, although Banca Intesa may, at its sole discretion, decide to accept a lower percentage. At the end of 2003, ABS Banka had 56 million euro of total assets, 39 million euro of customer deposits and 34 million euro of loans to customers. Shareholders' equity equalled 9 million of euro and net income amounted to 791,000 million euro. The bank has a network of 41 branches on the whole Bosnia-Herzegovina territory serving 100,000 clients.

Gruppo Intesa
Selected notes to the consolidated financial statements as at 31st December 2004

Breakdown of loans to customers

Loans to customers - Changes in non-performing loans

	Doubtful loans	Sub-standard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. Initial gross exposure	13,131	4,700	4	461	103
A1. including overdue interest	*3,496*	*115*	–	*13*	–
B. Increases	2,019	3,687	14	76	36
B1. inflows from performing loans	*347*	*3,031*	*14*	*60*	*26*
B2. overdue interest	*410*	*39*	–	–	–
B3. transfers from other non-performing loan categories	*1,088*	*143*	–	*11*	–
B4. other increases	*174*	*474*	–	*5*	*10*
C. Decreases	(2,440)	(3,620)	(8)	(308)	(105)
C1. outflows to performing loans	*(31)*	*(878)*	–	*(17)*	*(28)*
C2. write-offs	*(1,336)*	*(211)*	–	*(55)*	–
C3. repayments	*(747)*	*(1,349)*	–	*(198)*	*(65)*
C4. credit disposals	*(59)*	*(16)*	–	–	*(3)*
C5. transfers to other non-performing loan categories	*(114)*	*(1,089)*	*(8)*	*(31)*	–
C6. other decreases	*(153)*	*(77)*	–	*(7)*	*(9)*
D. Final gross exposure	**12,710**	**4,767**	**10**	**229**	**34**
D1. including overdue interest	*3,540*	*88*	–	*1*	–

Loans to customers - Changes in total adjustments

	Doubtful loans	Sub-standard loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Initial total adjustments	8,558	1,167	1	128	22	1,039
A1. including overdue interest	*3,420*	*93*	–	*12*	–	*4*
B. Increases	1,661	706	1	22	11	224
B1. adjustments	*1,178*	*574*	*1*	*3*	*4*	*205*
B1.1 including overdue interest	*392*	*14*	–	–	–	*1*
B2. use of allowances for possible loan losses	*3*	–	–	–	–	*2*
B3. transfers from other loan categories	*308*	*108*	–	*17*	–	*15*
B4. other increases	*172*	*24*	–	*2*	*7*	*2*
C. Decreases	(1,725)	(755)	(1)	(125)	(27)	(176)
C1. write-back of adjustments	*(57)*	*(121)*	–	*(1)*	*(5)*	*(38)*
C1.1 including overdue interest	*(1)*	*(1)*	–	*(1)*	–	–
C2. write-backs on repayments	*(240)*	*(97)*	–	*(50)*	*(19)*	*(7)*
C2.1 including overdue interest	*(54)*	*(1)*	–	*(1)*	–	*(1)*
C3. write-offs	*(1,336)*	*(211)*	–	*(55)*	–	*(10)*
C4. transfers to other loan categories	*(40)*	*(291)*	*(1)*	*(19)*	–	*(97)*
C5. other decreases	*(52)*	*(35)*	–	–	*(3)*	*(24)*
D. Final total adjustments	**8,494**	**1,118**	**1**	**25**	**6**	**1,087**
D1. including overdue interest	*3,519*	*68*	–	–	–	–

Breakdown and changes in goodwill

"Goodwill arising on consolidation"

	Balance as at 31/12/2003	Additions in the period	Amortisation charges	Balance as at 31/12/2004
Banca Intesa (former Cariplo)	167	–	42	125
Banca Intesa (former Mediocredito Lombardo)	4	–	1	3
Banca Caboto	6	–	1	5
Cassa di Risparmio di Ascoli Piceno	7	–	2	5
Cassa di Risparmio di Città di Castello	2	–	–	2
Cassa di Risparmio di Foligno	11	–	2	9
Cassa di Risparmio di Rieti	4	–	1	3
Cassa di Risparmio di Spoleto	9	–	2	7
Cassa di Risparmio di Terni e Narni	44	–	6	38
C.I.B. Factoring	–	3	–	3
Epsilon Associati SGR	3	–	–	3
Intesa Holding Asset Management	27	–	3	24
Medimurska Banka	2	–	–	2
Intesa Mediofactoring	2	–	–	2
Privredna Banka	101	–	16	85
Vseobecna Uverova Banka	157	–	20	137
Banca Intesa Private Banking	–	31	1	30
IAF Istituto Fiduciario	–	1	–	1
Total	**546**	**35**	**97**	**484**

"Goodwill arising on application of the equity method"

	Balance as at 31/12/2003	Additions in the period	Amortisation charges	Balance as at 31/12/2004
Agos Itafinco	55	–	7	48
Banca Generali	63	–	7	56
Intesa Vita	125	–	14	111
Lazard & Co.	42	–	5	37
Po Vita	1	–	–	1
Total	**286**	**–**	**33**	**253**

Changes in caption "Negative goodwill arising on consolidation" and in caption "Negative goodwill arising on application of the equity method"

Both negative goodwill arising on consolidation and negative goodwill arising on application of the equity method are practically unchanged.

Assets and liabilities: breakdown by Country

Captions/Countries	Italy	Other EU Countries	Other Countries	Total
1. Assets				
1.1 due from banks	8,090	17,588	3,052	28,730
1.2 loans to customers	135,745	13,467	8,486	157,698
1.3 securities	15,247	14,251	9,226	38,724
Total	159,082	45,306	20,764	225,152
2. Liabilities				
2.1 due to banks	12,960	10,182	11,072	34,214
2.2 due to customers	87,750	11,919	9,774	109,443
2.3 securities issued	55,490	3,809	2,118	61,417
2.4 other	7,134	72	2,171	9,377
Total	163,334	25,982	25,135	214,451
3. Guarantees, commitments and credit derivatives	48,760	32,268	26,521	107,549

Assets and liabilities: breakdown by maturity

Captions/Residual life	Specified maturity							Unspecified maturity	Total
	on demand	up to 3 months	between 3 and 12 months	between 1 and 5 years		over 5 years			
				fixed rate	floating rate	fixed rate	floating rate		
1. Assets									
1.1 treasury bills eligible for refinancing	–	215	327	1,843	73	670	1,903	–	5,031
1.2 due from banks	2,885	17,890	6,356	30	521	–	136	912	28,730
1.3 loans to customers	24,516	22,692	19,106	13,093	32,650	7,340	30,919	7,382	157,698
1.4 bonds and other debt securities	144	4,544	5,901	4,573	5,663	4,547	5,727	3	31,102
1.5 off-balance sheet transactions	97,275	396,591	254,905	437,008	23,711	159,375	1,704	–	1,370,569
Total	**124,820**	**441,932**	**286,595**	**456,547**	**62,618**	**171,932**	**40,389**	**8,297**	**1,593,130**
2. Liabilities									
2.1 due to banks	6,699	20,053	3,954	181	1,530	59	1,724	14	34,214
2.2 due to customers	84,576	18,742	1,096	165	508	96	1,990	2,270	109,443
2.3 securities issued									
– bonds	1,370	2,900	5,232	6,479	27,425	2,009	7,588	–	53,003
– certificates of deposit	166	4,139	888	395	331	51	356	–	6,326
– other securities	1,059	1,024	–	–	2	–	3	–	2,088
2.4 subordinated liabilities	123	114	267	2,538	1,807	1,711	2,718	–	9,278
2.5 off-balance sheet transactions	86,087	402,358	271,768	426,276	21,890	159,017	1,643	24	1,369,063
Total	**180,080**	**449,330**	**283,205**	**436,034**	**53,493**	**162,943**	**16,022**	**2,308**	**1,583,415**

Administrative costs

Average number of employees by categories

	2004	2003 pro forma	Changes	
			amount	%
a) Managers	830	929	(99)	(10.7)
b) 3rd and 4th level officers	9,324	9,930	(606)	(6.1)
c) Other employees	48,057	50,776	(2,719)	(5.4)
Total	58,211	61,635	(3,424)	(5.6)

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

	2004	2003 pro forma	Changes	
			amount	%
a) Managers	796	864	(68)	(7.9)
b) 3rd and 4th level officers	9,317	9,330	(13)	(0.1)
c) Other employees	46,845	49,269	(2,424)	(4.9)
Total	56,958	59,463	(2,505)	(4.2)

Breakdown of “Administrative costs”

Payroll

	2004	2003 pro forma	Changes	
			amount	%
Payroll				
– *wages and salaries*	*2.221*	*2.309*	*(88)*	*(3.8)*
– *social security charges*	*611*	*645*	*(34)*	*(5.3)*
– *other*	*77*	*85*	*(8)*	*(9.4)*
– *termination indemnities*	*135*	*151*	*(16)*	*(10.6)*
– *pensions and similar commitments*	*103*	*108*	*(5)*	*(4.6)*
Total	3.147	3.298	(151)	(4.6)

Other

	2004	2003 pro forma	Changes	
			amount	%
Indirect taxes and duties	315	326	(11)	(3.4)
IT, processing and data processing services	414	383	31	8.1
Rentals and service charges - real estate	198	226	(28)	(12.4)
Expenses for consultancy fees	127	136	(9)	(6.6)
Postal, telegraphic and delivery services	111	93	18	19.4
Telephonic, teletransmission and transmission expenses	94	102	(8)	(7.8)
Legal expenses	98	92	6	6.5
Expenses for maintenance of real estate assets	18	19	(1)	(5.3)
Expenses for maintenance of furniture and machines	44	42	2	4.8
Advertising and promotional expenses	120	74	46	62.2
Transport services	54	57	(3)	(5.3)
Lighting, central heating and air conditioning	60	64	(4)	(6.3)
Printing, stationery and consumables	47	49	(2)	(4.1)
Training expenses and reimbursements to personnel	64	73	(9)	(12.3)
Security services	41	41	–	–
Information expenses	59	61	(2)	(3.3)
Insurance premiums	38	46	(8)	(17.4)
Cleaning services	34	38	(4)	(10.5)
Rentals of other fixed assets	28	29	(1)	(3.4)
Data storage and document processing	23	24	(1)	(4.2)
Costs for temporary personnel	4	5	(1)	(20.0)
Reimbursement of costs to Group companies	2	4	(2)	(50.0)
Other costs	107	116	(9)	(7.8)
Total	2,100	2,100	–	–

Extraordinary income and charges

Breakdown of "Extraordinary income"

	2004	2003 pro forma	Changes	
			amount	%
Valuation of commitment for the sale of equity investments	–	33	(33)	
Capital gains on the sale of equity investments	37	175	(138)	(78.9)
Out-of-period income and amounts not payable				
– *adjustments to commissions/charges*	*20*	*18*	*2*	*11.1*
– *reimbursement of taxes and interest of previous years*	*13*	*20*	*(7)*	*(35.0)*
– *deferred tax assets generated in previous periods*	*48*	*61*	*(13)*	*(21.3)*
– *amounts not payable due to suppliers*	*19*	*4*	*15*	
– *bank cashiers' cheques prescribed*	*34*	*25*	*9*	*36.0*
– *other*	*172*	*178*	*(6)*	*(3.4)*
	306	306	–	–
Capital gains on sale of other assets				
– *real estate assets*	*259*	*72*	*187*	
– *spin-off operations*	*–*	*134*	*(134)*	
– *other assets*	*15*	*7*	*8*	
	274	213	61	28.6
Valuation treasury shares	–	361	(361)	
Capitalised intragroup services	14	13	1	7.7
Positive differentials on hedge contracts	–	70	(70)	
Reversal of excess allowances	92	92	–	–
Capital gains on the sale of investment securities	1	26	(25)	(96.2)
Other extraordinary income	39	5	34	
Reclassification to/from other captions	(56)	35	21	
Total	**707**	**1,329**	**(622)**	**(46.8)**

Breakdown of "Extraordinary charges"

	2004	2003 pro forma	Changes amount	Changes %
Out-of-period expense and amounts not collectable				
– *adjustments to commission expense/charges*	*28*	*51*	*(23)*	*(45.1)*
– *out-of-period invoices and payments*	*15*	*21*	*(6)*	*(28.6)*
– *burglaries and robberies*	*8*	*6*	*2*	*33.3*
– *other*	*115*	*105*	*10*	*9.5*
	166	183	(17)	(9.3)
Charges for the Parmalat settlement	160	–	160	
Charges on sale of equity investments	152	326	(174)	(53.4)
Integration and reorganisation charges	89	154	(65)	(42.2)
Solidarity allowance as per Ministerial Decree 158/2000	72	287	(215)	(74.9)
Charges for litigations and provisions for customer restoration	23	55	(32)	(58.2)
Losses on sale of assets	7	7	–	–
Losses on sale of investment securities	–	1	(1)	
Negative differentials on hedge contracts	–	103	(103)	
Losses on formerly-consolidated companies	–	50	(50)	
Other extraordinary charges	47	–	47	
Reclassification to/from other captions	52	32	20	
Total	768	1,198	(430)	(35.9)

Banca Intesa
Parent Company's figures
as at 31st December 2004

Banca Intesa
Reclassified statement of income

(in millions of euro)

Captions	2004	2003 pro forma [1]	Changes amount	Changes %
Net interest income	**3,083**	3,079	4	0.1
Dividends and other revenues	**368**	568	(200)	(35.2)
Interest margin	**3,451**	3,647	(196)	(5.4)
Net commissions	**2,056**	1,973	83	4.2
Profits on financial transactions	**355**	380	(25)	(6.6)
Other operating income, net	**253**	280	(27)	(9.6)
Net interest and other banking income	**6,115**	6,280	(165)	(2.6)
Administrative costs	**(3,615)**	(3,782)	(167)	(4.4)
including Payroll	***(2,010)***	*(2,123)*	*(113)*	*(5.3)*
Other	***(1,605)***	*(1,659)*	*(54)*	*(3.3)*
Adjustments to fixed assets and intangibles	**(120)**	(138)	(18)	(13.0)
Operating costs	**(3,735)**	(3,920)	(185)	(4.7)
Operating margin	**2,380**	2,360	20	0.8
Provisions for risks and charges	**(106)**	(64)	42	65.6
Net adjustments to loans and provisions for possible loan losses	**(678)**	(763)	(85)	(11.1)
Net adjustments to financial fixed assets	**133**	(258)	391	
Income from operating activities	**1,729**	1,275	454	35.6
Extraordinary income (loss)	**(190)**	450	(640)	
Income taxes for the period	**(398)**	(366)	32	8.7
Change in the reserve for general banking risks	**–**	–	–	–
Net income for the period	**1,141**	1,359	(218)	(16.0)

[1] Figures restated on a consistent basis.

Banca Intesa
Reclassified balance sheet

(in millions of euro)

Assets	31/12/2004	31/12/2003 pro forma [1]	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	**657**	641	16	2.5
2. Loans				
– loans to customers	**102,914**	112,016	(9,102)	(8.1)
– due from banks	**36,522**	33,522	3,000	8.9
3. Trading portfolio	**26,536**	18,705	7,831	41.9
including Own shares	–	*1,015*	*(1,015)*	
4. Fixed assets				
a) investment portfolio	**711**	817	(106)	(13.0)
b) equity investments	**13,731**	13,619	112	0.8
c) tangible and intangible	**1,215**	1,176	39	3.3
5. Other assets	**21,651**	19,483	2,168	11.1
Total Assets	**203,937**	199,979	3,958	2.0

(in millions of euro)

Liabilities and Shareholders' Equity	31/12/2004	31/12/2003 pro forma [1]	Changes	
			amount	%
1. Debts				
– due to customers	**74,818**	76,964	(2,146)	(2.8)
– securities issued	**52,993**	49,087	3,906	8.0
– due to banks	**27,420**	25,755	1,665	6.5
2. Allowances with specific purpose	**3,011**	2,980	31	1.0
3. Other liabilities	**21,939**	20,080	1,859	9.3
4. Allowances for possible loan losses	**–**	–	–	
5. Subordinated and perpetual liabilities	**9,212**	10,368	(1,156)	(11.1)
6. Shareholders' equity				
– share capital and reserves	**13,403**	13,386	17	0.1
– net income for the period	**1,141**	1,359	(218)	(16.0)
Total Liabilities and Shareholders' Equity	**203,937**	199,979	3,958	2.0

Guarantees, commitments and credit derivatives	**80,864**	79,153	1,711	2.2
Indirect customer deposits	**219,635**	213,889	5,746	2.7

[1] Figures restated on a consistent basis.

Gruppo Intesa Network

Gruppo Intesa branches in Italy

(Updated as at December 2004)

	Banca Intesa				Group banks [1]
	Retail branches	Private Banking branches	SME branches	Corporate branches	
Piemonte	157	6	9	4	106
Valle d'Aosta	1				3
Lombardia	719	16	36	15	111
Liguria	76	3	4	2	
Trentino-Alto Adige	5	1	2	1	68
Veneto	237	7	12	5	43
Friuli-Venezia Giulia	24	2	3	1	112
Emilia Romagna	55	5	9	3	172
Toscana	67	3	9	3	9
Umbria	8	1	2	1	111
Marche	10	1	4	1	57
Lazio	176	2	5	2	97
Abruzzo	15	1	1	1	9
Molise	2				
Campania	101	2	3	2	1
Puglia	87	2	5	2	1
Basilicata	4				1
Calabria	32	1	3	1	1
Sicilia	108	2	7	2	1
Sardegna	59	1	3	2	13
Total	**1.943**	**56**	**117**	**48**	**916**

[1] FriulAdria, Cariparma, Banca di Trento e Bolzano, C.R. Viterbo, C.R. Rieti, C.R. Città di Castello, Intesa Mediocredito, C.R. Ascoli, C.R. Biella e Vercelli, Banca CIS, C.R. Spoleto, C.R. Terni e Narni, C.R. Foligno, Banca Caboto, Intesa Private Banking.

Branches and Representative offices abroad

(Updated as at December 2004)

Europe

Belgium
Representative office in Brussels

France
Representative office in Paris

Federal Republic of Serbia and Montenegro
Representative office in Belgrade

Greece
Representative office in Athens

Poland
Representative office in Warsaw

Russia
Representative office in Moscow

Spain
Representative office in Madrid

Turkey
Representative office in Ankara

United Kingdom
Branch of London

Asia

India
Representative office in Mumbai

Iran
Representative office in Teheran

Japan
Branch of Tokyo

Lebanon
Representative office in Beirut

People's Republic of China
Branch of Honk Hong
Branch of Shanghai
Representative office in Beijing

Republic of Korea
Representative office in Seoul

Latin and North America

Cayman Islands
Branch of George Town

USA
Branch of New York

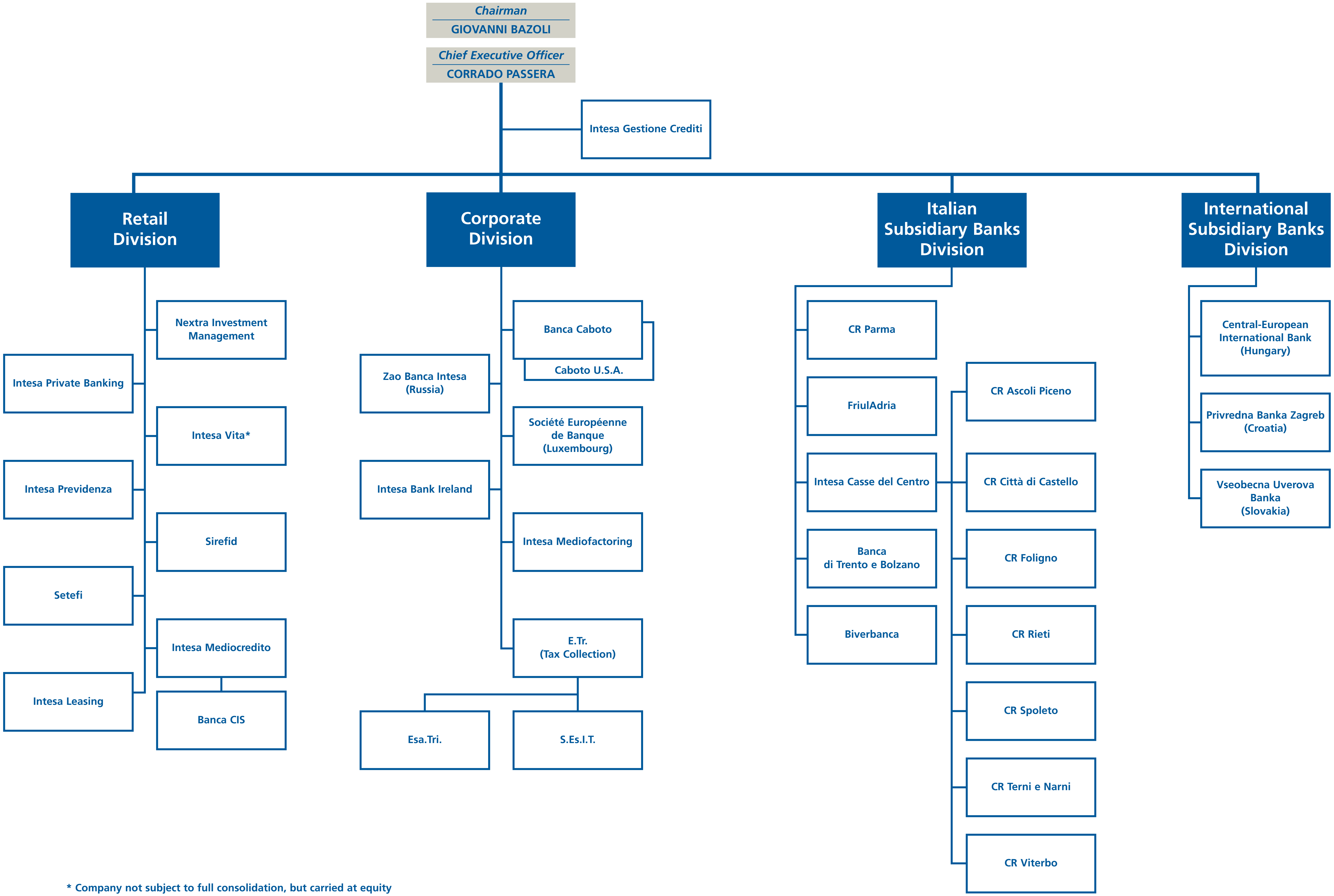
Africa

Egypt
Representative office in Cairo

Tunisia
Representative office in Tunis

Main Group Companies

Main Group Companies



* Company not subject to full consolidation, but carried at equity

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