Banca Intesa

Consolidated report as at 30th June 2005

This is an English translation of the Italian original “Relazione consolidata al 30 giugno 2005” and has been prepared solely for the convenience of the reader.

The version in Italian takes precedence and will be made available to interested readers upon written request to Banca Intesa S.p.A. Corporate image and marketing communications Via Monte di Pietà, 8 20121 Milano, Italy Fax +39 02 879.63638.

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Consolidated report as at 30th June

Banca Intesa S.p.A.
Share capital 3,596,249,720.96 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	Rosalba Casiraghi Paolo Andrea Colombo Franco Dalla Sega Livio Torio

Independent Auditors	RECONTA ERNST & YOUNG S.p.A.

The first half of 2005

The application of IAS/IFRS and the structure of financial statements

As of 1st January 2005 companies with securities listed in the markets of the European Union must prepare their consolidated financial statements according to IAS/IFRS[1].
Banca Intesa decided to adopt such principles already starting from the Consolidated report as at 31st March 2005.

As already explained in that Consolidated report, the application of the new standards led to important modifications in the representation of transactions, in the valuation of assets and liabilities and in the very structure of the financial statements.
The rules which discipline the first-time adoption of IAS/IFRS require the preparation, with the same principles, of at least one comparison period. However, the delay with which IAS 39 – which is by far the most significant for the banking industry – was homologated led the European legislator to exclude that comparative figures for 2004 need comply to IAS 39. Therefore, figures for 2004 and as at 30th June 2004 are not comparable with reference to the valuation of financial instruments.
However, to permit a comparison as consistent as possible, the effects on figures as at 1st January 2004 and for 2004 of the application of IAS 39 from 1st January of last year have been estimated.

In this Half-year report the financial statement forms are the same as those used in the Consolidated report as at 31st March 2005. The forms are those proposed by the Bank of Italy in the first consultation document diffused to the banking industry last February. Therefore, these are provisional forms, and may be subject to modifications.
In commenting operations development in the period more condensed tables are used – also already used in the Consolidated report of March – which present the figures for 2004 comprehensive of the estimated effects of IAS 39 and reclassified to consider the contribution of the various operating areas. These condensed tables may also be subject to further modifications.
Lastly, capital requirements are determined applying the so-called "prudential filters" indicated by the Basel Committee through press releases in 2004 and used last May for the simulation, requested by the Bank of Italy, of the impacts on the capital requirements of the banking system following the application of the new standards.
In conclusion, for the purpose of improving the comparability of interim reports in this transition phase, this Half-year report has the same structure as the Consolidated report as at 31st March 2005. The Consolidated report as at 30th September 2005 will also have the same structure.
Integrations and/or modifications of the forms and their contents will be introduced in the Annual report 2005 and, therefore, in the interim reports of 2006.

In consideration of the relevance of the effects of the changes in the accounting principles on Gruppo Intesa's financial statements, this Half-year report again includes the chapter dedicated to "IAS/IFRS first-time adoption" which was already present in the Consolidated report as at 31st March 2005 and briefly describes the new principles and their effects on first-time adoption.

(1) International Accounting Standards (IAS) have been issued by the International Accounting Standards Board (IASB). IAS issued after July 2002 have been called International Financial Reporting Standards (IFRS).

Gruppo Intesa in the first half of 2005 Executive summary

Results for the first half

The analysis of results for the first half of 2005 must be carried out considering that, with respect to the Annual report 2004 and to the interim reports of the previous year, the accounting principles used to prepare the financial statements have been modified, new forms have been used and the contents of certain captions have been changed.

As already described, for the purpose of permitting a consistent comparison between the first half of 2005 and the first half of 2004, the figures for the previous period have been reconstructed by applying the new principles and using, where necessary, reasonable estimates.
The comparison, which presents evident complexities, is overall based on prudential decisions and is a reliable presentation of operations development between the two periods.

The difficulties essentially refer to the reconstruction of transactions to be recorded using IAS 39 which are, for the banking industry, by far the most significant. In fact, this principle sets out the recognition and measurement of loans, financial assets held for investment and trading and hedging transactions. These problems and critical issues, which were further accentuated by the delay in the homologation of IAS 39, were clear for the Community Legislator which allowed the companies involved not to restate the figures for the first half of 2004 as concerns transactions provided for by IAS 39 and IAS 32.

Two statements of income for the first half of 2004 and for the whole of 2004 have been reconstructed. The first without the effects of the application of IASs 32 and 39, as requested by the Legislator, the second instead considers these effects.
The comments hereafter refer to the latter, opportunely reclassified.
The consolidated statement of income for the first half of 2005 presented, compared to the first half of 2004, appreciable improvements in all operating areas and net income reached 1,200 million euro, with a 40% growth rate.

Significant increases were posted by revenues: net interest income registered a 6.7% rise to almost 2,600 million euro, net fee and commission income recorded a 13.6% growth rate to 1,924 million euro and profits on trading registered a 22.3% progress, to 362 million euro. This enabled operating income to almost reach 5 billion euro (4,977 million euro, + 9%).
Operating costs recorded a more moderate decrease (- 2.2%) as decisive actions had already been taken in previous years. All its various components declined, though to different extents: personnel expenses by 1.3%, despite wage increases required by the recent renewal of the National labour contract, administrative expenses by 2.5% and adjustments by 6.2%. This led operating margin to reach 2,305 million euro, with a growth rate exceeding 25% on the figure for 2004.

Provisions for risks and charges rose to 164 million euro also due to the need to adequately cover, according to the usual prudential criteria, the risks which are in any case intrinsic in recent revocatory actions. Conversely, net adjustments to loans and receivables decreased to 321 million euro (approximately - 21%). Income before tax from continuing operations therefore exceeded 1,900 million euro, with a growth rate of over 42%. Lastly, it must be noted that the considerable increase in the tax burden already considers the possible tightening of tax regulations related to dividends, currently being assessed by the Legislator.

Quarterly development confirms the improvement in net interest income (+2.1%)

and net fee and commission income (+1.7%) while profits on trading decreased (-4.3%). Operating income registered a 2.6% growth rate, to 2,520 million euro. Operating costs also rose (+ 4.4%). In particular, as forecasted, administrative expenses increased, following seasonal effects. Provisions for risks and charges more than doubled also for the reason illustrated above, while net adjustments to loans and receivables decreased (-29%).
Quarterly development of net income showed a slight decline (from 620 million euro to 580 million euro), which was also forecasted and which in no way affects the possibility of achieving the profitability targets for 2005.

As regards main balance sheet aggregates, loans to customers at 157,702 million euro, confirmed the figures at the end of 2004 (+0.2%) despite the significant reduction of repurchase agreements. Excluding the latter loans to customers would have recorded a 1.7% rise.

Direct customer deposits reached 182,072 million euro and posted a 1.6% rise, despite a decrease in issued bonds and certificates of deposit.

Indirect customer deposits rose to 301,023 million euro, with a 3% progress entirely ascribable to assets under administration and in custody (+4.6%), while the positive trend of insurance products enabled managed funds to confirm the figure at the end of 2004, despite the persisting difficulties of the asset management industry.

As provided for by IFRS 5, assets, relevant liabilities and income or losses which are no longer related to continuing operations and which are undergoing disposal have been recorded in a specific caption. These mostly refer to the sale of a significant portion of the doubtful loan portfolio, illustrated hereafter.

The 2005-2007 Business Plan

Last July, Banca Intesa presented to the Shareholders and the market the 2005-2007 Business Plan.
The new Plan is the second milestone in the path which has the objective of taking Banca Intesa among the best European banks and represents the natural evolution of the 2003-2005 Business Plan.
The previous Plan focused on the critical issues to be solved and the perspective was that of an in-depth restructuring and the creation of platforms for the Bank's growth. With the new Business Plan, Banca Intesa wants to compete with the best European banks. To reach this objective, strong value creation must be attained via the management of three main drivers: sustainable growth, strict cost discipline, risk management and capital allocation.

Sustainable growth. The 2005-2007 Business Plan sets out a strong value creation, which is sustainable because it is based on a responsive and constructive relationship with the "Country System". Revenues are expected to record a 7.4% annual average increase, with similar contributions from all Divisions of the Bank. In particular, the Retail Division will continue its efforts, constantly-improving service quality and offering a complete product range targeted to specific customer segments, the Italian Subsidiary Banks Division and the International Subsidiary Banks Division will continue to leverage on their deep relationships in their respective local markets and the Corporate Division will grow also via the creation of a new bank, which will increase the activities performed to date by the "Public and Infrastructure Finance" Department, strengthening the Group's role in the support of the Public Sector and of large infrastructural projects.

The Plan assumes that Gruppo Intesa's consolidation area will not undergo significant variations, with the exception of the rationalisations and evolutions already under way. It does not foresee significant changes in the business mix consolidated in years 2003 and 2004: the *general business mix* confirms the ratio between retail and corporate activities respectively at 70% and 30% and also the *geographic mix between Italy and abroad* remains at ratio of approximately 85% - 15%, even though the goal is to further selectively increase the Group's retail presence in Central and Eastern Europe (CEE). In short, the three pillars sustaining growth will be:
- **customer satisfaction:** the improvement in service quality will occur via: more complete, innovative and cost-effective products and services; more convenient, efficient and user-friendly access (sales, advisory, operations) channels (branch

renovations, roll-out of the new branch lay-out, specialisation of physical channels by customer segment, development and promotion of innovative channels); trained professionals and targeted investments to follow and anticipate trends in the various sectors, districts and production chains;
- **enhancement of the human resources within the Group**: quality and motivation of our employees are another key factor for success. The enhancement of human resources focuses on: transparent and merit-rewarding evaluation systems; compensation/incentive systems aligned to market best practices; massive investment in training (800,000 days scheduled for the period 2005-2007); strong commitment in internal communication and improvement of the job environment;
- **a massive investment plan in innovation**: almost 2 billion euro will be spent over the three-year period, focused on customer service quality, an area where significant progresses have already been made but still has wide room for improvement. The new branch lay-out will be rolled out to an increasing number of operational units, while various interventions are programmed in the Information Technology sector.

Strict cost discipline. Growth in a difficult market also requires a very competitive cost base. The new Plan sets forth a modest annual average increase of 1.1% and a cost income ratio of approximately 50% in 2007. The Plan in any case includes the rise in growth-related costs (approximately 230 million euro over the three years) and the offset of "automatic" payroll increases and inflation with specific projects aimed at cost reduction and efficiency recovery (savings exceeding 400 million euro).

Optimise risk management and capital allocation. Risk management in all its forms has become one of the key success factors of leading international banks. In the last few years, Banca Intesa greatly strengthened the management of all risk categories.
Ad hoc instruments have been developed; very rigorous policies have been introduced, creating or consolidating dedicated structures, but also starting to build and disseminate a risk culture at all company levels. The Plan sets out the integration of risk/return metrics in planning, control and management processes; the inclusion of such metrics in the MBO system; centralisation of the governance of the Group's risk/return profile and, lastly, an intensive training programme. Risk measurement and monitoring activities will be strengthened, in particular:
- concerning **credit risk** the internal model to calculate credit VaR – Basel II Advanced – will be finalised and validated and the implementation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) will be extended to the credit processes of all customer segments, in full compliance with the principles set out by the Basel Committee;
- the strengthening of the platform to measure **market risk** (VaR) will continue based on the most advanced technology (Algo-SuiteTM) and proprietary solutions (Intesa Suite) - already validated by the Bank of Italy - with the objective of maintaining the current monitoring of risk at single desk level, supporting product innovation and offering innovative risk management services also to customers;
- **operational risk** will be measured and managed, with ever-increasing attention, thanks to an internal quali-quantitative model (OpVaR) also destined to review the Group's operating engine and insurance policy.

The sale of doubtful loans

Banca Intesa reached an agreement with Fortress and Merrill Lynch for the sale of a portfolio of the Group's doubtful loans for a nominal value exceeding 9 billion euro, and of the loan servicing business of Intesa Gestione Crediti (IGC) formed by the professional resources and instruments specifically destined to manage doubtful loans.

This sale of doubtful loans – which will occur without recourse – represents the largest deal of this kind ever closed in Europe and involves over 70% of Gruppo Intesa's total doubtful loans made up as follows: a portfolio of nominal value of approximately 6 billion euro held by IGC, a portfolio of nominal value 2.4 billion euro held by Banca Intesa, a portfolio amounting to 0.5 billion euro held by Intesa Mediocredito and a portfolio of 0.2 billion euro held by Cariparma. Gruppo Intesa will receive approximately 2 billion euro as cash consideration, with a capital gain in the tens of millions of euro on the net book value of

such loans at the end of 2004, after first-time adoption of IAS/IFRS.
Following the sale, the Group's net doubtful loans/loans to customers ratio, net of adjustments drops to 0.7%. The ratio as at 31st December 2004 restated to consider the sale would have been 0.6%, compared to 1.9%, as at the same date, after the first-time adoption of IAS/IFRS, and 2.7% reported in the Annual report 2004 before IAS/IFRS.
Furthermore, Gruppo Intesa will sell an 81% stake in the new company which will be contributed IGC's "operating engine" and realise a capital gain of approximately 49 million euro, based on a 100% valuation of the newco of 60 million euro.

This sale will enable Gruppo Intesa to improve asset quality, reduce risk by eliminating the impact that may arise from any future losses and liberate financial and managerial resources to devote to the core business. The Tier 1 ratio of the Group will improve by approximately 10 basis points compared to 31st December 2004 restated after IAS/IFRS.
The transaction marks the completion of the programme designed to optimise the processes for the recovery of doubtful loans, implemented by Gruppo Intesa at the end of the Nineties with the setting up of IGC. The latter has become an appreciated player for specialists in this sector and now enables Gruppo Intesa to collaborate with two leading international partners, for further value creation in the management of doubtful loans not involved in the sale and of future doubtful loan flows.

As mentioned above, Gruppo Intesa will maintain a 19% stake in the capital of the servicing company and – as customer of the company – may count on service rules specifically tailored for its strategic objectives, under the terms of a ten-year servicing contract providing mechanisms aimed at maintaining standards in line with the market's best practices.

The authorisation by the Bank of Italy of the establishment of the servicing company was received at the end of July and the framework contract for the doubtful loan sale was signed at the beginning of August. The closing of the transaction, with the transfer of the assets and the payment of the consideration, is expected to take place within the end of the year.

The agreement with Crédit Agricole for asset management activities

The agreement regarding asset management activities signed with Crédit Agricole is another key strategic transaction for the Group's structure. The agreement sets out that Crédit Agricole Asset Management ("CAAM") will hold a 65% stake and Gruppo Intesa a 35% stake of the share capital of the asset management company resulting from the integration of Nextra Investment Management, SGR of Gruppo Intesa, and Crédit Agricole Asset Management Italia.

The transaction will be carried out based on a 100% valuation of Nextra amounting to 1,340 million euro, valuation in line with market multiples of comparables and confirmed by the analyses prepared by financial advisors of both parties.
Gruppo Intesa will receive approximately 850 million euro as a cash consideration and will realise a capital gain in the consolidated statement of income of approximately 750 million euro. The Group's Tier 1 ratio, all other things being equal, will improve by 30-40 basis points. The Group's indirect customer deposits, all other things being equal, will only decrease by approximately 20 billion euro due to the deconsolidation from Gruppo Intesa's assets under administration of the portion of assets under management by Nextra currently collected via non-captive networks. The portion of assets under management by Nextra currently collected via captive networks – which represents the most significant portion – will in any case remain under Gruppo Intesa's deposits under administration.

This transaction will have a great strategic significance as it:
- anticipates the structural evolution of the asset management industry which will increasingly reward large global players and small niche players;
- makes it possible to significantly improve quality of offering and customer service standards which will also enhance the potential of Gruppo Intesa's distribution network in asset management;
- projects Nextra's potential as a product factory and opens new markets for Italian know-how and assets even outside the domestic market;
- strengthens a long-lasting alliance between partners used to working together.

CAAM will become one of the main European asset managers, ranked in fourth place in the Continent in terms of assets under management (exceeding 400 billion euro) in addition to being the leading player in France and second in Italy. CAAM will both offer a complete product range and have the necessary critical mass in all operating areas, with specific competencies in all strategic activities, deriving from the integration of its current areas of excellence with those of Nextra.
Gruppo Intesa will be able to satisfy customer needs in terms of both breadth and quality of the product range and of performance and flexibility of the offering deriving from the characteristics of the distribution agreement: focus on performance; closely-knit relationship between distribution and factory; significant portion of open architecture (that is, of products from the best players all over the world).

In particular, on the basis of the distribution agreement, for 12 years, Gruppo Intesa – to satisfy customer diversification needs – may place third party products with an open architecture approach up to an annual maximum of 3% of the total outstanding distributed stock – that is up to over 2 billion euro *per annum*, considering current figures – cumulated for 8 years; this percentage is subject to an automatic mechanism of increase/decrease in relation to the performances which result, respectively, lower or higher than predefined thresholds. Current commission reversals for Gruppo Intesa's distribution network will be maintained. At the end of the agreement, Gruppo Intesa may exercise with CAAM a put option on the 35% stake held in the SGR.
The relationship between factory and distribution is further strengthened by the governance agreement according to which Gruppo Intesa's role is enhanced in decisions regarding key strategic issues. The agreement also sets out that Banca Intesa may in the future transform – totally or partly – the stake held in the Italian SGR into a stake in CAAM.
The closing of the operation – and consequently the stipulation of the contract – is expected to take place within the end of the year and is conditional upon the authorisations by the competent Authorities.

Other strategic initiatives

According to the initiatives for growth set out in the Business Plan, various agreements for the acquisition of new equity stakes in Italy and abroad were concluded in the first half of 2005.
In particular, abroad the actions to strengthen the presence in Central-Eastern Europe continued in line with the selective acquisition strategy confirmed in the new 2005-2007 Business Plan.

In fact, in April, Banca Intesa and the shareholders of **Small Business Credit Bank (KMB) of the Russian Federation**, which has over 50 branches in the most important cities and more than 35,000 clients, signed an agreement for the transfer of a 75% stake minus one share of KMB. As at 31st December 2004, KMB had assets for approximately 274 million euro and shareholders' equity of approximately 26 million euro, while net income totalled approximately 3 million euro. Banca Intesa, which will pay a consideration of 90 million dollars, thus valuing the whole bank at 120 million dollars has also signed an agreement with EBRD (the European Bank for Reconstruction and Development), which is one of the founding shareholders of KMB and will keep a 25% stake plus one share in the bank, that entails a put-call option exercisable from 2010. The finalisation of the transaction is expected to take place in the second half of the year, following the authorisations of the competent authorities; once the acquisition has been finalised the bank will be renamed Intesa KMB.

In August Banca Intesa – in the framework of the agreement signed with ABS Banka, in February 2005 for the acquisition of the latter's control – launched a takeover bid for up to 100% of the voting share capital of **ABS Banka, Sarajevo**, for a consideration of approximately 12 million euro having already received the authorisations from the competent authorities in Italy and in Bosnia and Herzegovina. In compliance with the local regulations, the bid will remain open for 45 days and will not be binding for Banca Intesa if on expiry of the offer period less than 50% plus one share from the total number of the Issuer's shares are given for acceptance. The acquisition is expected to close by the end of September. At the end of 2004, ABS Banka – which operates through 9 branches and 40 agencies with over 42,000 clients – had 73 million euro of assets, 40 million euro of loans to customers and 9 million euro of shareholders' equity. For the twelve months ended 31st December 2004, its net income amounted to 0.3 million euro.

Again in August, Banca Intesa completed the acquisition of 90% plus one share of the voting share capital of **Delta Banka, Belgrade** by way of the sellers' acceptance of the takeover bid as launched on 20th July 2005 for a consideration of 333 million euro, following the receipt of all required regulatory authorisations and the satisfaction of all conditions in the relevant Share Purchase Agreement. The exercise, over the course of the next four years, of a call option by Banca Intesa and a put option by the sellers on the remaining 10% minus one share stake is regulated by an attendant shareholders agreement.
Delta Banka is the second largest bank in Serbia and Montenegro in terms of total assets. As at December 2004, it registered 691 million euro of 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; its nationwide network was made up of 144 branches and 16 outlets serving over 400,000 clients.
Lastly, it must be noted that at the end of July Gruppo Intesa concluded, through Intesa Casse del Centro, the purchase of a 30% stake in the share capital of **Cassa di Risparmio di Fano**, for a consideration of 98 million euro. This transaction occurs just a few months after the signing of the agreement between Intesa Casse del Centro, the Banche Popolari Unite group (BPU), Banca Popolare di Ancona (BPA, that controlled Carifano and was itself controlled by BPU) and certain minority shareholders of BPA, for the sale of 99.9% of Carifano. The other 69.9% of the company was acquired by F.C.M. S.p.A., the company formed by five minority shareholders of BPA, financed by Banca Intesa through a five-year loan on which the Newco will pledge, as a guarantee, its entire stake in Carifano. Following the sale of voting rights to Gruppo Intesa, Intesa Casse del Centro from the outset will become controlling shareholder of Carifano, in view of increasing its stake to over 51%. As at 31st December 2004, Carifano, that operates with 41 branches mostly located in the Marche region, posted 1,259 million euro of assets, 1,037 million euro of loans to customers, 1,001 million euro of direct customer deposits and 562 million euro of indirect customer deposits. As at the same date, shareholders' equity totalled 135 million euro, while net income amounted to approximately 10 million euro. With this transaction, Intesa Casse del Centro significantly strengthens its presence in the Marche region where its branches' market share increases from 5% to 8.5%, while the overall presence of Gruppo Intesa in the region rises to 107 branches with a 10% market share.

Gruppo Intesa Financial highlights [(°)]

	30/06/2005	30/06/2004 including IAS 39 [(*)]	% change	30/06/2004 except IAS 39 [(§)]
Statement of income (in millions of euro)				
Net interest income	**2,597**	2,434	6.7	2,423
Net fee and commission income	**1,924**	1,694	13.6	1,694
Profits (Losses) on trading	**362**	296	22.3	477
Other operating income (expenses)	**16**	60	-73.3	60
Operating income	**4,977**	4,565	9.0	4,737
Operating costs	**-2,672**	-2,731	-2.2	-2,752
Operating margin	**2,305**	1,834	25.7	1,985
Net adjustments to loans and receivables	**-321**	-407	-21.1	-534
Net income	**1,200**	857	40.0	902

	30/06/2005	31/12/2004 including IAS 39 [(*)]	% change	31/12/2004 except IAS 39 [(§)]
Balance sheet (in millions of euro)				
Loans to customers	**157,702**	157,430	0.2	159,568
Net financial assets held for trading	**34,614**	27,883	24.1	34,255
Financial assets available for sale	**4,912**	5,157	-4.8	–
Investments	**8,320**	8,340	-0.2	14,230
Total assets	**271,023**	271,105	0.0	276,135
Direct customer deposits	**182,072**	179,282	1.6	182,975
Indirect customer deposits	**301,023**	292,383	3.0	292,383
including Managed funds	***117,902***	*117,288*	*0.5*	*117,288*
Net interbank position	**-6,598**	-5,770	14.4	-5,492
Shareholders' equity	**14,653**	13,969	4.9	15,635

Operating structure	30/06/2005	31/12/2004	Change amount
Staff (number) [(#)]	**57,713**	57,632	81
Branches (number)	**3,679**	3,698	-19
including Italy	***3,055***	*3,080*	*-25*
Abroad	***624***	*618*	*6*

(°) Figures from the reclassified statement of income and reclassified balance sheet as described in the report on operations.

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets, related liabilities and income or losses after tax from discontinued operations.

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of assets, related liabilities and income or losses after tax from discontinued operations.

(#) Including employees in the loan servicing business of Intesa Gestione Crediti under disposal posted in discontinued operations (485 employees as at 30/06/2005 and 476 employees as at 31/12/2004).

Financial ratios

	30/06/2005	31/12/2004 including IAS 39 (*)
Balance sheet ratios (%)		
Loans to customers / Total assets	**58.2**	58.1
Investments / Total assets	**3.1**	3.1
Direct customers deposits / Total assets	**67.2**	66.1
Managed funds / Indirect customer deposits	**39.2**	40.1
Statement of income ratios (%)		
Net interest income / Operating income	**52.2**	53.6
Net fee and commission income / Operating income	**38.7**	37.4
Operating costs / Operating income	**53.7**	59.9
Net income / Average total assets (ROA) (&)	**0.9**	0.7
Net income / Average shareholders' equity (ROE) (&) (^)	**17.6**	15.8
Risk ratios (%)		
Net doubtful loans / Loans to customers	**0.7**	0.6
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	**72.7**	72.1
Capital ratios (%)		
Tier 1 capital net of preference shares / Risk-weighted assets (Core Tier 1)	**6.94**	6.69
Tier 1 capital / Risk-weighted assets	**7.79**	7.64
Total capital / Risk-weighted assets	**10.78**	11.02
Risk-weighted assets (in millions of euro)	**186,500**	182,042
Basic earnings per share (basic EPS) - euro (&)	**0.372**	0.292
Diluted earnings per share (diluted EPS) - euro (&)	**0.370**	0.290

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of the assets, related liabilities and income or losses after tax from discontinued operations.
(&) Figures for the period have been annualised.
(^) Ratio between net income and weighted average of share capital, share premium reserve, revaluation reserves and valuation differences and reserves from retained earnings.

IAS/IFRS first-time adoption

Introduction (*)

Following the evolution and increasing globalisation of financial markets, the European Commission decided to start a convergence process aimed at making the accounting principles and policies adopted by entities in the preparation of financial statements and financial reporting consistent.

EU regulation

For this purpose, in 2002 the Commission issued a Regulation (1606/02 of 19th July 2002) for the implementation of uniform accounting policies from 2005. EU listed companies are now required to apply IAS/IFRS in the preparation of their consolidated financial statements. This process is aimed at making listed companies' financial information comparable and of a high quality, to enhance competition, favour market expansion and improve investor protection.
IAS/IFRS are issued by the International Accounting Standards Board® (IASB), an independent body set up to develop high-quality accounting standards in the public interest. The aforementioned EU Regulation 1606/02 sets forth that such standards are homologated by the European Commission and published in the Official Journal of the European Union.

The homologation process of the new standards has been completed. More specifically, IAS 39 was ratified in December 2004 and introduces far-reaching innovations in the accounting treatment of financial instruments compared to the accounting principles previously adopted by most European Countries. Its approval required considerable effort from EU and national bodies to reach common conclusions. Certain provisions of IAS 39 are still under discussion and have therefore been carved out at the time of homologation.
The list of IAS/IFRS approved by the European Commission is included in the attachments.

Italian legislation

The Italian Government approved Legislative Decree 38 of 28th February 2005 introducing the new international financial reporting standards. In line with the powers received from the Parliament, the Decree broadens the scope of application of IAS/IFRS to the separate financial statements (as an option in 2005, mandatory from 2006) of listed companies, banks and other financial institutions subject to supervisory requirements and the consolidated financial statements of banks and other financial institutions subject to supervisory requirements and unlisted insurance companies. Furthermore, all entities required to prepare consolidated financial statements, entities controlled by the latter, by listed companies, banks and other financial institutions subject to supervisory requirements may opt to adopt IFRS.
In addition, a number of statutory and tax provisions had to be harmonised in order for entities to be able to apply the new standards in their separate financial statements. Therefore, the Decree included

(*) As already mentioned, the illustrative part of this chapter, almost completely replicates the same chapter in the Consolidated report as at 31st March 2005. The same solution will be adopted in the Consolidated report as at 30th September 2005.
The Annual report 2005 will indicate the definitive figures relative to the adoption of IAS/IFRS since, as also set out for first-time adoption, the figures in the reconciliation tables may be subject to variations due to the introduction of new principles, to the modification of those already in force or to their different interpretation by the Competent bodies.
Another reason which may lead to the change in figures relative to FTA is the adoption, at a later date, of IAS/IFRS by companies carried at equity.

In the tables figures as at 31st March 2004 indicated in the Consolidated report as at 31st March 2005 are substituted with those as at 30th June 2004.

statutory provisions regulating the distribution of dividends and reserves and tax provisions under which the methods for the calculation of the taxable profit, based on criteria of derivation from the statement of income, remain unchanged, thus protecting, as far as possible, the principle of neutrality of taxes with respect to any changes in accounting principles.

These provisions, as a whole, enable entities to use uniform accounting policies for both their consolidated and separate financial statements, which is essential for an understanding of the underlying information. With respect to financial reporting of banks and financial institutions subject to supervisory requirements, the Decree confirmed the powers already granted to the Bank of Italy with Legislative Decree 87/92, for issues relating to the structure of the financial statements and content of the notes to the consolidated financial statements. Following these provisions, last July, the Bank of Italy published for consultation a particularly complex document containing the draft of the new compulsory forms and notes to the financial statements.

As concerns supervisory provisions, the Bank of Italy has not yet harmonised provisions on supervisory capital and capital requirements with the new accounting principles. Before such definitions are disclosed, the Supervisory authority asked banks which already apply IAS/IFRS to continue publishing capital and capital requirements on the basis of previous national accounting standards or alternatively, on the basis of IAS figures net of first-time adoption effects.

Main changes introduced by IAS/IFRS

The transition from local accounting principles, applied to financial statements up to 2004, to IAS/IFRS has an impact on i) criteria for the recognition of transactions, ii) classification of the main financial statement captions, and iii) measurement criteria for assets and liabilities.
The main new features are described below, especially those that have an impact on the presentation of Gruppo Intesa results.

New classification criteria

IAS/IFRS introduced a number of important changes to the recognition criteria of assets and liabilities, mainly arising from the general principle of economic substance over legal form. IAS/IFRS allow the recognition or derecognition of an item only when the risks and rewards incidental to ownership of the assets being purchased or sold have been actually transferred. Contrary to Italian accounting principles, under which the transfer of legal title is in itself sufficient to recognise an asset in the financial statements of the buyer (and, similarly, to derecognise it from the financial statements of the seller), IAS/IFRS require that the risks and rewards of ownership be substantially transferred, i.e., that the rights to receive the cash flows stemming from the asset sold be transferred.
Consequently, if the transaction does not meet the requirement for derecognition, the related assets continue to be recorded in the seller's financial statements, even when title thereto has been transferred.
The effect of the new treatment is particularly significant when applied to finance lease transactions, for which the use of the so-called "financial method" is required. Under such method, the lessor should recognise a receivable while the lessee should recognise the leased asset and related payable. The effect is also significant when the new treatment is applied to securitisation and factoring transactions, for which special attention should be paid to ascertain whether the risks incidental to the assets have been substantially transferred.

Further changes relate to the initial recognition of financial instruments. Financial assets and liabilities should normally be initially recognised at their fair value[2] adjusted by any transaction costs or revenues, which are therefore capitalised and attributed to profit and loss over the term of the transaction, using the effective interest rate (the so-called "amortised cost"). Any difference between the market value and the consideration paid/received in a transaction should be recognised in the statement of income upon initial recognition.
With reference to combined financial instruments, i.e., those comprising a host contract and an embedded derivative, IAS/IFRS require that the latter be recognised separately from the host contract, if the contract as a whole is not measured at fair value or when the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

Changes in the recognition criteria also affect certain types of intangible assets and provisions to the allowances for risks and charges. With reference to the former, under IFRS, expenses incurred for research, advertising, training,

[2] Fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm-length transaction.

restructuring and internally generated trademarks and other rights do not qualify for recognition as intangible assets. As concerns the allowances for risks and charges, provisions can be made only when it is probable that an outflow of resources will be required to settle an existing obligation and a reliable estimate of the amount of the obligation can be made. Such estimate should also consider presumed payment times.

Recognition of so-called "share-based payments" (usually when an entity's employees or directors are granted options to subscribe the entity's shares as consideration for their services) has changed dramatically under IAS/IFRS. The accounting policies previously applied by the Group did not require that any expense be recognised in the statement of income, but rather that an increase in share capital be recognised when options were exercised. IAS/IFRS require that granted options be carried at fair value and that an equivalent amount be recognised in the statement of income as labour costs.

With respect to the classification of assets and liabilities, changes relating to financial instruments are particularly important. IAS/IFRS require loans and receivables, payables, securities and derivatives be accounted for on the basis of the purposes for which an entity holds them rather than their nature. The classification of financial instruments should be established upon initial recognition and can be subsequently modified only under restricted conditions. IAS 39 identifies four categories of financial instruments: financial assets and liabilities designated at fair value through profit and loss (basically, assets and liabilities held for trading purposes, and those assets that the entity decides to measure at fair value, regardless of the reasons for which it holds them), financial assets available for sale, investments held to maturity, loans and non-traded financial liabilities[3]. The classification of financial instruments is relevant also for the purposes of their valuation, since the first two categories are to be measured at fair value while the other two at cost or amortised cost[4].

Another significant classification change relates to equity investments. Previous accounting policies allowed an entity to classify any investment in equities as an equity investment. IAS/IFRS permit such classification only for investments in subsidiaries, associates or jointly controlled entities. All other equities should be classified as financial assets designated at fair value through profit and loss or financial assets available for sale.

New measurement criteria

The main changes in measurement criteria relate to financial instruments, fixed assets and intangibles and post-employment benefits.
As mentioned above, financial instruments are to be measured at fair value, in case of derivatives held for trading or available for sale, and at cost or amortised cost, in case of investments held to maturity or loans, receivables and payables. Any profits or losses arising from the measurement of trading instruments must be recognised in the statement of income while those relating to assets available for sale are recognised in equity until they are realised.
Since non-hedging derivatives were already measured at fair value under previous accounting policies, the main change introduced by IAS/IFRS

[3] Categories of financial instruments provided for by IAS 39:
- *assets held for trading*, which include the assets which are bought to be sold in the short term, or which are part of portfolios which are managed together for the purpose of realising profits in the short term, as well as the assets which the entity in any case decides to record at fair value through profit and loss;
- *assets held to maturity*, non-derivative assets with a fixed maturity and fixed or determinable payments for which there is the intention and capacity to hold the assets to maturity;
- *loans and receivables*, non-derivative assets with fixed or determinable payments, not listed on an active market;
- *assets available for sale*, which are specifically designated as such or in any case are determined as residual since such assets do not fit in the previous categories.

[4] Amortised cost differs from cost since it requires the progressive amortisation of the differential between book value and nominal value of an asset or liability on the basis of the effective interest rate.

relates to the application of fair value measurement to instruments that are not listed in an active market, the fair value of which is determined using internal measurement models that incorporate observable market parameters.

IAS/IFRS require financial instruments other than those classified as financial assets and liabilities designated at fair value through profit and loss to be systematically assessed for impairment (i.e. that the book value of the asset is not fully recoverable). Such assessment must be carried out either individually or collectively (on groups of assets with similar risks). Contrary to previous accounting policies, determination of impairment losses should consider the estimated recovery times as well as estimated recoverable amounts.
An issue related to financial instrument measurement is the accounting treatment of derivatives hedging financial risks and the related hedged items. Under IAS/IFRS, there are the following three different types of hedging relationship: i) fair value hedges of financial assets and liabilities, where changes in the fair value of both the hedged item and hedging derivative are recognised through profit and loss, ii) cash flow hedges, and iii) hedges of net investments in foreign operations, where changes in the fair value of the hedging derivative are recognised in equity (while the hedged item is carried at cost or amortised cost). This criterion derives from the requirement to measure all derivatives (including hedging derivatives) at fair value. On the contrary, under previous accounting policies, hedging derivatives were carried at cost, in line with the criterion applied to hedged items.

As regards fixed assets and intangibles, changes relate to the option given to the reporting entity to recognise such items at fair value, as an alternative to the purchase cost, (with changes in fair value recognised in equity, except for those relating to real estate investments[5], which should be recognised through profit and loss) and the substitution of regular amortisation for intangibles with indefinite useful lives (as, for instance, goodwill) by the performance of "impairment tests", i.e., an entity shall assess whether the assets have been impaired. IAS/IFRS require fixed assets carried at cost be amortised on the basis of their useful lives, or separately over the useful lives of the individual components forming them, if different.
Under IAS/IFRS, pension plans, and all post-employment benefits in general, are classified into the following two categories: defined contribution plans, where only contributions due by the entity are recognised, and defined benefit plans, where the allocation should include an actuarially-determined estimate of the amount that the entity will pay upon completion of employment.

First-time adoption of international accounting standards

Since a considerable number of entities are involved in the transition to IAS/IFRS, IASB issued a special standard, named IFRS 1, which regulates first-time adoption in a consistent and coordinated fashion. Such standard requires:
- the preparation of a IAS/IFRS-compliant opening balance sheet at transition date;
- the application of IAS/IFRS in the preparation of the first set of IAS/IFRS-compliant financial statements, also for all comparative figures presented (with a number of exceptions, which are mandatory, and exemptions which are optional, expressly provided for by IFRS 1);
- the preparation of disclosures on the impact of IAS/IFRS adoption.

Therefore, IAS/IFRS should be applied retrospectively with reference to the transition date, that is, 1st January 2004, and at least one set of comparative financial statements for 2004 is required, drawn up according to IAS/IFRS in force as of 1st January 2005. IFRS 1 provides an optional exception: backdated application is not required with reference to IAS 32 and IAS 39 on financial instruments and IFRS 4 on insurance contracts. As already explained these standards were homologated by IASB and the European Commission only in 2004 and therefore their application

[5] Real estate investments are the real estate assets held for the purpose of receiving a profit and/or benefiting from a rise in value.

from 1st January 2004 is not mandatory. Entities opting to avail of this exemption must convert their accounting balances covered by those standards as of 1st January 2005 and therefore figures for 2004 may not be comparable.

The opening balance sheet as at 1st January 2004, and as at 1st January 2005 for financial instruments and insurance contracts, should be prepared in accordance with IAS/IFRS, by:

- recognising all assets and liabilities whose recognition is required by IAS/IFRS (thus including those not required by local accounting principles);
- derecognising all assets and liabilities which were recognised under local accounting principles but do not qualify for recognition under IAS/IFRS;
- reclassifying all recognised assets and liabilities in line with the new requirements;
- measuring assets and liabilities in accordance with IAS/IFRS.

The effects of IAS/IFRS adjustments to accounting balances should be recognised directly in shareholders' equity upon first-time adoption.

First-time adoption of IAS/IFRS by Gruppo Intesa

Upon first-time adoption, the Group was required to choose how to classify financial instruments, whether to adopt certain allowed alternative treatments and whether to apply any of the optional exemptions from backdated application set out in IFRS 1.

Moreover, Gruppo Intesa decided to use the faculty provided for by IFRS 1 and applied IAS 32 and IAS 39 to financial instruments from 1st January 2005. Accordingly, figures as at 31st December 2004 and as at 30th June 2004 are not comparable as concerns the measurement of financial instruments. However, in order to make the comparison as consistent as possible, the Group has estimated, on the basis of available data, the effects of the application of IAS 39 from 1st January 2004 on figures as at 1st January 2004 and for the year ended as at 31st December 2004.

Gruppo Intesa reclassified its financial instruments (comprising securities, loans and receivables, payables, derivatives and equity investments) in accordance with the classification criteria required by IAS/IFRS under a specific provision of IFRS 1. Such provision allows an entity to use those categories upon first-time adoption, waiving the general rule that provides for using such classification exclusively when the financial instrument is acquired.
Gruppo Intesa decided not to take the option to measure any asset at fair value (fair value option), regardless of its function.

Securities have been mainly classified as financial assets held for trading. With reference to the management of the investment portfolio (now "Investments held to maturity"), the Group revised the relevant standard resolutions leading to a reduction in this portfolio. Certain unlisted securities subscribed for the purpose of providing financing to the issuer have been classified as loans to customers. Those securities that do not qualify for recognition in one of the above categories have been classified as "Financial assets available for sale".
Loans to customers and due from banks have maintained their classification, both when generated by Group companies and when acquired from third parties. Repurchase agreements, trade receivables and finance lease receivables are still classified as loans and receivables (for the latter the Group already used the so-called financial method for the consolidated financial statements). On the other hand, with respect to receivables arising from factoring transactions, since IAS/IFRS do not specifically regulate such transactions, especially those where receivables are factored under risk-mitigation clauses (which is a typical contractual characteristic in the Italian market), the Group maintained the recognition of the related financing only to the extent of the amount advanced on the portfolio factored with recourse (which, contrary to previous accounting policies, is now not accounted for since it is recognised by the transferor). Receivables acquired without recourse have been recognised after having verified that no contractual provisions exist such as to make them not eligible for recognition.

Funding from customers and banks have been classified as in the past, as due to banks and due to customers, securities issued and subordinated liabilities.

Derivatives have been classified, according to their purpose, as trading or hedging derivatives. Trading derivatives have been classified as assets/liabilities held for trading, respectively based on their positive or negative carrying value. Hedging derivatives, if designated as "effective" hedges, have been recognised as hedging derivatives under assets, if positive, and liabilities, if negative. In the case of "non-effective" hedges, or for hedging relationships that do not qualify for hedge accounting under IAS/IFRS, derivatives have been classified as held for trading.

Equity investments have been classified as such only when relating to investments in subsidiaries, associates and jointly controlled entities. All other equity investments have been classified as "financial assets available for sale", except when, in limited cases, the Group was negotiating their disposal and the equities have been classified as "financial assets held for trading". In consideration of its peculiarity, the stake in the Bank of Italy, though posted among equity investments, is not carried at equity and is instead recorded at cost.
In accordance with IAS/IFRS and their interpretations, especially SIC 12, the area of consolidation has been revised to include certain subsidiaries for which full consolidation is required. Such subsidiaries were previously excluded from consolidation since they do not carry out banking or financial activities, or, if they do, their total assets are immaterial. In addition to these, two special purpose entities (SPE/SPV), in which the Group has no investment, but which are controlled by the Group under the provisions of SIC 12, are now consolidated.

The Group has opted not to measure real estate assets at fair value, keeping them at purchase cost, net of cumulated depreciation and any impairment losses. However, the carrying amount of land has been separated and the related cumulated depreciation derecognised.

Upon first-time adoption, IFRS 1 provides for a number of optional exemptions. The main exemptions applied by the Group are the following:
– *business combinations:* under this exemption, an entity can opt not to apply IAS/IFRS retrospectively to business combinations that occurred before the date of first-time adoption. Accordingly, existing goodwill can be recognised at the last carrying amount under previous accounting policies;
– *revalued carrying amount as deemed cost:* this exemption permits past revaluations to be considered as an integral part of cost upon first-time adoption. This applies to both fixed assets revalued as permitted by specific laws (Monetary revaluation laws) and equity investments, revalued in accordance with Law 218 of 1990 ("Amato" law) as part of the restructuring and privatisation process of the Italian banking system. Real estate assets are not measured at fair value as an alternative to cost;
– *employee benefits:* IAS 19 permits the use of the "corridor approach", according to which an entity may opt not to recognise a part of actuarial gains or losses when the change over the previous period is below 10%. Under this exemption, the corridor approach can only be applied prospectively, i.e., only to periods subsequent to first-time adoption and, therefore, all actuarial gains and losses existing on first-time adoption have been recognised;
– *derecognised assets/liabilities:* an entity can opt not to recognise financial assets and liabilities disposed of and derecognised under previous accounting policies before 1st January 2004 if such derecognition does not comply with IAS 39 requisites. This involves all securitisation transactions carried out by the Group.

As concerns the exemption from the application of IFRS 2 (Share-based payments), Banca Intesa could not apply it for its stock option plan connected to the 2003-2005 Business Plan, since the options were assigned after the effective date for the adoption of the new standard. The new standard was therefore applied as of 1st January 2004.

The complete illustration of the new principles adopted is set out in the chapter relative to the accounting criteria used in this Consolidated report as at 30th June 2005.

Reconciliation tables and illustration notes

The reconciliation of shareholders' equity at the transition dates (1st January 2005 for IAS 39 and 1st January 2004 for all other standards), and as at 30th June 2004, as well as the reconciliation of net income as at 30th June 2004 and for the whole of 2004 are set out below.

The reconciliation tables set out below have been drawn up pursuant to provisions set forth by IFRS 1 and recalled by Consob in its Regulation 14990 of 14th April 2005. These tables, since they have been prepared for the purposes of the transition to international accounting standards, must not be considered substitutive of the more detailed information which will be provided in the first annual report drawn up according to IAS/IFRS.
The values in the reconciliation tables could be subject to variations which may become necessary if some new IAS were introduced or IAS in force is modified or modified an interpretation of such IAS, even with backdated effects before the publication of the Annual report 2005. The fiscal effects of first-time adoption of the new principles may be redetermined in case of modification of regulations in force. Furthermore, these figures may be subject to changes of insignificant amount, for the complete application of IAS/IFRS – in a subsequent moment – by consolidated companies carried at equity.

Since, as mentioned above, IAS 39 has been applied from 1st January 2005, for comparative purposes the Group has estimated the effects of IAS/IFRS adoption on financial instruments as at 1st January 2004, as at 30th June 2004 and as at 1st January 2005 on the basis of the available information.

The reconciliation of shareholders' equity as at 1st January 2004, as at 31st December 2004 with the exclusion of IAS 39 and as at 1st January 2005, as well as the reconciliation, excluding IAS 39, of net income as at 31st December 2004 have been audited by the Independent Auditors. The Independent Auditors Report is included at the end of this section.

Based on the analysis of the new standards and their application, the Group identified the following impacts on financial statement captions.

Reconciliation of shareholders' equity as per Legislative Decree 87/92 to IAS/IFRS shareholders' equity

(in millions of euro)

	01/01/2004	01/01/2004	30/06/2004	30/06/2004	31/12/2004	01/01/2005
	Impact of IAS/IFRS first-time adoption	**Impact of IAS/IFRS first-time adoption** (including IAS 39)	**Impact of IAS/IFRS first-time adoption**	**Impact of IAS/IFRS first-time adoption** (including IAS 39)	**Impact of IAS/IFRS first-time adoption**	**Impact of IAS/IFRS first-time adoption** (including IAS 39)
Shareholders' equity (as per Legislative Decree 87/92)	**15,093**	**15,093**	**14,658**	**14,658**	**15,564**	**15,564**
RESERVES	**–872**	**–3,400**	**166**	**–2,440**	**189**	**–2,372**
- Due from banks and loans to customers						
- analytical measurement of non-performing loans	–	–1,361	–	–1,341	–	–1,328
- collective measurement of performing loans	–	–290	–	–240	–	–212
- other impacts	–	–106	–	–115	–	–110
- Financial assets held for trading						
- fair value measurement of trading securities and related derivatives	–	63	–	47	–	17
- fair value measurement of derivatives: credit risk adjustment and bid-ask spread	–	–165	–	–164	–	–179
- fair value measurement of derivatives: separation of embedded derivatives from bonds issued	–	–223	–	–382	–	–349
- fair value measurement of equity investments classified as held for trading	–	–154	–	–129	–	–117
- Hedging derivatives						
- fair value hedges: fair value measurement of hedging derivatives and hedged items	–	12	–	9	–	6
- hedge accounting adjustments	–	–215	–	–212	–	–219
- Fixed assets and intangibles						
- derecognition of depreciation of land	166	166	180	180	195	195
- items that do not qualify for recognition as intangibles	–16	–16	–15	–15	–14	–14
- goodwill impairment	–194	–194	–128	–128	–62	–62
- Allowances						
- collective measurement of guarantees given	–	–75	–	–74	–	–74
- unrecognised allowances for risks and charges and discounting of provisions	179	183	131	143	64	79
- actuarial valuation of employee termination indemnities and allowances for pensions	4	4	5	5	12	12
- Other impacts	–1,011	–1,029	–7	–24	–6	–17
VALUATION DIFFERENCES	**–**	**–43**	**–**	**4**	**–**	**83**
- Financial assets available for sale						
- fair value measurement of debt securities	–	17	–	15	–	44
- fair value measurement of equities	–	6	–	38	–	92
- Cash flow hedges						
- cash flow hedges: fair value measurement of derivatives	–	–66	–	–49	–	–53
Tax impact	**–106**	**681**	**–102**	**716**	**–112**	**687**
IAS/IFRS minority interests	**–9**	**15**	**–6**	**16**	**–6**	**7**
Total impacts of IAS/IFRS first-time adoption	**–987**	**–2,747**	**58**	**–1,704**	**71**	**–1,595**
IAS/IFRS Shareholders' equity	**14,106**	**12,346**	**14,716**	**12,954**	**15,635**	**13,969**

The table above indicates the impact on shareholders' equity of first-time adoption of IAS/IFRS. The caption "Reserves" includes adjustments which do not entail in the years subsequent to first-time adoption a reversal to the statement of income. These adjustments in values, if IAS/IFRS had already been adopted previously would have determined effects, positive or negative, on the statement of income. However, it must be noted that many of the adjustments recorded in shareholders' equity have been determined by the registration of time value and therefore may lead to determine positive effects on the statement of income in future years.
"Valuation differences" also record the adjustments which are destined to change over time due to the valuation effects of assets and liabilities registered in the balance sheet and which will be recorded through profit and loss only at the time of realisation.

The table below indicates the impact on net income for the various periods determined by the adoption of the new principles.

Reconciliation of net income as per Legislative Decree 87/92 to IAS/IFRS net income

(in milions of euro)

	30/06/2004	30/06/2004	31/12/2004	31/12/2004
	Impact of IAS/IFRS first-time adoption	**Impact of IAS/ IFRS first-time adoption** (including IAS 39)	**Impact of IAS/IFRS first-time adoption**	**Impact of IAS/ IFRS first-time adoption** (including IAS 39)
Net income (as per Legislative Decree 87/92)	**876**	**876**	**1,884**	**1,884**
- Net interest income	–15	93	–16	222
- Net fee and commission income	2	5	4	9
- Profits (Losses) on trading	0	–184	1	–234
- Other operating income (expenses)	11	11	22	22
- Operating costs	0	1	4	7
- Goodwill impairment	64	64	130	130
- Adjustments and provisions	8	–5	12	–41
- Change in the reserve for general banking risks and other reserves	–15	–15	–163	–163
- Taxes and other	–29	11	–22	5
Total impacts of IAS/IFRS first-time adoption	**26**	**–19**	**–28**	**–43**
IAS/IFRS net income	**902**	**857**	**1,856**	**1,841**

Due from banks and loans to customers

Analytical measurement of non-performing loans
Under IAS/IFRS, financial assets are to be carried at amortised cost based on the present value of estimated future cash flows.
Non-performing loans, i.e. those for which there is objective evidence that an impairment loss has been incurred, should be measured analytically, also considering their recovery times. Contrary to accounting policies applied until 2004, this entails measuring the present value of the estimated recoverable amounts.
With respect to doubtful loans, the estimated recoverable amounts have been discounted to consider the estimated recovery times using the average rates existing when the loans became doubtful where the original rates were no longer available. Recovery cash flows of the most significant positions have been distributed over time on an analytical basis, and on a statistical basis for the remaining positions.
Substandard loans with repayment plans exceeding 18 months or that it is very likely will become doubtful have been discounted at their effective rates (most positions bear floating interest rates).
Time distribution has been defined based on the relevant repayment plans or time-series of average recovery times of loans, real estate enforcement proceedings and bankruptcy proceedings.

The restated 2004 statement of income, set out above, includes the positive effect of the reduction of time value on non-performing loans of previous years (+202 million euro), while adjustments include the effect of time value on loans posted in substandard loans or doubtful loans for the first time in that year (-169 million euro).

Collective measurement of performing loans[6]

When there is no evidence of any irregularities, loans should be measured "collectively", by grouping them in accordance with the level of risk and calculating the estimated impairment loss for each category on the basis of historical loss data.

As far as possible, the provisions on performing loans have been measured in line with the approach provided for by supervisory reporting requirements, namely the "New Capital Accord" commonly known as Basel II. Specifically, the risk components to be considered under the new supervisory requirements, i.e., the probability of default (PD)[7] and loss given default (LGD)[8], have been used – where available – also for financial statement purposes. Loans have been grouped using, as a starting point, the ratio between these two parameters, since they reflect all the main features which should be considered in grouping loans and calculating provisions under IAS/IFRS. The one-year period used to measure the probability of default approximates the definition of incurred loss, i.e. a loss based on an event that has occurred but has not yet been considered by an entity when reviewing the level of risk of a specific borrower, provided for by international standards.

Adjustments to cover generic risk of performing loans already included the adjustments for the Fiat *convertendo* loan as at 31st December 2004. As required by IAS/IFRS, upon first-time adoption, the option embedded in the loan that lending banks have granted to Fiat, which entails the commitment to subscribe a reserved capital increase, has been separated. The valuation of the loan has been replaced by the value of the option. Therefore, adjustments relating to this loan have been reclassified in the caption relating to the measurement of derivatives, and collective write-downs of loans have been decreased by the same amount.

The overall impact of first-time adoption on performing loans therefore derives both from the new accounting treatment (generic provisions) and from the above reclassification.

The new collective measurement criteria determined an overall positive effect on the 2004 restated statement of income (+79 million euro).

Other impacts of loan measurement

Other impacts of loan measurement arise from the discounting of certain specific loans whose rates of return are not in line with market rates and from the write-down of overdue interest. Under IAS/IFRS, revenue can only be recognised when it is probable that the future economic benefits arising from the transaction will flow to the entity. Accordingly, overdue interest is recognised only if its recoverability is certain (on a cash basis).

The other effects of loan measurement on the 2004 restated statement of income are mostly attributable to loans measured using amortised cost (-40 million euro in net interest income).

A comparison of the carrying amount of loans to customers as at 31st December 2004 before and after IAS/IFRS adoption is set out in the following table.

The increase in performing loans following the adoption of IAS/IFRS is attributable to the inclusion in the consolidation area of certain vehicle companies (SPE/SPV) and by the reclassification in loans of loans represented by securities.

[6] With reference to a homogeneous group of performing financial instruments, collective valuation defines the measure of credit risk intrinsic in such positions, even though they have not been yet attributed to a specific position.

[7] PD – Probability of Default measures the probability of default of a borrower in one year.

[8] LGD – Loss Given Default measures the estimated rate of loss in case of default of a borrower.

(in milions of euro)

Loans to customers [#]	**31/12/2004** before IAS/IFRS adoption	**31/12/2004** after IAS/IFRS adoption	**Difference**
	Coverage = 67%	Coverage = 76%	
Doubtful loans			
- gross carrying amount	12,710	12,710	
- adjustments	–8,494	–9,683	1,189
- net carrying amount	4,216	3,027	
Net doubtful loans / Loans to customers	2.7%	1.9%	
	Coverage = 23%	Coverage = 26%	
Substandard and restructured loans			
- gross carrying amount	5,006	5,006	
- adjustments	–1,144	–1,283	139
- net carrying amount	3,862	3,723	
	Coverage = 0.56% (*)	Coverage = 0.69%	
Performing loans			
- gross carrying amount	150,713	153,764	
- adjustments	–848 (*)	–1,067	219 (**)
- net carrying amount	149,865	152,697	

(#) Figures do not consider the disposal of part of the doubtful loan portfolio illustrated at the beginning of this report.
(*) To enable a comparison with the figure calculated on IAS/IFRS first-time adoption, the figure does not include the adjustment for the Fiat *convertendo* loan (245 million euro).
(**) The figure does not include the write-back of generic adjustments relating to banking counterparties (7 million euro).

Financial assets held for trading

Fair value measurement of trading securities and related derivatives

Securities classified as financial assets held for trading must be measured at fair value. Contrary to previous accounting policies, this treatment applies also to unlisted securities, leading to the recognition of gains.
The Group has therefore measured the fair value of unlisted securities included in the above categories using market prices made available by information providers or internal measurement models. Meanwhile, the fair value of the derivatives managed together with these securities has been recognised.
Furthermore, for securities already recorded at fair value, compliance with the valuation with respect to IAS/IFRS was also verified.
The new measurement criteria determined a negative impact on the 2004 restated statement of income (-46 million euro), recorded in profits (losses) on financial transactions.

Fair value measurement of derivatives held for trading

IAS/IFRS require that derivatives be measured at fair value. The fair value should be calculated by considering all significant risk components and other observable market data, when using internal measurement models.
Therefore, contrary to previous accounting policies, when recalculating the fair value of derivatives under IAS/IFRS, the Group considered counterparty credit risk determined using the risk adjustment, based on the rating of counterparties, and the bid-ask spread[9] for net open positions.
Fair value of such contracts also includes the valuation (-103 million euro) of options correlated to equity investments recorded, in application of IAS/IFRS, in assets available for sale also recorded at fair value.
The new measurement criteria of derivatives held for trading determined a negative impact on the 2004 restated statement of income of 15 million euro, recorded in profits (losses) on financial transactions.

[9] The bid-ask spread is the difference between the purchase and sale price of a financial instrument or of a group of financial instruments.

Fair value measurement of derivatives: separation of embedded derivatives from bonds issued

Under IAS/IFRS, derivatives should be recognised separately even when embedded in host financial instruments (so-called combined financial instruments) if the latter are not measured at fair value. In this case, IAS/IFRS allow an entity to recognise revenues when these products are sold only to the extent that they can be determined as the difference between the sale price of the financial instrument and its fair value measured using parameters of the same market as that on which the instrument has been sold. In the case of structured bonds, the only parameter available from the placement market must be derived from the retail market (since the Group mainly places these products on this market) and relates to the financial instrument as a whole, rather than its individual components. It would be necessary to make reference to the wholesale market to obtain a parameter to be used in the measurement of the sole embedded component. Therefore, under IAS/IFRS, profits on these products must be allocated over their residual life through the adjustment of the related amortised cost. The different accounting treatment has an impact only on revenues' recognition times and does not affect the overall profitability of such products.
Upon first-time adoption, the residual profits (at transition date) previously recognised have been therefore taken to shareholders' equity, following the recognition at fair value of the hedged item, which considers the cost of funding on the basis of IAS/IFRS.
The 2004 restated statement of income reflects the reversal of upfront revenues received on structured bonds issued (-199 million euro in profits (losses) on financial transactions), which on application of the new principles contributed to the formation of income using the *pro rata temporis* approach (+74 million euro in 2004 recorded in net interest income).

Measurement of equity investments classified as held for trading

IAS/IFRS require unconsolidated equity investments be measured at fair value. Therefore, the Group has determined the fair value of equity investments classified as assets held for trading using methodologies that are normally used in standard market practice (stock exchange quotations, similar transactions, financial ratios and equity, financial and performance measurement models).
The equity investments in Banco ABN Amro Real, Bayerische Hypo- und Vereinsbank and Commerzbank have been classified in this category.
The measurement of such equity investments on the 2004 restated statement of income determined a positive effect (+37 million euro) recorded in profits (losses) on financial transactions.

Hedging 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 (fair value hedge[10]) – 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, within precise thresholds, opposite changes in the value of the hedged item.
Instead, in the case of cash flow hedges[11], 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 for in consolidated financial statements.
These new rules have led to revise the accounting and valuation criteria of hedges. Hedges have been divided in fair value hedges of specific captions and cash flow hedges of specific captions or portfolios of liabilities.

[10] Fair value hedge covers the risk deriving from the variation in the fair value of a caption in the balance sheet attributable to a specific risk.
[11] Cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk.

In certain cases it has been necessary to close the contracts in advance, subsequently stipulating new hedges compliant with the requisites of IAS 39.

Fair value hedges: fair value measurement of hedging derivatives and hedged items
For the reasons set out above, upon IAS/IFRS first-time adoption, hedged balance sheet items in a fair value hedge and the related hedging derivatives have been measured at fair value. These items were previously recognised at cost.
The change in fair value which occurred in 2004 generated a negative effect on the 2004 restated statement of income (-5 million euro).

Hedge accounting adjustments (IAS 39)
The Group has revised hedging transactions following the new and stricter rules for hedge accounting. Some of the transactions that did not qualify for hedge accounting under IAS/IFRS have been reclassified to the trading portfolio, some have been closed in advance (during 2004) and some have been replaced with other contracts that qualify for hedge accounting.
More specifically, previous hedging transactions within Group companies, which, under previous accounting policies, were not eliminated for consolidation purposes, have been closed in advance.
Upon first-time adoption, the effects of such early terminations, which were distributed over the original life of the contracts under previous accounting policies, have been recognised in shareholders' equity (to the extent of the deferral as at 31st December 2004). In this way, the Group obtained the same accounting treatment that would have been applied if such intragroup contracts had been derecognised in accordance with IAS 39 upon transition to IAS/IFRS.
Certain derivatives with third parties, which qualified for hedge accounting under previous accounting policies, have been reclassified as held for trading since they did not meet IAS 39 requirements for hedge accounting.

Fixed assets and intangibles

Derecognition of depreciation of land
Under IAS/IFRS, fixed assets should be depreciated over their useful lives or over the useful lives of the individual components forming them, if different. This means that the carrying amount of a building should be accounted for separately from the carrying amount of the land on which the building stands, based on the assumption that land is not a depreciable asset. Therefore, previous depreciation charged to land is to be derecognised.
Accordingly, for those buildings where the Group owns both the building and the land on which it stands, the Group has accounted for the building and the land separately and has derecognised the portion of accumulated depreciation attributable to such land.
The carrying amount of land has been calculated on the basis of specific expert opinion.
The restated statement of income benefits from the fact that land is no longer depreciated (+28 million euro).

Items that do not qualify for recognition as intangibles
Under IAS/IFRS, an item qualifies for recognition as intangibles only if it is probable that it will generate future economic benefits and its cost can be measured reliably.
In accordance with the above principle, the Group has derecognised those items that do not qualify for recognition as intangibles, mainly start-up costs.

Goodwill impairment
IAS/IFRS do not permit amortisation of assets with indefinite useful lives, including goodwill.
Therefore, an entity should test such intangibles for impairment at least annually by comparing carrying amount with recoverable amount ("impairment test").
As a result, goodwill recorded in accordance with previous accounting policies has been restated under IAS/IFRS, on the basis of its estimated recoverable amount, calculated using the future cash

flows expected from the assets which originally determined its recognition.
The reversal of amortisation of goodwill determined a positive effect on the 2004 restated statement of income (+130 million euro).

Allowances

Collective measurement of guarantees given
The accounting treatment adopted for the measurement of loans to customers and on-balance sheet due from banks described above has also been applied to guarantees given. The impact of first-time adoption is attributable to the measurement of guarantees given to performing customers.

Unrecognised allowances for risks and charges and discounting of provisions
Under IAS/IFRS, allowances can be recognised when it is probable that an outflow of resources will be required to settle an existing obligation and a reliable estimate of the amount of the obligation can be made. Therefore, the Group has derecognised allowances previously accounted for which are no longer allowed under international standards.
In addition, where the effect of the time value of money is material, IAS/IFRS require the amount of an allowance be equal to the present value of the expenditures expected to be necessary to settle the obligation. The time value of money relating to allowances recognised in Gruppo Intesa's consolidated financial statements has been considered material only with respect to allowances for legal disputes and amounts reclaimed, considering that a long time period is usually required to settle the litigation. Therefore, they have been adjusted to take their present value into account.
The 2004 restated statement of income benefited from the lower net present value of provisions required (26 million euro), while net interest income was affected by the related time value (-17 million euro).
The allowances which have been derecognised include the reserve for general banking risks. This derecognition generated a negative effect (-163 million euro) on the 2004 restated statement of income following the reversal of the uses made in that year.

Actuarial valuation of employee termination indemnities and pension funds
IAS/IFRS require defined benefit pension plans be measured on the basis of the actuarially-determined amount that an entity will pay to employees upon termination of the labour agreement.
The Group has verified the valuations of the defined benefit plans recognised in accordance with previous accounting policies and has adjusted provisions if such valuations did not comply with IAS/IFRS requirements.
Although this issue is still being discussed in Italy, following recent interpretations on the accounting treatment of TFR (the Italian employee termination indemnities), it is accounted for as a defined benefit plan, and therefore on the basis of actuarial valuations, rather than as prescribed by relevant Italian legislation.
The new measurement criteria determined a positive effect of 7 million euro on the 2004 restated statement of income.

Other impacts

Other residual impacts of first-time adoption are mainly related to the effects of IAS/IFRS on investments carried at equity, as well as to the derecognition of treasury shares which, pursuant to international principles, have been deducted from shareholders' equity since it is no longer possible to record them among assets.
The value of the treasury shares amounted to 1,017 million euro as at 1st January 2004 and decreased to 10 million euro as at 31st December 2004 mostly as a result of the free assignment to Shareholders carried out by the Parent Company at the time of distribution of the dividend for 2003.

Financial assets available for sale

Under IAS/IFRS, financial instruments classified as financial assets available for sale should be measured at fair value. Any gains or losses arising from fair value measurement should be recognised in equity until they are realised.

Fair value measurement of debt securities
Upon first-time adoption of the aforementioned principles, certain debt

securities not held for trading which do not qualify for recognition as investments held to maturity or loans have been classified as "financial assets available for sale".
The impact of first-time adoption is due to the measurement of unlisted securities at fair value, rather than at the lower of cost and market value as required by previous accounting policies.

Fair value measurement of equities
Again upon first-time adoption, equity investments acquired by the Group with the intention of establishing or maintaining a long-term operating relationship with the investee, which are not investments in subsidiaries or associates or jointly controlled entities, and those relating to private equity transactions have been classified as "financial assets available for sale". These equity investments, which were carried at cost under previous accounting policies, have been measured at fair value using methodologies which are standard market practice (stock exchange quotations, similar transactions, financial ratios and equity, financial and performance measurement models).

Cash flow hedges

Cash flow hedges: fair value measurement of derivatives
In the case of cash flow hedges, the Group has determined the fair value of the hedging derivatives, which were previously carried at cost in compliance with Italian accounting principles.

Share-based payments

Contrary to Italian accounting principles, IAS/IFRS require that the current value of share-based payments (i.e., stock options), equal to the fair value of the options, be recognised in the statement of income when the options are granted to employees or directors over the vesting period, with a balancing entry in equity. The provisions of IFRS 2 should be applied to all plans granted after 7th November 2002. The stock option plan currently in force was approved by the Extraordinary Shareholders' Meeting on 17th December 2002 with reference to the years from 2003 to 2005. The Group has determined the fair value of the options granted and for the amount attributable to 2003 it set up a special available reserve to service the plan, while the portion attributable to 2004 was recorded in the statement of income redetermined using IAS/IFRS (-8 million euro registered in payroll), without generating a variation in shareholders' equity.

Tax impact

IAS/IFRS impact on shareholders' equity has been calculated net of the related tax impact, determined in accordance with relevant legislation (including Legislative Decree 38/2005); in particular:
- the IRES tax has been calculated using a 33% rate;
- allocations to equity have been considered as extraordinary items for IRAP purposes and therefore, generally speaking, irrelevant for tax purposes, except when they are matched to income or expenses which are relevant for the purpose of taxes relating to previous or subsequent years; the tax rate applied in this case is 4.25% (plus any regionally-required additional tax);
- with respect to foreign subsidiaries, the taxes applicable in the individual Countries have been considered.

Furthermore, no deferred tax liabilities are recorded for reserves which are subject to a suspended tax regime since the size of the available reserves which have already been taxed leads to believe that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.
The overall tax impact on the 2004 restated statement of income was positive (17 million euro).

Summary

In conclusion, IAS/IFRS adjustments applied to equity upon first-time adoption have led to an overall reduction in equity as at 1st January 2005 from 15,564 million euro to 13,969 million euro (-1,595 million euro resulting from gross decreases for a total of 2,282 million euro and a tax effect of 687 million euro). Therefore, the Group has included a specific negative balance item in shareholders' equity, the "IAS/IFRS first-time adoption reserve" of –1,680 million euro and revaluation reserves and valuation differences of 85 million euro, both net of the tax effect. The decrease in the carrying amount of shareholders' equity and the consequent reduction in shareholders' equity for supervisory purposes, together with the other first-time adoption impacts have had the following negative effects on capital requirements:

- Core Tier 1 ratio[12] decreased from 7.59% to 6.69%;
- Tier 1 ratio from 8.53% to 7.64%;
- Total capital ratio from 11.60% to 11.02%.

However, the ratios remain significantly above the minimum capital requirements in force.

The table below sets out the changes in consolidated shareholders' equity as at 1st January 2005 following IAS/IFRS first-time adoption.

(in millions of euro)

01/01/2005																
	Amounts as at 31/12/03 (*)	Changes in initial balances (Transition to IAS/IFRS - Except IAS 39)	Restated shareholders' equity as at 01/01/04	Allocation of net income		Changes in reserves	Operations on shareholders' equity carried out in the period						Net income as at 31/12/04	Restated shareholders' equity as at 31/12/04 (§)	Changes in initial balances (Transition to IAS/IFRS - IAS 39)	Restated shareholders' equity as at 01/01/05
				Reserves	Dividends and other allocations		Issue new shares	Purchase treasury shares	Extraord. distrib.	Extraord. changes in share-holders' equity	Deriva-tives on treasury shares	Stock options				
Share capital																
a) ordinary shares	3,076		3,076											3,076		3,076
b) other	485		485											485		485
Share premium reserve	5,404		5,404			2								5,406		5,406
Reserves																
a) legal	773		773											773		773
b) statutory	61		61	879		144				7				1,091		1,091
c) other	2,643	30	2,673			-175				-7		8		2,499	-1,751	748
Treasury shares	1,017	-1,017	-					-10						-10	-	-10
Revaluation reserves and valuation differences																
a) financial assets available for sale														-	117	117
b) fixed assets														-		-
c) cash flow hedges														-	-32	-32
d) legally-required revaluations	356		356			1								357		357
e) other	64		64			38								102		102
Net income	1,214		1,214	-879	-335								1,856	1,856		1,856
Total	**15,093**	**-987**	**14,106**	**-**	**-335**	**10**	**-**	**-10**	**-**	**-**	**-**	**8**	**1,856**	**15,635**	**-1,666**	**13,969**

(*) Determined using Italian accounting principles (Legislative Decree 87/92).
(§) Except for IAS 39.

[12] The Core Tier 1 ratio is the ratio between Tier 1 capital net of preference shares and total risk-weighted assets. Preference shares are innovative capital instruments which are normally issued by foreign subsidiaries and included in Tier 1 capital if they have characteristics which guarantee the capital soundness of banks.
The Tier 1 ratio is the same ratio except for the fact that at the numerator includes preference shares.

Reconciliation of net income as per Legislative Decree 87/92 to IAS/IFRS net income: as at 31st December 2004

(in millions of euro)

Captions	**31/12/2004 (A)**	**Impact of IAS/IFRS first-time adoption** (except IAS 39) **(B)**	**Impact of IAS/IFRS first-time adoption** (IAS 39) **(C)**	**31/12/2004 IAS/IFRS** (except IAS 39) **(D=A+B)**	**31/12/2004 IAS/IFRS (E=A+B+C)**
Net interest income	4,962	–16	238	4,946	5,184
Dividends and income from investments carried at equity	220	–	–	220	220
Interest margin	**5,182**	**–16**	**238**	**5,166**	**5,404**
Net commissions	3,447	4	5	3,451	3,456
Profits (Losses) on financial transactions	737	1	–235	738	503
Other operating income, net	360	22	–	382	382
Net interest and other banking income	**9,726**	**11**	**8**	**9,737**	**9,745**
Administrative costs	–5,247	–22	3	–5,269	–5,266
including - Payroll	*–3,147*	*–8*	–	*–3,155*	*–3,155*
- Other	*–2,100*	*–14*	*3*	*–2,114*	*–2,111*
Adjustments to fixed assets and intangibles	–583	26	–	–557	–557
Operating costs	**–5,830**	**4**	**3**	**–5,826**	**–5,823**
Operating margin	**3,896**	**15**	**11**	**3,911**	**3,922**
Adjustments to goodwill arising on consolidation and on application of the equity method	–130	130	–	–	–
Provisions for risks and charges	–167	17	11	–150	–139
Net adjustments to loans and provisions for possible loan losses	–887	–5	–58	–892	–950
Net adjustments to financial fixed assets	–19	–	–6	–19	–25
Income from operating activities	**2,693**	**157**	**–42**	**2,850**	**2,808**
Extraordinary income (loss)	–61	–34	–	–95	–95
Income taxes for the period	–805	–10	27	–815	–788
Change in the reserve for general banking risks and other reserves	163	–163	–	–	–
Minority interests	–106	22	–	–84	–84
Net income for the period	**1,884**	**–28**	**–15**	**1,856**	**1,841**

Reconciliation of net income as per Legislative Decree 87/92 to IAS/IFRS net income: as at 30th June 2004

(in millions of euro)

Captions	30/06/2004 (A)	Impact of IAS/IFRS first-time adoption (except IAS 39) (B)	Impact of IAS/IFRS first-time adoption (IAS 39) (C)	30/06/2004 IAS/IFRS (except IAS 39) (D=A+B)	30/06/2004 IAS/IFRS (E=A+B+C)
Net interest income	2,450	–15	108	2,435	2,543
Dividends and income from investments carried at equity	120	–	–	120	120
Interest margin	**2,570**	**–15**	**108**	**2,555**	**2,663**
Net commissions	1,681	2	3	1,683	1,686
Profits (Losses) on financial transactions	429	–	–184	429	245
Other operating income, net	191	11	–	202	202
Net interest and other banking income	**4,871**	**–2**	**–73**	**4,869**	**4,796**
Administrative costs	–2,636	–13	1	–2,649	–2,648
including - Payroll	*–1,597*	*–6*	*–*	*–1,603*	*–1,603*
- Other	*–1,039*	*–7*	*1*	*–1,046*	*–1,045*
Adjustments to fixed assets and intangibles	–271	13	–	–258	–258
Operating costs	**–2,907**	**0**	**1**	**–2,907**	**–2,906**
Operating margin	**1,964**	**–2**	**–72**	**1,962**	**1,890**
Adjustments to goodwill arising on consolidation and on application of the equity method	–64	64	–	–	–
Provisions for risks and charges	–96	7	9	–89	–80
Net adjustments to loans and provisions for possible loan losses	–471	1	-12	–470	–482
Net adjustments to financial fixed assets	5	–	–10	5	–5
Income from operating activities	**1,338**	**70**	**–85**	**1,408**	**1,323**
Extraordinary income (loss)	–9	–32	–	–41	–41
Income taxes for the period	–430	–	40	–430	–390
Change in the reserve for general banking risks and other reserves	15	–15	–	–	–
Minority interests	–38	3	–	–35	–35
Net income for the period	**876**	**26**	**–45**	**902**	**857**

The two tables above indicate the effects of the transition to IAS/IFRS on the statements of income as at 31st December 2004 and as at 30th June 2004.

Restatement of the statement of income as per Legislative Decree 87/92 to IAS/IFRS statement of income: as at 31st December 2004

(in millions of euro)

IAS/IFRS / Legislative Decree 87/92	Net interest income	Dividends and profits on investments carried at equity	Net fee and commission income	Profits (Losses) on trading	Other operating income (expenses)	Operating costs	Net adjustments to loans and receivables	Income (Loss)/ Provisions	Taxes on income from continuing operations	Minority interests	TOTAL
Net interest income	5,166			18							**5,184**
Dividends and income from investments carried at equity		155		65							**220**
Net commissions	–18		3,474								**3,456**
Profits (Losses) on financial transactions				503							**503**
Other operating income, net					69	280	33				**382**
Operating costs						–5,762	–61				**–5,823**
Adjustments to goodwill arising on consolidation and on application of the equity method											**–**
Provisions for risks and charges								–139			**–139**
Net adjustments to loans and provisions for possible loan losses							–950				**–950**
Net adjustments to financial fixed assets							–25				**–25**
Extraordinary income (loss)	–1		–9	68	–35	–103	–54	30	9		**–95**
Income taxes for the period									–788		**–788**
Minority interests										–84	**–84**
Total	**5,147**	**155**	**3,465**	**654**	**34**	**–5,585**	**–1,057**	**–109**	**–779**	**–84**	**1,841**

Restatement of the statement of income as per Legislative Decree 87/92 to IAS/IFRS statement of income: as at 30th June 2004

(in millions of euro)

IAS/IFRS / Legislative Decree 87/92	Net interest income	Dividends and profits on investments carried at equity	Net fee and commission income	Profits (Losses) on trading	Other operating income (expenses)	Operating costs	Net adjustments to loans and receivables	Income (Loss)/ Provisions	Taxes on income from continuing operations	Minority interests	Total
Net interest income	2,543										**2,543**
Dividends and income from investments carried at equity		81		39							**120**
Net commissions	–11		1,697								**1,686**
Profits (Losses) on financial transactions	–2			247							**245**
Other operating income, net				2	36	145	19				**202**
Operating costs						–2,872	–34				**–2,906**
Adjustments to goodwill arising on consolidation and on application of the equity method											**–**
Provisions for risks and charges								–80			**–80**
Net adjustments to loans and provisions for possible loan losses							–482				**–482**
Net adjustments to financial fixed assets							–9	4			**–5**
Extraordinary income (loss)				8	24	–23	–46	–7	3		**–41**
Income taxes for the period									–390		**–390**
Minority interests										–35	**–35**
Total	**2,530**	**81**	**1,697**	**296**	**60**	**–2,750**	**–552**	**–83**	**–387**	**–35**	**857**

The two tables above restate the captions of the previous statements of income with the new reclassified statement of income published in the present report with the exception of income and losses on non-current assets and discontinued operations – described in detail in the comments on operations development – which are recorded in a specific caption in the reclassified statement of income.

Reconciliation of balance sheet as per Legislative Decree 87/92 to IAS/IFRS balance sheet as at 1st January 2004

(in millions of euro)

Assets	31/12/2003 pro forma (*) (A)	Impact of IAS/IFRS first-time adoption (except IAS 39) (B)	01/01/2004 IAS/IFRS (except IAS 39) (C=A+B)
1. Cash and deposits with central banks and post offices	1,576	–98	1,478
2. Loans			
- loans to customers	154,614	1,993	156,607
- due from banks	28,521	163	28,684
3. Trading portfolio	24,117	–146	23,971
including Own shares	*1,017*	*–1,017*	–
4. Fixed assets			
a) investment portfolio	5,318	75	5,393
b) equity investments	4,908	–11	4,897
c) tangible and intangible	4,274	–525	3,749
5. Goodwill arising on consolidation	546	–194	352
6. Goodwill arising on application of the equity method	286	–	286
7. Other assets	35,518	–833	34,685
Total Assets	**259,678**	**424**	**260,102**

Liabilities and Shareholders' Equity	31/12/2003 pro forma (*) (A)	Impact of IAS/IFRS first-time adoption (except IAS 39) (B)	01/01/2004 IAS/IFRS (except IAS 39) (C=A+B)
1. Debts			
- due to customers	104,676	125	104,801
- securities issued	56,591	2,612	59,203
- due to banks	31,668	174	31,842
2. Allowances with specific purpose	5,047	24	5,071
3. Other liabilities	35,240	–1,535	33,705
4. Allowances for possible loan losses	25	–	25
5. Subordinated and perpetual liabilities	10,603	–	10,603
6. Minority interests	735	11	746
7. Shareholders' equity			
- share capital, reserves and reserve for general banking risks	13,849	–987	12,862
- negative goodwill arising on consolidation	29	–	29
- negative goodwill arising on application of the equity method	1	–	1
- net income for the period	1,214	–	1,214
Total Liabilities and Shareholders' Equity	**259,678**	**424**	**260,102**

(*) Figures restated on a consistent basis, as published in the Annual report 2004 and presented in the attachments to this report.

Reconciliation of balance sheet as per Legislative Decree 87/92 to IAS/IFRS balance sheet as at 31st December 2004 and as at 1st January 2005

(in millions of euro)

Assets	**31/12/2004 (A)**	**Impact of IAS/IFRS first-time adoption** (except IAS 39) **(B)**	**Impact of IAS/IFRS first-time adoption** (IAS 39) **(C)**	**31 /12/2004 IAS/IFRS** (except IAS 39) **(D=A+B)**	**01/01/2005 IAS/IFRS** (including IAS 39) **(E=A+B+C)**
1. Cash and deposits with central banks and post offices	1,488	–18	0	1,470	1,470
2. Loans					
- loans to customers	157,698	1,870	–1,570	159,568	157,998
- due from banks	28,730	126	21	28,856	28,877
3. Trading portfolio	33,576	908	123	34,484	34,607
including Own shares	*10*	*–10*	–	–	–
4. Fixed assets					
a) investment portfolio	5,158	61	390	5,219	5,609
b) equity investments	4,834	–55	–27	4,779	4,752
c) tangible and intangible	4,075	–558	–	3,517	3,517
5. Goodwill arising on consolidation	484	–83	–	401	401
6. Goodwill arising on application of the equity method	253	68	–	321	321
7. Other assets	38,302	–782	2,250	37,520	39,770
Total Assets	**274,598**	**1,537**	**1,187**	**276,135**	**277,322**

Liabilities and Shareholders' Equity	**31/12/2004 (A)**	**Impact of IAS/IFRS first-time adoption** (except IAS 39) **(B)**	**Impact of IAS/IFRS first-time adoption** (IAS 39) **(C)**	**31 /12/2004 IAS/IFRS** (except IAS 39) **(D=A+B)**	**01/01/2005 IAS/IFRS** (including IAS 39) **(E=A+B+C)**
1. Debts					
- due to customers	109,542	68	–	109,610	109,610
- securities issued	61,417	2,670	1,185	64,087	65,272
- due to banks	34,214	134	–10	34,348	34,338
2. Allowances with specific purpose	4,715	106	667	4,821	5,488
3. Other liabilities	39,121	–1,556	1,024	37,565	38,589
4. Allowances for possible loan losses	4	–4	–	–	–
5. Subordinated and perpetual liabilities	9,278	–	–	9,278	9,278
6. Minority interests	743	48	–13	791	778
7. Shareholders' equity					
- share capital, reserves and reserve for general banking risks	13,649	94	–1,651	13,743	12,092
- negative goodwill arising on consolidation	29	–	–	29	29
- negative goodwill arising on application of the equity method	2	5	–	7	7
- net income for the period	1,884	–28	–15	1,856	1,841
Total Liabilities and Shareholders' Equity	**274,598**	**1,537**	**1,187**	**276,135**	**277,322**

The tables above highlight the effects that first-time adoption of IAS/IFRS would have had on the balance sheet as at 1st January 2004, as at 31st December 2004 and as at 1st January 2005 using the financial statement forms in force at the time. Column (B) includes, in addition to the effects of the transition to IAS/IFRS with the exclusion of IAS 39, the variations in the consolidation area, the insertion in a specific caption of accruals and deferrals as well as the reclassification in due to customers of assets to be leased. Column (D) of the form as at 31st December 2004 (IAS/IFRS – except IAS 39) presents – after a further restatement according to the classifications set out by the compulsory form of balance sheet adopted in this Half-year report – the comparison column of the balance sheet as at 30th June 2005 included in the section Gruppo Intesa financial statements.

Impact of first-time adoption of IAS/IFRS on capital for supervisory purposes and on capital ratios as at 31st December 2004

(in millions of euro)

Captions	31/12/2004	01/01/2005 IAS/IFRS (including IAS 39)	Changes
Total capital			
Positive items	16,871	15,173	–1,698
– including preferred shares	1,717	1,717	–
Negative items	–1,307	–1,273	34
Tier 1 capital	15,564	13,900	–1,664
Tier 2 capital	6,714	6,773	59
Items to be deducted	–1,117	–620	497
Total capital	21,161	20,053	–1,108
Risk-weighted assets	182,486	182,042	–444
Capital requirements			
Core tier 1 ratio	7.59	6.69	–0.90
Tier 1 capital ratio	8.53	7.64	–0.89
Tier total ratio	11.60	11.02	–0.58
Excess margins			
Market risks	1,210	1,240	30
Credit risks	13,112	13,046	–66
Tier 3 subordinated loans	–	–	–
Other capital requirements	277	277	–
Total capital requirements	14,599	14,563	–36
Shareholders' equity for supervisory purposes	21,161	20,053	–1,108
Excess capital	6,562	5,490	–1,072

As already pointed out, shareholders' equity for supervisory purposes and capital ratios have been calculated on the basis of balance sheet aggregates and net income determined applying IAS/IFRS and considering the so-called "prudential filters" supplied by the Basel Committee and used for the simulation, requested by the Bank of Italy, of the impacts on capital requirements of the application of the new standards.
Such filters, which have the purpose of safeguarding the quality of shareholders' equity for supervisory purposes and reducing the potential volatility induced by the application of the new principles, lead to certain corrections of accounting figures, before their use for supervisory purposes.
The indications set out so far require that:

- for financial assets held for trading, both unrealised profits and losses are fully recorded;
- for financial assets available for sale, unrealised profits and losses may be offset: the balance, if negative, reduces tier 1 capital, if positive it contributes for 50% to tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded;
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised whereas there is no prudential filter on fair value hedges.

Other issues, such as the treatment of the so-called "fair value option" and fair value measurement of fixed assets, are still under discussion. However, this is not material for Gruppo Intesa, which has decided not to use these options.

Independent Auditors' Report on the first-time adoption of IAS/IFRS (*)

(*) Document published on first-time adoption of IAS/IFRS and already present in the Consolidated report as at 31st March 2005.

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INDEPENDENT AUDITOR'S REPORT ON THE STATEMENTS OF RECONCILIATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") WITH THE DESCRIPTION OF THE EFFECTS OF THE TRANSITION TO IFRS

(Translation from the original Italian text)

To the Board of Directors
of Banca Intesa S.p.A.

1. We have audited the accompanying consolidated statements denominated "Reconciliation of balance sheet as per Legislative Decree 87/92 to IAS/IFRS balance sheet" as of January 1, 2004, December 31, 2004 and January 1, 2005 "Reconciliation of net income as per Legislative Decree 87/92 to IAS/IFRS net income" for the year ended December 31, 2004, "Reconciliation of Shareholders' equity as per Legislative Decree 87/92 to IAS/IFRS Shareholders' equity" as of January 1, 2004, December 31, 2004 and January 1, 2005 (hereinafter, the "IFRS Reconciliation Statements") and the related explanatory notes, as presented in the Section denominated "IAS/IFRS first time adoption" to the Consolidated Report as at March 31, 2005. These IFRS Reconciliation Statements are based on the consolidated financial statements of Banca Intesa S.p.A. as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated March 23, 2005. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of Banca Intesa S.p.A.'s management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliations are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 82-bis of CONSOB Regulation no. 11971/1999 as amended by Resolution no. 14990 of April 14, 2005.

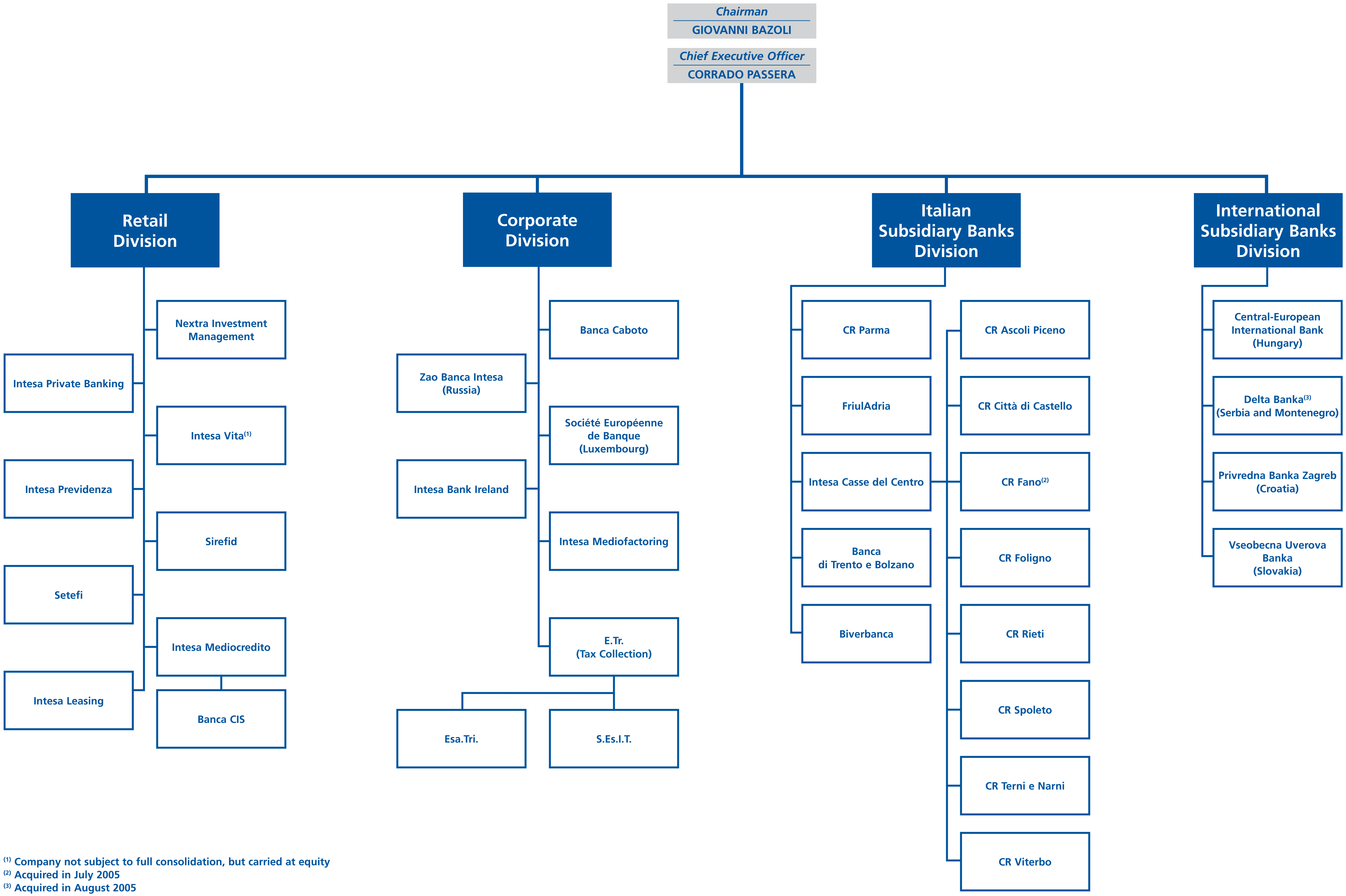
4. We draw your attention to the fact that, as described in the explanatory notes, the data presented in the IFRS Reconciliation Statements will be utilized for inclusion as comparative information in the first complete set of consolidated financial statements as of Decemeber 31, 2005; such data may require adjustments since new IFRS standards or IFRIC interpretations, for which earlier adoption could be allowed, may be effective before the publication of the 2005 consolidated financial statements.

   Moreover, since the IFRS Reconciliation Statements have been prepared as part of the Group's conversion to IFRS in connection with preparation of its first complete set of consolidated financial statements in accordance with IFRS as adopted by the European Commission, they do not include certain tables, comparative data and explanatory notes which would be required for a complete presentation of the financial position and results of operations of the Intesa Group in conformity with IFRS.

Milan, June 8, 2005

Reconta Ernst & Young S.p.A.
Signed by: Massimo Colli, partner

Main Group Companies



(1) Company not subject to full consolidation, but carried at equity
(2) Acquired in July 2005
(3) Acquired in August 2005

Gruppo Intesa
Financial statements

CONSOLIDATED BALANCE SHEET

(in millions of euro)

Assets	30/06/2005	31/12/2004 except IAS 39 (§)	Changes	
			amount	%
Cash and cash balances with central banks	1,452	1,470	–18	–1.2
Financial assets held for trading	60,831	58,207	2,624	4.5
Financial assets designated at fair value through profit and loss	–	–	–	
Financial assets available for sale	4,912	–	4,912	
Investments held to maturity	2,418	5,219	–2,801	–53.7
Due from banks	26,652	28,856	–2,204	–7.6
Loans to customers	157,702	159,568	–1,866	–1.2
Hedging derivatives	1,360	–	1,360	
Fair value change of hedged items	–	–	–	
Equity investments	2,087	5,054	–2,967	–58.7
Technical reserves of reinsurers	–	–	–	
Fixed assets	2,886	2,982	–96	–3.2
Intangibles	929	975	–46	–4.7
including				
– goodwill	*414*	*401*	*13*	*3.2*
Tax assets	3,148	4,447	–1,299	–29.2
a) current	*1,318*	*1,403*	*–85*	*–6.1*
b) deferred	*1,830*	*3,044*	*–1,214*	*–39.9*
Non-current assets (or disposal groups) held for sale and discontinued operations	1,901	7	1,894	
Other assets	4,745	9,350	–4,605	–49.3
Total Assets	**271,023**	**276,135**	**–5,112**	**–1.9**

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of assets related to discontinued operations.

CONSOLIDATED BALANCE SHEET

(in millions of euro)

Liabilities and Shareholders' Equity	30/06/2005	31/12/2004 except IAS 39 [(§)]	Changes amount	Changes %
Due to banks	33,250	34,348	–1,098	–3.2
Due to customers	118,081	115,936	2,145	1.9
Securities issued	54,699	57,761	–3,062	–5.3
Financial liabilities held for trading	26,217	23,952	2,265	9.5
Hedging derivatives	999	–	999	
Fair value change of hedged items	–	–	–	
Subordinated liabilities	9,292	9,278	14	0.2
Tax liabilities	1,288	1,964	–676	–34.4
a) current	*841*	*1,462*	*–621*	*–42.5*
b) deferred	*447*	*502*	*–55*	*–11.0*
Liabilities in disposal groups held for sale and discontinued operations	37	–	37	
Other liabilities	8,701	13,260	–4,559	–34.4
Employee termination indemnities	1,073	1,105	–32	–2.9
Allowances for risks and charges	2,005	2,105	–100	–4.8
a) pensions and similar commitments	*297*	*288*	*9*	*3.1*
b) other allowances	*1,708*	*1,817*	*–109*	*–6.0*
Technical reserves	–	–	–	
Revaluation reserves and valuation differences	629	459	170	37.0
a) financial assets available for sale (+/-)	*227*	*–*	*227*	
b) fixed assets (+)	*–*	*–*	*–*	
c) cash flow hedges (+/-)	*–97*	*–*	*97*	
d) legally-required revaluations	*357*	*357*	*–*	*–*
e) other	*142*	*102*	*40*	*39.2*
Shares with the right of recession	–	–	–	
Equities	–	–	–	
Reserves	3,730	4,363	–633	–14.5
Share premium reserve	5,510	5,406	104	1.9
Share capital	3,596	3,561	35	1.0
Treasury shares (-)	–12	–10	2	20.0
Minority interests (+/-)	728	791	–63	–8.0
Net income (loss)	1,200	1,856	–656	
Total Liabilities and Shareholders' Equity	**271,023**	**276,135**	**–5,112**	**–1.9**

[(§)] Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of liabilities related to discontinued operations.

CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)

	First half 2005	First half 2004 except IAS 39(§)	Changes		Second quarter 2005	Second quarter 2004 except IAS 39(§)	Changes	
			amount	%			amount	%
Interest and similar income	4,719	4,721	–2	0.0	2,328	2,368	–40	–1.7
Interest and similar expense	–2,138	–2,300	–162	–7.0	–1,081	–1,193	–112	–9.4
Net interest income	**2,581**	**2,421**	**160**	**6.6**	**1,247**	**1,175**	**72**	**6.1**
Fee and commission income	2,188	1,979	209	10.6	1,103	1,013	90	8.9
Fee and commission expense	–264	–285	–21	–7.4	–134	–143	–9	–6.3
Net fee and commission income	**1,924**	**1,694**	**230**	**13.6**	**969**	**870**	**99**	**11.4**
Dividend and similar income	520	450	70	15.6	488	445	43	9.7
Profits (Losses) on trading	–191	33	–224		–319	–187	132	70.6
Fair value adjustments in hedge accounting	16	–	16		16	–	16	
Profit (Loss) on disposal of	32	9	23		6	11	–5	–45.5
a) loans and receivables	*–15*	–	*15*		*–14*	–	*14*	
b) financial assets available for sale	*45*	*9*	*36*		*20*	*9*	*11*	
c) investments held to maturity	*2*	–	*2*		–	*2*	*–2*	
Valuation differences on financial assets designated at fair value through profit and loss	–	–	–		–	–	–	
Valuation differences on financial liabilities designated at fair value through profit and loss	–	–	–		–	–	–	
Net interest and other banking income	**4,882**	**4,607**	**275**	**6.0**	**2,407**	**2,314**	**93**	**4.0**
Net impairment losses on	–313	–570	–257	–45.1	–124	–348	–224	–64.4
a) loans and receivables	*–306*	*–574*	*–268*	*–46.7*	*–114*	*–360*	*–246*	*–68.3*
b) financial assets available for sale	*–7*	*–4*	*3*	*75.0*	*–7*	*4*	*–11*	
c) investments held to maturity	*4*	*4*	*0*	*0.0*	*1*	*4*	*–3*	*–75.0*
d) other financial assets	*–4*	*4*	*–8*		*–4*	*4*	*–8*	
Net income from banking activities	**4,569**	**4,037**	**532**	**13.2**	**2,283**	**1,966**	**317**	**16.1**
Net premium income	–	–	–		–	–	–	
Other net income (expense) from insurance	–	–	–		–	–	–	
Net income from banking and insurance activities	**4,569**	**4,037**	**532**	**13.2**	**2,283**	**1,966**	**317**	**16.1**
Administrative expenses	–2,606	–2,626	–20	–0.8	–1,323	–1,310	13	1.0
a) personnel expenses	*–1,565*	*–1,607*	*–42*	*–2.6*	*–777*	*–798*	*–21*	*–2.6*
b) other administrative expenses	*–1,041*	*–1,019*	*22*	*2.2*	*–546*	*–512*	*34*	*6.6*
Net provisions for risks and charges	–164	–73	91		–118	–51	67	
Adjustments to fixed assets	–125	–130	–5	–3.8	–63	–63	0	0.0
Adjustments to intangibles	–117	–128	–11	–8.6	–61	–68	–7	–10.3
including *– goodwill*	–	–	–		–	–	–	
Valuation differences on fixed assets and intangibles designated at fair value through profit and loss	–	–	–		–	–	–	
Other operating expenses (income)	192	193	–1	–0.5	107	102	5	4.9
Operating expenses	**–2,820**	**–2,764**	**56**	**2.0**	**–1,458**	**–1,390**	**68**	**4.9**
Profits (Losses) on investments carried at equity	66	69	–3	–4.3	33	36	–3	–8.3
Profits (Losses) on investments	86	21	65		27	22	5	22.7
Income (Loss) before tax from continuing operations	**1,901**	**1,363**	**538**	**39.5**	**885**	**634**	**251**	**39.6**
Taxes on income from continuing operations	–670	–426	244	57.3	–298	–167	131	78.4
Income (Loss) after tax from continuing operations	**1,231**	**937**	**294**	**31.4**	**587**	**467**	**120**	**25.7**
Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations	16	–	16		16	–	16	
Minority interests	–47	–35	12	34.3	–23	–16	7	43.8
Net income (loss)	**1,200**	**902**	**298**	**33.0**	**580**	**451**	**129**	**28.6**

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of euro)

First half 2004

	Amounts as at 31/12/2003 (*)	Changes in initial balances (Transition to IAS/IFRS – Except IAS 39)	Restated shareholders' equity as at 01/01/2004	Allocation of net income		Changes in reserves	Operations on shareholders' equity carried out in the period						Net Income as at 30/06/2004	Restated shareholders' equity as at 30/06/2004 ($)
				Reserves	Dividends and other allocations		Issue new shares	Purchase treasury shares	Extraord. distrib.	Extraord. changes in shareholders' equity	Derivatives on treasury shares	Stock options		
Share capital														
a) ordinary shares	3,076		3,076											3,076
b) other	485		485											485
Share premium reserve	5,404		5,404											5,404
Reserves														
a) legal	773		773											773
b) statutory	61		61	879		144				7				1,091
c) other	2,643	30	2,673			–140				–7		4		2,530
Treasury shares	1,017	–1,017	0					–11						–11
Revaluation reserves and valuation differences														
a) financial assets available for sale														–
b) fixed assets														–
c) cash flow hedges														–
d) legally-required revaluations	356		356			1								357
e) other	64		64			45								109
Net income	1,214		1,214	–879	–335								902	902
Total	**15,093**	**–987**	**14,106**	**0**	**–335**	**50**	**–**	**–11**	**–**	**–**	**–**	**4**	**902**	**14,716**

(*) Determined using Italian accounting principles (Legislative Decree 87/92).
($) Except for IAS 39.

(in millions of euro)

First half 2005

	Restated shareholders' equity as at 31/12/2004 (*)	Changes in initial balances (Transition to IAS/IFRS – IAS 39)	Restated shareholders' equity as at 01/01/2005	Allocation of net income		Changes in reserves	Operations on shareholders' equity carried out in the period						Net Income as at 30/06/2005	Shareholders' equity as at 30/06/2005
				Reserves	Dividends and other allocations		Issue new shares	Purchase treasury shares	Extraord. distrib.	Extraord. changes in shareholders' equity	Derivatives on treasury shares	Stock options		
Share capital														
a) ordinary shares	3,076		3,076				35							3,111
b) other	485		485											485
Share premium reserve	5,406		5,406				104							5,510
Reserves														
a) legal	773		773											773
b) statutory	1,091		1,091							7				1,098
c) other	2,499	–1,751	748	1,117		–3				–7		4		1,859
Treasury shares	–10	–	–10					–2						–12
Revaluation reserves and valuation differences														
a) financial assets available for sale		117	117			110								227
b) fixed assets														–
c) cash flow hedges		–32	–32			-65								–97
d) legally-required revaluations	357		357											357
e) other	102		102			40								142
Net income	1,856		1,856	–1,117	–739								1,200	1,200
Total	**15,635**	**–1,666**	**13,969**	**0**	**–739**	**82**	**139**	**–2**	**–**	**0**	**–**	**4**	**1,200**	**14,653**

(*) Except for IAS 39

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of euro)

	30/06/2005	30/06/2004 except IAS 39 (§)
OPERATING ACTIVITIES		
1. Cash flow from operations	2,554	2,448
2. Cash flow from decreases in financial assets	2,541	4,247
3. Cash flow used for increases in financial assets	–3,617	–14,193
4. Cash flow from increases in financial liabilities	4,815	9,754
5. Cash flow used for reimbursement/repurchase of financial liabilities	–5,935	–2,302
Net cash flow from (used for) operating activities	**358**	**–46**
INVESTING ACTIVITIES		
1. Cash flow from investing activities	388	242
2. Cash flow used for investing activities	–146	–148
Net cash flow from (used for) investing activities	**242**	**94**
FUNDING ACTIVITIES	**–699**	**–408**
Net cash flow from (used for) funding activities	**–699**	**–408**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**–99**	**–360**
RECONCILIATION		
Captions		
Cash and cash equivalents at beginning of period	1,551	1,589
Net increase (decrease) in cash and cash equivalents	–99	–360
Cash and cash equivalents at end of period	**1,452**	**1,229**

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Report on operations

Accounting criteria and consolidation area

Gruppo Intesa consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and homologated by the European Commission as set forth by Community Regulation 1606 of 19th July 2002. This Regulation sets out the application by listed companies of international accounting standards in the preparation of their financial statements as of 2005.

The consolidated financial statements for the first half of 2005 have been prepared with the application of international accounting standards as permitted by Consob Resolution 14990 of 14th April 2005 which modified Issuer Regulations.
This resolution sets out that the contents of the half-year report, if drawn up according to IAS/IFRS principles, must comply with the provisions of IAS 34, relative to interim reports. Therefore, the present Consolidated report complies with IAS 34.
The illustration of the impact of first-time adoption of international accounting standards required by IFRS 1 is contained in a specific chapter at the beginning of this report.

In the preparation of the Consolidated report, the principles in force at the reference date of the financial statements have been used (including the interpretation documents called SIC and IFRIC); homologated with EU Regulations 1725 of 29th September 2003 (published on the EUOJ L 261 of 13th October 2003), 707 of 6th April 2004 (published on the EUOJ L 111 of 17th April 2004), 2236 of 29th December 2004 (published on the EUOJ L 392 of 31st December 2004), 2237 of 29th December 2004 (published on the EUOJ L 393 of 31st December 2004), 2238 of 29th December 2004 (published on the EUOJ L 394 of 31st December 2004) and 211 of 4th February 2005 (published on the EUOJ L 41 of 11th February 2005).
As is generally known, IAS 39 homologated by the European Commission diverges from that prepared by the IASB since certain elements which are still under discussion (fair value macrohedging of portfolios of assets and liabilities, hedging of on demand deposits and application of the fair value option on liabilities) have not been homologated. However, Gruppo Intesa did not opt for issues carved out from the homologated principle. Furthermore, in consideration of discussions still under way at the international level, Gruppo Intesa did not apply the so-called fair value option to asset captions.

The illustration of accounting principles is provided in the following chapter.

Reconta Ernst & Young S.p.A. reviewed this Consolidated report.

Accounting criteria

The Consolidated report is made up of the Balance sheet, the Statement of income, the Changes in shareholders' equity, the Statement of cash flows and the description of the accounting standards; the Report on operations has also been included.
The compulsory forms, the changes in shareholders' equity and the statement of cash flows included in the section relative to financial statements are the same as in the Consolidated report as at 31st March 2005. They are presumed from a consultation document diffused to the banking industry by the Bank of Italy last February, as precise indications by the competent Regulatory bodies have not yet been issued.
The compulsory forms present, in addition to figures for the first half of 2005, the corresponding comparative figures referred, for the balance sheet to as at 31st December

2004 and for the statement of income to the first half of 2004. The statement of income for the second quarter of 2005 is compared with the analogous period in 2004. In such forms, based on provisions contained in IFRS 1 (First-time adoption of international accounting standards) the restatement of the figures related to the previous period has not been carried out with respect to financial instruments (IAS 39 and IAS 32), which therefore reflect the means of registration and measurement set out by the former Italian accounting principles. Thus, in the measurement of the captions relative to loans, deposits, securities, derivatives, equity investments and hedging transactions the accounting principles used until 2004 and described in the Annual report 2004 have been applied. The divergences of such principles with respect to IAS/IFRS are illustrated in detail in the section relative to the first-time adoption of the new international accounting standards.
The restatement also does not consider the sale of part of the doubtful loan portfolio illustrated at the beginning of this report.
Balance sheet and statement of income figures for previous periods have been restated – to consider both the changes in the consolidation area and the changes due to the application of IAS/IFRS – for the purpose of ensuring a consistent comparison.

For the purpose of simplifying comparison of the figures in the various periods – as in the previous Consolidated report as at 31st March 2005 and as specified in the introductory chapter – condensed forms which compare figures as at 30th June 2005 with as at 31st December 2004 (for the balance sheet) and as at 30th June 2004 (for the statement of income), the latter restated considering a reasonable estimate of the impacts produced by the application of IAS 39 are also supplied.
The quarterly results for 2004 have been restated with the same approach.
The condensed balance sheet and statement of income also include estimates in the relevant captions of the amounts related to discontinued operations, mostly referred to the doubtful loan portfolio and the business branch of Intesa Gestione Crediti undergoing disposal.

For the purpose of a more effective representation of results, in the preparation of the condensed statement of income, certain reclassifications have been made compared to the compulsory form. The most significant refer to:
- dividends on shares classified as assets available for sale and as assets held for trading, are reallocated in profits (losses) on trading;
- fair value adjustments in hedge accounting, are registered in net interest income due to their close correlation;
- profits and losses on disposal of loans and receivables, are posted in net adjustments to loans and receivables;
- profits and losses on disposal of financial assets available for sale, are included in profits (losses) on trading;
- recovery of expenses and of taxes and duties, are directly deducted from administrative expenses instead of recorded in other operating income.

In compliance with provisions of Art. 5 of Legislative Decree 38 of 28th February 2005, the financial statements have been drawn up in euro. The amounts indicated in this Consolidated report are expressed in millions of euro, unless otherwise specified.

Consolidation area

The consolidated financial statements include Banca Intesa and the companies which it directly and indirectly controls, including in the consolidation area – as specifically set out by the new principles – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments.
Similarly, special purpose companies are included (SPE/SPV) when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.

The following table indicates the equity investments which are included in the full consolidation area following the adoption of international accounting standards.

Agricola Investimenti S.p.A. - Milano
Atlantis Sociedad Anonima - Buenos Aires
BWS Fondos S.A. Sociedad Administradora de Fondos - Lima
BWS Sociedad Agente de Bolsa S.A. - Lima
BWS Sociedad Titulizadora S.A. - Lima
CIB Insurance Broker Kft. - Budapest
CIB Inventory Management Limited Liability Company - Ujlengyel (Hungary)
Conser S.p.A. - Bari
IAIS4 S.p.A. - Cosenza
Intesa Brasil Empreendimentos S.A. - São Paulo
Intesa Renting S.p.A. - Milano
SATA - Sociedade de Assessoria Técnica e Administrativa S.A. - São Paulo
Scala Advisory S.A. - Luxembourg
SEB Trust Limited - St. Helier Jersey
Servicios, Cobranzas e Inversiones S.A.C. - Lima
SHI-MI S.A. - Luxembourg
ZAO International Business Consulting - Moscow
Duomo - Dublin
Romulus Funding Corp. - Delaware

The limited variations in the consolidation area, due to purchases or disposals which occurred in 2004, have been considered in the restatement of statement of income figures as at 30th June 2004.
In the first half of 2005 certain companies have been merged or liquidated, such operations for their very nature produce no effects on the figures in the consolidated financial statements. It must be noted that the disposal of Intesa Fiduciaria Sim led to the restatement of just indirect customer deposits since the other captions were not material.
The acquisitions of equity investments yet to be completed, described in the introduction of this Report have not been included in the consolidation area.

Means of consolidation

Subsidiaries are subject to full consolidation whereas investments in associates are carried at equity.

The equity investment in the Bank of Italy – in which Gruppo Intesa holds a 26.8% stake – was maintained at cost and was therefore not carried at equity.

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and statements of income of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption in equity and the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.

Any differences arising on consolidation are allocated, where possible, to the assets and liabilities of the consolidated subsidiary as goodwill in the caption Intangibles at the date of first consolidation and, subsequently, in Other reserves. Negative differentials are recorded in the statement of income.

Assets, liabilities, income and charges between consolidated companies are integrally eliminated.

The economic results of a subsidiary acquired during the period are consolidated from the date of its acquisition. Likewise, economic results of a subsidiary sold are included in the consolidated financial statements until the date in which control ceased. The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time), is accounted for in the statement of income.

Companies for which the shares have been received as pledges with voting rights are not consolidated, in consideration of the substance underlying the pledge which is that of guaranteeing loans and not of exercising control and direction over financial and economic policies for the purpose of benefiting from the economic return on the shares.

The financial statements of the Parent Company and of other companies used to prepare the consolidated financial statements refer to the same date. In certain marginal cases the last official figures are used. Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria, are restated to be compliant with the standards used by the Group.

Measurement using the equity method

The equity method requires the initial recognition of the equity investment at cost and its subsequent adjustment based on the stake in the subsidiary's shareholders' equity.

Any difference between the value of the equity investment and the shareholders' equity of the subsidiary is recorded in the book value of the subsidiary.

The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The pro quota results of the period of the subsidiary are recorded in a specific caption of the consolidated statement of income.

If there is evidence that the value of an equity investment may have decreased, the recoverable value is estimated, considering the net present value of future cash flows that the equity investment may generate, including the value of final disposal of the investment.
If the recovery value is under book value the relative difference is recorded in the statement of income.

For consolidation of equity investments in associates the most recent figures approved by the companies have been used. In certain cases these have not yet applied IAS/IFRS and, therefore, for such companies, financial statements drawn up according to local regulations are used, after having verified the insignificance of the relative differences.

Use of estimates

The preparation of interim financial statements normally requires a more widespread use of estimation methods with respect to annual financial statements, with reference to both certain asset and liability captions and certain statement of income effects connected to measurement. This, however, does not affect the reliability of financial statements.
In particular, estimates of the relevant contribution have been used only for a limited number of companies carried at equity.
The methodology adopted to restate 2004 figures according to IAS is described above.

Accounting standards

The accounting standards used to prepare this Half-year report and already applied in the Consolidated report as at 31st March 2005, are described in this chapter. These standards – with the modifications/integrations which may arise due to regulatory changes – will be applied to Gruppo Intesa in the interim financial statements and the Annual report 2005.

FINANCIAL ASSETS HELD FOR TRADING

Classification criteria

This category exclusively includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts include those embedded in combined financial portfolios which are subject to separate registration when:

- their characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- embedded instruments, even though separate, fully satisfy the definition of derivative;
- hybrid instruments to which they belong are not recorded at fair value through profit and loss.

Recognition criteria

Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.

On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to satisfy the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria

After initial recognition assets held for trading are recorded at fair value.

For the determination of the fair value of financial instruments listed on active markets[13], market quotes are used (bid-ask prices or average prices).
If the market for a financial instrument is not active, estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: methods based on the valuation of listed instruments with the same characteristics, calculation of discounted cash flows, option pricing valuation models, recent comparable transactions.

Equities and correlated derivative instruments, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria

A financial asset is derecognised when the contractual rights to the cash flows from the assets expire or when the asset is sold transferring substantially all the risks/rewards of the asset.

[13] A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and whose prices represent actual and regularly occurring market transactions considering a normal reference period.

FINANCIAL ASSETS AVAILABLE FOR SALE

Classification criteria

The present category includes the non-derivative financial assets that do not fall within any of the other categories such as Loans and receivables, Assets held for trading or Investments held to maturity.

In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Investments held to maturity or in loans and receivables, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments, as well as iii) the portions of syndicated loans that, from inception, are destined for sale.

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.

On initial recognition, assets are recorded at fair value, inclusive of transaction costs and revenues directly attributable to the instrument. If recognition occurs following the reclassification of Investments held to maturity, recognition value is represented by fair value at the time of transfer.

Measurement criteria

After initial recognition, Assets available for sale are measured at fair value, through the registration in the statement of income of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific caption in shareholders' equity, "valuation differences", until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed to the statement of income.
Fair value is determined on the basis of criteria already illustrated for financial assets held for trading.
Equities and correlated derivative instruments, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

The assessment of objective evidence of impairment is carried out at the close of every annual or interim financial statements.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the net present value of the estimated future cash flows, discounted at the original effective interest rate.

If the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the statement of income in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery may in no case exceed amortised cost of the instrument without the aforementioned adjustments.

Derecognition criteria

A financial asset is derecognised when the contractual rights to the cash flows from the assets expire or when the asset is sold transferring substantially all the risks and rewards of ownership of the financial asset.

INVESTMENTS HELD TO MATURITY

Classification criteria

Debt securities with fixed or determinable payments and maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category. If following a change in intention or in ability it is no longer appropriate to maintain an investment as held to maturity, this is reclassified in assets available for sale.

Recognition criteria

Initial recognition of financial assets occurs at settlement date.

On initial recognition financial assets classified in the present category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset. If inclusion in this category occurs following the reclassification of Assets available for sale, the fair value of the asset at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria

After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.

Profits or losses referred to investments held to maturity are recorded in the statement of income when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursed at maturity.

At the close of annual and interim financial statements, these are assessed to identify if they show objective evidence of possible impairment.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the net present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the statement of income.

If the reasons for impairment cease to exist following an event which occurred after the registration of impairment losses, value recoveries are posted through the statement of income.

Derecognition criteria

A financial asset is derecognised when the contractual rights to the cash flows from the assets expire or when the asset is sold transferring substantially all the risks and rewards of the asset.

LOANS AND RECEIVABLES

Classification criteria

Loans and receivables include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not listed on an active market and which are not classified at inception in Assets available for sale.

The caption loans to customers also includes commercial loans, repurchase agreements, financial lease receivables and securities underwritten at issue or via private placements, with determined or determinable payments, not listed in active markets.

The caption loans to customers also includes loans deriving from factoring activities, that is advances on the portfolio factored with recourse, which remains in the financial statements of the transferor. As concerns receivables acquired without recourse, these are maintained in the financial statements, after having verified that no contractual provisions exist which would lead them to being derecognised.

Recognition criteria

Initial recognition of a loan occurs at disbursement date or, in the case of a debt security, at settlement date, based on the fair value of the financial instrument, equal to the amount disbursed, or subscription price inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

For loans concluded at conditions other than market conditions, fair value is determined using specific valuation techniques; the difference with respect to the amount disbursed or subscription price is recorded directly in the statement of income.

Contango loans and repurchase agreements with the obligation to repurchase or resell at a later date are recognised as funding or investment transactions. In particular, spot sales and forward repurchases are recognised as payables for the amount received spot, while spot purchases and forward sales are recognised as receivables for the amount paid spot.

Measurement criteria

After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated using the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan.
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and enables to distribute the economic effect of the costs/revenues through the expected residual life of the loan.

The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects.
Such loans are recorded at historical cost.
An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.

At every close of annual or interim financial statements, loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard or restructured loans according to the current rules issued by the Bank of Italy, consistent with IAS regulations.

Such non-performing loans are subject to an analytical assessment process and the adjustment of each loan is equal to the difference between carrying value at the time of valuation (amortised cost) and net present value of expected future cash flows, calculated applying the original effective interest rate.

Forecasted future cash flows consider expected recovery times, presumed recoverable value of any guarantees as well as costs which it is deemed will be sustained for the recovery of the exposure. Cash flows relating to loans for which recovery is expected to occur within a short time are not discounted.

The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the statement of income.

The original value of loans is reinstated in subsequent years to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment.
The recovery is recorded in the statement of income and may in no case exceed the loan's amortised cost if the aforementioned impairment loss had not occurred.

Loans for which no individual evidence of impairment exists and therefore, normally, performing loans, including those granted to counterparties resident in Countries at risk, are subject to collective measurement.
This measurement occurs for groups of loans with the same credit risk characteristics and the relevant percentage losses are estimated considering historical loss data, based on objective elements observable at measurement date, which enable to estimate the intrinsic loss for each loan category.

Collective adjustments are recorded in the statement of income.

At the close of each annual or interim financial statements any additional adjustments or recoveries are recalculated as differences with reference to the entire portfolio of performing loans at the same date.

Derecognition criteria

Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loan. Conversely, if the risks and rewards relative to the sold loans are maintained, such loans continue to be recorded in assets, even though the title of the loan has been transferred.

In case it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, the conservation, even partial of such control implies that the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.

Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but assumes a contractual obligation to pay such cash flows, and only such cash flows to third parties.

HEDGING TRANSACTIONS

Types of hedges

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, via the gains achieved on another instrument or group of instruments if such risk should actually occur.

The following three types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to variation in the fair value of a caption in the balance sheet attributable to a specific risk;
- cash flow hedge, which has the objective of covering exposure to variations in future cash flows attributable to particular risks associated with balance sheet captions;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in foreign currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

Measurement criteria

Hedging derivatives are measured at fair value; in particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedge. Offsetting is recognised via the registration in the statement of income of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;

- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the statement of income only when, with reference to the hedged item, there is a variation in the flows to be hedged;

- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if at inception of the hedge there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective over the entire period of hedge.

The effectiveness of the hedge depends on the extent to which variations in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned variations, considering the intent pursued by the entity at the time in which it entered the hedging transaction.

A hedge is effective (in the limits set out by the 80-125% range) when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise the changes in the fair value of the hedged item, for the type of risk being hedged.

Assessment of hedge effectiveness is carried out at every close of annual or interim financial statements using:

- *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;

- *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, these measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, hedge accounting is discontinued and the derivative is reclassified in instruments held for trading.

EQUITY INVESTMENTS

Classification and measurement criteria

The caption includes the interests held in:

- associates, which are carried at equity. The equity investment in the Bank of Italy is an exception and is maintained at cost, considering its peculiarity. Companies in which the Group holds a 20% or higher stake in voting share capital and companies which, due to specific legal agreements, such as the participation to voting syndicates, must be considered subject to significant influence are considered associates;

- companies subject to joint control, which it was decided to carry at equity as an alternative to proportional consolidation. Joint control exists when there are contractual, shareholder or other agreements, which entail joint management of operations and joint appointment of directors;
- certain subsidiaries which, due to their negligible size, are carried at cost.

If there is evidence of impairment, recovery value of the equity investment is estimated, considering the net present value of the future cash flows which may be generated by the investment, included the final disposal value. If recovery value is lower than carrying value, the relevant difference is recorded in the statement of income.

If the reasons for impairment are removed following an event subsequent to the registration of impairment, recoveries are recorded in the statement of income.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the equity investment is sold transferring substantially all the risks and rewards connected to the asset.

FIXED ASSETS

Classification criteria

Fixed assets include land, buildings, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.
The caption also includes the goods used in finance lease contracts, even though the title remains in the books of the lessor.

Recognition criteria

Fixed assets are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be capable of operating.

Extraordinary maintenance expenses which lead to a rise in future economic benefits, increase the value of assets, while other ordinary maintenance costs are recorded in the statement of income.

Measurement criteria

Fixed assets, including buildings not used for operations, are measured at cost, net of depreciation and impairment losses.

Fixed assets are systematically depreciated over their useful life, adopting the straight line method with the exception of:
- land, irrespectively of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life. If its value is incorporated in the value of the building, by applying a component approach, land is considered separable from the building; the division between the value of the land and that of the building is calculated on the basis of a specific independent expert opinion solely for entire buildings owned by the Bank;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

At every close of annual or interim financial statements, if there is some evidence that an asset may have been impaired, carrying value of the asset and its recovery value – equal to the higher between fair value, net of any sale costs, and the value in use of the asset, intended as net present value of future cash flows originated by the asset – are compared. Any impairment losses are recorded in the statement of income.

If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation determined in absence of previous impairments.

Derecognition criteria

A fixed asset is derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its use or disposal.

INTANGIBLES

Classification criteria

Intangibles include goodwill, restructuring costs of branches and other rented real estate assets and software to be used over a number of years.

Goodwill is the positive difference between purchase cost and fair value of assets and liabilities acquired in mergers and acquisitions.

Restructuring costs of rented real estate assets are capitalised considering that during the rental contract the renting company has control over the assets and may draw future economic benefits from such assets.

Other intangible assets are recognised as such if they may be identified and stem from legal or contractual rights.

Recognition and measurement criteria

An intangible asset may be recognised as goodwill when the positive difference between fair value of shareholders' equity acquired and the purchase cost of the equity investment (inclusive of accessory costs) is representative of the future income-generation potential of the equity investment.

If such difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the statement of income.

Once a year (or every time that there is evidence of impairment losses) an impairment test is carried out for goodwill. This requires the identification of the unit generating cash flows to which goodwill is attributed.
Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recovery value, if lower. Such recovery value is equal to the higher between the fair value of the unit generating cash flows, net of any sale

prices and the relevant value in use. The consequent adjustments are posted in the statement of income.

Other intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets are realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the statement of income in the year in which it was sustained.

The cost of intangibles is amortised in a straight line based on the intangible's useful life. If the useful life is indefinite, amortisation is not recorded, and the value of the intangible is periodically assessed. Restructuring costs for rented real estate assets are amortised over a period which does not exceed the term of the rental contract.

At every close of annual or interim financial statements in presence of evidence of impairment losses, the asset's recovery value is estimated. The impairment loss, which is recorded in the statement of income, is equal to the difference between the book value of the assets and the recovery value.

Derecognition criteria

An intangible asset is derecognised from the balance sheet on disposal and if no future economic benefits are expected.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS LIABILITIES IN DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets/liabilities in these captions are measured at the lower between carrying value and their fair value net of sale cost.

The related revenues and charges (net of tax impact) are recorded in the statement of income in a separate caption.

DUE TO BANKS, DUE TO CUSTOMERS, SECURITIES ISSUED AND SUBORDINATED LIABILITIES

Classification criteria

Due to banks, due to customers, securities issued and subordinated liabilities include various forms of funding on the interbank market and with customers and funding via certificates of deposit and bonds issued, net of any amounts repurchased.

It also includes the payables recorded by the lessee as part of finance lease transactions.

Recognition criteria

Initial recognition of such financial liabilities occurs at the time of collection of the sums deposited or at the issue of debt securities.

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction and not reimbursed by the funding counterparty. Internal, administrative costs are excluded.

Fair value of any financial liabilities which are not issued at market conditions is estimated and the difference from market value is directly recorded in the statement of income.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished.

Derecognition also occurs for repurchase of previously-issued securities. The difference between the book value of the liability and amount paid for repurchase is recorded in the statement of income.

Placement of own securities, subsequently to their repurchase, is considered a new issue with recognition at the new placement price, with no effects on the statement of income.

FINANCIAL LIABILITIES HELD FOR TRADING

The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.
All financial liabilities held for trading are measured at fair value.

EMPLOYEE TERMINATION INDEMNITIES

Employee termination indemnities are recorded based on their actuarial value.

For the purposes of defining actuarial value, the Projected unit credit method is used. This method sets out that future obligations are forecasted using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each period of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is the average swap curve on measurement dates, weighted based on percentage amount paid and advanced, for each maturity with respect to the total to be paid and advanced until the expiry of the entire obligation.

Costs to service the plan are accounted for in personnel costs as the net provisions made, provisions accrued in previous years and not yet accounted for, accrued interest, expected revenues deriving from assets which service the plan and actuarial gains and losses. The latter are recorded using the "corridor approach", that is as the excess cumulated actuarial gains/losses, recorded at the end of the previous period with respect to 10% of net present value of rewards generated by the plan. This excess is recorded on the basis of the average expected working life of the participants to the plan.

ALLOWANCES FOR RISKS AND CHARGES

Pensions and similar commitments

Allowances for pensions and similar commitments are set up based on internal agreements and qualify as defined benefit plans. Liabilities relative to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected unit credit method. The current value of the liability at the reference date of the financial statements is also adjusted by the fair value of any assets to service the plan. Actuarial profits and losses are recognised in the statement of income, on the basis of the "corridor approach" only for the part of profits and losses which are not recorded at the end of the previous period which exceeds the higher between 10% of net present value of rewards generated by the plan and 10% of fair value of assets to service the plan; this excess is recorded on the basis of the average expected working life of the participants to the plan.

For defined contribution pension funds (external funds) the contributions made by Group companies are expensed in the statement of income and determined on the basis of service.

Other allowances

Other allowances for risks and charges record provisions relative to current obligations originated from a past event for which a disbursement will probably arise to meet the obligation, provided that the size of the disbursement may be estimated reliably. Where time value is significant,

provisions are discounted using current market rates. Provisions are recorded in the statement of income.
Allowances in this caption include both analytical and collective provisions, related to the possible disbursements deriving from credit risk related to guarantees and commitments. Such provisions, both analytical and collective, are determined applying the same criteria set out above with reference to loans and receivables.

FOREIGN CURRENCY TRANSACTIONS

Initial recognition

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates

At every close of annual or interim financial statements, captions in foreign currency are measured as follows:

- foreign currency monetary items shall be translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised through profit and loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss shall be recognised through profit and loss.

Conversion of financial statements of foreign subsidiaries

The conversion into euro of the financial statements of foreign subsidiaries prepared in another currency is carried out applying the closing spot exchange rates.

Foreign exchange differences on the shareholders' equity of the foreign subsidiaries are recorded in the valuation differences in consolidated shareholders' equity and reversed to the statement of income in the year of disposal of the equity investment.

TAX ASSETS AND LIABILITIES

Income taxes

The Group records the impact of current and deferred tax applying the tax rates in force in the Countries in which consolidated subsidiaries operate.

Income taxes are recorded in the statement of income with the exception of those relative to items directly recognised in equity.

The provision for income taxes is determined with reference to a prudent estimate of the current, prepaid and deferred taxation. In particular, prepaid and deferred taxes are determined irrespective of temporal limits and according to all temporary differences between book value attributed to assets or liabilities and the corresponding values for fiscal purposes.

Deferred tax assets are recognised to the extent that they are recoverable, based on the continuing capacity to generate taxable income of the relevant company or of the Parent Company, following the exercise of the option relative to the "fiscal consolidation".

Deferred tax liabilities have been fully accounted for, with the sole exceptions of higher asset values in equity investments subject to a suspended tax regime and shareholders' equity reserves subject to a suspended tax regime, since the size of the available reserves which have already been taxed, leads to believe that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.

Prepaid and deferred taxes are accounted for in the balance sheet with open balances and without offsetting effects, the former in the "Tax assets" caption and the latter in the "Tax liabilities" caption.

In addition, this item reflects the deferred taxation on consolidation adjustments, if it is likely that the taxes concerned will become payable by a Group company.
These taxes essentially reflect those arising from the allocation of positive consolidation differences in the assets of the consolidated company.

Deferred tax assets and liabilities are systematically valued considering any changes in fiscal regulations or tax rates and the situation of the Group companies involved.
Tax liabilities also contains provisions for tax charges which could derive from assessments already notified, or in any case from litigations currently under way with Fiscal Authorities.

OTHER INFORMATION

Treasury shares

Any treasury shares held are directly deducted from equity.
Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Share-based payments

The stock option plan resolved upon by the Extraordinary Shareholders' Meeting of Banca Intesa held on 17th December 2002, represents a share-based payment. The relevant fair value and the corresponding increase in shareholders' equity have been determined with respect to fair value of the options at assignment date.
The fair value of the option is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan which presents two exercise periods, two option classes with different expiry dates and different exercise conditions. The pricing model values the option and the probability of realisation of the market condition, separately. The combination of the two values supplies the fair value of the assigned instrument.

Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues

Revenues are recognised when they are collected or in any case when it is probable that the future rewards will be received and such rewards may be quantified in a reliable way. In particular:

- overdue interest, which may be provided for by the relevant contracts is recorded in the statement of income solely at the time of collection;
- dividends are posted in the statement of income when their distribution is approved;
- revenues from trading of financial assets held for trading, determined by the difference between transaction price and the fair value of the instrument are recognised in the statement of income at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. The gains relative to financial instruments for which the aforementioned measurement is not possible are recorded in the statement of income during the life of the transaction.

The macroeconomic scenario and lending and deposit collecting activities

The macroeconomic scenario

The gradual slowdown in world economic activities, recorded between the first and the second quarter of this year, raised concerns on financial markets, slowing down the recovery of stock markets and reducing long-term interest rates. Investor caution was also accentuated by oil price rises, that continued practically without cease throughout the first half.

In the **United States** the slowdown lasted till the end of May, originating expectations that the upward cycle in official interest rates might be suspended during the Summer. However, the marked recovery in many economic indices recorded in June proved that the slowdown was temporary. Confident on the solidity of the economy, the Federal Reserve continued to increase official interest rates and is expected to do the same also in the second half. Through the increase in imports, the expansion of the American economy continues to favour growth in the rest of the world.

After having registered a growth above expectations in the first quarter, the economy of the **Euro Zone** slowed down considerably in the second quarter. Also in Europe the decline in growth rates appeared to have stopped in May. However, projected indicators highlighted signs of recovery again around the end of the quarter. In the second half of the year, growth should therefore return to the long-term trend, even if oil price rises will continue to represent a risk for the expansion in domestic demand. Also this year inflation is expected to exceed, though by little, the 2% target set by the European Central Bank.
The improvement in economic prospects envisaged for the second half also depends on the devaluation of the euro in financial markets, after the significant reduction in the exchange rate to the dollar compared to the peaks registered at the beginning of 2005. Economic slowdown also affected **Central and Eastern Europe**, where growth in 2005 was foreseen weaker than expected.
Not even Russia, though benefiting from favourable oil and natural gas prices, escaped from that trend. With moderate inflation and strong exchange rate, the weaker economy forced central banks to loosen monetary policy and drastically reduce short-term interest rates. Foreign exchange trends favoured local currencies, with substantial appreciation for the rouble and the Croatian kuna and greater stability for the Slovakian crown and the Hungarian forint.

The **Italian economy** continued to be affected by a deep structural crisis that spread from industry to services and, probably, to the building sector. Signs of deterioration in the industrial sector became more marked, in a context characterised by increasingly-dispersed results among companies and industries. The situation however showed signs of improvement in the second quarter: in fact industrial production recorded a considerable recovery from its lowest levels in March. With regard to demand, available information suggested a stabilisation in internal consumption of goods, particularly of durable goods, as well as the first timid signs of improvement in exports to European partners. Economic recovery should consolidate in the second half of the year, sustained by a moderate acceleration of foreign demand that will stimulate investments to renew existing production capacity. Improvements should also be recorded in employment and growth in consumption.

Financial market trends have not favoured significant reallocations in world financial portfolios. The trend for bond markets was generally positive during the first half, with very low volatility with respect to the past. The brilliant performance of the fixed-income market, and particularly of longer-term securities, continued the trend observed in 2004, but was a surprise in the light of the monetary tightening imposed by the Federal Reserve during the first half. The worsening of the Italian fiscal situation raised expectations of downgrading of the national rating and, therefore, a widening in the risk premium on BTP (Italian fixed-rate Government bonds) compared to Bund. The sharing of the same currency with the other Euro Zone Countries allowed to limit negative effects to approximately ten basis points. Low and declining levels of medium- and long-term interest rates, coupled with stable levels in Europe on short-term maturities, gave a new boost to corporate bonds. Investors, attracted by higher dividends in the current context of stable interest rates, rapidly raised their propensity for risk, after the crisis of the large American car manufacturers.

The performance of the European **stock markets** was positive for most of the first half. The Euro-Stoxx index registered a performance far better than the S&P500, which was more directly affected by the slowdown in American economic activities recorded at the beginning of Spring. In general, company profitability was above expectations, but investors maintained a cautious attitude in view of rising uncertainties on the possibility of maintaining equally significant growth rates in profit in the future. The confidence climate improved at the end of the quarter. Also the Italian market recorded a rise, though lower than the European average.

Italian lending and deposit collecting activities

In the first half of 2005, while money market yields were virtually stable, **bank interest rates** recorded contained changes. In general, interest rates on loans continued their downward trend, whilst interest rates on deposits were virtually unchanged from the end of 2004. This determined a further contraction in the margin on intermediation with customers, down to under 3%. A slight recovery in the spread will be possible at the end of the year, considering the gradual slowdown in the downward trend of lending rates, driven by expectations of a rise in money market interest rates in the first part of 2006.
The first half of the year was characterised by a reduction in the price of loans which was more marked for households than for companies. With regard to new financing operations, the cost of mortgaged loans to households for the purchase of residential properties, mostly linked to money market interest rates, highlighted a slight reduction, whereas the cost of consumer lending evidenced a more pronounced contraction.
As to liabilities, fluctuations were much more contained. The almost unchanged profile of bank interest rates led to a decline in net interest and other banking income from December to June, the short-term mark-up[14] decreased from 3.21% to 3.15%, whilst the contribution of on demand deposits (mark-down)[15] declined from 1.46% to 1.40%. Consequently, the short-term spread - that is, the difference between interest rates applied to total loans to households and companies with maturity under one year and interest rates on current accounts - decreased by 12 basis points, to 4.55%.

In the first half of 2005, bank **loans** recorded significantly higher growth rates than in the second half of 2004. This however was partly due to the statistical effects determined by a syndicated loan amounting to approximately 12 billion euro granted by the banking system at the beginning of the year to support the Telecom-Tim merger. The expansion of loans was favoured by the persistently-robust trend of demand for medium- and long-term loans and by the gradual improvement in the short-term component, even if it still remained negative. In fact, the evolution of short-term activities continued to be affected not only by the poor economic situation but also by the consolidation of companies' orientation to prolong loan maturities.
On the other hand, the low levels of interest rates compared to their long-term average continued to stimulate demand for long-term loans from households and companies. The diverging trend of loans by

[14] Difference between the interest rates applied to households and companies on loans with maturity under one year and one-month euribor.
[15] Difference between one-month euribor and interest rates on households and companies current accounts.

maturity was also influenced by policies to favour loans secured by guarantees. Household demand continued to record growth rates far higher than corporate demand, reflecting not only factors related to the economic situation (such as low interest rates and attractiveness of real estate investments), but also the gradual convergence to European financial behaviour patterns. In June, the annual growth of consumer loans to households was driven by the predominant contribution of mortgaged loans, followed by consumer loans.

With regard to companies, loans registered a satisfactory performance, mainly due to sustained demand for medium- and long-term funding, which was only marginally linked to the recovery of investments in new production capacity, but rather to the renegotiation of short-term loans or to replacement investments.

The quality of the loan portfolio remained high in the first half of the year. The gradual reduction in doubtful loans mainly reflected the significant and continuous slowdown in non-performing loans to companies, after their two-digit growth rates in the second half of last year. This fact seems indicative, on the one hand, of the strengthening of the loan granting criteria applied by banks and on the other hand, of companies' improved financial situation.

From the beginning of the year, the **deposit collecting** activities of the Italian banking System (harmonised aggregate)[16] registered an acceleration. This trend mainly reflected the positive development of the "on demand" and bond components. The acceleration of these funding instruments was due to persistently-high risk aversion.

Whilst direct customer deposits recorded a sustained expansion, **indirect customer deposits** remained stagnant. In fact, the nominal value of managed funds and securities under administration and in custody (net of bank bonds and certificates of deposit) highlighted a slight decrease in volumes.
Even in terms of market value - considering solely individual portfolio management schemes - the trend was negative.

[16] Sum of current accounts (including bank cashiers' cheques), deposits with notice period (saving deposits), deposits with predefined maturity (current accounts and term deposits, certificates of deposit), repurchase agreements and bonds (including subordinated liabilities). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Economic results in the period

General aspects

The tables hereafter and the relative comments analyse the results recorded in the statement of income as at 30th June 2005 – drawn up using the new IAS/IFRS – compared to those of the same period of the previous year, restated using IAS/IFRS, including IAS 39.
For the banking industry the provisions of the latter are by far the most significant and the most complex to apply, since they refer to the classification, recognition and measurement of loans and financial instruments, which make up the ordinary operations of a bank.
In the construction of the comparative figures for 2004, as already indicated in the previous chapters in this Report, estimates have been used where necessary. These are based on reasonable elements and therefore are such to enable a reliable representation of the figures for the first half of last year.
Again in figures for 2004, income and losses on the doubtful loan portfolio and the loan servicing business of IGC which are under disposal have been estimated and recorded in a specific caption.

Figures as at 30th June 2004 with the exclusion of the effects of IAS 39 and of income and losses after tax from discontinued operations (posted in a specific caption) are indicated in the last column of the tables hereafter.

Reclassified consolidated statement of income

(in millions of euro)

	First half 2005	First half 2004 including IAS 39 (*)	Changes amount	%	First half 2004 except IAS 39 (§)
Net interest income	**2,597**	2,434	163	6.7	2,423
Dividends	**12**	12	0	0.0	14
Profits (Losses) on investments carried at equity	**66**	69	–3	–4.3	69
Net fee and commission income	**1,924**	1,694	230	13.6	1,694
Profits (Losses) on trading	**362**	296	66	22.3	477
Other operating income (expenses)	**16**	60	–44	-73.3	60
Operating income	**4,977**	4,565	412	9.0	4,737
Personnel expenses	**–1,566**	–1,587	–21	–1.3	–1,604
Other administrative expenses	**–864**	–886	–22	–2.5	–890
Adjustments to fixed assets and intangibles	**–242**	–258	–16	–6.2	–258
Operating costs	**–2,672**	–2,731	–59	–2.2	–2,752
Operating margin	**2,305**	1,834	471	25.7	1,985
Net provisions for risks and charges	**–164**	–104	60	57.7	–113
Net adjustments to loans and receivables	**–321**	–407	–86	–21.1	–534
Net impairment losses on other assets	**–7**	–6	1	16.7	4
Profits (Losses) on investments held to maturity and on other investments	**88**	21	67		21
Income (Loss) before tax from continuing operations	**1,901**	1,338	563	42.1	1,363
Taxes on income from continuing operations	**–670**	–401	269	67.1	–426
Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations	**16**	–45	61		–
Minority interests	**–47**	–35	12	34.3	–35
Net income	**1,200**	**857**	**343**	**40.0**	**902**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

	2005		2004 (*)			
	Second quarter	First quarter (#)	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	**1,312**	1,285	1,255	1,268	1,198	1,236
Dividends	**12**	–	–	–	12	–
Profits (Losses) on investments carried at equity	**33**	33	40	34	36	33
Net fee and commission income	**970**	954	909	857	865	829
Profits (Losses) on trading	**177**	185	236	122	186	110
Other operating income (expenses)	**16**	–	101	–133	38	22
Operating income	**2,520**	**2,457**	**2,541**	**2,148**	**2,335**	**2,230**
Personnel expenses	**–788**	–778	–826	–769	–786	–801
Other administrative expenses	**–453**	–411	–494	–423	–454	–432
Adjustments to fixed assets and intangibles	**–124**	–118	–168	–131	–131	–127
Operating costs	**–1,365**	**–1,307**	**–1,488**	**–1,323**	**–1,371**	**–1,360**
Operating margin	**1,155**	**1,150**	**1,053**	**825**	**964**	**870**
Net provisions for risks and charges	**–118**	–46	–174	–18	–86	–18
Net adjustments to loans and receivables	**–133**	–188	–267	–136	–311	–96
Net impairment losses on other assets	**–10**	3	–16	–9	11	–17
Profits (Losses) on investments held to maturity and on other investments	**27**	61	57	109	22	–1
Income (Loss) before tax from continuing operations	**921**	**980**	**653**	**771**	**600**	**738**
Taxes on income from continuing operations	**–316**	–354	–139	–248	–146	–255
Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations	**–2**	18	–2	–2	–7	–38
Minority interests	**–23**	–24	–25	–24	–16	–19
Net income	**580**	**620**	**487**	**497**	**431**	**426**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.
(#) Figures restated due to the registration in a specific caption of income or losses from discontinued operations.

The first six months of 2005 closed with a net income of 1,200 million euro, corresponding to a 40% rise compared to the first half of 2004. The improvement is attributable to both an increase in operating income, up from 4,565 million euro to 4,977 million euro (+9%), and a reduction in operating costs, down from 2,731 million euro to 2,672 million euro (-2.2%). The half-year result also benefited from lower net adjustments to loans and receivables and higher profits on the sale of investments which, overall, more than offset higher net provisions for risks and charges.

Operating income

The progress of operating income – which, as mentioned above, recorded a 9% rise to 4,977 million euro – was attributable to net interest income, up by 6.7%, net fee and commission income, up by 13.6%, as well as the positive trend of profits on trading (+22.3%).

Net interest income

(in millions of euro)

Subcaptions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes		30/06/2004 except IAS 39 (§)
			amount	%	
Relations with customers	**2,803**	2,724	79	2.9	2,828
Relations with banks	**–56**	68	–124		75
Securities issued	**–743**	–742	1	0.1	–773
Subordinated liabilities	**–205**	–232	–27	–11.6	–232
Differentials on hedging derivatives	**61**	–121	182		–125
Financial assets held for trading	**486**	523	–37	–7.1	524
Investments held to maturity	**56**	60	–4	–6.7	60
Financial assets available for sale	**57**	54	3	5.6	54
Non-performing assets	**116**	90	26	28.9	–
Allowances for risks and charges	**–12**	–8	4	50.0	–8
Other	**18**	19	–1	–5.3	20
Net interest income	**2,581**	2,435	146	6.0	2,423
Fair value adjustments in hedge accounting	**16**	–1	17		–
Net interest income	**2,597**	**2,434**	**163**	**6.7**	**2,423**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.
(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Net interest income with customers highlighted a 79 million euro rise, which increases to 105 million euro if considered together with interest on the correlated funding raised by securities issued and subordinated liabilities, that considered together, recorded a 26 million euro decline. Interbank relations posted a 124 million euro decrease which was offset by a 182 million euro rise in differentials on hedging derivatives which, for the most part, hedge operations with banks. Interest income on the trading portfolio registered a 37 million euro decrease while interest on non-performing assets was mostly attributable to higher interest collected on overdue payments. The caption also includes fair value adjustments in hedge accounting, that is, the imbalance of positive and negative variations in the fair value of hedging derivatives and the relevant assets and liabilities hedged. On a quarterly basis, net interest income continued the upward trend already highlighted in the first three months of the year.

Dividends and profits on investments carried at equity

This caption records the dividends collected on unconsolidated equity investments. Dividends therefore does not include the dividends of shares held for trading or available for sale which are posted in Profits (Losses) on trading. In the first half, dividends remained on the same levels as in the first half of 2004.
A moderate decline was instead recorded by profits on investments carried at equity, which summed up to 66 million euro, compared to 69 million euro as at 30th June 2004.

Net fee and commission income

(in millions of euro)

Captions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes amount	Changes %	30/06/2004 except IAS 39 (§)
Commercial banking activities					
- guarantees given	**71**	72	–1	–1.4	72
- collection and payment services	**133**	136	–3	–2.2	136
- current accounts	**388**	376	12	3.2	376
- fees on credit and debit cards	**130**	129	1	0.8	129
	722	713	9	1.3	713
Management, dealing and consultancy activities					
- dealing and placement of securities	**315**	109	206		117
- dealing in currencies	**20**	20	0	0.0	20
- portfolio management	**364**	421	–57	–13.5	421
- distribution of insurance products	**183**	84	99		84
- other	**72**	82	–10	–12.2	82
	954	716	238	33.2	724
Tax collection	**74**	128	–54	–42.2	128
Other net fee and commission income	**174**	137	37	27.0	129
Total net fee and commission income	**1,924**	**1,694**	**230**	**13.6**	**1,694**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.
(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Net fee and commission income – which is the combined result of 2,188 million euro of commission income (+10.8%) and 264 million euro of commission expense (-6%) – recorded an appreciable rise (+13.6%) to 1,924 million euro, highlighting the increasing contribution of commissions generated on management, dealing and services (954 million euro), with respect to those originated by traditional commercial banking activities (722 million euro). In fact, while the latter recorded a moderate 1.3% rise, the former registered a 33.2% increase, especially as a result of dealing and placement of securities and distribution of insurance products, while commissions on individual portfolio management schemes recorded a 13.5% decline due to the difficulties of the asset management industry. Lastly, tax collection activities continued to be negatively affected by the lack of regulations defining the additional remuneration of the service to be borne by tax authorities. Other net fee and commission income includes captions of various nature but the increase is mostly attributable to commission income on medium- and long-term lending and project financing.
Also considering quarterly development, net fee and commission income posted an appreciable progress.

Profits (Losses) on trading

(in millions of euro)

Captions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes		30/06/2004 except IAS 39 (§)
			amount	%	
Interest rates	**–84**	55	–139		202
Equity	**316**	168	148	88.1	199
Foreign exchange	**84**	53	31	58.5	54
Credit derivatives (trading book)	**1**	11	–10	–90.9	13
Total profits (losses) on trading	**317**	287	30	10.5	468
Profits (Losses) on disposal of financial assets available for sale	**45**	9	36		9
Profits on trading	**362**	**296**	**66**	**22.3**	**477**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.
(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

A considerable growth was also recorded by profits on trading, which includes i) profits and losses on disposal of financial assets held for trading or available for sale, ii) valuation differences on financial assets held for trading designated at fair value, and – as already mentioned above – iii) dividends on shares held for trading or available for sale.
More specifically, the caption was the sum of 317 million euro of net profits on trading, compared to 287 million euro as at 30th June 2004 (+10.5%), and 45 million euro of profits on disposal of financial assets available for sale (*ex* 9 million euro).
As concerns trading activities, the most significant component referred to trading on equities (316 million euro with respect to 168 million euro in June 2004) and was mostly attributable to Banca Intesa and Banca Caboto. It also includes the disposal and valuation effects of certain equity investments classified as held for trading on first-time adoption of IAS/IFRS.
Valuation of equity derivatives embedded in equity investments and loans (ABN Amro Real, Edison, *Convertendo* Fiat) led to a positive value of approximately 110 million euro.
Equity swaps and similar instruments led to a net profit of 62 million euro (*ex* 40 million euro), and structured portfolios to a net profit of 66 million euro (*ex* 55 million euro).
Profits on foreign exchange activities – which are mostly carried out by the Parent Company and foreign subsidiaries among which first and foremost those in Eastern Europe – totalled 84 million euro compared to 53 million euro in June 2004.
A loss was instead posted by interest rate activities (-84 million euro) compared to a 55 million euro profit registered in the first half of 2004.
Lastly, trading on credit derivatives was at immaterial absolute amounts.
Quarterly development highlights a marginal absolute decline.

Other operating income (expenses)

In the reclassified statement of income, other operating income (expenses) is a residual caption which comprises income and expenses of various nature (especially non-recurring income and expenses).
This leads the caption to be somewhat volatile. The figure for the first half is a net operating income of 16 million euro (*ex* 60 million euro) which stemmed from 137 million euro of income and 121 million euro of expenses.

Operating margin

Operating margin totalled 2,305 million euro, with a 25.7% growth rate compared to the corresponding figure for the first half of 2004, and reflected both the aforementioned satisfactory performance of operating income (+9%), and the reduction in operating costs (-2.2%).

Operating costs

(in millions of euro)

Captions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes amount	Changes %	30/06/2004 except IAS 39 (§)
Personnel expenses					
– wages and salaries	**1,092**	1,107	–15	–1.4	1,107
– social security charges	**298**	308	–10	–3.2	308
– other	**176**	172	4	2.3	189
	1,566	1,587	–21	–1.3	1,604
Administrative expenses					
– general structure costs	**253**	262	–9	–3.4	260
– IT expenses	**207**	209	–2	–1.0	209
– indirect taxes and duties	**185**	156	29	18.6	155
– management of real estate assets	**153**	157	–4	–2.5	156
– legal and professional expenses	**89**	87	2	2.3	88
– advertising and promotional expenses	**63**	54	9	16.7	54
– indirect personnel costs	**31**	37	–6	–16.2	37
– other costs	**60**	53	7	13.2	60
– recovery of expenses and charges	**–177**	–129	48	37.2	–129
	864	886	–22	–2.5	890
Adjustments to					
– intangibles	**125**	130	–5	–3.8	130
– fixed assets	**117**	128	–11	–8.6	128
Operating costs	**2,672**	**2,731**	**–59**	**–2.2**	**2,752**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Lower costs were only partly attributable to the decline in personnel expenses (1,566 million euro, -1.3%). It must be noted that the consolidated figure is the result of greater savings achieved by the Parent Company and higher costs sustained by certain bank subsidiaries in Italy and, especially abroad, as a result of both compliance to contractual wage rises and the expansion of activities and the operating network, mostly outside Italy. The Parent Company still benefited from the outflow of personnel which took part in the incentive-driven exit plan, agreed upon with Trade Unions, which was only partly absorbed by the greater costs sustained following the renewal of the national labour contract.

A more sizeable reduction was achieved in administrative expenses which decreased to 864 million euro, with respect to 886 million euro in June 2004 (-2.5%). Among the most significant components, noteworthy decreases were recorded by general structure costs, IT expenses and management of real estate assets, while, conversely, as programmed, advertising and promotional expenses and consulting and professional expenses increased.
The rise in indirect taxes and duties was mostly attributable to the rise in tariffs which leads to higher recoveries from customers which – together with other reversals – are directly deducted from total administrative expenses.

Adjustments to intangibles and fixed assets summed up to 242 million euro, with a 6.2% decrease that was more significant for adjustments to fixed assets.

Compared to the first three months of the year, operating costs in the second quarter presented a generalised and moderate growth attributable to seasonal effects.

Income (Loss) before tax from continuing operations

Income before tax from continuing operations amounted to 1,901 million euro, with a 42.1% rise with respect to 1,338 million euro as at 30th June 2004. This result is net of provisions and net adjustments for a total of 492 million euro and after the registration of profits on the sale of equity investments of 88 million euro.

Net provisions for risks and charges

Net provisions for risks and charges were considerably strengthened (164 million euro compared to 104 million euro of the first half of 2004), using extremely prudent criteria, mostly to cover the possible negative outcomes of revocatory actions, including those connected to the Parmalat position, which will be illustrated in greater detail in the chapter dedicated to the significant events which occurred after the close of the first half.

Net adjustments to loans and receivables

Net adjustments to loans and receivables totalled 321 million euro, down 21.1% with respect to the first half of 2004 and stemmed from adjustments of 778 million euro and write-backs of 457 million euro.

(in millions of euro)

Captions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes		30/06/2004 except IAS 39 (§)
			amount	%	
Net impairment losses on loans and receivables					
– doubtful loans	**–210**	–174	36	20.7	–229
– other non-performing loans	**–106**	–259	–153	–59.1	–259
– performing loans	**–8**	40	–48		–32
Net provisions for guarantees and commitments	**3**	–14	17		–14
Net adjustments to loans and receivables	**–321**	**–407**	**–86**	**–21.1**	**–534**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Considering the various non-performing loan categories, net impairment losses on doubtful loans increased to 210 million euro compared to 174 million euro in the first half of 2004 while those relative to other non-performing loans, classified as substandard and restructured loans, decreased from 259 million euro as at 30th June 2004 to 106 million euro, due to both lower adjustments and, especially, considerable write-backs. The trend of net impairment losses on other non-performing loans was also influenced by the classification in substandard loans of an important position in the second quarter of 2004. The position was duly adjusted at the time and since it was upgraded to performing loans in the second quarter of this year it led to a write-back.

Collective adjustments, recorded for the purpose of maintaining the generic coverage of performing loans to the levels required by the specific risk configurations, totalled 8 million euro.
Lastly, net write-back on non-cash credit risk, referred to guarantees and commitments given, amounted to 3 million euro, with respect to 14 million euro of net adjustments in the first half of 2004.
Quarterly development evidenced a further decrease in net requirements.

Net income

Net income for the period totalled 1,200 million euro and reflected the deduction of i) current and deferred taxes on income from continuing operations of 670 million euro – corresponding to just over 35% of income before taxes – and ii) minority interests (47 million euro) as well as the registration in a specific caption of income after tax from discontinued operations of 16 million euro.

Taxes on income from continuing operations

Taxes on income from continuing operations, both current and deferred, referred to the period amounted to 670 million euro, as indicated above, with a 269 million euro rise with respect to the figure for the first half of 2004. The quantification of the tax burden prudentially considered the possible tightening of tax regulations on dividends, currently being assessed by the Legislator.

Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations

As illustrated at the beginning of the present Report the sale to Merrill Lynch and Fortress of a portfolio of doubtful loans of nominal value exceeding 9 billion euro and the loan servicing business of Intesa Gestione Crediti dedicated to the management of such loans is currently under completion. After signing the framework agreement, in the first days of last August, the execution of the transaction will continue and will probably be concluded within the end of the year, with the transfer of the assets and the payment of the price. Considering the binding commitment for the transfer of such assets, as provided for by IFRS 5, income and losses on such assets under disposal is posted separately and net of the related taxes.

For this purpose a specific table has been provided which indicates the breakdown of income after tax from discontinued operations in revenue and cost components. In order to permit a consistent comparison the corresponding figure for 2004, has also been restated in the specific caption.

(in millions of euro)

Captions	30/06/2005	30/06/2004 including IAS 39 (*)	Changes	
			amount	%
Net interest income	**96**	96	0	0.0
Net fee and commission income	**2**	3	–1	–33.3
Other operating income (expenses)	**6**	–	6	
Operating costs	**–15**	–19	–4	–21.1
Net adjustments to loans and receivables	**–54**	–139	–85	–61.2
Tax impact	**–19**	14	–33	
Total	**16**	**–45**	**61**	

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.

Income after tax from discontinued operations, set out in the table above, is largely attributable to the sale of doubtful loans, while the component referred to the spin-off of the loan servicing business is almost marginal.
The difference in the sign in the two semesters under comparison mostly stems from the fact that the figure as at 30th June 2004 reflected considerable adjustments on the doubtful loans to be sold; this did not recur in the first half of 2005 since such loans are posted at sale price.

Main balance sheet aggregates

Balance sheet aggregates as at 30th June 2005, calculated on the basis of IAS/IFRS are analysed hereafter by comparing them with the figures at the end of 2004, also restated to consider the application of the aforementioned principles, including IAS 39. Furthermore, again with respect to figures as at 31st December 2004, the balance sheet aggregates related to the doubtful loan portfolio and the loan servicing business under disposal have also been highlighted.

(in millions of euro)

Assets	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Cash and cash balances with central banks	**1,452**	1,551	–99	–6.4
Financial assets held for trading	**60,831**	57,916	2,915	5.0
Financial assets available for sale	**4,912**	5,157	–245	–4.8
Investments held to maturity	**2,418**	2,450	–32	–1.3
Due from banks	**26,652**	28,557	–1,905	–6.7
Loans to customers	**157,702**	157,430	272	0.2
Hedging derivatives	**1,360**	1,262	98	7.8
Equity investments	**2,087**	1,979	108	5.5
Fixed assets	**2,886**	2,929	–43	–1.5
Intangibles	**929**	982	–53	–5.4
Tax assets	**3,148**	4,772	–1,624	–34.0
Non-current assets (or disposal groups) held for sale and discontinued operations	**1,901**	2,141	–240	–11.2
Other assets	**4,745**	3,979	766	19.3
Total Assets	**271,023**	**271,105**	**–82**	**0.0**

Liabilities and Shareholders' Equity	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Due to banks	**33,250**	34,327	–1,077	–3.1
Due to customers	**182,072**	179,282	2,790	1.6
Financial liabilities held for trading	**26,217**	30,033	–3,816	–12.7
Hedging derivatives	**999**	1,480	–481	–32.5
Tax liabilities	**1,288**	1,356	–68	–5.0
Liabilities in disposal groups held for sale and discontinued operations	**37**	42	–5	–11.9
Other liabilities	**8,701**	6,850	1,851	27.0
Employee termination indemnities	**1,073**	1,081	–8	–0.7
Allowances for risks and charges	**2,005**	1,907	98	5.1
Share capital	**3,596**	3,561	35	1.0
Share premium reserve	**5,510**	5,406	104	1.9
Reserves	**3,718**	2,617	1,101	42.1
Revaluation reserves and valuation differences	**629**	544	85	15.6
Minority interests	**728**	778	–50	–6.4
Net income (loss)	**1,200**	1,841	–641	
Total Liabilities and Shareholders' Equity	**271,023**	**271,105**	**–82**	**0.0**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Loans to customers

(in millions of euro)

Subcaptions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes amount	Changes %
Current accounts	**18,619**	20,118	–1,499	–7.5
Mortgages	**71,689**	68,235	3,454	5.1
Advances and other loans	**57,272**	56,944	328	0.6
Repurchase agreements	**3,337**	5,660	–2,323	–41.0
Non-performing loans	**4,729**	4,738	–9	–0.2
Total loans	***155,646***	*155,695*	*–49*	*0.0*
Loans represented by securities	***2,056***	*1,735*	*321*	*18.5*
Loans to customers	**157,702**	**157,430**	**272**	**0.2**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Loans to customers – inclusive of loans represented by securities issued by customers – totalled 157,702 million euro (+0.2%) and confirmed the positions reached in December 2004.

The stability of the aggregate was accompanied by a significant remix of its components, due to a i) considerable decrease in repurchase agreements, ii) lower demand for short-term lending in the form of overdrafts on current accounts (-7.5%), and iii) the considerable progress of medium- and long-term lending. Mortgages recorded a 5.1% rise to 71,689 million euro and represented over 45% of total loans to customers. Advances and other loans posted a slight increase (+0.6%) on the considerable levels highlighted at the end of 2004. Underwriting of securities for the purpose of financing the issuer, though on low absolute levels, increased.
If repurchase agreements were not taken into account, loans to customers would have recorded a 1.7% rise.

Non-performing loans

(in millions of euro)

	30/06/2005			**31/12/2004** including IAS 39 (*)		
	Gross exposure	**Total adjustments**	**Net exposure**	**Gross exposure**	**Total adjustments**	**Net exposure**
Non-performing loans	8,917	–4,188	4,729	8,644	–3,906	4,738
Doubtful loans	*3,938*	*–2,862*	*1,076*	*3,640*	*–2,623*	*1,017*
Substandard loans	*4,847*	*–1,301*	*3,546*	*4,766*	*–1,257*	*3,509*
Restructured loans	*132*	*–25*	*107*	*238*	*–26*	*212*
Performing loans	154,033	–1,060	152,973	153,759	–1,067	152,692
Total	**162,950**	**–5,248**	**157,702**	**162,403**	**–4,973**	**157,430**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Following the sale of a considerable portion of the doubtful loan portfolio, already described above, non-performing loans, considered on a consistent basis, was practically stable, down from 4,738 million euro in December 2004 to 4,729 million euro as at 30th June 2005 (-0.2%). Also the incidence of such loans on total loans to customers remained stable at 3%, though this situation is the result of a rise in doubtful and substandard loans entirely offset by a decrease in restructured loans. In particular, doubtful loans recorded a 5.8% rise to 1,076 million euro, but represented only 0.7% of total loans, with a degree of coverage close to 73%. Substandard loans recorded a slight increase to 3,546 million euro (+1.1%) and remained stable at approximately 2.2% of total loans to customers with an approximately 27% coverage.
Lastly, restructured loans were practically halved, down from 212 million euro of December 2004 to 107 million euro as at 30th June 2005.

Risk implicit in performing loans is calculated collectively on the basis of the risk configuration of the entire portfolio analysed via models which consider the Probability of Default (PD) and the Loss Given Default (LGD) of individual loans.
Cumulated collective adjustments amounted to 1,060 million euro and represented an average 0.7% coverage of performing positions. Such cumulated provisions are deemed to be adequate to cover the risk physiologically intrinsic in performing loans.

Customer funds

(in millions of euro)

Subcaptions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Deposits	**11,474**	10,971	503	4.6
Current accounts and other	**85,648**	84,528	1,120	1.3
Certificates of deposit	**4,971**	5,569	–598	–10.7
Other	**5,328**	3,814	1,514	39.7
Repurchase agreements	**10,660**	9,367	1,293	13.8
Due to customers	***118,081***	*114,249*	*3,832*	*3.4*
Securities issued	***54,699***	*55,423*	*–724*	*–1.3*
Subordinated liabilities	***9,292***	*9,610*	*–318*	*–3.3*
Total direct deposits	**182,072**	**179,282**	**2,790**	**1.6**
Indirect customer deposits	**301,023**	**292,383**	**8,640**	**3.0**
Customer deposits under administration	**483,095**	**471,665**	**11,430**	**2.4**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Direct customer deposits reached 182,072 million euro, with a 1.6% growth rate with respect to the figure at the end of 2004 despite diverse trends recorded by the various contract types which reflected customers' increased propensity for liquidity. The rises in deposits and current accounts (+4.6% and 1.3% respectively) absorbed the reduction showed by certificates of deposit (-10.7%), issued bonds (-1.3%) and subordinated liabilities (-3.3%). Increases were also registered by other deposits (approximately +40%), due to the issue of commercial paper in the period, and repurchase agreements (approximately +14%).

Indirect customer deposits

(in millions of euro)

Subcaptions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Individual portfolio management schemes	**49,269**	48,544	725	1.5
Assets managed by mutual funds	**74,353**	75,793	–1,440	–1.9
Insurance products	**25,267**	23,000	2,267	9.9
minus Funds from individual portfolios placed in mutual funds	**–30,987**	–30,049	938	3.1
Total managed funds	**117,902**	117,288	614	0.5
Assets under administration and in custody	**183,121**	175,095	8,026	4.6
Indirect customer deposits	**301,023**	**292,383**	**8,640**	**3.0**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Indirect customer deposits recorded a rise (+3%), almost entirely ascribable to assets under administration which posted a 4.6% progress, while managed funds continued to be negatively affected by the difficulties of the asset management industry. The positive performance of insurance products (approximately +10%) enabled managed funds to confirm the total figure at the end of 2004.

Financial instruments held for trading

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Bonds and other debt securities	**33,234**	29,487	3,747	12.7
Equities and quotas of O.I.C.R.	**6,279**	3,321	2,958	89.1
Trading portfolio	***39,513***	*32,808*	*6,705*	*20.4*
Positive value of debt securities derivatives and interest rate derivatives	**18,025**	21,609	–3,584	–16.6
Positive value of currency derivatives	**1,432**	1,547	–115	–7.4
Positive value of equity derivatives and stock indices derivatives	**1,345**	1,615	–270	–16.7
Positive value of credit derivatives	**516**	337	179	53.1
Positive value of trading derivatives	***21,318***	*25,108*	*–3,790*	*–15.1*
Financial assets held for trading	**60,831**	**57,916**	**2,915**	**5.0**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Financial assets held for trading comprise both debt securities and equities, including certain equity investments which have been designated as held for trading at the time of their initial recognition, as well as the positive value of trading derivatives.

The trading portfolio posted a considerable rise (+20.4%) to 39,513 million euro, which mostly stemmed from debt securities, that recorded a 12.7% growth rate and to a less significant absolute amount from equities and quotas of OICR, which almost doubled. In particular, the latter reflected the shares purchased as part of operations in equity swaps and structured products, which are usually concentrated in the first part of the year.

As concerns positive value of trading derivatives (21,318 million euro, -15.1% on December 2004) the most significant component referred to contracts on debt securities and interest rates which represented 85% of the overall value.

Financial liabilities held for trading, which mostly stemmed from negative value of trading derivatives, totalled 26,217 million euro (-12.7%) and, as in the case of assets, were mostly related to derivatives on debt securities and interest rates (71%).

(in millions of euro)

Captions	**30/06/2005**	**31/12/2004** including IAS 39 (*)	**Changes** amount	%
Negative value of debt securities derivatives and interest rate derivatives	**18,698**	22,962	–4,264	–18.6
Negative value of currency derivatives	**1,586**	2,244	–658	–29.3
Negative value of equity derivatives and stock indices derivatives	**2,079**	1,847	232	12.6
Negative value of credit derivatives	**515**	460	55	12.0
Negative value of trading derivatives	***22,878***	*27,513*	*–4,635*	*–16.8*
Other liabilities held for trading	***3,339***	*2,520*	*819*	*32.5*
Financial liabilities held for trading	**26,217**	**30,033**	**–3,816**	**–12.7**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Financial assets available for sale

(in millions of euro)

Captions	**30/06/2005**	**31/12/2004** including IAS 39 (*)	**Changes** amount	%
Bonds and other debt securities	**2,261**	2,635	–374	–-14.2
Equities and quotas of O.I.C.R.	**81**	89	–8	–9.0
Securities available for sale	***2,342***	*2,724*	*–382*	*–14.0*
Equity investments	**1,255**	1,047	208	19.9
Private equity investments	**1,309**	1,386	–77	–5.6
Equity investments available for sale	***2,564***	*2,433*	*131*	*5.4*
Loans available for sale	***6***	*–*	*6*	
Financial assets available for sale	**4,912**	**5,157**	**–245**	**–4.8**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Financial assets available for sale totalled 4,912 million euro, with a 4.8% decrease with respect to the figure at the end of 2004. The caption is made up of debt securities and equities which are not held for trading for 2,342 million euro (-14%), mostly made up of both securities classified as held for investment based on the former accounting principles and long-term securities in the portfolio of a vehicle company. It also included equity investments and private equity investments of 2,564 million euro, (+5.4%) and 6 million euro of loans to customers designated as available for sale, referring to portions of syndicated loans to be placed with third parties.

Investments held to maturity

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Government securities	**2,126**	2,148	–22	–1.0
Bonds and other debt securities	**292**	302	–10	–3.3
Investments held to maturity	**2,418**	**2,450**	**–32**	**–1.3**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

The caption includes debt securities held by Group companies, that the relevant holding entity has declared will be held to maturity.

These mostly referred to Government securities (88% of the total).

Hedging derivatives

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Positive value of fair value hedge derivatives	**1,289**	1,233	56	4.5
Positive value of cash flow hedge derivatives	**71**	29	42	
Positive values	***1,360***	*1,262*	*98*	*7.8*
Negative value of fair value hedge derivatives	**–834**	–1,398	–564	*–40.3*
Negative value of cash flow hedge derivatives	**–165**	–82	83	
Negative values	***–999***	*–1,480*	*–481*	*–32.5*
Total	**361**	**–218**	**579**	

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

The table above illustrates the breakdown of hedging derivatives.

Fair value of hedge derivatives presented an overall positive balance of 455 million euro, offset by analogous variations in hedged items.

The value of cash flow hedge derivatives presented a negative balance of 94 million euro, offset, net of accruals for the period and tax effects, by valuation differences recorded in shareholders' equity.

Equity investments

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Equity investments in associates and companies subject to joint control	1,654	1,546	108	7.0
Other equity investments	433	433	–	–
Total	**2,087**	**1,979**	**108**	**5.5**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Equity investments in associates and companies subject to joint control are recorded in the consolidated balance sheet for a total of 1,654 million euro, calculated based on the pro quota value of the associate's shareholders' equity increased by the eventual goodwill.

The subcaption "other equity investments" referred to the stake in Bank of Italy which, as already indicated in the chapter relative to accounting principles and the consolidation area, is recorded at cost (433 million euro) in consideration of the peculiarity of the equity investment.

Net interbank position

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Net interbank position repayable on demand				
– loans	**4,390**	2,727	1,663	61.0
– deposits	**–4,881**	–6,201	–1,320	–21.3
	–491	–3,474	–2,983	–85.9
Net interbank position with notice period				
– loans	**22,262**	25,830	–3,568	–13.8
– deposits	**–28,369**	–28,126	243	0.9
	–6,107	–2,296	3,811	
Net interbank position	**–6,598**	**–5,770**	**828**	**14.4**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

At the end of the first half of 2005 the net interbank position continued to increase its negative balance, from 5,770 million euro at the end of 2004 to 6,598 million euro. However, in the second quarter this trend recorded a slowdown, especially as a result of the contraction in the debt balance of the "on demand" component, while the "with notice period" component continued to increase, also in relation to the aforementioned activities on equities.

Non-current assets (or disposal groups) held for sale and discontinued operations and related liabilities

As provided for by IFRS 5, assets and the related liabilities, which no longer stem from continuing operations as they are undergoing disposal, have been recorded in a specific caption. These mostly refer to assets and liabilities connected to the sale of doubtful loans described in the first part of this Report. The caption is in fact mostly made up of doubtful loans, at 1,805 million euro these represented almost 97% of the total, and disposal groups of 24 million euro, mostly relative to the sale of the loan servicing business of Intesa Gestione Crediti.

Furthermore, it included tangible assets referred to the building in Paris which was the Registered office of Banque Sudameris for 50 million euro, minor equity investments amounting to 7 million euro and other assets of various nature of 15 million euro. Lastly, the caption included liabilities in disposal groups held for sale and discontinued operations for a total of 37 million euro.

(in millions of euro)

Captions	30/06/2005	31/12/2004 including IAS 39 (*)	Changes	
			amount	%
Loans to customers	**1,805**	2,017	–212	–10.5
Equity investments	**7**	7	0	0.0
Disposal groups held for sale and discontinued operations	**24**	16	8	50.0
Fixed assets	**50**	50	0	0.0
Other	**15**	51	–36	–70.6
Liabilities in disposal groups held for sale and discontinued operations	**–37**	–42	–5	–11.9
Total non-current assets and liabilities (or disposal groups) held for sale and discontinued operations	**1,864**	**2,099**	**–235**	**–11.2**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Allowances for risks and charges

The allowances for risks and charges increased to 2,005 million euro (+5.1%) and referred to pensions and similar commitments for 297 million euro, to provisions on non-cash risk intrinsic in guarantees and commitments for approximately 380 million euro (of which over 70 million euro of collective provisions on performing positions), whilst the remaining portion covered, as concerns the larger amounts, charges relative to legal disputes (over 290 million euro), revocatory actions (approximately 440 million euro), and charges related to the incentive-driven exit plan agreed upon with Trade unions (over 90 million euro) and future charges on equity investments of approximately 190 million euro.

Shareholders' equity

The Group's shareholders' equity, including net income for the period, amounted to 14,653 million euro. It included revaluation reserves and valuation differences of 629 million euro which, for 357 million euro referred to legally-required revaluations recorded in the past based on specific laws and for 130 million euro derived from fair value measurement of financial assets available for sale and cash flow hedge derivatives. The remaining 142 million euro represented foreign exchange differences on conversion of financial statements denominated in foreign currencies, of which 65 million euro referred to European subsidiaries which had adopted the euro as the local currency.

Revaluation reserves and valuation differences

(in millions of euro)

Captions	Revaluation reserves and valuation differences as at 31/12/2004 including IAS 39 (*)	Change in the period	Revaluation reserves and valuation differences as at 30/06/2005
Financial assets available for sale	117	110	227
Fixed assets	–	–	–
Cash flow hedges	–32	–65	–97
Legally-required revaluations	357	–	357
Other	102	40	142
Total valuation differences	**544**	**85**	**629**

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Shareholders' equity for supervisory purposes

As already indicated above, supervisory capital and capital ratios have been calculated using shareholders' equity and net income determined via the application of IAS/IFRS and considering the so-called "prudential filters" indicated by the Basel Committee and used by the Bank of Italy in the request made to banks as concerns the impact of the new principles on capital requirements.
The Bank of Italy, before the harmonisation of supervisory provisions with IAS/IFRS, asked the banks which have already applied the new accounting rules starting from the quarterly report as at 31st March 2005 or from the half-year report as at 30th June 2005, to continue to indicate capital requirements on the basis of captions determined using the former national accounting principles or, alternatively, using IAS figures net of first-time adoption effects. For the purposes of reporting to the Bank of Italy, Gruppo Intesa determined such capital requirements on the basis of this last alternative criterion. The resulting ratios, which do not consider the reduction in shareholders' equity following first-time adoption of IAS, are higher than those indicated in the table below.

(in millions of euro)

Total capital and capital ratios	30/06/2005	31/12/2004 including IAS 39 (*)
Total capital		
Tier 1 capital	**14,532**	13,900
Tier 2 capital	**6,232**	6,773
Items to be deducted	**–667**	–620
Total capital	**20,097**	20,053
Capital requirements		
Credit risks	**13,322**	13,046
Market risks	**1,310**	1,240
Tier 3 subordinated loans	**–**	–
Other capital requirements	**288**	277
Total capital requirements	**14,920**	14,563
Risk-weighted assets	**186,500**	182,042
Capital ratios %		
Core Tier 1 / Total risk-weighted assets	**6.94**	6.69
Tier 1 / Total risk-weighted assets	**7.79**	7.64
Total capital / Total risk-weighted assets	**10.78**	11.02
Excess capital	**5,177**	5,490

(*) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments.

Shareholders' equity for supervisory purposes illustrated in the previous table amounted to 20,097 million euro, against risk-weighted assets of 186,500 million euro. The total capital ratio equalled 10.8% and the Tier 1 ratio 7.8%. The ratio between Tier 1 capital net of preference shares and risk-weighted assets (Core Tier 1) equalled 6.9%.
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 as at 30/06/2005***
Parent Company's balances as at 30th June 2005	13,400	842
Effect of consolidation of subsidiaries subject to control and joint control	566	526
Effect of consolidation of subsidiaries carried at equity	–	66
Allocation of consolidation differences to the value of real estate assets	226	–3
Restatement of goodwill	–7	–
Dividends collected during the period	–	–253
Other changes	468	22
Consolidated balances as at 30th June 2005	**14,653**	**1,200**

The Parent Company Banca Intesa

The results of the Parent Company in the first half of 2005 have also been determined using IAS/IFRS and for the purpose of providing a consistent comparison the results of the first half of the previous year have been restated. Restatement includes the estimate of the effects which would have been recorded if IAS 39 had already been applied as of 1st January 2004. The comparison, which in itself is evidently complex, is overall based on prudential decisions and is deemed to be a reliable representation of the evolution of operations of the Parent Company in the two periods under comparison.

Banca Intesa's half-year statement of income – by far the most significant component of the Group's consolidated financial statements – closed with a net income of 842 million euro, with positive results, higher than in the comparison period for all intermediate margins.

With reference to the components of the reclassified statement of income, **operating income**, made up of revenues, costs and valuation effects on ordinary operations, highlighted a 3.3% increase.

More specifically, *net interest income* reached 1,572 million euro, with a 5.6% increase. The trend of the single components showed a lower contribution of net interest on relations with banks, which was practically offset by differentials on hedging derivatives which, for the most part, hedge operations with banks. Interest on assets held for trading increased, while interest on relations with customers remained stable. The caption also includes fair value adjustments in hedge accounting, positive for 15 million euro, that is, the imbalance of positive and negative variations in the fair value of hedging derivatives and the relevant assets and liabilities hedged.

Among *dividends*, which totalled 262 million euro (*ex* 497 million euro), main amounts referred to: Cariparma (85 million euro), FriulAdria (31 million euro), Intesa Real Estate (30 million euro), Intesa Mediofactoring (25 million euro) and Setefi (23 million euro). The decrease in dividends compared to the figure of the first half of 2004 is ascribable to lower dividend distributions resolved upon by certain subsidiary companies for 2004, also for the purpose of maintaining a congruous capital coverage in view of the first-time adoption of IAS/IFRS.

Net fee and commissions income recorded a positive trend, up by 18.5% to 1,203 million euro due to the considerable contribution of dealing, management and consulting (+41%) connected to the substantial placements of bonds issued by third parties (+118 million euro) and insurance products (+93 million euro).

Profits on trading, with 142 million euro more than doubled compared to the comparative figure and includes – in addition to the reversal to the statement of income of profits and losses realised on financial assets available for sale (16 million euro) – profits, losses and valuation effects of assets and liabilities held for trading for a total of 126 million euro (*ex* 65 million euro). The examination of the single areas which make up this result showed that the negative contribution of operations in the interest rate area (-104 million euro, *ex* -57 million euro) was entirely offset by higher profits generated by the equities area (193 million euro, *ex* 91 million euro), which also includes the effects of disposal and valuation of certain equity investments and equity derivatives classified as held for trading, as well as the contribution of foreign exchange activities (38 million euro, *ex* 18 million euro). The result relative to credit derivatives in the trading book was only marginally negative (-1 million euro, *ex* 13 million euro).

Again within the components of operating income, *other net operating income*, which, in the reclassified statement of income, does not include the recoveries of expenses and taxes and duties (directly deducted from administrative expenses), highlighted a decline (-20% to 36 million euro).

In the first half of 2005 **operating costs** continued their downward trend to 1,722 million euro. The further drop (-3%) is mainly ascribable to lower *personnel expenses* (-4.5% to 1,014 million euro), due to the reduction in headcount (-1,453 units the average figure over the twelve months) enacted via the activation of the Solidarity Allowance. Also *administrative expenses* recorded a slight decline (-0.2% to 554 million euro) since the higher expenses for IT, legal and professional services in relation to the projects for growth under way, and for advertising campaigns connected to the launch of new products were entirely offset by the decreases in the other expense captions. *Adjustments to fixed assets and intangibles* also declined (-2.5% to 154 million euro).

The balance between operating income and operating costs led to an **operating margin** of 1,493 million euro, approximately 11.6% higher than the comparative figure.

Income before tax from continuing operations reached 1,246 million euro, with an 8% increase.
This result reflected the deduction of *Net provisions for risks and charges* of 122 million euro (*ex* 52 million euro) mostly destined to adequately cover, using extremely prudent criteria, the possible negative outcomes of legal disputes under way, including those connected to the Parmalat revocatory actions, as described in greater detail in the significant events which occurred after the close of the first half. Furthermore, net adjustments to loans and receivables, which totalled 151 million euro, decreased (approximately -49%) as a result of lower requirements on non-performing positions (doubtful loans and other) and for guarantees and commitments. The reduction was also influenced by the classification in substandard loans of an important position in the second quarter of 2004. The position was duly adjusted at the time and since it was upgraded to performing loans in the second quarter of this year it led to a write-back.
The result also reflected i) *Net impairment losses on other assets* of 11 million euro (3 million euro of net write-backs as at June 2004) related to net impairment losses on other financial assets, and ii) *Profits on investments held to maturity and on other investments* of 37 million euro, mostly made up of gains on the sale of equity stakes in subsidiaries and associates (14 million euro relative to Milano Zerotre, 14 million euro for Intesa Fiduciaria SIM) compared to 163 million euro of June 2004 mostly related to the write-back of the equity investment in Intesa Holding International (139 million euro).

Following the signing of the framework agreement with the buyers Merrill Lynch and Fortress within the already described sale of a portfolio of doubtful loans, income and losses on the loans under disposal by Banca Intesa are posted – net of the relevant taxes – in the caption *Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations* as provided for by IFRS 5. The corresponding figure for 2004 has been restated on a consistent basis.
The caption, which on a net basis presented a balance of zero for the first half of 2005, includes net interest income, operating costs, net adjustments to loans and receivables, net of the relevant taxes. The consistent comparative figure referred to the first half of 2004 was a loss of 46 million euro, in relation to the adjustments recorded on such loans in the first part of the previous year.

As already indicated, **net income** totalled 842 million euro. The approximately 9% decrease compared to the first half of 2004 was determined by the higher tax burden (404 million euro compared to 183 million euro of the comparison period) which prudentially considers the possible tightening of tax regulations on dividends, currently being assessed by the Legislator.

As regards balance sheet aggregates, it must be noted that, as indicated in the comments to the statement of income and as provided for by IFRS 5, also assets and the relevant net liabilities which are no longer related to continuing operations as they are undergoing disposal have been recorded in specific captions of the balance sheet: "Non-current assets (or disposal groups) held for sale and discontinued operations" and "Liabilities in disposal groups held for sale and discontinued operations". Figures as at 31st December 2004, have been reclassified on a consistent basis.

Loans to customers, equal to 103,020 million euro, slightly increased the volumes of the comparative figure as at 31st December 2004 (+0.8%), even though with differentiated trends recorded by the contract types which make up the aggregate. More specifically, mortgages continued to grow (approximately +7% to 46,078 million euro), while decreases were recorded by i) current accounts (approximately -7% to 13,295 million euro), ii) advances and other loans (-2.5% to 38.095 million euro), and iii) repurchase agreements (-24% to 1,573 million euro). In application of provisions contained in IAS/IFRS, loans to customers also include securities underwritten at the time of issue for the purpose of financing the issuer, which as at 30th June amounted to 987 million euro (*ex* 604 million euro). Non-performing loans – which, as already indicated, do not include doubtful loans under sale, posted in the caption *Non-current assets (or disposal groups) held for sale and discontinued operations* – amounted to 2,992 million euro, practically in line with the figure at the end of 2004 (+0.4%). More specifically, the rise in the residual doubtful loans (427 million euro, *ex* 334 million euro) was offset by a reduction in substandard loans (approximately -3% to 2,565 million euro), attributable to the aforementioned return to performing of exposures of significant size. The relative cumulated provisions determined an overall coverage of 39% for non-performing loans (70% for doubtful loans and 26% for substandard loans), while performing loans were covered by collective provisions of 503 million euro determined based on the risk configuration of the portfolio, corresponding to a 0.56% coverage, net of repurchase agreements and loans to subsidiaries.

Direct customer deposits totalled 135,584 million euro, practically confirming the figure at the end of 2004 (-0.2%). As concerns the trend recorded by the various contract types, current accounts confirmed the figure of December 2004 (+0.2%), despite the decrease due to the transfer of positions to Intesa Private Banking, the Group's new bank specialised in serving private customers. Issued bonds registered a similar trend (+0.4%). The rise in certificates of deposit (+2.5%), attributable to funds raised by foreign branches, was offset by the decline, now physiological, of deposits (-5.4%) and the decrease in repurchase agreements (-7%). The drop in *indirect customer deposits* (-3.6% to 211,635 million euro) is entirely attributable to the aforementioned transfer of position to Intesa Private Banking, which affected significantly managed funds (-9.2% to 67,670 million euro) and, to a lesser extent, also assets under administration (-0.8% to 143,965 million euro).

Financial instruments held for trading comprised among assets (40,279 million euro in total, +5.7% with respect to as at 31st December 2004) debt securities and equities for 27,521 million euro (+9.5%) and the positive value of derivatives held for trading amounting to 12,758 million euro (–1.5%), mostly relative to debt securities derivatives and interest rate derivatives (81% of the total). The relevant liabilities (15,250 million euro, approximately -5%) were almost entirely made up of negative value of derivatives held for trading (13,956 million euro, -4.1%). The imbalance between positive and negative value of derivatives was negative and totalled 1,198 million euro.

Financial assets available for sale totalled 2,422 million euro (-4.2%) and comprised equity investments of 1,024 million euro, private equity investments of 874 million euro and debt securities and equities amounting to 518 million euro. It also included 6 million euro of loans, attributable to portions of syndicated loans destined to be placed with third parties.

The positive value of **hedging derivatives** totalled 1,194 million euro, of which 1,169 million euro relative to fair value hedges while the contracts with negative values totalled 1,020 million euro, of which 896 million euro referred to fair value hedges.
In total, the value of cash flow hedge derivatives presented a negative balance of 99 million euro; the balancing entry net of accruals and considering the tax effect is recorded in revaluation reserves and valuation differences under shareholders' equity.

Equity investments, that amounted to 10,656 million euro, comprised controlling equity stakes for 8,851 million euro, equity stakes in associates of 1,457 million euro and other equity investments of 348 million euro. The decrease with respect to the figure as at 31st December 2004 (-213 million euro) was mostly attributable to the merger of Intesa Real Estate in Banca Intesa and the disposal of Milano Zerotre.

Non-current assets (or disposal groups) held for sale and discontinued operations, made up of doubtful loans under disposal, amounted to 645 million euro, while related **liabilities in disposal groups held for sale** equalled 9 million euro.

Breakdown of consolidated results by business area and geographic area

In this chapter consolidated results are broken down by business area (the so-called primary segment foreseen by IAS 14) and by geographic area (secondary segment).

BUSINESS AREAS

(in millions of euro)

	Retail Division		Corporate Division		Italian Subsidiary Banks Division		International Subsidiary Banks Division		Central Structures		Total	
	30/06/05	**30/06/04**	**30/06/05**	**30/06/04**	**30/06/05**	**30/06/04**	**30/06/05**	**30/06/04**	**30/06/05**	**30/06/04**	**30/06/05**	**30/06/04**
Operating income	**2,705**	2,406	**895**	888	**762**	690	**540**	482	**75**	99	**4,977**	4,565
Operating costs	**–1,448**	–1,517	**–389**	–388	**–368**	–364	**–299**	–285	**–168**	–177	**–2,672**	–2,731
Operating margin	**1,257**	889	**506**	500	**394**	326	**241**	197	**–93**	–78	**2,305**	1,834
Provisions and adjustments	**–163**	–144	**–77**	–125	**–66**	–78	**–57**	–50	**–41**	–99	**–404**	–496
Income (Loss) before tax from continuing operations	**1,094**	745	**429**	375	**328**	248	**184**	147	**–134**	–177	**1,901**	1,338
Rwa (billions of euro)	**78.1**	77.0	**50.1**	49.4	**25.0**	22.6	**15.3**	13.7	**18.0**	18.8	**186.5**	181.5
Allocated capital (billions of euro)	**5.0**	4.9	**3.0**	3.0	**1.5**	1.4	**0.9**	0.8	**1.1**	1.1	**11.5**	11.2
Income from continuing operations on allocated capital (%)	**44.1%**	30.2%	**28.8%**	25.4%	**44.1%**	36.8%	**40.4%**	36.0%	**–24.9%**	–31.5%	**33.3%**	24.0%

Comparative figures calculated using IAS/IFRS including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

(in millions of euro)

	Retail Division		Corporate Division		Italian Subsidiary Banks Division		International Subsidiary Banks Division		Central Structures		Total	
	30/06/05	**31/12/04**	**30/06/05**	**31/12/04**	**30/06/05**	**31/12/04**	**30/06/05**	**31/12/04**	**30/06/05**	**31/12/04**	**30/06/05**	**31/12/04**
Loans to customers	**78,486**	75,916	**39,978**	43,898	**23,305**	21,970	**11,885**	10,771	**4,048**	4,875	**157,702**	157,430
Due from banks	**989**	689	**15,106**	14,611	**4,796**	4,882	**4,129**	3,437	**1,632**	4,938	**26,652**	28,557
Due to customers	**51,547**	53,014	**25,236**	23,727	**16,762**	16,603	**13,181**	12,512	**11,355**	8,393	**118,081**	114,249
Due to banks	**18,156**	18,145	**17,129**	21,138	**2,443**	2,317	**4,873**	3,678	**–9,351**	–10,951	**33,250**	34,327
Securities issued	**21,675**	25,077	**7,477**	7,333	**7,080**	6,685	**871**	823	**17,596**	15,505	**54,699**	55,423

Comparative figures calculated using IAS/IFRS including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

Retail Division

The Retail Division is in charge of traditional lending and deposit collecting activities and also of collateral activities such as i) asset management, ii) the offer of bancassurance and insurance products, iii) private banking, iv) medium- and long-term credit, and v) consumer credit through the management of electronic payment instruments.
In the first half of 2005 the Division recorded a decidedly positive performance with an operating margin of 1,257 million euro, up by over 41% on the same figure of the previous year, and an income before tax from continuing operations of 1,094 million euro, with a growth rate close to 47%.
The Division's balance sheet figures highlighted loans to customers of 78,486 million euro (+3.4%) and customer deposits, including securities issued, of 73,222 million euro (–6.2%).

The Division's operating margin also benefited from commissions for the distribution of **Intesa Vita** insurance products placed through the branch network. Intesa Vita is a subsidiary of the Generali group and is consolidated by Gruppo Intesa with the equity method. The statement of income for the first half closed with a net income, determined according to IAS/IFRS, of 60 million euro, after having collected gross premiums of 3,358 million euro. As at 30th June 2005 Intesa Vita's shareholders' equity equalled 1,434 million euro, while technical reserves exceeded 23 billion euro.

Nextra Investment Management – which operates in the asset management sector and reports to Intesa Holding Asset Management – continued its operations in mutual funds/sicavs, in real estate funds and in individual portfolio management schemes. As at 30th June, the company managed assets of 94 billion euro, with a 4.5% reduction compared to 98 billion euro at the end of 2004. The contraction is attributable to the sector's persisting difficulties, that again negatively influenced the trend of assets under management and, consequently, profitability. The statement of income for the first half was affected by lower commission flows, but benefited from a considerable increase in dividends collected from its subsidiaries (18 million euro, *ex* 3 million euro) and recorded a net income of 37 million euro, slightly up from 36 million euro a year earlier. Nextra Investment Management controls **Nextra Distribution Services** which distributes Nextra International Sicav in Italy and abroad, **Nextra Alternative Investments**, operating in hedge fund management, and **Epsilon SGR**, operating in collective asset management with systematic use of quantitative approaches.
The three asset management companies closed the period with a net income of 13.8 million euro, 2.5 million euro and 2.1 million euro respectively.

As at 30th June 2005, **Intesa Previdenza**, operating in supplementary pension funds, managed net assets of 833 million euro, of which approximately 76% (632 million euro) related to open-end pension funds, where Gruppo Intesa maintained the leadership in terms of both assets (approximately 25%) and new subscriptions (approximately 28%).
Funding activities recorded a generally positive performance, with particular reference to open-end pension funds, that registered an approximately 25% increase over the twelve months. The first half closed with a net income of 0.1 million euro, compared to a loss of 0.2 million euro in the first half of the previous year.

Setefi, specialised in management of electronic payment systems, further expanded its activity, with an increase in total transaction volumes close to 10%.
The number of directly-issued or managed cards exceeded 3 million while proprietary and third-party POS terminals reached approximately 107,000. The company closed the first half with a net income of 13 million euro, in line with the result of the first half of 2004.

Intesa Private Banking closed the first half in which it was fully operational with a net income of approximately 15 million euro, compared to a loss of 2.9 million euro in the first half of the previous year; the latter figure, however, was not directly comparable because it mainly reflected the expenses linked to the organisational and corporate restructuring.
Considering that company operations increased following the gradual transfer to the new bank of Banca Intesa's private customers, all statement of income aggregates recorded substantial rises. As at 30th June 2005, assets highlighted indirect customer deposits of over 18 billion euro, of

which managed funds amounting to almost 12 billion euro and direct customer deposits amounting to 660 million euro.

In the first half of 2005 **Banca Intesa Mediocredito** recorded a net income of 29.4 million euro, up by 35.7% on the consistent figure in June 2004. This result was determined by a 4.4% increase in net interest income partly eroded by the reductions in net fee and commission income and in the result on trading activities. The company's typical operating sectors were greatly affected by the poor economic situation. The rise in operating costs led to an approximately 6% lower operating margin. However, net adjustments to loans and receivables, significantly lower than those of the first half of 2004, led to a net income exceeding that of the same period of the previous year.
Balance sheet figures show, compared to December 2004, a 4.3% reduction in loans to customers (12,866 million euro) and a related contraction in customer deposits (-37.7% to 888 million euro).

Banca CIS closed the statement of income for the first half of 2005 with a net income of 7.3 million euro, with a 4% increase on the consistent figure for the first half of 2004. The contraction in net interest income (-6.6%), due to structurally lower unit margins, and in net fee and commission income (-15%), resulting from no non-recurring income, determined an 8% reduction in operating income. Containment of operating costs (-0.6%) and write-backs of loans and receivables led to a 3.2% rise in net income before tax.
The balance sheet highlighted loans to customers of 1,281 million euro (+4.8% compared to as at 31st December 2004), whereas net interbank funding – almost 90% of total net funding – reached 955 million euro (approximately +17%).

In the first half of 2005 **Intesa Leasing** stipulated, through the network of Group banks, over 8,300 new contracts, for an overall countervalue of 1,356 million euro, with an 8% progress compared to the same figure of June 2004.
50% of these contracts related to the real estate sector, which was the sector with the highest growth rates. As at 30th June 2005, loans to customers, almost entirely generated by leasing operations, reached 6,269 million euro (+2.2% on December 2004). As to the statement of income, the company closed with a net income of 11.3 million euro, slightly lower than the 11.9 million euro of June 2004, as a result of an operating margin in line with that of the first half of 2004 and of higher net adjustments to loans and receivables.

Corporate Division

The Corporate Division operates in the management and development of relations with mid and large Italian and international groups, the State and public administrations and with financial institutions. The Corporate Division also coordinates factoring and tax collection activities performed by Group subsidiaries.
In the first half of 2005 the Division highlighted a moderate rise in operating margin (+1.2% to 506 million euro), whilst income before tax from continuing operations recorded a more significant performance reaching 429 million euro with an increase exceeding 14%.
The Division's balance sheet shows a decline in loans to customers to 39,978 million euro and an increase in direct customer deposits, including securities issued, to 32,713 million euro.

Within the Division, **structured finance** activities were characterised by the closing of a series of important deals, in all main sectors.

The ***project finance*** sector continued to structure funding for specific, highly-complex and extremely large investment projects, in sectors characterised by high capital intensity. During the first half operations were performed in the TMT (Telecom, Media, Technology) sector, where Banca Intesa played the role of Mandated Lead Arranger for funding initiatives in the telecom industry (Towertel, H3G in Sweden), and in the electricity (Edipower and Api Energia) and oil and natural gas (Qalhat LNG) sectors.

Also activities in the ***real estate*** sector continued, with the aim of assisting customers in developing and capitalising on the value of real estate projects and in structuring the required financing. In detail, with regard to advisory activities, the first half of the year registered an expansion towards the public administration –

noteworthy was the mandate regarding the real estate assets owned by the City of Rome – and mid-corporate customers. Within financing activities, three new operations were implemented amounting to approximately 1 billion euro.

In the ***leveraged & acquisition finance*** sector important funding operations were structured, with particular reference to the organisation and issue of credit facilities in support of corporate customers and private equity funds, among which noteworthy are the facilities in favour of Guala closures, IP Cleaning and the participation in the operations related to Seat Pagine Gialle and Cesare Fiorucci.

With regard to ***securitisation*** activities, in the first half of 2005 Banca Intesa structured and participated in the placement of the securitisation connected to the disposal of the real estate assets owned by the City of Rome and to the second operation on the health receivables of the Lazio region. Moreover, in the corporate sector, the Bank operated as sole arranger and sole bookrunner in the securitisation of Privata Leasing receivables. Within conduit Asset Backed Commercial Paper (ABCP) activities, where Banca Intesa has been active for a few years, new warehousing activities were initiated during the first half, through Duomo Funding, the company established at the end of 2004. These activities enable customers, with modalities similar to those used in securitisations, to finance the build up of a loan portfolio to an adequate size for the subsequent placement in bond markets.

With regard to ***structured export finance*** activities, traditional support to Italian exporters continued mainly addressed to developing Countries. During the period four mandates were acquired, three of which in Iran (Mapna Italia, Irasco and Danieli) and one in Turkey (AnsaldoBreda), and documentary negotiation of three other important projects was completed.

Within **syndication** activities, important operations with Banca Intesa as sole bookrunner and joint bookrunner were concluded, consolidating its position in international rankings (in terms of volumes).

Also **advisory activities** continued in relation to operations of extraordinary financing addressed to selected customers in the mid-corporate and "Public & Infrastructure Finance" segments. Particular attention was paid to the support of companies involved in development plans through acquisitions, as well as to privatisation and merger programmes in the local utilities sector.

Banca Intesa's **merchant banking** activities in the first half of 2005 developed in the three operational areas: private equity, institutional equity investments and investments in private equity funds. As at 30th June the private equity portfolio amounted to 242.7 million euro for a total of 38 equity investments. The significant operations of the first half included the collection of extraordinary dividends from Mirror International, linked to the sale of Eutelsat, as well as the subsequent sale of Mirror International, owned both directly and through the subsidiary PEI.
Institutional equity investments amounted to 1,279.4 million euro, of which 383.7 million euro invested through the subsidiary PEI. Finally, with regard to activities in private equity funds, against an overall commitment of 368 million euro as at 30th June 2005, 196.1 million euro were already invested, of which 67.1 million euro related to investments made by PEI.

In the first half of 2005, **Banca Caboto** played a leading role in the primary bond and equity market. It was ranked in second position among Italian banks in the equity market by participating in various placement operations. As to the secondary market, activities in Government and corporate bonds were affected by a general contraction in spreads, whilst positive results were achieved in equity trading, in terms of both revenues and traded volumes. Activities in interest rate derivative products recorded a slowdown, whereas activities in equity and structured derivatives registered a good performance. Finally, noteworthy were the significant increase in the volumes of equity structured products and the higher profitability achieved through equity financing operations.
In such context, the statement of income for the first half highlighted a substantial rise in net fee and commission income (approximately +51%) for both equity origination and bond market activities. Profits on trading instead declined (approximately

-12%), due to lower contributions from the securities portfolio and from interest rate derivatives. Operating costs decreased by approximately 6%, also as a result of cost optimisation in the equity origination area and lower costs for consultancies and administrative services. Net income amounting to 24 million euro evidenced an approximately 48% reduction from the consistent figure, attributable to certain non-recurring losses and provisions and, more significantly, to the prudential decision not to record pre-paid taxes on dividends, in view of the uncertainty of the current legislative context.

In consideration of the peculiarities characterising factoring activities, that are not regulated by specific IAS/IFRS, **Intesa Mediofactoring** has not drawn up the half-year report 2005 on the basis of international standards. However, for the preparation of the Consolidated report as at 30th June 2005, the company drew up the compulsory financial statement forms based on the Group accounting principles which are in line with IAS/IFRS.
In an unfavourable context for the sector, which in Italy highlighted a 14% overall contraction in turnover, the statement of income for the first half of 2005 drawn up in accordance to IAS/IFRS recorded a net income of 22 million euro, with a 3.4% increase on the consistent figure for the first half of 2004. The reduction in intermediated volumes and in average loans negatively affected net interest income (-8.6%) and also influenced net interest and other banking income, despite the rise in net fee and commission income (approximately +4%). Lower net adjustments to loans and receivables (approximately -21%) entirely absorbed the increase in operating costs (+7%).
The company's statement of income, drawn up in accordance with national accounting principles, closed with a net income of 20 million euro.

In consideration of the peculiarities of their activities, also the Group tax collection companies have not drawn up the half-year report 2005 on the basis of IAS/IFRS. However, for the preparation of the consolidated financial statements, their results were restated according to international accounting principles. The statements of income of the companies in the sector – **E.Tr.**, **Esa.Tri**. and **S.Es.I.T.** – were heavily affected by the fact that the legislative provision quantifying the additional compensation for tax collection activities for companies licensed to collect taxes has not yet been passed. Negative results were therefore recorded for the first half both by Esa.Tri. (-2.8 million euro) and by S.Es.I.T. (-4 million euro), whereas E.Tr. closed with a positive result (7.2 million euro) only due to the collection of approximately 16 million euro of dividends from Esa.Tri. related to 2004.
On the basis of Italian accounting principles the tax collection companies evidenced a 3.7 million euro loss for Esa.Tri., a 4 million euro loss for S.Es.I.T., while E.Tr. posted a net income of 5.5 million euro.

Société Européenne de Banque recorded a net income of approximately 4 million euro, with a significant increase on the consistent figure of 1.2 million euro in the first half of 2004, as a result of the effectiveness with which the company continues to operate in the Luxembourg financial market, mainly in support of corporate customers as well as in the private banking and mutual fund management areas.

Intesa Bank Ireland operated profitably in the wholesale banking sector, even after the considerable downsizing of the exposure towards large multinationals implemented in the previous year. After this repositioning, the statement of income for the first half of 2005 closed with a net income of 6.3 million euro, which was therefore not comparable with the more favourable figure registered in the first half of 2004.

Zao Banca Intesa, the bank recently established to assist Italian enterprises operating in the Russian market and those interested in operating there, offering commercial and financial services to corporate customers, closed the first half of 2005 with a contained loss (0.4 million euro, down from the loss of 1 million euro as at June 2004), attributable to start-up costs and to the costs related to the strengthening of its operating structures.

Italian Subsidiary Banks Division

Italian subsidiary banks performing retail banking activities report to the Italian Subsidiary Banks Division. They are medium or small-sized banks, with a markedly

local vocation that, operating through approximately 900 branches in strict coordination with the Retail Division of the Parent Company, pursue the optimisation of all possible synergies in the field of commercial initiatives.
In the first half of 2005 the Division's banks further raised their efficiency and profitability, taking advantage of their key strengths, mainly represented by their lean operating structure and widespread presence in their territory. In particular, operating margin amounted to 394 million euro (approximately +21% on the first half of 2004) and income before tax from continuing operations equalled 328 million euro (+32.3%). Balance sheet figures highlighted loans to customers of 23,305 million euro (+6.1%) and direct customer deposits - including bonds issued - of 23,842 million euro (+2.4%).

In the first half of 2005 **Cassa di Risparmio di Parma e Piacenza** registered a net income of 101 million euro, 24% higher than the figure of the first half of 2004. This result was mainly attributable to the positive trend of operating income (+11.3%). In detail, net interest income increased (+2.3%) due to higher intermediated volumes that offset the reduction in spreads, whereas net fee and commission income recorded a rise (+4.1%) attributable to bancassurance activities and to the revenues linked to the placement of bonds issued by Group companies. Furthermore, profits on trading – tripling the comparative figure – also benefited from disposal of financial and real estate assets. The favourable trend of revenues allowed to absorb the contained increase in operating costs (+2.5%), mainly determined by an expansion in the bank's operations, leading to a significant improvement in operating margin (+19%). Higher provisions for risks and charges were balanced by lower net adjustments to loans and receivables, that however allowed to raise the level of coverage both for non-performing loans and for the protection of performing loans.
Main balance sheet aggregates increased: loans to customers to 11,106 million euro (+6.6%), direct customer deposits to 12,154 million euro (+5.1%) and indirect customer deposits to 26,231 million euro (+10.3%).

Banca Popolare FriulAdria closed the first half with a net income of 29 million euro, 37% higher than the figure of the first half of 2004. This result benefited from the combined effect of higher operating income (+3%) and of lower administrative costs (-3.6%). With regard to revenues, increases in net interest income (+4.5%), due to higher intermediated volumes, and in other operating income, also due to non-recurring components, fully absorbed the reductions in net fee and commission income (-2.3%), determined by lower contributions from asset management and brokerage and in profits on trading (-36.3%), which was affected by the valuation of assets held for trading. Attentive control of operating costs led to savings in personnel expenses (-4.4%) and contained administrative expenses (-0.4%). The result for the period was positively influenced by profits generated by the disposal of real estate assets and by lower adjustments to non-performing loans (-2 million euro), which more than balanced higher provisions for risks and charges (+6 million euro).
Balance sheet aggregates highlighted increases both in loans to customers (+3.3% to 3,490 million euro) and in direct customer deposits (+1.7% to 2,839 million euro), whilst indirect customer deposits confirmed the 2004 balance sheet figure (-0.2% to 5,139 million euro).

Banca di Trento e Bolzano closed the statement of income for the first half with a net income of 8.7 million euro, with a significant increase on the 6 million euro of the first half of 2004. Net interest income (approximately +21%) and net fee and commission income (approximately +9%) recorded good performances due to higher intermediated volumes. Also trading activities registered a positive result benefiting from the sale of Government securities classified as assets available for sale. The positive trend of net operating income allowed to fully absorb higher operating costs (+7%) linked to the bank's expansion and higher provisions for risks and charges (2.3 million euro, *ex* 0.2 million euro) related to legal disputes and revocatory actions. Therefore, income before tax from continuing operations registered a 39% rise.
As to the balance sheet, loans to customers recorded a 5.3% increase, from the end of 2004, to 1,809 million euro, whereas direct customer deposits suffered an 8.7% reduction to 1,542 million euro, exclusively attributable to the cease of treasury services for the Bolzano province. The closure of that

relation also determined a decline in indirect customer deposits, down by approximately 12% to 1,917 million euro. In the first part of the year the bank finalised a capital increase, specifically aimed at broadening the company's shareholder base. Capital rose from 134 million euro as at the end of 2004 to 154 million euro, with the entry of approximately 1,200 new shareholders.

In the first half **Cassa di Risparmio di Biella e Vercelli** posted a net income of 14 million euro, 52.2% higher than the corresponding figure as at 30th June 2004. The improvement was due to the increase in revenues, regarding both net interest income (+15.5%), mostly in the customers and securities component, and net fee and commission income (+19.2%), related not only to traditional banking activities but also to services, including in particular commissions on insurance products. Notwithstanding the negative result of trading activities in financial markets, operating income recorded a rise of 10.4% and operating margin of 19.1%, with administrative expenses registering a contained increase (+3.1%), also following the adoption of the new national labour contract. Finally, net adjustments to loans and receivables recorded a 10.8% reduction from June 2004.
Compared to the end of the previous year, balance sheet figures showed a rise in loans to customers to 2,136 million euro (+5%) against a moderate decline in direct customer deposits to 2,212 million euro. Indirect customer deposits (3,231 million euro) recorded a 5.9% expansion, with customers confirming their preference for bancassurance products.

The Saving Banks in Central Italy, united under the control of **Intesa Casse del Centro**, registered better overall results due to higher income and lower costs.
In fact, the aggregates highlighted a generalised increase in net interest income and in net fee and commission income, a virtual stability of operating costs and a downward trend in net adjustments.
The Saving Banks, considered on a single basis, registered the following net incomes: Cassa di Risparmio di Viterbo, 12.1 million euro (+52.9%), Cassa di Risparmio di Ascoli Piceno, 9.2 million euro (+31.6%), Cassa di Risparmio di Terni e Narni, 7.5 million euro (+52.8%), Cassa di Risparmio di Rieti, 7 million euro (+51.3%), Cassa di Risparmio di Foligno, 5.3 million euro (+72.1%), Cassa di Risparmio di Spoleto, 4.6 million euro (+45%) and Cassa di Risparmio di Città di Castello, 1.9 million euro (+70%).
Compared to the figures as at December 2004, the main balance sheet figures showed, on an aggregate basis, a significant rise in loans to customers (4,763 million euro, +7.5%) and a more contained increase in customer deposits (5,394 million euro, +1.8%). Indirect customer deposits registered a good progress to 5,051 million euro (+5%).

International Subsidiary Banks Division

Positive results were also achieved by the Group entities operating in foreign markets, particularly in the Eastern-European Countries, which present the most attractive growth opportunities. The Division coordinating foreign subsidiaries recorded an operating margin of 241 million euro (+22.3%) and an income before tax from continuing operations of 184 million (+25%).
The Division's balance sheet figures recorded loans to customers of 11,885 million euro (+10.3%) and direct customer deposits, including securities issued, of 14,052 million euro (+5.4%).

The Hungarian economy, after an initial slight downturn in the first quarter of 2005, recovered in the second part of the first half mainly following the improvement of industrial production and the strengthening of foreign and domestic demand. In such context, the **Central-European International Bank** group registered a net income for the first half of 43.8 million euro, 35% higher than that of the same period of 2004. Net interest income increased (+9.1%) and net fee and commission income recorded an even higher growth rate (+20.5%). Also profits on trading were far higher than in the same period of 2004. As to charges, impairment losses on loans and receivables continued their downward trend (-25.4% on the same period of 2004), whereas operating costs evidenced an increase that was directly connected to the expansion of the group's operations especially in the retail sector.
Compared to December 2004, balance sheet aggregates registered an increase both in loans to customers (4,453 million euro, +10.5%) and in direct customer deposits (3,190 million euro, +20.5%).

In the first half of the year, the Croatian economy highlighted a slowdown even if a recovery of the main indicators is expected for the second half of the year. In this scenario, the **Privredna Banka Zagreb (PBZ)** group closed the first half with a net income of 55 million euro (approximately +17%). This result was due to the good performance of net interest income (+5.7%) and profits on trading (+26.4%) as well as to lower net adjustments to loans and receivables. Among the other economic components, net fee and commission income practically remained at June 2004 levels, whereas operating costs recorded a slight decline.
Compared to December 2004, the main balance sheet items highlighted a good rise in loans to customers (3,579 million euro, approximately +13%) and in direct customer deposits (+6.6% to 4,230 million euro).

Even if slowing down compared to the same period of last year, the Slovakian economy continued to record growth rates among the highest in Central-Eastern Europe, mainly due to strong domestic demand. In such context, the **Vseobecna Uverova Banka (VUB)** group posted a net income of 48.1 million euro, with an approximately 42% increase on June 2004. This result was achieved through rises in net interest income (+12.7%) and in net fee and commission income (+23.9%), mainly in the asset management and credit cards sectors, whilst a 7.3% decline was recorded in profits on trading, mainly as a result of shrinking foreign exchange margins. Net impairment losses on loans and receivables practically confirmed the same trend of the first half of 2004, whereas an increase was registered in operating costs, also due to higher personnel expenses linked to the strengthening of the managerial component.
Compared to December 2004, balance sheet aggregates showed a recovery in loans to customers that, at 1,823 million euro (+2.1%), made up the decline recorded in the first quarter. Customer deposits stood at 4,258 million euro, down by 3.1% on the figure as at the end of 2004.

In the first half of 2005 the Peruvian economy, where Gruppo Intesa is present with **Banco Wiese Sudameris (BWS)**, was characterised by higher growth in domestic demand and by stability in main macroeconomic indicators. The South-American subsidiary is not obliged to adopt IAS/IFRS; however, for the preparation of Banca Intesa's consolidated financial statements, the statement of income and the balance sheet of BWS and of its subsidiaries were redetermined in accordance with those principles.
In the first half of 2005, Banco Wiese Sudameris (BWS)'s consolidated financial statements showed a net turnaround, compared to the same period of the previous year and contributed to Gruppo Intesa a net income of 4.4 million euro against a loss of 2 million euro in June 2004.
Revenues showed increases both in net interest income (approximately +4%) and, of a much greater magnitude, in net fee and commission income (approximately +40%). Higher impairment losses on loans and receivables was virtually offset by lower operating costs enabling BWS to maintain almost unchanged the improvements in income achieved by operating activities.
The main balance sheet items highlighted increases both in loans to customers (1,344 million euro, approximately +24%) and in direct customer deposits (1,883 million euro, approximately +17.2%).
On the basis of the local accounting principles the first half closed with a net income of 4.8 million euro.

Also **Banca Intesa (France)** is not obliged, on the basis of local regulations, to adopt IAS/IFRS starting from 2005 financial statements. However, for the preparation of the Group's consolidated financial statements, the company drew up a specific IAS-compliant reporting package, which exposed the statement of income of the subsidiary to the volatility linked to the fair value of securities and derivatives. Moreover, the first half of this year did not benefit from the important write-backs of adjustments to loans that had been registered in the same period of 2004, and therefore closed with a net income of 2.9 million euro against a net income, on a consistent basis, of 9.4 million euro as at 30th June 2004.
Net income, determined on the basis of French accounting principles, was positive for 5.9 million euro.

Central structures

Banca Intesa's central structures guarantee the governance and control of the Group's operating units, sustaining and favouring, at the same time, processes aimed at achieving growth.

Treasury and strategic finance

In 2005 the Bank's net requirement of short-term liquidity, though little higher than in 2004, remained at the low levels reached in previous years. Consequently, **treasury** activities on the interbank market continued to be not particularly intense. Market making activities on short-term derivatives, for which the Bank holds a forefront position at domestic and European level, continued. Volumes traded in the period decreased on average by about one third, compared to the previous year, in line with the market, that recorded a contraction due to very low volatility of short-term interest rates. The gradual expansion of activities in the currencies of Eastern Europe and of other emerging markets continued.

Management of wholesale payments and of connected intraday liquidity registered considerable changes in the previous years, with the gradual adoption of PVP (Payment Versus Payment) and DVP (Delivery Versus Payment) procedures on all the main interbank platforms. The evolution will continue with the adoption of Target 2 the single platform for the Euro Area, for which preparatory studies are under development at system level. The new challenges posed by current changes were faced through the development, now in an advanced stage, of a new integrated platform for the management of flows and of short-term liquidity. With regard to the CLS (Continuous Linked Settlement) system, the pass through services, already activated on Biverbanca and Central European International Bank, will be started within the forthcoming months on Vseobecna Uberova Banka and Privredna Banka Zagreb.

With regard to the proprietary portfolio, during the first half, management activities related to the corporate sector of the trading portfolio have been gradually integrated with the credit derivatives area. This greater integration, combined with a medium-low duration of the portfolio and with a strong diversification of industry and issuer risks, allowed to contain the negative effects of the downgrading of certain car manufacturers.
In the Government bond sector, operations were focused on the Countries in the Euro Area with AAA rating, avoiding the local authorities sector, in order to secure protection from eventual downgrades or further depreciations of Countries deemed to be weaker.

Equity portfolio management was characterised, also during the first half of 2005, by a market-neutral approach. Dynamic stock picking allowed in certain cases to exploit market movements related to specific speculative market situations. The persisting context of low volatility allowed coverage of the portfolio at contained costs. Also the performance of Merger & Acquisition activities was positive, though with limited operating volumes.

Activities related to the alternative investments portfolio was characterised by a virtual recomposition in the asset allocation area by categories and strategies, with a performance, on the whole, positive (approximately +2.7%) despite the unfavourable context linked to the downgrading of certain American car manufacturers.

With regard to **Asset & Liability Management (ALM)** activities, the management of interest rate and liquidity risks is charged to the Finance and Treasury Department, while strategic ALM and monitoring of the aforementioned risks are under the responsibility of the Risk Management Department.
Interest rate risk is measured in terms of sensitivity of market value of positions against changes in the yield curve at various maturities. Exposure to interest rate risk is maintained at modest levels: even significant movements in the yield curve generate virtually negligible variations.
Structural liquidity risk is managed by monitoring cash flows at maturity. The analysis of medium- and long-term mismatchings drives the decisions on bond issues.

With regard to **funding** activities, during the first half of 2005 Banca Intesa raised approximately 6 billion euro on the euro market – within the Medium Term Notes programme – mostly consisting of floating-rate securities in euro (approximately 70% of the total), with a higher concentration on maturities of 5 years (over 40% of the total). Issues of structured securities, targeted to Italian and international institutional investors, amounted to approximately 14% of total operations over the twelve months.

As already mentioned in the chapter dedicated to the important events of the first half, an agreement was signed with Merrill Lynch and Fortress at the beginning of August for the sale of the whole doubtful loans portfolio held by **Intesa Gestione Crediti (IGC)** and of the company's loan

servicing business. This operation which will be completed by the end of the year, will imply a drastic change in the company's assets and liabilities and a change in its mission.
The agreement provides for an adjustment of the agreed price so to attribute to the buyers financial statement effects between the reference date for the valuations and the date when the portfolio is transferred, as well as of the relevant legal expenses.
The effects of these provisions were already taken into account in the company's statement of income for the first half, which closed with a net income of 0.4 million euro, and is, consequently, not comparable with that of the first half of 2004 and of the first quarter of this year.

GEOGRAPHIC AREAS

(in millions of euro)

	Italy		Eastern Europe		Other Countries		Total	
	30/06/05	30/06/04	30/06/05	30/06/04	30/06/05	30/06/04	30/06/05	30/06/04
Operating income	**4,246**	3,931	**440**	411	**291**	223	**4,977**	4,565
Operating costs	**–2,301**	–2,361	**–240**	–214	**–131**	–156	**–2,672**	–2,731
Operating margin	**1,945**	1,570	**200**	197	**160**	67	**2,305**	1,834
Provisions and adjustments	**–346**	–440	**–29**	–41	**–29**	–15	**–404**	–496
Income (Loss) before tax from continuing operations	**1,599**	1,130	**171**	156	**131**	52	**1,901**	1,338
Rwa (billions of euro)	**159.0**	155.6	**11.4**	10.0	**16.1**	15.9	**186.5**	181.5
Allocated capital (billions of euro)	**9.8**	9.6	**0.7**	0.6	**1.0**	1.0	**11.5**	11.2
Income from continuing operations on allocated capital (%)	**32.6%**	23.5%	**48.9%**	52.0%	**26.2%**	10.4%	**33.3%**	24.0%

Comparative figures calculated using IAS/IFRS including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.
Breakdown by geographic area is carried out with reference to the Country of residence of Group entities.

(in millions of euro)

	Italy		Eastern Europe		Other Countries		Total	
	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04
Loans to customers	**139,044**	140,614	**9,893**	9,073	**8,765**	7,743	**157,702**	157,430
Due from banks	**9,781**	15,794	**2,836**	2,753	**14,035**	10,010	**26,652**	28,557
Due to customers	**89,814**	94,230	**11,109**	10,682	**17,158**	9,337	**118,081**	114,249
Due to banks	**22,184**	25,079	**3,694**	3,152	**7,372**	6,096	**33,250**	34,327
Securities issued	**51,064**	53,893	**444**	123	**3,191**	1,407	**54,699**	55,423

Comparative figures calculated using IAS/IFRS including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.
Breakdown by geographic area is carried out with reference to the Country of residence of Group entities.

The geographic areas

Gruppo Intesa has its strongest point in the domestic market, with particular presence in the North-Western and North-Eastern areas. In fact, approximately 84% of both operating margin and income before tax from continuing operations was generated in Italy. Eastern-European markets, that constitute the most attractive foreign operating area, contributed for almost 9% of the total. Also the ratio between income before tax from continuing operations and capital employed, close to 50%, testified the positive performance of Eastern-European Countries.

Likewise, also balance sheet aggregates were mainly generated by the Italian market. Loans granted by the domestic network represented 88% of the consolidated total, whereas loans granted by Eastern-European Countries represented over 6%. Approximately 82% of customer deposits, including debt securities issued, was collected by the Italian operating network whilst approximately 7% was attributable to Eastern-European subsidiaries.

Risk management and the controls system

Banca Intesa has prepared a risk control system for the purpose of ensuring reliable and sustainable value creation in a context of controlled risk, protecting the Group's financial strength and reputation as well as permitting a transparent representation of the risk profile of its portfolios.

The company functions in charge of monitoring risks and control systems – the ***Risk Management, Credit and Internal Auditing Departments*** – operate in close contact with the functions in charge of operating units within certain Committees which have the role of monitoring the various risks profiles and the correct functioning of the monitoring mechanisms based on rigorous separation criteria.
The most significant committees are: the Internal Control Committee, the Group's Financial Risk Committee, the Liquidity Committee. Other risk checks are placed directly in contact with the Bank's day to day operations: Credit Committee, Risk Meeting, New Product Committee.

Risk management

Risk management activities are aimed at guaranteeing the constant monitoring of the main risks, regulatory compliance and an effective support of the decision-making process via:

- the rigorous and timely measurement of market risks (trading and banking book), structural interest rate and liquidity risks, credit risks (trading and banking book), Country risk and operational risk. Adopted methodologies provide an integrated representation of the various risk profiles; analyses are conducted mainly on positions in the books with reference to historical and normal market conditions and are supplemented by portfolio analyses and stress test estimates, what-if and scenario simulations;
- the definition of valuation parameters and rules for contracts subject to marking-to-market and fair value, as well as direct valuation when this may not be obtained from standard tools available for the business units;
- the interaction with Supervisory authorities for the validation and maintainance of internal models as well as, in this phase, the adequacy verifications with respect to the New Capital Accord (Basel II);
- the information support to the company's planning department and to top management so that the Bank's operations may be conducted in a context of controlled risk and it is possible to assess value-generation via the measurement of "expected loss" and "capital at risk";
- the close collaboration with the operating units to extend risk management methodologies to services offered to customers;
- the support to communication to pursue the objectives of transparency with customers and the market.

Market risks

The activities for the quantification of trading risks is based on daily estimates of operating VaR (Value at Risk) used to assess the sensitivity of the trading portfolios to adverse market movements relatively to the following risk factors: interest rates, equity and market indices, foreign exchange rates, implicit volatilities, spreads in Credit Default Swaps. These estimates are calculated based on simulations of past time-series, a 99% confidence level and one-working day holding period; delta-gamma-vega VaR is also calculated for the structured equity positions of Banca Caboto. This methodology sets out the full-revaluation of all the trading contracts based on the past returns of the risk variables, weighted with exponential formulas. VaR is complemented by the calculation of other risk indicators (such as PV01, Credit Sensitivity CS01, Vega1%, directional stress tests, correlation stress tests, inflation stress tests) which improve the accuracy of the risk profiling, especially in presence of non-linear components. VaR is periodically compared with the daily profit and loss results actually realised by the trading desks for the purpose of backtesting the model. As already described in previous reports, the Supervisory authority validated the internal models for the measurement of capital absorption of Banca Intesa (2001) and Banca Caboto (2003), as well as the model relative to credit default swaps (2004).

In the first half of 2005 market risks originated by Banca Intesa and Banca Caboto showed a growth which led period-end VaR to 20.9 million euro (average for the first half of 2005), up from the figure of the end of 2004, of 15.4 million euro (average for the fourth quarter of 2004). This risk exposure was measured summing up past time-series simulation VaR (99% confidence level and one-working day holding period), VaR of structured equity portfolios of Banca Caboto (99% confidence level and one-working day holding period), risk of the alternative investments portfolio and the stress tests applied to illiquid parameters (correlation and inflation).

Daily value at risk (VaR) of the trading portfolio of Banca Intesa and Banca Caboto

(average values in the period in millions of euro)

	1st half 2005	4th quarter 2004
Banca Intesa	18.8	13.1
Banca Caboto	2.1	2.3
Total	**20.9**	**15.4**

The breakdown of risk profile in the first half of 2005 with regard to the various factors showed for Banca Intesa, the prevalence of equity risk (49% of overall VaR) and for Banca Caboto, of interest rate risk (38% of the total).

Contribution of risk factors to overall VaR

(period-end percentage on area total)

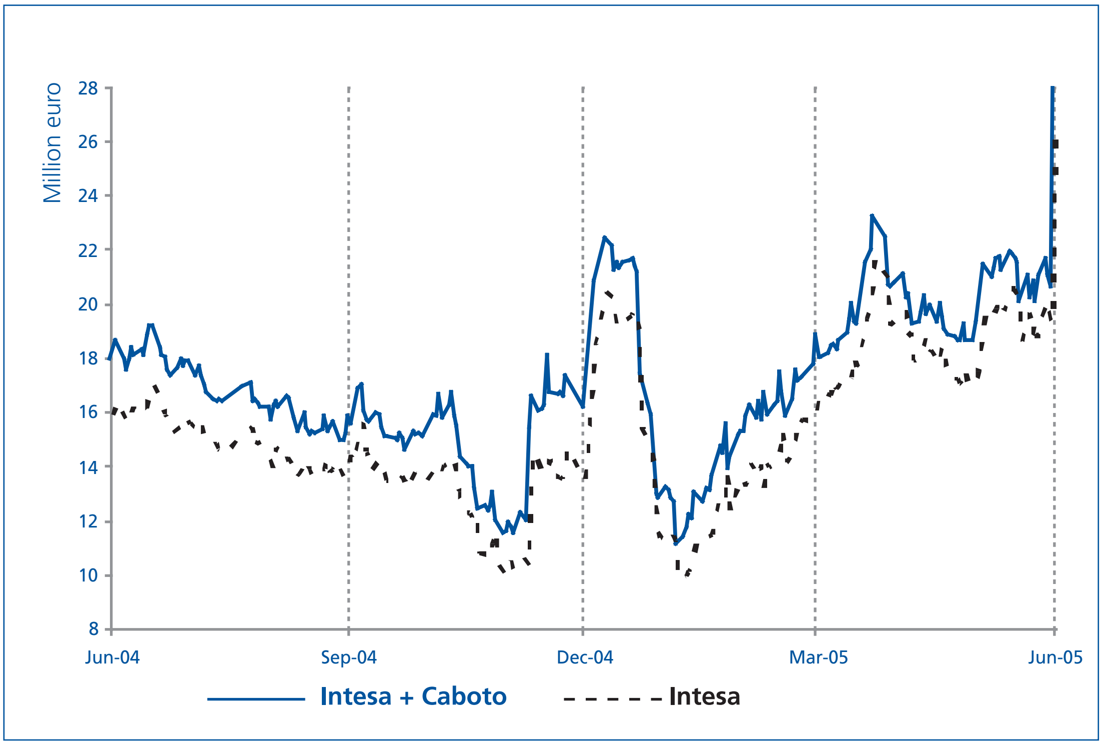
	Shares	Funds	Rates*	Foreign Exchange	Illiquid parameters
Banca Intesa	49%	18%	31%	2%	0%
Banca Caboto	34%	0%	38%	0%	27%
Total	**48%**	**16%**	**31%**	**2%**	**3%**

** inclusive for Banca Intesa of VaR of single name trading CDS.*

In the first half of 2005 the portfolios of Banca Intesa recorded a growth due to the equity component, for relative value and volatility trading strategies. A slight increase was recorded in mutual fund exposure while the interest rate component was stable on average. The contribution to risk profile of the operations in Milano continued to be considerably higher than that made by foreign offices (concentrated on trading on interest rates and foreign exchange rates). Instead, Banca Caboto's risk profile remained stable on the level for the period: interest rate risk decreased with respect to to the values at the beginning of 2005.
The following graph shows the aforementioned trend of market risks for the portfolios of Banca Intesa and Banca Caboto (the daily results indicated below do not contain the weekly estimate of the stress tests applied to illiquid parameters).

It must be noted that, towards the end of the second quarter, the application of the new IAS-compliant definition of assets held for trading, led to a marked increase in VaR. This is due, in particular, to the inclusion – conventionally set at the end of the semester – among assets held for trading, measured at fair value, of equity investments previously in the investment portfolio and, therefore, valued at cost.

Market risks trend - Daily VaR 99%, in milions of euro



In the period, average use of operational limits sub-allocated to organisational units equalled 54% in Banca Intesa and 29% in Banca Caboto.

Credit derivatives

Default risk on single name CDS activities is monitored with a monthly CreditVar, carried out on the trading portfolio: at the end of the first half CreditVaR totalled 29.6 million euro (one-year holding period and 99% confidence level). The methodology used is based on simulation of portfolio value assuming numerous scenarios of deterioration of counterparty creditworthiness and underlying securities. Market risk generated by credit spread volatility on single name and index CDS trading activities is instead monitored using daily spread VaR: at the end of June time-series simulation VaR totalled 1.95 million euro. The rise in VaR is attributable to an increase in spread volatility during 2005 and to certain single name positions which are in any case hedged by other financial instruments (such as credit structured or fixed-income securities). Breakdown of the portfolio confirmed an appreciable diversification with the significant weight of European and US corporate indices. Trading in credit derivatives also includes activities in Collateralized Debt Obligations (CDO) concentrated in the trading book and, in terms of notional, was mainly made up of synthetic senior and supersenior positions (with AAA rating). The risk generated by CDO is monitored starting from the spread of the single companies which make up the underlying portfolio and simulating the default timing based on MonteCarlo simulation. The potential impact is applied to the single *tranches* via the reconstruction of loss distributions.

Issuer and counterparty risk

Issuer risk in the trading portfolio is analysed in terms of mark to market, by aggregating exposures in rating classes and is monitored using a system of operating limits based on both rating classes and concentration indices. Counterparty risk, measured in terms of substitution cost, is monitored in terms of both exposures and sector and risk class aggregates.

ALM and liquidity risk

An ALM system capable of managing hedge accounting consistently with international accounting standards was realised at the beginning of 2005. Exposure to interest rate risk is maintained at modest levels, far lower than the thresholds indicated by the Basel Committee: even significant movements in the yield curve generate virtually negligible variations with respect to supervisory capital. Sensitivity analysis is combined with sensitivity of net interest income, concentrated on income variations in the subsequent twelve months.
The introduction of international accounting principles facilitated a vision of interest rate risk in the banking book consistent with that used in monitoring market risks. A Liquidity Policy System and a Contingency Liquidity Plan are also operational and set out, among other things, the presence of a Liquidity Committee with the task of orienting decisions relative to the management of the Bank's liquidity position. Monitoring of daily liquidity indicators related to the performance of financial markets and specific to Banca Intesa did not show any tensions in the period under examination.

Credit risk

The activities for the implementation of the New Capital Accord, generally referred to as Basel II, continued in the first half of 2005. The current phase of Gruppo Intesa's project sets out the refocalisation on the main requisites for the validation of the internal model, in terms of methodologies, data and related IT processes, in order to implement within the end of the year the necessary solutions for the subsequent adoption of the IRB Advanced approach. Furthermore, verification activities with Supervisory authorities continue, as part of the prevalidation process of the adopted solutions, for the start of the parallel calculation of capital absorptions starting from 2006. This calculation will involve the segments which are part of the validation area; this is a necessary step for the subsequent introduction of reporting made in compliance with the new provisions set out in the Accord. Currently the internal ratings developed in the Basel II project cover at operational level approximately 90% of borrowing counterparties.

In parallel, with respect to the estimates produced for the New Capital Accord, as set out by pillar two, the Risk Management Department is developing a system for the measurement of economic capital in terms of CreditVaR, consistent with the solutions already adopted by the Bank for market risks. This system enables to combine estimates for regulatory purposes with operating valuations, better suited to represent the effective risk profiles of the company's portfolios. CreditVaR calculation also guarantees a support for the management of credit risk and of allocative and commercial policies, even in adverse market conditions, via specific stress testing. In the first half of 2005 *ad hoc* analyses have been conducted with Supervisory authorities and the International Monetary Fund which confirm the Group's capacity of facing any crisis on the international or domestic markets.
With reference to the application of IAS/IFRS, Banca Intesa completed the integration with the procedures developed as part of the Basel II project. In this context, the estimates of the risk components PD (Probability of Default) and LGD (Loss Given Default) are included in the process of collective measurement as segmentation factors of loans to customers and in the determination of the percentage write-down to be applied to the performing loan portfolio. The common starting point of such figures ensures the methodological convergence of the two calculations and at the same time a greater consistency between estimated provisions for accounting purposes and the quantification of the capital requirement for supervisory purposes.

The portfolio credit risk of large international customers, continues to be monitored weekly, also via the production of a synthetic risk index which may be used to start the problem loan procedure for riskier customers. The quality of this group of counterparties is constantly improving, with respect to both the same period of the previous year and December 2004. The portion of investment grade borrowers progressively increased as concerns agency ratings and probability of default (Expected Default Frequency-EDF).

The average quality of the portfolio improved especially in terms of EDF, which decreased from 0.49% in December to the current 0.25%, due to the widespread reduction of the risk of individual borrowers and the recomposition of the portfolio in favour of lower-risk classes.

Assessment of creditworthiness of sovereigns is based on an Internal Country Rating model which is used quarterly to update the rating of over 190 Countries (at risk and not at risk). This model is based first of all on an analysis of the ratings issued by the main agencies (Moody's, S&P's and Fitch) and the main macroeconomic indicators relative to the single Countries; the analysis also includes an indicator of the political situation of the Countries analysed and an indicator of the perception of Country risk by the international financial markets (Moody's Market Implied Rating). In the first half of 2005 Banca Intesa's credit portfolio – as concerns Country risk – was concentrated in Countries with high ratings. In fact, as at 30th June 2005, 75% of overall exposure related to investment grade Countries and, in particular, with A+/A- rating (37% of the total). The rating of the portfolio was practically unchanged during the period, (in particular the average rating remained BBB+), even though the exposure to speculative grade Countries rose by 5% with respect to the end of March.

Operational risk

The management of Operational Risk is a key ingredient for the achievement of the targets set out in the new Business Plan and for image protection: the Bank therefore invested considerable resources for the formation of a Group framework to support active operational risk management and to comply with the requisites for the use of the Internal AMA (Advanced Measurement Approach) model which estimates the capital requirement for Operational Risk from the inception of the New Capital Accord (Basel II). This framework, implemented for the whole Group, is based on a governance model, which defines roles and responsibilities and on methodologies and instruments, which permit to calculate the risk exposure for each of the Bank's operating units. The guiding principle of the framework assigns responsibility over the identification, analysis and mitigation of risks to the Organisational Units. Within such units professionals have been identified, responsible for feeding the model, managing at local level operational risks and reporting. All programmed activities are carried out under the coordination of the Risk Management Department which is responsible for implementation and mantainance of the framework, measurement and monitoring of the risk profiles, verification of effectiveness of mitigation measures and reporting activities. In the first half a gap analysis was conducted to verify implementation at each organisational unit and to identify the areas which require interventions. Banca Intesa's Internal Model is structured so to integrate the results deriving from qualitative analyses based on self risk assessment and quantitative analyses, from statistical calculation of loss data. During the first half the qualitative approach was strengthened with a series of instruments for the back-testing of results and for the verification of consistency and representativeness of estimates; sensitivity and stress-testing analyses have also been developed for assessing the robustness and stability of the estimates determined by quantitative analysis, especially as concerns the integration of external data in the framework. A significant component of the framework and a fundamental support element for the internal model is the technological platform, further consolidated in the first half.

Credit granting process

The 2003-2005 Business Plan indicated as strategic objectives the improvement of asset quality and risk profile, to be pursued via the recomposition of the investment mix, aimed at increasing assets allocated to retail activities (which include small and medium-sized companies) and reducing the incidence of exposure to large corporates, in particular, foreign large corporates financed from foreign subsidiaries. The new 2005-2007 Business Plan, which pursues Group growth objectives, does not entail significant changes in the current asset mix. The main growth areas for operations with the corporate segment are i) the mid-corporate segment, ii) Public Administrations, and in general iii) infrastructures.

The improvement of loan portfolio quality is pursued by specific operating checks for all the phases of loan management (analysis, granting, monitoring, managing non-performing loans). The management of credit risk profile is pursued starting from the analysis and granting phases via:

– checks on the existence of the necessary conditions for creditworthiness, with particular focus on the client's current and prospective capacity to produce satisfactory income and congruous cash flows;

– the assessment of the nature and size of proposed loans, considering the actual requirements of the party requesting the loan, the course of the relationship already in progress with the Group and the presence of any relationship between the client and other borrowers;

– the search of a structure of loans so to favour the flow of operations to be carried out on the specific fiduciary relationship and, possibly, via cross selling of banking products and services.

The internal rating, introduced in Banca Intesa's operating activities in 2004, is prescriptive in the granting and monitoring of positions to the various customer segments. In fact, such positions, if they present a PD (Probabilty of Default) exceeding a predetermined threshold, must be approved by a higher competent body with respect to that determined with ordinary criteria. Consistently with the above-mentioned rule, the automatic review procedure excludes from that process positions with a PD exceeding a predetermined threshold.
In the first half of 2005 the progressive roll-out of the rating system developed by the Parent Company Banca Intesa to subsidiary banks commenced.

Surveillance and monitoring, is currently based on an internal controls system aimed at the optimal management of credit risk.
In particular, such activities are carried out using measurement methods and performance controls that permitted the construction of a synthetic risk indicator, available on a monthly basis. It interacts with processes and procedures for loan management (periodic reviews, loan applications, watchlist loans) and for credit risk control and permits to formulate timely assessments when any anomalies arise or persist. Numerous interventions for the improvement in the performance of the risk indicator were carried out in the first half of 2005 (increase in predictivity of the instrument and reduction in volatility due to erratic movements).

The positions to which the synthetic risk index attributes a high risk valuation which is confirmed over time are intercepted by the Doubtful Loan Process. The latter, supported by a dedicated IT procedure, enables to constantly monitor, largely with automatic interventions, all the phases for the management of anomalous positions.

Furthermore, all fiduciary positions are subject to a specific periodic review carried out for each counterparty/economic group by the competent central or peripheral structures based on the credit line limits; moreover, an automatic *ad hoc* audit procedure is in place for fiduciary relationships of small amounts and with low risk indices.

The Information Portal of the Credit Department, offers both the Retail Division's operating units and the structures of Intesa's Corporate Division access to a wide range of standard reports dedicated to the loan portfolio of competence, updated monthly, and to a series of "Alerts" which enable to identify the potentially-critical situations among those analysed.

The exchange of basic information flows among different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that enable to highlight and analyse credit risks for each single client/economic group both towards Gruppo Intesa as a whole and towards individual Group companies.

Furthermore, a new Client rating procedure is operational as of June 2005 which permits to visualise the probability of default of the individual counterparty and of lists of clients belonging to the interrogating structure (Branches, Areas, Head Office Departments).

Internal controls system and auditing

With reference to internal auditing, the Internal Auditing Department is attributed the responsibility of surveillance on the regular proceeding of the Group's operations processes and risks, assessing the overall functionality of the internal controls system. It also guarantees the effectiveness and efficiency of Company processes, the safeguard of asset value and loss protection, reliability and integrity of accounting and management information, as well as transaction compliance with the policies defined by the Company's governance bodies and with internal and external regulations. A compliance function has been set up within the Internal Auditing Department, and is responsible of guaranteeing over time the presence of rules, procedures and standard practices which effectively prevent violations or infringements of regulations in force as concerns financial intermediation and anti-money laundering. This structure, in line with provisions set out by the Basel Committee, also has the responsibility of "Internal Control Function" pursuant to the regulations regarding investment services.

Surveillance was carried out directly for the Parent Company Banca Intesa and for certain subsidiaries which have an "in service" contract for risks control; second level control was conducted for other Group companies.

Indirect supervision was carried out via direction and control over the adequacy and functionality of the internal auditing structures of Group subsidiaries in Italy and abroad. Direct review and verification interventions were also conducted.

In carrying out its interventions, the Internal Auditing Department used preliminary methods of analysis of risks, defining the plan of the subsequent verifications based on the priorities which emerge from the preliminary valuations; the criterion used for planning interventions, previously based on risks, has been integrated with the objective of in any case guaranteeing that operating units, in particular the Network, are provided with adequate temporal and physical coverage.

Any weak points have been systematically notified to the units involved for prompt improvement actions which are monitored by follow-up activities. The valuations of the internal controls system deriving from the checks have been periodically transmitted to the Company Bodies in charge of management and control and the most significant irregularities have been promptly signalled to the Board of Statutory Auditors. The synthetic results of the controls system within the Group are also periodically discussed with the Internal Control Committee, which requests a timely update on the state of solutions being implemented to the functions involved. An analogous approach was introduced also in terms of responsibilities of the administrative bodies of companies as set out by Legislative Decree 231/01.

Shareholder base and Banca Intesa's stock price performance

Shareholder base

On 3rd May 2005 the main shareholders of Banca Intesa signed the updated and amended text of the Voting Syndicate in force until 15th April 2008. The Agreement is designed to ensure continuity and stability of management policies regarding the activities of Banca Intesa and its subsidiaries and to guarantee the Banking group's independence and managerial autonomy in the future. The parties to the Agreement are divided into five groups and the shares deposited in the Voting Syndicate, as communicated to Consob on 7th July 2005, are identified in the following table.

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.	1,064,827,301	2,596,258	1,067,423,559	17.80	17.84
Fondazione CARIPLO	535,485,244	19,093,075	554,578,319	8.95	9.27
Generali group	381,954,943	16,975,281	398,930,224	6.38	6.67
including					
• *Assicurazioni Generali*	*1,290,949*	*975*	*1,291,924*		
• *Alleanza Assicurazioni*	*248,169,637*	*67,201*	*248,236,838*		
• *Other subsidiary companies*	*132,494,357* (a)	*16,907,105*	*149,401,462*		
Fondazione CARIPARMA	254,375,410	6,139,792	260,515,202	4.25	4.35
"Gruppo Lombardo"	184,541,810	13,693,759	198,235,569	3.08	3.31
including					
• *Banca Lombarda e Piemontese*	*139,963,274*	*5,059,638* (b)	*145,022,912*		
• *I.O.R*	*29,578,536* (c)	*1,675,058*	*31,253,594*		
• *Mittel*	*15,000,000*	*6,959,063* (d)	*21,959,063*		
Total Shareholders in the Syndicate	**2,421,184,708**	**58,498,165**	**2,479,682,873**	**40.46**	**41.44**
Total other Shareholders	**-**	**3,503,691,414**	**3,503,691,414**		**58.56**
Total	**2,421,184,708**	**3,562,189,579**	**5,983,374,287**		**100.00**

(a) Aachener und Münchener Lebensversicherung AG, Aachener und Münchener Versicherung AG, Assitalia S.p.A., Central Krankenversicherung AG, Cosmos Lebensversicherungs AG, FATA - Fondo Assicurativo Tra Agricoltori S.p.A., Generali Assurances Iard S.A., Generali Investment Management (Ireland) Ltd., Generali Versicherung AG (A), Generali Versicherung AG (D), Generali Vita S.p.A., GPA-VIE S.A., Ina Vita S.p.A., La Venezia Assicurazioni S.p.A., UMS - Generali Marine S.p.A., Volksfürsorge Deutsche Lebensversicherung AG.
(b) Including 4,855,302 shares via the subsidiary Banco di Brescia.
(c) Shares with beneficial interest in favour of Mittel.
(d) Via the subsidiary Mittel Generale Investimenti.

Fondazione Cariplo, the Generali group and "Gruppo Lombardo" are attributed the faculty of gradually increasing their syndicated holdings up to a maximum, respectively, of 11%, 9% and 5% of the ordinary share capital.

Transactions with related parties

Within Gruppo Intesa, the relationships among its various economic entities are inspired to centralisation criteria as regards basic management and control activities, integrated with direction and assistance

activities performed through consultancies in the fields of law, economic analysis, organisation and resource management. Instead, product companies have the task of managing financial products and services – ranging from mutual funds to bancassurance products to fiduciary services – and near-bank services, such as leasing, factoring and long-term credit and are assigned to the sales networks of Group companies.
The relationships with subsidiaries are seen within the normal operations of a multifunctional Group and mostly refer to relations for services rendered, deposits and financings which in the case of non-bank subsidiaries destined to finance activities performed in various sectors. Agreements were stipulated between the Parent Company Banca Intesa and certain Group companies regarding, as mentioned, the distribution of financial products and/or services or assistance, consultancy, and more generally the provision of services complementary to banking activities.
The economic effects connected with the above-mentioned relationships are normally regulated on the basis of market conditions applied to primary customers. In the case of services given by the Parent Company as part of normal group synergies, economic relations are usually regulated at the minimum level, equal at least to the recovery of specific and general costs.

The relationships with other related parties – other than subsidiaries – are, normally, regulated at market rates or are aligned with the most favourable conditions applied to personnel.
Compensation paid to Directors and Statutory Auditors is defined by a specific Shareholders' Meeting resolution and the most updated amounts are indicated in the notes to the financial statements as at 31st December 2004.

It is worth noting that there are collaboration agreements with certain primary groups already amply described in the Reports of previous periods.
In particular, Gruppo Intesa continued to place insurance policies on behalf of Intesa Vita, company of the Generali group. In the first half of 2005 these activities generated commission income of 97 million euro. Again with the Generali group, Intesa Fiduciaria Sim was sold to Banca Generali for a consideration of 20 million euro. The valutation was confirmed by a fairness opinion issued by JP Morgan.
The collaboration with Crédit Agricole in the consumer credit sector continues. Moreover, as already described, the Board of Directors of Banca Intesa of last 30th May approved a strategic agreement regarding asset management activities which sets out that Crédit Agricole Asset Management will hold a 65% stake and Gruppo Intesa a 35% stake of the share capital of the asset management company resulting from the integration of Nextra Investment Management, asset management company (SGR) of Gruppo Intesa, and Crédit Agricole Asset Management Italia thus forming one of the leading European asset managers.

Lastly, also relationships with groups managed by directors continue; all are regulated at standard market conditions.

As concerns the stock option plan resolved upon by the Extraordinary Shareholders' Meeting held on 17th December 2002 in favour of managers of Banca Intesa and Group companies, the Board of Directors on 26th April 2005 verified that the performance objectives for the exercise of the options related to the years 2003 and 2004 had been achieved. In particular:
– the financial indicator EVA® - Economic Value Added for the Group was positive in 2004 for an amount of 312 million euro while it was negative in 2002 for 1,187 million euro;
– the total return on the Banca Intesa ordinary shares in the years 2003 and 2004 in terms of capital gain and dividends was approximately 82%;
– market capitalisation increased by 10.5 billion euro between the end of 2002 and the end of 2004.

Managing Director and Chief Executive Officer Corrado Passera and the top executives exercised their options within the period 2nd-13th May 2005, pursuant to provisions contained in the Internal dealing code. In total, within the period 2nd-31st May 2005, 67,667,061 ordinary shares were subscribed following the exercise of the aforementioned options. Of these 41,173,761 shares were later sold in the "block market". Following such subscriptions share capital increased to 3,596,249,720.96 euro.

Stock price performance

In a weaker economic context than the European average, the Italian stock market, though it closed the first half with a 5% rise with respect to the end of 2004, underperformed the European markets (+8.9% the DJ Euro Stoxx index). The Italian banking sector benefited from the restart of the consolidation process, which has now taken an international scope: tender offers have been launched on medium-large Italian banks and, for the first time, an Italian bank has launched an important cross-border offer on a European banking group. In this context, the Italian banking index closed the semester with a significant progress with respect to the end of 2004 (+12.7%), thus outperforming both the European banking index (+7.7%) and the Comit index (+5%). The Banca Intesa ordinary share outperformed the market: +6.9% in the first six months of the year. In the same period, the Banca Intesa saving share registered instead an 11.9% progress, thus reducing its discount with respect to the ordinary share from 11% to 6%.

Earnings per share

The international standards attribute particular importance to this return indicator and dedicate to its measurement a specific document: IAS 33.
EPS – Earnings Per Share – may be calculated in two ways: "basic" and "diluted" EPS.

Basic EPS is calculated by dividing net income attributable to holders of ordinary shares (therefore deducted the dividend to be distributed to holders of saving shares) by the weighted average number of ordinary shares outstanding.

Diluted EPS is calculated considering the dilution effect of the issue of ordinary shares deriving from the potential exercise of all stock options set out in the plan resolved upon in 2002 by Banca Intesa's Shareholders' Meeting.

	Annualised attributable net income (*) (in millions of euro)	Weighted average number of ordinary shares	Euro
Basic EPS	2,204	5,926,985,070	0.372
Diluted EPS	2,204	5,963,665,434	0.370

(*) Net income is not indicative of forecasted net income for the whole of 2005, since obtained by annualising net income for the first half and deducting estimated dividend reserved to saving shares and the estimated net income reserved to the Allowance for charitable contributions.

Dividend yield

The table below sets out the unit dividend attributed in the last 5 years to ordinary shares and saving shares.

(in euro)

	2004	2003	2002	2001	2000
Ordinary share Dividend per share (*)	0.105	0.049	0.015	0.045	0.093
Saving share Dividend per share (*)	0.116	0.060	0.028	0.080	0.103

(*) 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.

Significant subsequent events

Certain extremely significant events which have already been described in detail at the beginning of this Report occurred after the close of the first half.

In particular, at the beginning of July Banca Intesa approved and presented to the market the new **2005-2007 Business Plan**, which is aimed at placing Gruppo Intesa among the best European banks in terms of value creation, service quality, profitability and capital adequacy.

In the second part of July, Banca Intesa – which holds 40% of the share capital of **Lazard & Co. Srl**, as part of a joint venture agreement with the Lazard group – notified to that group its decision not to prorogate the joint venture after the contractual expiry of 31st December 2007; due to this decision, should the parties not stipulate any other agreements, the Lazard group, within 4th February 2008, will acquire the equity investment held by Banca Intesa in Lazard & Co. S.r.l. as well as reimburse the subordinated promissory note, issued by Lazard & Co. S.r.l. and underwritten by Banca Intesa at the time of the establishment of the joint venture.
Furthermore, Banca Intesa communicated to the Lazard group that it will promote an arbitration, aimed at recognising Banca Intesa's right to consider, based on various motives, all agreements relative to the joint venture resolved and terminated in advance with respect to the expiry date of 31st December 2007. Therefore, Banca Intesa will continue to fulfil the agreements relative to the joint venture until 31st December 2007 or, if prior, until the arbitration decision ascertaining that its demand is legitimate.

At the end of July Gruppo Intesa concluded – through Intesa Casse del Centro – the purchase of 30% of the share capital of **Cassa di Risparmio di Fano**.

In the first days of August Banca Intesa signed an agreement with Merrill Lynch and Fortress for the **sale** of a portfolio of the Group's gross **doubtful loans** for a value exceeding 9 billion euro, and of the loan servicing business of Intesa Gestione Crediti (IGC) formed by the professional resources and instruments specifically destined to manage doubtful loans.

Again in August Banca Intesa launched a takeover bid for up to 100% of the voting share capital of **ABS Banka, Sarajevo** and completed the acquisition of 90% plus one share of the voting share capital of **Delta Banka, Belgrade**.

At the end of August, the Extraordinary Commissioner of the Parmalat group filed a payment claim in the aggregate amount of approximately 1.6 billion euro against Banca Caboto, together with another intermediary not belonging to Gruppo Intesa, and a payment claim in the aggregate amount of approximately 300 million euro against Banca Intesa, together with another intermediary not belonging to Gruppo Intesa. These payment claims seek damages caused by their role respectively as arrangers and relevant dealers in 2001-2002 in a Debt Issuance Programme and as co-lead managers in other bond issuances in the first half of 2002. Moreover, Gruppo Intesa was sued by the Extraordinary Commissioner of the Parmalat group for the purpose of obtaining revocatory actions related to payments made by the Parmalat group in the twelve months before its state of insolvency to Banca Intesa, Cassa di Risparmio di Parma e Piacenza, Cassa di Risparmio di Biella e Vercelli and Banca CIS for a total amount of approximately 1 billion euro.

Gruppo Intesa will refuse these claims as totally groundless and is certain that judging authorities will reject all Parmalat's requests thus acknowledging absolute fairness and legitimacy in the behaviour of Banca Intesa and its subsidiaries.

Gruppo Intesa, also on the basis of the opinion of its legal advisors, decided not to set aside any provision on damage claims while adequately strengthened the allowance for risks and charges – following the revocatory actions of Parmalat's Extraordinary Commissioner – with provisions proportioned to statistic data related to charges historically borne from revocatory actions.

On 1st September 2005 Gruppo Intesa transferred to companies wholly-owned by EDF, **Italenergia BIS** (IEB) shares and warrants equal to 23.35% of the share capital and Edison shares equal to 2.97% of the ordinary capital, which are underlying in put options with the same EDF. The transfer to EDF of the residual IEB shares and warrants in its portfolio is also expected to take place by the end of September.

Projections for the whole year

Banca Intesa's prospects for the second half are positive and make it reasonable to presume that it will be possible to achieve the profitability targets set out in the Business Plan for 2005.

The Board of Directors

Milano, 5th September 2005

Report of the Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors

- examined Gruppo Intesa's Consolidated half-year report as at 30th June 2005, which shows a net income of 1,200 million euro and was approved by the Board of Directors on 5th September 2005 and transmitted to this Board of Statutory Auditors for its opinion;

- acknowledged the conclusions reached by the Independent Auditors Reconta Ernst & Young S.p.A. on the IFRS reconciliation tables with the illustration of the effects of first-time adoption of International Financial Reporting Standards (IFRS), in the document issued on 8th June 2005

- examined the report issued on 21st September 2005 by the Independent Auditors Reconta Ernst & Young S.p.A. appointed for the review of the aforesaid Consolidated half-year report and acknowledged its work and the communicated conclusions;

- acknowledged that this Consolidated half-year report is compared with figures as at 30th June 2004 and as at 31st December 2004 restated to consider changes in the consolidation area and the variations introduced by the first-time adoption of IAS/IFRS. Restatement did not consider IAS/IFRS relative to financial instruments (IAS 32 and IAS 39). However, the Report on operations contains condensed tables which compare the figures of previous periods with a reasonable estimate of the impact produced by the application of IAS 39;

- verified that the aforesaid Consolidated half-year report complies with informative purposes required by the Law and by regulations issued by both the Bank of Italy and Consob.

Given all mentioned above, the Board of Statutory Auditors states to have no remarks on Gruppo Intesa's Consolidated half-year report as at 30th June 2005.

Milano, 10th October 2005

The Board of Statutory Auditors

Independent Auditors' Review on the Consolidated report as at 30th June 2005

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AUDITORS' REPORT ON THE REVIEW OF THE MANAGEMENT REPORT FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2005 OF BANCA INTESA S.P.A.

(Translation from the original Italian version)

To the Shareholders of
Banca Intesa S.p.A.

1. We have performed the review of the statements of Consolidated Balance Sheet and Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows (the "Statements") and related Notes included in the Management Report of Banca Intesa S.p.A. for the six months period ended June 30, 2005. The Management Report is the responsibility of Banca Intesa S.p.A.'s management. Our responsibility is to issue the present report based on our review. We have also reviewed that part of the financial information presented by the Board of Directors in the Management Report with respect of their discussions and analyses of the consolidated operations of Banca Intesa S.p.A., solely for the purpose of evaluating its consistency with the remaining part of the Management Report.

2. Our review was conducted in accordance with auditing standards governing review of interim financial statements recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its resolution No. 10867 of July 31, 1997. A review consists mainly of obtaining information with respect to the accounts included in the Statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. A review does not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of a review engagement provides significantly less assurance than a full scope audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Management Report of Banca Intesa S.p.A. as of and for the six months period ended June 30, 2005, as we do in connection with reporting on our full scope audit of the annual consolidated financial statements of Banca Intesa S.p.A..

3. With respect to the consolidated comparative data as of and for the year ended December 31, 2004, presented in the Statements, reference should be made to our report issued on June 8. 2005.

   The comparative data of the Management Report for the six months ended June 30, 2004, restated in conformity with IFRS and the related IFRS statements of reconciliation, derive from the financial data prepared in accordance with Italian regulations governing financial statements and the then applicable accounting principles; such financial data were previously

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reviewed by us and reference should be made to our review report dated September 24, 2004.

As reported in section "Accounting Criteria" of the Management Report, the Company, to enhance comparability among periods, presented in the Notes the consolidated data of the corresponding period of the previous year, restated taking into account the estimated impacts produced by the application of IAS 39, had this principle been applied starting from January 1, 2004. We have not examined such comparative data.

4. Based on our review, we did not become aware of any significant modifications that should be made to the Statements and related Notes, identified in paragraph 1. of this report, in order for them to be in conformity with the criteria for the presentation of the six months period Management Report, stated by CONSOB regulations as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.

Milan, September 21, 2005

Reconta Ernst & Young S.p.A.
Signed by: Massimo Colli, partner

Attachments

- List of IAS/IFRS homologated by the European Commission
- Consolidated financial statements as at 30th June 2004 and as at 31st December 2004
- Parent Company's financial statements as at 30th June 2005
- Reconciliation of Parent Company's shareholders' equity and net income as per Legislative Decree 87/92 to IAS/IFRS shareholders' equity and net income
- Table of significant equity investments in unlisted companies pursuant to art. 126 of Consob Regulation 11971 of 14th May 1999

List of IAS/IFRS homologated by the European Commission

INTERNATIONAL FINANCIAL REPORTING STANDARDS		Regulation homologation
IFRS 1	First-time adoption of International Financial Reporting Standards	707/2004 mod. 2236/2004 - 2237/2004 - 2238/2004 - 211/2005
IFRS 2	Share-based payments	211/2005
IFRS 3	Business combinations	2236/2004
IFRS 4	Insurance contracts	2236/2004
IFRS 5	Non-current assets held for sale and discontinued operations	2236/2004
IAS 1	Presentation of financial statements	2238/2004
IAS 2	Inventories	2238/2004
IAS 7	Cash flow statements	1725/2003 mod. 2238/2004
IAS 8	Accounting policies, changes in accounting estimates, and errors	2238/2004
IAS 10	Events after the balance sheet date	2238/2004
IAS 11	Construction contracts	1725/2003
IAS 12	Income taxes	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
IAS 14	Segment reporting	1725/2003 mod. 2236/2004 - 2238/2004
IAS 16	Property, plant and equipment	2238/2004 - 211/2005
IAS 17	Leases	2238/2004
IAS 18	Revenue	1725/2003 mod. 2236/2004
IAS 19	Employee benefits	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
IAS 20	Accounting for Government grants and disclosure of Government assistance	1725/2003 mod. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	2238/2004
IAS 23	Borrowing costs	1725/2003 mod. 2238/2004
IAS 24	Related party disclosures	2238/2004
IAS 26	Accounting and reporting by retirement benefit plans	1725/2003
IAS 27	Consolidated and separate financial statements	2238/2004
IAS 28	Investments in associates	2238/2004
IAS 29	Financial reporting in hyperinflationary economies	1725/2003 mod. 2238/2004
IAS 30	Disclosures in the financial statements of banks and similar financial institutions	1725/2003 mod. 2238/2004
IAS 31	Interests in joint ventures	2238/2004
IAS 32	Financial instruments: disclosure and presentation	2237/2004 mod. 2238/2004 - 211/2005
IAS 33	Earnings per share	2238/2004 - 211/2005
IAS 34	Interim financial reporting	1725/2003 mod. 2236/2004 - 2238/2004
IAS 36	Impairment of assets	2236/2004 mod. 2238/2004
IAS 37	Provisions, contingent liabilities and contingent assets	1725/2003 mod. 2236/2004 - 2238/2004
IAS 38	Intangible assets	2236/2004 mod. 2238/2004 - 211/2005
IAS 39	Financial instruments: recognition and measurement	2086/2004 mod. 2236/2004 - 211/2005
IAS 40	Investment property	2238/2004
IAS 41	Agriculture	1725/2003 mod. 2236/2004 - 2238/2004

INTERPRETATIONS		Regulation homologation
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	2237/2004
SIC 7	Introduction of the euro	1725/2003 mod. 2238/2004
SIC 10	Government assistance - no specific relation to operating activities	1725/2003
SIC 12	Consolidation – special purpose entities	1725/2003 mod. 2238/2004
SIC 13	Jointly controlled entities – non-monetary contributions by venturers	1725/2003 mod. 2238/2004
SIC 15	Operating leases – incentives	1725/2003
SIC 21	Income taxes – recovery of revalued non-depreciable assets	1725/2003 mod. 2238/2004
SIC 25	Income taxes – changes in the tax status of an enterprise or its shareholders	1725/2003 mod. 2238/2004
SIC 27	Evaluating the substance of transactions in the legal form of a lease	1725/2003 mod. 2238/2004
SIC 29	Disclosure - service concession arrangements	1725/2003
SIC 31	Revenue – barter transactions involving advertising services	1725/2003 mod. 2238/2004
SIC 32	Intangible assets – website costs	1725/2003 mod. 2236/2004 - 2238/2004

Consolidated financial statements as at 30th June 2004 and as at 31st December 2004

Pursuant to recommendations issued by CESR – Committee of European Securities Regulators – the consolidated financial statements, prepared according to the criteria set forth by Legislative Decree 87/92, as published in the Consolidated Report as at 30th June 2004 and as at 31st December 2004 are included hereafter.

In particular, the attachments as at 30th June 2004 are:

- Reclassifed consolidated balance sheet;
- Reclassified consolidated statement of income.

Instead, the attachments as at 31st December 2004 are:

- Reclassified consolidated balance sheet;
- Reclassified consolidated statement of income;
- Consolidated balance sheet;
- Consolidated statement of income.

RECLASSIFIED CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2004

(in millions of euro)

Assets	30/06/2004	31/12/2003 pro forma (1)	Changes amount	Changes %
1. Cash and deposits with central banks and post offices	**1,229**	1,576	–347	–22.0
2. Loans				
– loans to customers	**154,124**	154,544	–420	–0.3
– due from banks	**29,718**	28,449	1,269	4.5
3. Trading portfolio	**35,941**	24,116	11,825	49.0
including Own shares	***11***	*1,017*	*–1,006*	*–98.9*
4. Fixed assets				
a) investment portfolio	**5,237**	5,316	–79	–1.5
b) equity investments	**4,815**	4,908	–93	–1.9
c) tangible and intangible	**4,060**	4,273	–213	–5.0
5. Goodwill arising on consolidation	**500**	546	–46	–8.4
6. Goodwill arising on application of the equity method	**270**	286	–16	–5.6
7. Other assets	**31,194**	35,513	–4,319	–12.2
Total Assets	**267,088**	**259,527**	**7,561**	**2.9**

Liabilities and Shareholders' Equity	30/06/2004	31/12/2003 pro forma (1)	Changes amount	Changes %
1. Debts				
- due to customers	**108,785**	104,605	4,180	4.0
- securities issued	**59,574**	56,591	2,983	5.3
- due to banks	**34,400**	31,626	2,774	8.8
2. Allowances with specific purpose	**4,443**	5,045	–602	–11.9
3. Other liabilities	**34,354**	35,234	–880	–2.5
4. Allowances for possible loan losses	**10**	24	–14	–58.3
5. Subordinated and perpetual liabilities	**10,182**	10,603	–421	–4.0
6. Minority interests	**682**	706	–24	–3.4
7. Shareholders' equity				
- share capital, reserves and reserve for general banking risks	**13,751**	13,849	–98	–0.7
- negative goodwill arising on consolidation	**29**	29	–	–
- negative goodwill arising on application of the equity method	**2**	1	1	
- net income for the period	**876**	1,214	–338	–27.8
Total Liabilities and Shareholders' Equity	**267,088**	**259,527**	**7,561**	**2.9**

Guarantees, commitments and credit derivatives	**116,059**	105,274	10,785	10.2
Indirect customer deposits	**287,867**	286,373	1,494	0.5

(1) Figures restated on a consistent basis considering the consolidation area as at 30th June 2004.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME AS AT 30th JUNE 2004 (*)

(in millions of euro)

Captions	30/06/2004	30/06/2003 pro forma (1)	Changes amount	Changes %
Net interest income	**2,450**	2,491	–41	–1.6
Dividends and other revenues	**51**	62	–11	–17.7
Income from investments carried at equity	**69**	74	–5	–6.8
Interest margin	**2,570**	2,627	–57	–2.2
Net commissions	**1,676**	1,603	73	4.6
Profits on financial transactions	**429**	395	34	8.6
Other operating income, net	**191**	140	51	36.4
Net interest and other banking income	**4,866**	4,765	101	2.1
Administrative costs	**–2,629**	–2,685	–56	–2.1
including Payroll	***–1,593***	*–1,662*	*–69*	*–4.2*
Other	***–1,036***	*–1,023*	*13*	*1.3*
Adjustments to fixed assets and intangibles	**–271**	–317	–46	–14.5
Operating costs	**–2,900**	–3,002	–102	–3.4
Operating margin	**1,966**	1,763	203	11.5
Adjustments to goodwill arising on consolidation and on application of the equity method	**–64**	–64	0	
Provisions for risks and charges	**–95**	–135	–40	–29.6
Net adjustments to loans and provisions for possible loan losses	**–471**	–495	–24	–4.8
Net adjustments to financial fixed assets	**5**	–39	44	
Income from operating activities	**1,341**	1,030	311	30.2
Extraordinary income	**–9**	97	–106	
Income taxes for the period	**–430**	–380	50	13.2
Change in the reserve for general banking risks and other reserves	**15**	8	7	87.5
Minority interests	**–41**	–45	–4	–8.9
Net income for the period	**876**	**710**	**166**	**23.4**

(1) Figures restated on a consistent basis considering the consolidation area as at 30th June 2004.
(*) With respect to the reconciliation tables presented in the chapter relative to IAS/IFRS first-time adoption, figures as at 30th June 2004 show certain marginal differences attributable to variations in the consolidation area occurred in 2004.

RECLASSIFIED CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2004

(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**

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 considering the consolidation area as at 31st December 2004.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME AS AT 31st DECEMBER 2004

(in millions of euro)

	2004	2003 pro forma [1]	Changes	
			amount	%
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 considering the consolidation area as at 31st December 2004.

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2004

(in millions of euro)

	Assets	31/12/2004	31/12/2003	Changes amount	Changes %
10.	Cash and deposits with central banks and post offices	1,488	1,591	–103	–6.5
20.	Treasury bills and similar bills eligible for refinancing with central banks	5,031	3,739	1,292	34.6
30.	Due from banks	28,730	28,537	193	0.7
	a) repayable on demand	*2,718*	*2,520*	*198*	*7.9*
	b) other	*26,012*	*26,017*	*–5*	*–*
40.	Loans to customers	157,698	154,992	2,706	1.7
	including				
	- with public funds under administration	*67*	*59*	*8*	*13.6*
50.	Bonds and other debt securities	31,102	22,889	8,213	35.9
	a) public entities	*10,049*	*6,311*	*3,738*	*59.2*
	b) banks	*11,179*	*8,774*	*2,405*	*27.4*
	including				
	- own bonds	*2,273*	*1,900*	*373*	*19.6*
	c) financial institutions	*7,033*	*5,108*	*1,925*	*37.7*
	including				
	- own bonds	*–*	*150*	*–150*	
	d) other issuers	*2,841*	*2,696*	*145*	*5.4*
60.	Shares, quotas and other forms of capital	2,591	2,015	576	28.6
70.	Equity investments	4,747	4,713	34	0.7
	a) carried at equity	*1,035*	*1,045*	*–10*	*–1.0*
	b) other	*3,712*	*3,668*	*44*	*1.2*
80.	Investments in Group companies	87	71	16	22.5
	a) carried at equity	*43*	*22*	*21*	*95.5*
	b) other	*44*	*49*	*–5*	*–10.2*
90.	Goodwill arising on consolidation	484	546	–62	–11.4
100	Goodwill arising on application of the equity method	253	286	–33	–11.5
110.	Intangibles	560	621	–61	–9.8
	including				
	- start-up costs	*8*	*16*	*–8*	*–50.0*
	- goodwill	*–*	*–*	*–*	
120.	Fixed assets	3,515	3,664	–149	–4.1
140.	Own shares or quotas (nominal value euro 1,411,725)	10	1,017	–1,007	–99.0
150.	Other assets	35,758	33,099	2,659	8.0
160.	Accrued income and prepaid expenses	2,544	2,435	109	4.5
	a) accrued income	*1,830*	*1,978*	*–148*	*–7.5*
	b) prepaid expenses	*714*	*457*	*257*	*56.2*
	including - discounts on securities issued	*34*	*43*	*–9*	*–20.9*
	Total Assets	**274,598**	**260,215**	**14,383**	**5.5**

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2004

(in millions of euro)

	Liabilities and Shareholders' Equity	31/12/2004	31/12/2003	Changes amount	Changes %
10.	Due to banks	34,214	31,720	2,494	7.9
	a) repayable on demand	*6,132*	*7,214*	*–1,082*	*–15.0*
	b) time deposits or with notice period	*28,082*	*24,506*	*3,576*	*14.6*
20.	Due to customers	109,443	105,029	4,414	4.2
	a) repayable on demand	*82,914*	*80,851*	*2,063*	*2.6*
	b) time deposits or with notice period	*26,529*	*24,178*	*2,351*	*9.7*
30.	Securities issued	61,417	56,659	4,758	8.4
	a) bonds	*53,003*	*47,908*	*5,095*	*10.6*
	b) certificates of deposit	*6,326*	*7,576*	*–1,250*	*–16.5*
	c) other	*2,088*	*1,175*	*913*	*77.7*
40.	Public funds under administration	99	90	9	10.0
50.	Other liabilities	35,349	32,233	3,116	9.7
60.	Accrued expenses and deferred income	3,772	3,021	751	24.9
	a) accrued expenses	*1,942*	*1,948*	*–6*	*–0.3*
	b) deferred income	*1,830*	*1,073*	*757*	*70.5*
70.	Allowance for employee termination indemnities	1,117	1,186	–69	–5.8
80.	Allowances for risks and charges	3,598	3,847	–249	–6.5
	a) pensions and similar commitments	*288*	*289*	*–1*	*–0.3*
	b) taxation	*1,417*	*1,614*	*–197*	*–12.2*
	c) risks and charges arising on consolidation	*–*	*68*	*–68*	
	d) other	*1,893*	*1,876*	*17*	*0.9*
90.	Allowances for possible loan losses	4	28	–24	–85.7
100.	Reserve for general banking risks	–	95	–95	
110.	Subordinated and perpetual liabilities	9,278	10,603	–1,325	–12.5
120.	Negative goodwill arising on consolidation	29	29	–	–
130.	Negative goodwill arising on application of the equity method	2	1	1	
140.	Minority interests	743	706	37	5.2
150.	Share capital	3,561	3,561	–	–
160.	Share premium reserve	5,406	5,404	2	–
170.	Reserves	4,325	4,433	–108	–2.4
	a) legal reserve	*773*	*773*	*–*	*–*
	b) reserve for own shares	*10*	*1,017*	*–1,007*	*–99.0*
	c) statutory reserves	*1,084*	*61*	*1,023*	
	d) other reserves	*2,458*	*2,582*	*–124*	*–4.8*
180.	Revaluation reserves	357	356	1	0.3
200.	Net income for the period	1,884	1,214	670	55.2
	Total Liabilities and Shareholders' Equity	**274,598**	**260,215**	**14,383**	**5.5**

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2004

(in millions of euro)

Guarantees and Commitments		31/12/2004	31/12/2003	Changes	
				amount	%
10.	Guarantees given	22,158	22,298	–140	–0.6
	including				
	- acceptances	*333*	*294*	*39*	*13.3*
	- other guarantees	*21,825*	*22,004*	*–179*	*–0.8*
20.	Commitments	46,611	48,153	–1,542	–3.2
	including				
	- for sales with commitment to repurchase	–	–	–	
30.	Credit derivatives	38,780	34,884	3,896	11.2
	Total Guarantees and Commitments	**107,549**	**105,335**	**2,214**	**2.1**

CONSOLIDATED STATEMENT OF INCOME AS AT 31st DECEMBER 2004

(in millions of euro)

		31/12/2004	31/12/2003	Changes	
				amount	%
10.	Interest income and similar revenues	9,470	10,117	–647	–6.4
	including from				
	- loans to customers	*7,224*	*7,719*	*–495*	*–6.4*
	- debt securities	*1,307*	*1,240*	*67*	*5.4*
20.	Interest expense and similar charges	–4,535	–5,266	–731	–13.9
	including on				
	- deposits from customers	*–1,277*	*–1,527*	*–250*	*–16.4*
	- securities issued	*–2,227*	*–2,373*	*–146*	*–6.2*
30.	Dividends and other revenues	502	575	–73	–12.7
	a) from shares, quotas and other forms of capital	*440*	*489*	*–49*	*–10.0*
	b) from equity investments	*56*	*58*	*–2*	*–3.4*
	c) from investments in Group companies	*6*	*28*	*–22*	*–78.6*
40.	Commission income	4,031	3,940	91	2.3
50.	Commission expense	–584	–609	–25	–4.1
60.	Profits (Losses) on financial transactions	313	483	–170	–35.2
65.	Gross returns (losses) on investment of the allowances for pensions and similar commitments	6	6	–	–
70.	Other operating income	519	603	–84	–13.9
80.	Administrative costs	–5,247	–5,434	–187	–3.4
	a) payroll	*–3,147*	*–3,324*	*–177*	*–5.3*
	including				
	- wages and salaries	*–2,221*	*–2,328*	*–107*	*–4.6*
	- social security charges	*–611*	*–649*	*–38*	*–5.9*
	- termination indemnities	*–135*	*–152*	*–17*	*–11.2*
	- pensions and similar commitments	*–103*	*–109*	*–6*	*–5.5*
	b) other	*–2,100*	*–2,110*	*–10*	*–0.5*
85.	Allocation (Use) of net returns (losses) on investment of the allowances for pensions and similar commitments	–6	–6	–	–
90.	Adjustments to fixed assets and intangibles	–713	–831	–118	–14.2
100.	Provisions for risks and charges	–172	–207	–35	–16.9
110.	Other operating expenses	–133	–216	–83	–38.4
120.	Adjustments to loans and provisions for guarantees and commitments	–1,700	–2,051	–351	–17.1
130.	Write-back of adjustments to loans and provisions for guarantees and commitments	711	830	–119	–14.3
140.	Provisions for possible loan losses	–1	–1	–	–
150.	Adjustments to financial fixed assets	–43	–214	–171	–79.9
160.	Write-back of financial fixed assets	24	10	14	
170.	Income from investments carried at equity	143	84	59	70.2
180.	**Income from operating activities**	**2,585**	**1,813**	**772**	**42.6**
190.	Extraordinary income	763	1,316	–553	–42.0
200.	Extraordinary charges	–716	–1,117	–401	–35.9
210.	**Extraordinary income, net**	**47**	**199**	**–152**	**–76.4**
220.	Use of allowance for risks and charges arising on consolidation	68	7	61	
230.	Change in the reserve for general banking risks	95	19	76	
240.	Income taxes	–805	–741	64	8.6
250.	Minority interests	–106	–83	23	27.7
260.	**Net income for the period**	**1,884**	**1,214**	**670**	**55.2**

Parent Company's financial statements as at 30th June 2005

The Parent Company's separate financial statements set out hereafter are:
- Parent Company's balance sheet as at 30th June 2005;
- Parent Company's statement of income as at 30th June 2005;
- Changes in Parent Company's shareholders' equity;
- Parent Company's statement of cash flows;
- Parent Company's reclassified balance sheet as at 30th June 2005;
- Parent Company's reclassified statement of income as at 30th June 2005.

Furthermore, the Reconciliation of Parent Company's shareholders' equity and net income as per Legislative Decree 87/92 to IAS/IFRS shareholders' equity and net income on IAS/IFRS first-time adoption is also included.

Comments on the Parent Company's performance are contained in a specific chapter of this Report, which considers the Parent Company's reclassified financial statements.

PARENT COMPANY'S BALANCE SHEET AS AT 30th JUNE 2005

(in millions of euro)

Assets	30/06/2005	31/12/2004 except IAS 39 (§)	Changes	
			amount	%
Cash and cash balances with central banks	625	655	–30	–4.6
Financial assets held for trading	40,279	40,334	–55	–0.1
Financial assets designated at fair value through profit and loss	–	–	–	
Financial assets available for sale	2,422	–	2,422	
Investments held to maturity	–	717	–717	
Due from banks	37,395	36,664	731	2.0
Loans to customers	103,020	102,874	146	0.1
Hedging derivatives	1,194	–	1,194	
Fair value change of hedged items	–	–	–	
Equity investments	10,656	13,435	–2,779	–20.7
Fixed assets	1,405	1,423	–18	–1.3
Intangibles	374	406	–32	–7.9
including				
- goodwill	–	–	–	
Tax assets	2,257	2,646	–389	–14.7
a) current	*1,055*	*1,684*	*–629*	
b) deferred	*1,202*	*962*	*240*	*24.9*
Non-current assets (or disposal groups) held for sale and discontinued operations	645	–	645	
Other assets	2,973	4,231	–1,258	–29.7
Total Assets	**203,245**	**203,385**	**–140**	**–0.1**

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of assets related to discontinued operations.
The effects of the merger of Intesa Sistemi e Servizi in Banca Intesa are also included.

PARENT COMPANY'S BALANCE SHEET AS AT 30th JUNE 2005

(in millions of euro)

Liabilities and Shareholders' Equity	30/06/2005	31/12/2004 except IAS 39 (§)	Changes	
			amount	%
Due to banks	29,687	27,488	2,199	8.0
Due to customers	80,045	80,129	–84	–0.1
Securities issued	46,370	48,817	–2,447	–5.0
Financial liabilities held for trading	15,250	14,237	1,013	7.1
Hedging derivatives	1,020	–	1,020	
Fair value change of hedged items	–	–	–	
Subordinated liabilities	9,169	9,385	–216	–2.3
Tax liabilities	690	411	279	67.9
a) current	*541*	*277*	*264*	*95.3*
b) deferred	*149*	*134*	*15*	*11.2*
Liabilities in disposal groups held for sale and discontinued operations	9	–	9	
Other liabilities	5,414	6,129	–715	–11.7
Employee termination indemnities	832	841	–9	–1.1
Allowances for risks and charges	1,359	1,564	–205	–13.1
a) pensions and similar commitments	*108*	*105*	*3*	*2.9*
b) other allowances	*1,251*	*1,459*	*–208*	*–14.3*
Revaluation reserves and valuation differences	1,172	987	185	18.7
a) financial assets available for sale (+/-)	*248*	–	*248*	
b) fixed assets (+)	–	–	–	
c) cash flow hedges (+/-)	*–63*	–	*63*	
d) legally-required revaluations	*987*	*987*	*0*	0
e) other	–	–	–	
Shares with the right of recession	–	–	–	
Equities	–	–	–	
Reserves	2,280	3,121	–841	–26.9
Share premium reserve	5,510	5,406	104	1.9
Share capital	3,596	3,561	35	1.0
Treasury shares (-)	–	–	–	
Net income	842	1,309	–467	–35.7
Total Liabilities and Shareholders' Equity	**203,245**	**203,385**	**–140**	**–0.1**

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of liabilities related to discontinued operations.
The effects of the merger of Intesa Sistemi e Servizi in Banca Intesa are also included.

PARENT COMPANY'S STATEMENT OF INCOME AS AT 30th JUNE 2005

(in millions of euro)

	First half 2005	First half 2004 except IAS 39 [§]	Changes		Second quarter 2005	Second quarter 2004 except IAS 39 [§]	Changes	
			amount	%			amount	%
Interest and similar income	3,168	3,203	–35	–1.1	1,569	1,604	–35	–2.2
Interest and similar expense	–1,611	–1,723	–112	–6.5	–808	–883	–75	–8.5
Net interest income	**1,557**	**1,480**	**77**	**5.2**	**761**	**721**	**40**	**5.5**
Fee and commission income	1,329	1,141	188	16.5	659	586	73	12.5
Fee and commission expense	–126	–126	0	0.0	–68	–67	1	1.5
Net fee and commission income	**1,203**	**1,015**	**188**	**18.5**	**591**	**519**	**72**	**13.9**
Dividend and similar income	494	753	–259	–34.4	454	748	–294	–39.3
Profits (Losses) on trading	–106	16	–122		–145	–110	35	31.8
Fair value adjustments in hedge accounting	15	–	15		16	–	16	
Profit (Loss) on disposal of	16	3	13		4	3	1	33.3
a) loans and receivables	–	–	–		–	–	–	
b) financial assets available for sale	*16*	*3*	*13*		*4*	*3*	*1*	*33.3*
c) investments held to maturity	–	–	–		–	–	–	
Valuation differences on financial assets designated at fair value through profit and loss	–	–	–		–	–	–	
Valuation differences on financial liabilities designated at fair value through profit and loss	–	–	–		–	–	–	
Net interest and other banking income	**3,179**	**3,267**	**–88**	**–2.7**	**1,681**	**1,881**	**–200**	**–10.6**
Net impairment losses on	–162	–424	–262	–61.8	–48	–241	–193	–80.1
a) loans and receivables	*–151*	*–426*	*–275*	*–64.6*	*–37*	*–248*	*–211*	*–85.1*
b) financial assets available for sale	*–7*	*–11*	*–4*	*–36.4*	*–7*	*–11*	*–4*	*–36.4*
c) investments held to maturity	–	*13*	*–13*		–	*18*	*–18*	
d) other financial assets	*–4*	–	*4*		*–4*	–	*4*	
Net income from banking activities	**3,017**	**2,843**	**174**	**6.1**	**1,633**	**1,640**	**–7**	**–0.4**
Administrative expenses	–1,697	–1,726	–29	–1.7	–860	–870	–10	–1.1
a) personnel expenses	*–1,028*	*–1,073*	*–45*	*–4.2*	*–513*	*–528*	*–15*	*–2.8*
b) other administrative expenses	*–669*	*–653*	*16*	*2.5*	*–347*	*–342*	*5*	*1.5*
Net provisions for risks and charges	–122	–31	91		–82	–14	68	
Adjustments to fixed assets	–67	–68	–1	–1.5	–35	–35	0	0.0
Adjustments to intangibles	–87	–90	–3	–3.3	–45	–49	–4	–8.2
including - goodwill	–	–	–		–	–	–	
Other operating expenses (income)	165	148	17	11.5	85	84	1	1.2
Operating expenses	**–1,808**	**–1,767**	**41**	**2.3**	**–937**	**–884**	**53**	**6.0**
Profits (Losses) on investments	37	163	–126	–77.3	17	157	–140	–89.2
Income (Loss) before tax from continuing operations	**1,246**	**1,239**	**7**	**0.6**	**713**	**913**	**–200**	**–21.9**
Taxes on income from continuing operations	–404	–220	184	83.6	–184	–85	99	
Income (Loss) after tax from continuing operations	**842**	**1,019**	**–177**	**–17.4**	**529**	**828**	**–299**	**–36.1**
Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations	–	–	–		–	–	–	
Net income (loss)	**842**	**1,019**	**–177**	**–17.4**	**529**	**828**	**–299**	**–36.1**

[§] Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations.
The effects of the merger of Intesa Sistemi e Servizi in Banca Intesa are also included.

CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

(in millions of euro)

First half 2004

	Amounts as at 31/12/2003 (*)	Changes in initial balances (Transition to IAS/IFRS – Except IAS 39)	Restated shareholders' equity as at 01/01/2004	Allocation of net income		Changes in reserves	Operations on shareholders' equity carried out in the period						Net income as at 30/06/2004	Restated shareholders' equity as at 30/06/2004 (§)
				Reserves	Dividends and other allocations		Issue new shares	Purchase treasury shares	Extraord. distrib.	Extraord. changes in share-holders' equity	Derivatives on treasury shares	Stock options		
Share capital														
a) ordinary shares	3,076		3,076											3,076
b) other	485		485											485
Share premium reserve	5,404		5,404											5,404
Reserves														
a) legal	773		773											773
b) statutory	61		61	1,024										1,085
c) other	1,585	-339	1,246									4		1,250
Treasury shares	1,015	-1,015	0											0
Revaluation reserves and valuation differences														
a) financial assets available for sale														–
b) fixed assets														–
c) cash flow hedges														–
d) legally-required revaluations	987		987											987
e) other	–		–											–
Net income	1,359		1,359	–1,024	–335								1,019	1,019
Total	**14,745**	**-1,354**	**13,391**	**0**	**–335**	**0**	**–**	**–**	**–**	**–**	**–**	**4**	**1,019**	**14,079**

(*) Determined using Italian accounting principles (Legislative Decree 87/92).
(§) Except for IAS 39.

(in millions of euro)

First half 2005

	Restated shareholders' equity as at 31/12/2004 (*)	Changes in initial balances (Transition to IAS/IFRS – IAS 39)	Restated shareholders' equity as at 01/01/2005	Allocation of net income		Changes in reserves	Operations on shareholders' equity carried out in the period						Net income as at 30/06/2005	Shareholders' equity as at 30/06/2005
				Reserves	Dividends and other allocations		Issue new shares	Purchase treasury shares	Extraord. distrib.	Extraord. changes in share-holders' equity	Derivatives on treasury shares	Stock options		
Share capital														
a) ordinary shares	3,076		3,076				35							3,111
b) other	485		485											485
Share premium reserve	5,406		5,406				104							5,510
Reserves														
a) legal	773		773											773
b) statutory	1,094		1,094	404										1,498
c) other	1,254	–1,418	–164	168		1						4		9
Treasury shares														–
Revaluation reserves and valuation differences														
a) financial assets available for sale		169	169			79								248
b) fixed assets														–
c) cash flow hedges		–6	–6			–57								–63
d) legally-required revaluations	987		987											987
e) other														–
Net income	1,309		1,309	–572	–737								842	842
Total	**14,384**	**–1,255**	**13,129**	**0**	**–737**	**23**	**139**	**–**	**–**	**–**	**–**	**4**	**842**	**13,400**

(*) Except for IAS 39.

PARENT COMPANY'S STATEMENT OF CASH FLOWS

(in millions of euro)

	30/06/2005 (*)	30/06/2004 except IAS 39 (§)
OPERATING ACTIVITIES		
1. Cash flow from operations	1,700	1,655
2. Cash flow from decreases in financial assets	240	9,655
3. Cash flow used for increases in financial assets	–3,579	–17,508
4. Cash flow from increases in financial liabilities	3,167	8,342
5. Cash flow used for reimbursement/repurchase of financial liabilities	–1,222	–1,847
Net cash flow from (used for) operating activities	**306**	**297**
INVESTING ACTIVITIES		
1. Cash flow from investing activities	367	99
2. Cash flow used for investing activities	–105	–141
Net cash flow from (used for) investing activities	**262**	**–42**
FUNDING ACTIVITIES	**–598**	**–335**
Net cash flow from (used for) funding activities	**–598**	**–335**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**–30**	**–80**
RECONCILIATION		
Captions		
Cash and cash equivalents at beginning of period	655	641
Net increase (decrease) in cash and cash equivalents	–30	–80
Cash and cash equivalents at end of period	**625**	**561**

(*) The statement of cash flows as at 30th June 2005 reflects the liquidity generated from operations and changes which occurred in assets and liabilities as of 1st January 2005 (thus considering the application of IAS/IFRS, including IAS 39) to the date of close of the semester.

(§) Figures restated under IAS/IFRS, except for IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations.

PARENT COMPANY'S RECLASSIFIED BALANCE SHEET AS AT 30th JUNE 2005

(in millions of euro)

Assets	30/06/2005	31/12/2004 including IAS 39 (§)	Changes	
			amount	%
Cash and cash balances with central banks	**625**	655	–30	–4.6
Financial assets held for trading	**40,279**	38,088	2,191	5.8
Financial assets available for sale	**2,422**	2,529	–107	–4.2
Investments held to maturity	**0**	0	0	
Due from banks	**37,395**	36,983	412	1.1
Loans to customers	**103,020**	102,222	798	0.8
Hedging derivatives	**1,194**	962	232	24.1
Equity investments	**10,656**	10,869	–213	–2.0
Fixed assets	**1,405**	1,423	–18	–1.3
Intangibles	**374**	406	–32	–7.9
Tax assets	**2,257**	3,243	–986	–30.4
Non-current assets (or disposal groups) held for sale and discontinued operations	**645**	762	–117	–15.4
Other assets	**2,973**	2,740	233	8.5
Total Assets	**203,245**	**200,882**	**2,363**	**1.2**

Liabilities and Shareholders' Equity	30/06/2005	31/12/2004 including IAS 39 (§)	Changes	
			amount	%
Due to banks	**29,687**	27,539	2,148	7.8
Due to customers	**135,584**	135,833	–249	–0.2
Financial liabilities held for trading	**15,250**	16,059	–809	–5.0
Hedging derivatives	**1,020**	1,337	–317	–23.7
Tax liabilities	**690**	547	143	26.1
Liabilities in disposal groups held for sale and discontinued operations	**9**	10	–1	–10.0
Other liabilities	**5,414**	4,319	1,095	25.4
Employee termination indemnities	**832**	841	–9	–1.1
Allowances for risks and charges	**1,359**	1,268	91	7.2
Share capital	**3,596**	3,561	35	1.0
Share premium reserve	**5,510**	5,406	104	1.9
Reserves	**2,280**	1,778	502	28.2
Revaluation reserves and valuation differences	**1,172**	1,150	22	1.9
Net income (loss)	**842**	1,234	–392	
Total Liabilities and Shareholders' Equity	**203,245**	**200,882**	**2,363**	**1.2**

(§) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of assets and liabilities related to discontinued operations, as well as the effects of the merger of Intesa Sistemi e Servizi in Banca Intesa.

PARENT COMPANY'S RECLASSIFIED STATEMENT OF INCOME AS AT 30th JUNE 2005

(in millions of euro)

	First half 2005	First half 2004 including IAS 39 (§)	Changes	
			amount	%
Net interest income	1,572	1,488	84	5.6
Dividends	262	497	–235	–47.3
Net fee and commission income	1,203	1,015	188	18.5
Profits (Losses) on trading	142	68	74	
Other operating income (expenses)	36	45	–9	–20.0
Operating income	**3,215**	**3,113**	**102**	**3.3**
Personnel expenses	–1,014	–1,062	–48	–4.5
Other administrative expenses	–554	–555	–1	–0.2
Adjustments to fixed assets and intangibles	–154	–158	–4	–2.5
Operating costs	**–1,722**	**–1,775**	**–53**	**–3.0**
Operating margin	**1,493**	**1,338**	**155**	**11.6**
Net provisions for risks and charges	–122	–52	70	
Net adjustments to loans and receivables	–151	–298	–147	–49.3
Net impairment losses on other assets	–11	3	–14	
Profits (Losses) on investments held to maturity and on other investments	37	163	–126	–77.3
Income (Loss) before tax from continuing operations	**1,246**	**1,154**	**92**	**8.0**
Taxes on income from continuing operations	–404	–183	221	
Income (Loss) after tax from non-current assets (or disposal groups) held for sale and discontinued operations	0	–46	–46	
Net income	**842**	**925**	**–83**	**–9.0**

(§) Comparative figures calculated using IAS/IFRS, including estimated impact of application of IAS 39 relating to financial instruments and registration in a specific caption of income or losses after tax from discontinued operations as well as the effects of the merger of Intesa Sistemi e Servizi in Banca Intesa.

Reconciliation of Parent Company's shareholders' equity and net income as per Legislative Decree 87/92 to IAS/IFRS shareholders' equity and net income

Reconciliation of Parent Company's shareholders' equity as per Legislative Decree 87/92 to IAS/IFRS shareholders' equity

(in millions of euro)

	01/01/2004	01/01/2004	30/06/2004	30/06/2004	31/12/2004	01/01/2005
	Impact of IAS/IFRS first-time adoption	**Impact of IAS/IFRS first-time adoption** (including IAS 39)	**Impact of IAS/IFRS first-time adoption**	**Impact of IAS/IFRS first-time adoption** (including IAS 39)	**Impact of IAS/IFRS first-time adoption** (#)	**Impact of IAS/IFRS first-time adoption** (including IAS 39) (#)
Shareholders' equity (as per Legislative Decree 87/92)	**14,745**	**14,745**	**14,266**	**14,266**	**14,547**	**14,547**
RESERVES	**–1,283**	**–3,073**	**–126**	**–2,069**	**–96**	**–2,023**
- **Due from banks and loans to customers**						
- analytical measurement of non-performing loans	–	–480	–	–519	–	–558
- collective measurement of performing loans	–	–199	–	–160	–	–123
- other impacts	–	–131	–	–132	–	–113
- **Financial assets held for trading**						
- fair value measurement of trading securities and related derivatives	–	76	–	51	–	12
- fair value measurement of derivatives: credit risk adjustment and bid-ask spread	–	–150	–	–154	–	–165
- fair value measurement of derivatives: separation of embedded derivatives from bonds issued	–	–223	–	–382	–	–349
- fair value measurement of equity investments classified as held for trading	–	–154	–	–129	–	–117
- **Hedging derivatives**						
- fair value hedges: fair value measurement of hedging derivatives and hedged items	–	8	–	8	–	8
- hedge accounting adjustments	–	–176	–	–176	–	–173
- **Fixed assets and intangibles**						
- derecognition of depreciation of land	170	170	178	178	185	185
- items that do not qualify for recognition as intangibles	–1	–1	–1	–1	–1	–1
- goodwill impairment	–34	–34	–31	–31	–29	–29
- **Allowances**						
- collective measurement of guarantees given	–	–69	–	–69	–	–68
- unrecognised allowances for risks and charges and discounting of provisions	41	44	42	54	43	57
- actuarial valuation of employee termination indemnities and allowances for pensions	–8	–8	–6	–6	–2	–2
- **Dividends accrued**	–481	–481	–305	–305	–293	–293
- **Reserve for own shares**	–1,015	–1,015	–2	–2	–	–
- **Other impacts**	45	–250	–1	–294	1	–294
VALUATION DIFFERENCES	**–**	**95**	**–**	**117**	**–**	**163**
- **Financial assets available for sale**						
- fair value measurement of debt securities	–	12	–	12	–	12
- fair value measurement of equities	–	93	–	115	–	161
- **Cash flow hedges**						
- cash flow hedges: fair value measurement of derivatives	–	–10	–	–10	–	–10
Tax impact	**–71**	**376**	**–61**	**444**	**–67**	**442**
Total impacts of IAS/IFRS first-time adoption	**–1,354**	**–2,602**	**–187**	**–1,508**	**–163**	**–1,418**
IAS/IFRS Shareholders' equity	**13,391**	**12,143**	**14,079**	**12,758**	**14,384**	**13,129**

(#) Including the effects of the merger of Intesa Sistemi e Servizi in Banca Intesa.

Reconciliation of Parent Company's net income as per Legislative Decree 87/92 to IAS/IFRS net income

(in millions of euro)

	30/06/2004	30/06/2004	31/12/2004	31/12/2004
	Impact of IAS/IFRS first-time adoption [#]	**Impact of IAS/IFRS first-time adoption** (including IAS 39) [#]	**Impact of IAS/IFRS first-time adoption** [#]	**Impact of IAS/IFRS first-time adoption** (including IAS 39) [#]
Net income (as per Legislative Decree 87/92)	**869**	**869**	**1,141**	**1,141**
- Net interest income	–6	28	–12	84
- Dividends	176	176	189	189
- Net fee and commission income	–	–	–	–
- Profits (Losses) on trading	–	–207	–	–255
- Other operating income (expenses)	–	–	–	–
- Operating costs	8	8	17	17
- Goodwill	–	–	–	–
- Adjustments and provisions	7	27	14	36
- Change in the reserve for general banking risks and other reserves	–	–	–	–
- Taxes and other	–35	24	–40	22
Total impacts of IAS/IFRS first-time adoption	**150**	**56**	**168**	**93**
IAS/IFRS net income	**1,019**	**925**	**1,309**	**1,234**

[#] Including the effects of the merger of Intesa Sistemi e Servizi in Banca Intesa.

Table of significant equity investments in unlisted companies pursuant to art. 126 of Consob Regulation 11971 of 14th May 1999

Table of significant equity investments in unlisted companies pursuant to art. 126 of Consob Regulation 11971 of 14th May 1999

(List of equity investments in excess of 10% of the voting share capital in unlisted companies held directly and indirectly or for whatever reason)

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
21 Investimenti S.p.A.	11.23		Banca Intesa	Holding
Abac - Aria Compressa S.p.A.	12.85		Banca Intesa	Holding
Adar Holding S.p.A. (former Sci USA S.p.A.)	16.91		Banca Intesa	Pledge
Ag. per la Promoz. Ind. del Vercellese e della Valsesia		15.00	C.R. Biella e Vercelli	Holding
Agos Itafinco S.p.A.	49.00		Banca Intesa	Holding
Agricola Investimenti S.p.A.	100.00		Banca Intesa	Holding
Agricola Remuscita di D. Franzoni & C. S.a.s. in liquidation		100.00	Agricola Investimenti	Holding
Agricola Valle nel Chianti S.r.l.		100.00	Cariparma e Piacenza	Pledge
Agro - Fin Parma S.r.l.		38.10	Cariparma e Piacenza	Pledge
Agromedimurje d.d.		10.21	Medimurska Banka	Holding
Aimeri S.p.A.	100.00		Banca Intesa	Pledge
Alfa-former Ingatlanhasznosito es Forgalmazo		21.20	Central European International Bank	Pledge
Alfastamp S.r.l.	14.59		Banca Intesa	Holding
Alfieri Associated Investors Servicos de Consultoria S.A.	20.00		Banca Intesa	Holding
AL.GIO.FIN. S.p.A.	20.00		Banca Intesa	Pledge
Alpifin Srl in liquidation (former Alpifin SpA)		16.43	Banca Popolare FriulAdria	Holding
Alstom Hrvatska d.o.o. (former Alstom Power)		20.06	Invest Holding doo Karlovac	Holding
Antares S.p.A.		97.19	Cariparma e Piacenza	Pledge
Arcangela S.p.A.		100.00	C.R. Biella e Vercelli	Pledge
Atlantis Sa		81.25	Banque Sudameris	Holding
		18.75	Intesa Holding International	Holding
Azienda Olearia del Chianti S.r.l.		100.00	Cariparma e Piacenza	Pledge
Azzurra S.r.l.		100.00	Cormano	Holding
B.I. Infrastrutture S.p.A.	100.00		Banca Intesa	Holding
Banca Caboto S.p.A. (former Banca Primavera, IntesaBci Italia Sim)	100.00		Banca Intesa	Holding
Banca Carime S.p.A. (former BPCI FIN S.p.A.)	25.13		Banca Intesa	Ben. inter.
Banca Cis S.p.A.		55.37	Banca Intesa Mediocredito	Holding
Banca di Trento e Bolzano S.p.A.		61.84	Finanziaria BTB	Holding
	8.28		Banca Intesa	Holding
Banca d'Italia		0.22	C.R. Ascoli Piceno	Holding
		2.10	C.R. Biella e Vercelli	Holding
		0.08	C.R. Città di Castello	Holding
		0.10	C.R. Foligno	Holding
		0.01	C.R. Rieti	Holding
		0.03	C.R. Spoleto	Holding
		0.15	C.R. Terni e Narni	Holding
		0.08	C.R. Viterbo	Holding
		2.03	Cariparma e Piacenza	Holding
	22.01		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Banca Generali S.p.A.	25.00		Banca Intesa	Holding
Banca Intesa (France) S.A. (former B.ca Comm. Ital. France)	99.99		Banca Intesa	Holding
Banca Intesa Mediocredito S.p.A.	100.00		Banca Intesa	Holding
Banca Intesa Private Banking SpA	100.00		Banca Intesa	Holding
Banca Popolare FriulAdria S.p.A.	76.05		Banca Intesa	Holding
Banco de Investimento Imobiliario S.A.	30.10		Banca Intesa	Holding
Banco Patagonia S.A. (former Banco Patagonia Sudameris /Banco Sudameris Argentina		0.65	Atlantis	Holding
		8.20	Banque Sudameris	Holding
	11.10		Banca Intesa	Holding
Banco Sudameris Paraguay S.A.E.C.A.		19.85	Banque Sudameris	Holding
Banco Wiese Sudameris S.A		15.95	Lima Sudameris Holding	Holding
	82.10		Banca Intesa	Holding
Banksiel S.p.A.	14.00		Banca Intesa	Holding
Banque Sudameris Sa		99.99	Intesa Holding International	Holding
BCI Lux Conseil S.A.		50.00	Société Européenne de Banque	Holding
BCI U.S. Funding LLC I	100.00		Banca Intesa	Holding
BCI U.S. Funding LLC II	100.00		Banca Intesa	Holding
BCI U.S. Funding LLC III	100.00		Banca Intesa	Holding
Belisce dd		14.70	Privredna Banka Zagreb	Holding
BI Private Equity Ltd		100.00	Private Equity International	Holding
Binda S.p.A. in liquidation		0.01	Banca Caboto	Holding
		0.00	Cormano	Holding
	0.16		Banca Intesa	Pledge
	11.25		Banca Intesa	Holding
Biverbroker S.r.l.		55.00	C.R. Biella e Vercelli	Holding
Bolzoni S.p.A.	28.36		Banca Intesa	Holding
Borsalino Giuseppe e Fratello SpA		54.32	Banca Popolare FriulAdria	Pledge
BSL Bertola Servizi Logistici SpA	14.00		Banca Intesa	Holding
Burza Cennych Papierov v Bratislave As		20.20	Vseobecna Uverova Banka	Holding
BWS Fondos S.A. Soc. Admin. de Fondos (former Wiese Sudameris Fondos S.A.)		100.00	Banco Wiese Sudameris	Holding
BWS Soc. Ag. de Bolsa S.A. (former Wiese Sudameris Sociedad Agente del Bolsa S.A.)		100.00	Banco Wiese Sudameris	Holding
BWS Titulizadora S.A. (former Wiese Sudameris Sociedad Titulizadora S.A)		100.00	Banco Wiese Sudameris	Holding
C.R.L. Compagnia Regionale Leasing S.p.A.		99.95	C.R. Terni e Narni	Holding
Cala Capitana S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge
Camigliati Scuola Management Territoriale Scrl		20.00	Intesa Formazione	Holding
Cantiere Darsena Italia S.p.A. in liquidation	20.00		Banca Intesa	Holding
Capitale e Sviluppo S.p.A.		9.76	C.R. Foligno	Holding
		9.76	C.R. Spoleto	Holding
		9.76	C.R. Terni e Narni	Holding
Caralt S.p.A.	35.00		Banca Intesa	Holding
Carignano S.r.l. in liquidation	69.99		Banca Intesa	Pledge
Cassa di Risparmio di Parma e Piacenza S.p.A.	100.00		Banca Intesa	Holding
Cartitalia S.r.l. under bankruptcy procedures		51.00	Cormano	Holding
Case di Cura Riunite S.r.l. under extraordinary administration	71.00		Banca Intesa	Pledge

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Cassa di Risparmio di Ascoli Piceno S.p.A.		66.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Biella e Vercelli S.p.A.	55.00		Banca Intesa	Holding
Cassa di Risparmio di Città di Castello S.p.A.		79.24	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Chieti S.p.A.	20.00		Banca Intesa	Holding
Cassa di Risparmio di Fermo S.p.A.	33.33		Banca Intesa	Holding
Cassa di Risparmio di Foligno S.p.A.		70.47	Intesa Casse del Centro	Holding
Cassa di Risparmio di Rieti S.p.A.		85.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Spoleto S.p.A.		59.44	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Teramo S.p.A.	20.00		Banca Intesa	Holding
Cassa di Risparmio di Terni e Narni S.p.A.		75.00	Intesa Casse del Centro	Holding
Cassa di Risparmio della Provincia di Viterbo S.p.A.		0.01	C.R. Città di Castello	Holding
		82.02	Intesa Casse del Centro	Holding
Central European International Bank Ltd		100.00	Intesa Holding International	Holding
Centrale dei Bilanci S.r.l.		0.15	Banca Cis	Holding
		0.83	Cariparma e Piacenza	Holding
	11.67		Banca Intesa	Holding
Centro Agro Alimentare di Parma S.r.l.		11.40	Cariparma e Piacenza	Holding
CENTURION Financne Storitve d.o.o. (former Amex d.o.o.)		75.00	Banca Popolare FriulAdria	Holding
		25.00	PBZ American Express Zagreb	Holding
Chess Ventures Ltd	49.75		Banca Intesa	Holding
China International Packaging Leasing Ltd		17.50	Intesa Holding International	Holding
Cib Credit Rt. (former Cib Car Finance Rt.)		98.00	Cib Leasing	Holding
		2.00	Cib Real Estate	Holding
CIB Factor Financial Service Ltd.		50.00	Cib Real Property Utilisation and Services	Holding
		50.00	Cib Service	Holding
Cib Insurance Broker Kft.		100.00	Cib Leasing	Holding
Cib Inventory Management LLC (former Project Company I Kft.)		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
CIB Investment Fund Management Rt.		93.33	Central European International Bank	Holding
		6.66	Cib Real Property Utilisation and Services	Holding
		0.01	Cib Service	Holding
CIB Leasing Rt.		87.20	Cib Rent	Holding
		1.16	Central European International Bank	Holding
		0.01	Cib Service	Holding
CIB Real Estate Rt.		98.00	Cib Leasing	Holding
		2.00	Cib Credit	Holding
CIB Real Property Utilisation and Services Ltd. (former Cib Securities)		26.00	Central European International Bank	Holding
		74.00	Cib Service	Holding
CIB Rent Rt. (former Cib Rent and Leasing Co. Ltd)		1.11	Cib Real Property Utilisation and Services	Holding
		98.89	Central European International Bank	Holding
CIB Service Rt.		99.99	Central European International Bank	Holding
		0.01	Cib Leasing	Holding
Cimo S.r.l.	100.00		Banca Intesa	Pledge
Cittadini dell'Ordine S.p.A.		100.00	C.R. Biella e Vercelli	Pledge
Cofragef S.A. in liquidation		99.76	Banca Intesa (France)	Holding
Comit Investments Ltd (Ireland)	99.91		Banca Intesa	Holding
Conser Soc. Consort. Per Azioni		51.00	Sesit Puglia	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Consorzio Aeroporto Foligno-Spoleto		12.50	C.R. Foligno	Holding
Consorzio Agrario Provinciale di Parma S.c.r.l.		42.02	Cariparma e Piacenza	Holding
Consorzio per gli studi universitari a distanza F. Corongiu		33.33	Banca Cis	Holding
Consul Service S.r.l. in liquidation		98.41	Banca Cis	Holding
Consumer Finance Holding a.s.		100.00	Vseobecna Uverova Banka	Holding
Convetro S.p.A. in liquidation		56.25	Banca Popolare FriulAdria	Pledge
Cormano S.r.l.	70.82		Banca Intesa	Holding
Corte Rosada S.r.l. under bankruptcy procedures	80.82		Banca Intesa	Pledge
Dante Prini S.p.A. in liquidation	32.50		Banca Intesa	Holding
Del Mar S.A.		56.69	Banco Wiese Sudameris	Holding
Deltafin S.A.		13.69	Private Equity International	Holding
Depositos S.A. - Depsa		99.98	Banco Wiese Sudameris	Holding
Depsa Tacna S.A.C.		99.90	Depositos	Holding
Domina Group S.p.A. (former Multimoda Network SpA)	98.61		Banca Intesa	Pledge
Dulevo S.p.A. under bankruptcy procedures	91.70		Banca Intesa	Pledge
E. Gilardi & C. S.r.l. in liquidation		60.00	C.R. Biella e Vercelli	Holding
E.TR. S.p.A.	100.00		Banca Intesa	Holding
Ecc Holding S.r.l.	28.75		Banca Intesa	Holding
Edilmarket S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge
Editrade S.A.C. in liquidation		22.50	Banco Wiese Sudameris	Holding
EDM S.r.l.		25.00	C.R. Spoleto	Pledge
Elba S.r.l.		100.00	Private Equity International	Holding
Emerald UK Limited Partnership	11.14		Banca Intesa	Holding
Ente Nazionale Sementi Elette	49.41		Banca Intesa	Holding
Epsilon SGR S.p.A.		93.75	Nextra Investment Management SGR	Holding
Equinox Investment Company Scpa		28.67	Private Equity International	Holding
Equitypar Companhia de Participacores S.A.		12.50	Intesa Brasil Empreendimentos	Holding
Esatri Esazione Tributi S.p.A.		66.68	E.TR. - Riscossione Tributi	Holding
Euromilano S.p.A. (former S.r.l.)	37.50		Banca Intesa	Holding
Europay Hrvatska d.o.o. in liquidation		12.50	Privredna Banka Zagreb	Holding
Europrogetti & Finanza S.p.A.	15.97		Banca Intesa	Holding
Evoluzione 94 S.p.A.	18.11		Banca Intesa	Holding
F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	20.00		Banca Intesa	Holding
Fadalti S.p.A. (former Fadalti Marco Orfeo S.p.A.)		33.33	Banca Popolare FriulAdria	Pledge
Fidenza Ovest S.r.l.		25.00	Cariparma e Piacenza	Pledge
Fidia SGR S.p.A.	25.00		Banca Intesa	Holding
Finance Lab Srl		40.00	Banca Popolare FriulAdria	Holding
Financiere Vespucci Sca [1]	61.66		Banca Intesa	Holding
Finanziaria Agricola Bresciana S.p.A. in liquidation		100.00	Agricola Investimenti	Holding
Finanziaria BTB S.p.A.	99.29		Banca Intesa	Holding
Finanziaria Colonna S.r.l.	100.00		Banca Intesa	Holding
Fineurop S.p.A.	15.00		Banca Intesa	Holding
Fintbrescia Holding S.p.A. in liquidation	17.30		Banca Intesa	Pledge
Formula Sport Group S.r.l.	52.00		Banca Intesa	Pledge
Fundsworld Financial Service Ltd. in liquidation	100.00		Banca Intesa	Holding
G.E.M.A. S.p.A. Gestioni Esattoriali Mirella Alberini	35.00		Banca Intesa	Pledge

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Galileo Holding S.p.A. in liquidation		5.88	C.R. Viterbo	Holding
	28.98		Banca Intesa	Holding
GE.I.PO. S.r.l.	90.00		Banca Intesa	Pledge
Geni S.p.A. under bankruptcy procedures		35.91	Intesa Gestione Crediti	Holding
Gercom SpA	100.00		Banca Intesa	Pledge
Giraglia Immobiliare S.p.A.	20.02		Banca Intesa	Holding
GPE S.r.l.		90.55	Banca Popolare FriulAdria	Pledge
Grin S.r.l. in liquidation	100.00		Banca Intesa	Pledge
Gruppo Pasini S.p.A.	100.00		Banca Intesa	Pledge
Harry S.r.l.		100.00	Cariparma e Piacenza	Pledge
Hospitalija Trgovina d.o.o.		18.22	Privredna Banka Zagreb	Holding
HROK d.o.o. - Hrvatski Registar Obveza po Kreditima		14.00	Privredna Banka Zagreb	Holding
Iais4 S.p.A.		100.00	S.ES.I.T. Puglia	Holding
Idra Partecipazioni S.p.A. in liquidation	18.62		Banca Intesa	Holding
Ifas Gruppo S.p.A.	45.00		Banca Intesa	Holding
Il Mondo dei Fiori S.r.l.	100.00		Banca Intesa	Pledge
Imeco S.p.A.	78.81		Banca Intesa	Pledge
Immobiliare Bella Riva Srl	100.00		Banca Intesa	Holding
Immobiliare Maram S.r.l.	100.00		Banca Intesa	Holding
Immobiliare Olimpia ' 93 S.p.A.	100.00		Banca Intesa	Pledge
Impianti S.r.l. in liquidation		1.68	Banca di Trento e Bolzano	Holding
		5.14	Cariparma e Piacenza	Holding
	12.11		Banca Intesa	Holding
Impresa Castelli S.p.A.	36.60		Banca Intesa	Pledge
Infocorp S.A.		20.73	Banco Wiese Sudameris	Holding
Informatica Umbra S.r.l.		8.33	C.R. Spoleto	Holding
		8.33	C.R. Foligno	Holding
Iniziative Urbane S.p.A.		11.11	Banca di Trento e Bolzano	Holding
Insediamenti Produttivi Piemonte Settentrionale S.p.A. - Nordind		12.76	C.R. Biella e Vercelli	Holding
International Sailing Boats - ISB S.p.A. (former Cidipi Spa)	33.33		Banca Intesa	Holding
Intertour As		12.88	Vseobecna Uverova Banka	Holding
Intesa Bank Ireland Plc (ex IntesaBci B.Ireland/ Comm. Ital. Plc Ireland)	99.99		Banca Intesa	Holding
Intesa Bank Overseas Ltd.	100.00		Banca Intesa	Holding
Intesa Brasil Empreendimentos S.A. (former Traianus S.A.)	100.00		Banca Intesa	Holding
Intesa Casse del Centro S.p.A. (former Intesa Holding Centro)	97.44		Banca Intesa	Holding
Intesa e.Lab S.p.A. (former IntesaBci e.Lab / B.ca Proxima)	100.00		Banca Intesa	Holding
Intesa Formazione S.c.p.A. (former Intesa Formazione Sud, CEII S.)		37.55	Intesa Casse del Centro	Holding
	61.00		Banca Intesa	Holding
Intesa Funding Llc (former BCI Funding Corporation)	100.00		Banca Intesa	Holding
Intesa Gestione Crediti S.p.A. (former IntesaBci Gest.Crediti/C.R.Salern.)	100.00		Banca Intesa	Holding
Intesa Holding Asset Management SpA (former Intesa Ass.Manag. SGR)	100.00		Banca Intesa	Holding
Intesa Holding International Sa (former Comit Holding Intern. Sa)	99.99		Banca Intesa	Holding
Intesa Immobiliare S.r.l. (former IntesaBci Immobiliare)	100.00		Banca Intesa	Holding
Intesa Investimenti S.p.A. (former IntesaBci Inv./Comp.Ital.di Invest.Divers.)	100.00		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Intesa Lease Sec. S.r.l.	60.00		Banca Intesa	Holding
Intesa Leasing S.p.A.	99.67		Banca Intesa	Holding
Intesa Mediofactoring S.p.A. (former Mediofactoring SpA)	100.00		Banca Intesa	Holding
Intesa Preferred Capital Co. Llc.	100.00		Banca Intesa	Holding
Intesa Previdenza SIM S.p.A. (former Sim Co.Ge.F. SpA)	55.00		Banca Intesa	Holding
Intesa Renting S.p.A.		65.00	Intesa Leasing	Holding
Intesa Sec. S.p.A. (former IntesaBci Sec.)	60.00		Banca Intesa	Holding
Intesa Sec. 2 S.r.l. (former IntesaBci Sec. 2)	60.00		Banca Intesa	Holding
Intesa Sec. NPL S.p.A. (former IntesaBci Sec NPL)	60.00		Banca Intesa	Holding
Intesa Sec. NPL 2 S.r.l. (former La Centrale Consulenza Srl)	60.00		Banca Intesa	Holding
Intesa Soditic Trade Finance Ltd (ex BCI Soditic Trade Fin.)		50.00	Intesa Holding International	Holding
Intesa Vita S.p.A. (former Timavo Vita SpA) (2)	50.00		Banca Intesa	Holding
IntesaBci Preferred Capital Company Llc III Delaware	100.00		Banca Intesa	Holding
IntesaBci Preferred Securities Investor Trust		100.00	IntesaBci Preferred Capital Comp. Llc III Delaw.	Holding
Intesa Trade Sim S.p.A.	100.00		Banca Intesa	Holding
Inversiones Mobiliarias S.A - IMSA	97.29		Banca Intesa	Holding
Inversiones Sudameris C.A. (Venezuela)		100.00	Banque Sudameris	Holding
Investholding d.o.o. Karlovac		56.38	Privredna Banka Zagreb	Holding
Investitori Associati S.A in liquidation	16.67		Banca Intesa	Holding
Ioca Ltd (1)	49.04		Banca Intesa	Holding
Ipef Partners Ltd.	40.50		Banca Intesa	Holding
Italenergia Bis S.p.A.		10.66	Private Equity International	Holding
Italia Generali Costruzioni S.r.l.	100.00		Banca Intesa	Pledge
Italian Equity Advisors S.p.A. in liquidation	17.16		Banca Intesa	Pledge
Lazard & Co. S.r.l.	40.00		Banca Intesa	Holding
Lelle SPC - Real Estate Investment and Trading Rt.		99.96	Cib Real Estate	Holding
		0.04	Cib Insurance Broker	Holding
Lima Sudameris Holding S.A.		0.04	Banco Wiese Sudameris	Holding
		43.95	Inversiones Mobiliarias	Holding
	49.28		Banca Intesa	Holding
LO.SE.RI. S.p.A.	30.50		Banca Intesa	Holding
Luxi Privilege Conseil S.A.		50.00	Société Européenne de Banque	Holding
Luxicav Conseil S.A.		99.97	Société Européenne de Banque	Holding
Magazzini Generali Fiduciari Cariplo S.p.A.	100.00		Banca Intesa	Holding
Mandricardo S.p.A.	99.75		Banca Intesa	Pledge
Mantero Finanziaria S.p.A.	10.59		Banca Intesa	Holding
Marcofil S.p.A. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Marcotex S.p.A. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Martoni S.p.A.		51.00	Banca Popolare FriulAdria	Pledge
Mater-Bi S.p.A.	34.48		Banca Intesa	Holding
Medimurska Banka dd		96.39	Privredna Banka Zagreb	Holding
Medinvest S.r.l. under bankruptcy procedures		100.00	Intesa Gestione Crediti	Pledge
Metallurgica G. Berera S.p.A.		50.00	Cariparma e Piacenza	Pledge
Metronet Telekomunikacije d.d. za telekomunikacijske usluge		18.86	Privredna Banka Zagreb	Holding
Mirror International S.a.r.l.		8.41	Private Equity International	Holding
	2.10		Banca Intesa	Holding
Modulblok S.p.A.		12.45	Banca Popolare FriulAdria	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Montagna 2000 S.p.A.		11.00	Cariparma e Piacenza	Holding
Monte Mario 2000 S.r.l.		47.50	Finanziaria Colonna	Holding
N.T.M. S.p.A.		93.80	Banca Intesa Mediocredito	Pledge
Netsystem.com S.p.A.	35.74		Banca Intesa	Pledge
Neubor Glass S.p.A.		26.66	Banca Popolare FriulAdria	Holding
Nextra Alternative Investments SGR S.p.A. (former Comit Gestioni SGR)		90.00	Nextra Investment Management SGR	Holding
	10.00		Banca Intesa	Holding
Nextra Distribution Services SA (former Prontofund Advisory SA)		99.97	Nextra Investment Management SGR	Holding
		0.03	Société Européenne de Banque	Holding
Nextra Investment Management SGR S.p.A. (former Comit Asset Management SGR)		67.95	Intesa Holding Asset Management	Holding
	32.05		Banca Intesa	Holding
Novacarta S.r.l. in liquidation		99.90	Cormano	Holding
Nuova Cartiera di Arbatax S.p.A. under extraordinary administration		16.00	Banca Cis	Holding
Nuova G S.p.A. under extraordinary administration	100.00		Banca Intesa	Pledge
Nuova Panetto e Petrelli S.p.A.		15.33	C.R. Spoleto	Holding
Nuovo Hotel S. Pietro S.r.l.	28.00		Banca Intesa	Pledge
O.M.S.O. Officina Macchine per Stampa su Oggetti S.p.A.	20.50		Banca Intesa	Pledge
Obiettivo Nordest Sicav S.p.A. (3)	39.99		Banca Intesa	Holding
Olearia Castello degli Olivi S.r.l.		100.00	Cariparma e Piacenza	Pledge
Olifin S.r.l.		98.99	Cariparma e Piacenza	Pledge
OOO Intesa Realty Russia	100.00		Banca Intesa	Holding
P.B. S.r.l.	42.24		Banca Intesa	Holding
Palace Hotel S.p.A.		22.90	Banca di Trento e Bolzano	Pledge
Parmafactor S.p.A.		10.00	Cariparma e Piacenza	Holding
	10.00		Banca Intesa	Holding
Pasco S.p.A.		90.00	C.R. Biella e Vercelli	Pledge
PBZ American Express d.o.o. Zagreb		100.00	Privredna Banka Zagreb	Holding
PBZ American Express d.o.o. Skopje		95.00	PBZ American Express Zagreb	Holding
PBZ Croatia Osiguranje Joint Stock Co. for Comp. Pens. Fund M. (former PBZ Croatia Osiguranje Plc for Compulsory Pension Fund Man.)		50.00	Privredna Banka Zagreb	Holding
PBZ Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Kapital d.o.o. in liquidation		100.00	Privredna Banka Zagreb	Holding
PBZ Leasing d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Nekretnine d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Stambena Stedionica d.d.		100.00	Privredna Banka Zagreb	Holding
Petrochemical Investments Ltd	100.00		Banca Intesa	Holding
Phoenix Beteiligungs und Verwaltungs GmbH & Co. KG (former Phoenix KG)		1.22	Phoenix Beteiligungs GmbH	Holding
	98.78		Banca Intesa	Holding
Phoenix Beteiligungs GmbH	100.00		Banca Intesa	Holding
Pinestead Investment Corp. (1)	20.00		Banca Intesa	Holding
Po Vita S.p.A.		50.00	Cariparma e Piacenza	Holding
Porto San Rocco S.p.A.		29.42	Banca Popolare FriulAdria	Pledge
Private Equity International S.A. (former Neuf)	99.99		Banca Intesa	Holding
Privredna Banka Zagreb d.d.		76.30	Intesa Holding International	Holding
Procesos MC Perù SA		50.00	Banco Wiese Sudameris	Holding
Progetti S.r.l.	24.00		Banca Intesa	Pledge

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
R.C.N. Finanziaria S.p.A. (former T.F. Partners Srl)	25.93		Banca Intesa	Holding
Recovery a.s. (former Leasreal a.s.)		100.00	Vseobecna Uverova Banka	Holding
Remari Finanziaria S.r.l. in liquidation	28.00		Banca Intesa	Pledge
Renee S.r.l. under bankruptcy procedures	100.00		Banca Intesa	Pledge
Resco Uno Srl (former Trattamenti Termici Solbiate Srl)	100.00		Banca Intesa	Holding
Riconversider S.r.l.	13.86		Banca Intesa	Holding
RVS As (former Bankove Zuctovacie Centrum Slovenska)		12.49	Vseobecna Uverova Banka	Holding
S.E.P. Società Economia Parmense S.r.l.		19.00	Cariparma e Piacenza	Holding
Sabaudia 29 S.r.l. in liquidation	95.00		Banca Intesa	Pledge
Saga S.p.A.	45.00		Banca Intesa	Pledge
Sailview Company		99.99	Private Equity International	Holding
San Francesco S.r.l.	100.00		Banca Intesa	Pledge
Sant'Antonio Abate S.r.l.		75.00	Cariparma e Piacenza	Pledge
Saper Partecipacoes Ltda (former Saper Empreendim. Imobiliarios)		37.90	Soc. de Assessoria Tecnica e Administrativa	Holding
Scala Advisory S.A.		0.03	Société Européenne de Banque	Holding
	99.97		Banca Intesa	Holding
Scontofin S.A	15.00		Banca Intesa	Holding
Seb Trust Ltd		99.99	Société Européenne de Banque	Holding
Servicios Bancarios Compartidos S.A		11.28	Banco Wiese Sudameris	Holding
Servicios, Cobranzas e Inversiones S.A.C.		99.00	Banco Wiese Sudameris	Holding
Servitia S.A		99.99	Société Européenne de Banque	Holding
Servizi Riscossione Tributi Terni S.p.A. (SE.RI.T. Terni)		99.97	C.R. Terni e Narni	Holding
		0.03	C.R. Spoleto	Holding
Servizio Riscossione Tributi Rieti S.p.A. (SE.RI.T. Rieti)		100.00	C.R. Rieti	Holding
Sesit Puglia S.p.A.		99.99	E.TR. - Esazione Tributi	Holding
Setefi S.p.A.	100.00		Banca Intesa	Holding
Shanghai Sino-Italy Business Advisory Company Limited	40.00		Banca Intesa	Holding
Shi-mi S.A	99.99		Banca Intesa	Holding
Shoplà S.p.A.		100.00	Intesa e.Lab	Holding
SI Holding S.p.A. (former Cartasì SpA, Servizi Interbancari SpA)		0.22	Banca Trento e Bolzano	Holding
		0.18	Banca Popolare FriulAdria	Holding
		0.56	Cariparma e Piacenza	Holding
		0.37	C.R. Biella e Vercelli	Holding
		0.01	C.R. Spoleto	Holding
		0.15	C.R. Viterbo	Holding
		0.10	C.R. Ascoli	Holding
		0.15	C.R. Città di Castello	Holding
		0.15	C.R. Foligno	Holding
		0.15	C.R. Terni e Narni	Holding
		0.15	C.R. Rieti	Holding
	10.78		Banca Intesa	Holding
Sicil Power S.p.A.	97.00		Banca Intesa	Pledge
Sirti Sistemi SpA	100.00		Banca Intesa	Pledge
Sitia - Yomo S.p.A.	94.01		Banca Intesa	Pledge
Skillpass S.p.A.	12.50		Banca Intesa	Holding
Slovak Banking Credit Bureau Spol. Sro		33.33	Vseobecna Uverova Banka	Holding
SO.GE.A.P. Aeroporto di Parma S.p.A.		13.09	Cariparma e Piacenza	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Soc. de Assessoria Tecnica e Administrativa Sa - SATA		99.99	Intesa Brasil Empreendimentos	Holding
Società Agricola Valserena S.r.l.		50.00	Cariparma e Piacenza	Pledge
Soc. Aree Ind. ed Artigianali - S.A.I.A. S.p.A.	10.08		Banca Intesa	Holding
Società Europea di Sviluppo S.r.l.	90.00		Banca Intesa	Pledge
Società Gestione per il Realizzo SpA	10.02		Banca Intesa	Holding
Società Italiana Acciai Bolzano SIAB S.p.A.	45.18		Banca Intesa	Pledge
Società Italiana di Revisione e Fiduciaria S.p.A. - SIREF	100.00		Banca Intesa	Holding
Società per i Servizi Bancari - SSB S.p.A.		N.S.	Banca Cis	Holding
		0.23	Banca Trento e Bolzano	Holding
		0.21	Cariparma e Piacenza	Holding
		0.05	C.R. Viterbo	Holding
		0.04	C.R. Città di Castello	Holding
		0.05	C.R. Rieti	Holding
		0.01	C.R. Spoleto	Holding
		0.04	C.R. Foligno	Holding
		0.11	C.R. Biella e Vercelli	Holding
		0.06	Banca Popolare FriulAdria	Holding
		0.02	C.R. Ascoli	Holding
		0.04	C.R. Terni e Narni	Holding
	17.52		Banca Intesa	Holding
Societe d'Investiss.et de Financ. Immobiliers S.A - Finameris		99.99	Banca Intesa (France)	Holding
Sociéte Européenne de Banque S.A		99.99	Intesa Holding International	Holding
Societe Fonciere Meyerbeer Sarl		99.56	Banque Sudameris	Holding
Spinoffer Real Estate Srl	100.00		Banca Intesa	Pledge
Strutture Centrali S.r.l.	25.00		Banca Intesa	Pledge
Sudameris Immobiliaria S.A. (Panama)		100.00	Banque Sudameris	Holding
Sviluppo Garibaldi Repubblica S.p.A.	33.00		Banca Intesa	Holding
Synesis Finanziaria S.p.A.	25.00		Banca Intesa	Holding
Tabby S.p.A. under bankruptcy procedures	73.81		Banca Intesa	Pledge
Tasa Finance Lux S. a.r.l. (1)	100.00		Banca Intesa	Holding
Tayar Receivables Company (1)		17.16	Comit Investment - Ireland	Holding
Tecnoarredamenti S.r.l.		100.00	Banca Popolare FriulAdria	Pledge
Tecnoforge S.p.A.	14.77		Banca Intesa	Pledge
Tehnolosko-Inovacijski Centar doo		11.20	Privredna Banka Zagreb	Holding
Tele 2 d.o.o. za telekomunikacijske usluge		14.00	Privredna Banka Zagreb	Holding
Termomeccanica S.p.A.	33.29		Banca Intesa	Holding
The Titus Fund (1)		100.00	Intesa Investimenti	Holding
Tornabuoni Srl	100.00		Banca Intesa	Pledge
Tre Re S.p.A. in liquidation	39.99		Banca Intesa	Pledge
Trigoria 2000 S.r.l. in liquidation	95.00		Banca Intesa	Pledge
Turismo e Immobiliare S.p.A.	33.33		Banca Intesa	Holding
Twice Sim S.p.A. (former Gemofin Sim)	19.95		Banca Intesa	Holding
Umbra Cuscinetti S.p.A.		51.70	C.R.Foligno	Pledge
Unirose International S.A.		99.99	Société Européenne de Banque	Holding
Villaggio Turistico Internazionale S.r.l. (former Sviluppo Marino Srl)	100.00		Banca Intesa	Pledge
Viterie Bal.Bi S.r.l.		50.00	Banca Popolare FriulAdria	Pledge
Vobitech Nv in liquidation	36.63		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Vseobecna Uverova Banka As		96.49	Intesa Holding International	Holding
Vub Asset Management Sprav. Spol. As		100.00	Vseobecna Uverova Banka	Holding
Vub Factoring As		100.00	Vseobecna Uverova Banka	Holding
Vub Generali dochodkova spravcovska spolocnost a.s.		50.00	Vseobecna Uverova Banka	Holding
Vub Leasingova As		100.00	Vseobecna Uverova Banka	Holding
Wallizing Financial Service Ltd.		100.00	Cib Credit	Holding
Wiese Sudameris Leasing S.A.		99.89	Banco Wiese Sudameris	Holding
Zao Banca Intesa	100.00		Banca Intesa	Holding
Zao International Business Consulting	55.00		Banca Intesa	Holding
Zet S.r.l.		55.00	Cariparma e Piacenza	Pledge

(1) Equity investment for which there is a commitment to sell at a later date and at a predetermined price. This equity investment is accounted for as a repurchase agreement.

(2) 44.44% of which are ordinary shares.

(3) Percentage exclusively refers to registered shares.

N.S. = not significant since in the percentage is under 0.001.

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