

## CONSIDERATIONS

Banca Intesa S.p.A. («Intesa») has made a Public Exchange Offer (the «Offer») - as provided for in the combined provisions of Art. 102 and 107, par. 1, of Legislative Decree 58 of February 24, 1998 (the «Testo Unico») as well as in the rules contained in Section II, Part II of Ruling 11971 adopted under the Testo Unico and issued by *Commissione nazionale per le società e la borsa* (the regulator of the Italian securities market, known as "CONSOB") on May 14, 1999 (the «Regolamento CONSOB») - for 1,249,055,984 ordinary shares and 7,275,572 saving shares of Banca Commerciale Italiana S.p.A. («BCI»), of nominal Lire 1,000 each, which start to accrue rights as of January 1, 1999 and representing respectively the 70% of BCI's ordinary share capital and 70% of BCI's saving share capital (the «BCI Shares»). The aforesaid Offer is described in the Offer Document, made available according to the procedures described in paragraph 6, Chapter I, Section III of this Prospectus.

As set out in paragraph b.8, sub-paragraph B, of the Offer Document, if the level of shares tendered is for a number of shares exceeding that for which the Offer is made, each accepting shareholder («Accepting Shareholder») will be granted one warrant which represents the right to exercise the option to sell one BCI ordinary or one BCI saving share to Intesa currently of nominal value Lire 1,000 each («Warrant Put Intesa-BCI» or «Warrant») for each BCI share tendered and not exchanged in the proportional allotment of Intesa Shares.

- Notices to exercise of Warrants and for the right to sell BCI Shares must be presented to the authorised intermediaries (the "Authorised Intermediaries") in the period beginning on November 1, 2002 and ending on the close of business on November 15, 2002 (inclusive). These dates will be communicated to the general public by means of an announcement in at least one national daily newspaper, as provided by Art. 84 of the Regolamento CONSOB.
- The exercise of Warrants must occur in compliance with the following procedures: exercise notices must be presented to the Authorised Intermediaries by depositing both the Warrants and the corresponding number of BCI ordinary and/or saving shares, for which the Authorised Intermediaries must simultaneously receive an irrevocable authorisation to transfer such shares to Intesa and to collect from Intesa the consideration. BCI shares which have not yet been included in the dematerialised centralised management system managed by Monte Titoli S.p.A. must be presented to Authorised Intermediaries, together with the related coupon at the exercise date of the Warrant, in time for the dematerialisation procedures provided for in CONSOB resolution 11768 of October 23, 1998 to be effected.
- Warrants that are unexercised by the close of business on November 15, 2002 will expire and will no longer be validly exercisable or in any other way usable with Intesa.
- In case of transactions involving BCI's share capital or other transactions which impact on the value of the underlying shares, the ratio and the exercise price will be adjusted as provided for in Art. 3 of the Regolamento «Warrants Banca Intesa S.p.A. valid for the sale of Banca Commerciale Italiana S.p.A. ordinary or saving shares to Banca Intesa», or, as abbreviated, «Warrant Put Intesa – BCI», included as Annex A (the «Regolamento»)
- If, following the operations contained in Art. 3 of the Regolamento (such as free increases in BCI's share capital), at the time of the exercise of Warrants the number of shares to be delivered is not a whole number, the holder of the Warrants will deposit the lower whole number of shares and will not have any rights in respect of the remaining fraction.
- Borsa Italiana S.p.A. has resolved that 500 Warrants will be the minimum trading lot on the Market, consistent with the minimum number of tradeable BCI shares.

After the completion of the Offer, should BCI shares tendered and not exchanged be for an amount which does not equal the minimum tradeable quantity or multiples thereof, BCI shareholders will receive a number of Warrants which does not correspond to the minimum quantity tradeable on the Market, as defined by Borsa Italiana S.p.A.

An investment in the Warrants incurs the risks typical of an investment in warrants listed on regulated markets.

## I. SUMMARY INFORMATION RELATING TO THE WARRANTS AND THE ISSUER

### 1. Introduction: essential elements of the Offer

As part of the Intesa-BCI integration project, Intesa has made a Public Exchange Offer as provided for in the combined provisions of Articles 102 and 107, par. 1, of the Testo Unico, for 1,249,055,984 BCI ordinary shares and 7,275,572 BCI saving shares.

The Offer made by Intesa presents the following essential elements:

1) The Offer consists of an irrevocable offer made by Intesa to all BCI shareholders indiscriminately and on the same conditions, for the exchange of:

- (i) 1,249,055,984 BCI ordinary shares of nominal value Lire 1,000 each, which start to accrue rights as of January 1, 1999, which correspond to 70% of BCI's ordinary share capital at the date of the Offer Document, and
- (ii) 7,275,572 BCI saving shares of nominal value Lire 1,000 each, which start to accrue rights as of January 1, 1999, which correspond to 70% of BCI's saving share capital at the date of this Offer Document.

2) As consideration for the BCI Shares, the Offer entails the exchange of such shares with a maximum of 2,072,947,067 newly issued Intesa ordinary shares («*Intesa Shares*»), of nominal value Lire 1,000 each, which start to accrue rights as of January 1, 1999, at a ratio of 1.65 Intesa ordinary shares for each BCI ordinary and saving share subject to the Offer.

For this purpose, Banca Intesa's Extraordinary Shareholders Meeting held, on first call, on August 17, 1999 resolved under the terms and for the purposes of Art. 2441, par. 4, of the Italian Civil Code (the "Civil Code"), to increase Intesa's share capital by up to a maximum nominal value of Lire 2,072,947,067,000, by way of the issue of up to a maximum of 2,072,947,067 ordinary shares of nominal value Lire 1,000 each which start to accrue rights as of January 1, 1999, to be reserved for BCI shareholders who accept the Offer and to be exchanged for BCI Shares. This resolution has been officially approved by the Milan Court on September 2, 1999 and has been filed for recording on the Milan Company Register on September 6, 1999.

3) The Offer will last from September 27, 1999 to October 15, 1999 inclusive, save for possible extensions.

4) The Offer is subject to the following conditions:

- a) obtaining the authorisations provided for in Legislative Decree 385 of September 1, 1993 (the «*Testo Unico delle leggi in materia bancaria e creditizia*») and Law 287 of October 10, 1990 ("*Norme per la tutela della concorrenza e del mercato*");

The transaction to which the Offer applies, which was resolved upon by Intesa's Board of Directors on June 30, 1999, has been authorised by Bank of Italy with communication no. 38379 of August 16, 1999.

Moreover, the communications pursuant to Art. 16 of Law 287 of October 10, 1990 ("*Norme per la tutela della concorrenza e del mercato*") have been delivered to the Autorità Garante della Concorrenza e del Mercato (Italian Antitrust Authority) and to the Bank of Italy.

- b) obtaining approval from BCI shareholders holding the majority of ordinary shares in accordance with Art. 107, par. 1, letter b) of the Testo Unico and meeting the other conditions provided for in Art. 107, par. 1, of the Testo Unico.
  - c) levels of acceptance of the Offer must be sufficient to allow the Offeror to acquire at least 892,182,847 BCI ordinary shares corresponding to 50% plus one share of BCI's ordinary share capital (the number of shares required was calculated by multiplying the total number of issued ordinary shares, i.e., 1,784,365,691 shares, by 50% and by rounding off to the nearest whole number plus one share);
  - d) within 30 (thirty) days from the closing of the Offer, the BCI Extraordinary Shareholders Meeting resolving to change Art. 8 of the Articles of Association, by eliminating all paragraphs except the last two and all other and connected provisions contained in the Articles of Association, in order to eliminate the provisions which limit a single shareholder from holding shares representing more than 5% of the voting capital and which limit the exercise of voting rights attaching to shares in excess of 5% of the ordinary voting capital. For this purpose, it should be noted that BCI's Extraordinary Shareholders Meeting has been called by BCI's Board of Directors on October 29, November 8 and 12, 1999, in first, second and third calls respectively;
  - e) within 90 (ninety) days from its approval, the resolution of the Meeting described in the previous sub-paragraph d) is officially approved and recorded on the Company Register by means of a decree issued by the appropriate Court and, if necessary, has been authorised by the competent Supervisory Authorities.
- 5) If at the time of the verification of acceptances of the Offer and allotment of Intesa Shares, the number of BCI Shares tendered is for a number of ordinary and/or saving shares exceeding that for which the Offer is made, the Offeror, when allotting as payment the Intesa Shares, will give to each Accepting Shareholder, for each BCI Share tendered and not exchanged by the Offeror in the proportional allotment of Intesa Shares, one Warrant representing the right to exercise the option to sell one BCI ordinary or one BCI saving share, as the case may be, of nominal value Lire 1,000 each. Each Warrant will be transferred together with the assignment of Intesa Shares, as provided for in paragraph h.1.1 of the Offer Document, and, therefore, within 5 (five) bank working days from the date when all conditions referred to in sub-paragraph 4 above have been satisfied.
- 6) The Offer is made, on the same conditions, to all shareholders owning BCI ordinary and saving shares, but has not been and will not be made to, nor could be made to, nor accepted, in any way or by any means by a «US Person», as set forth in *Regulation S* of the *United States Securities Act* of 1933, nor will it or could it be in any way or with any means distributed in violation of the regulations in force in the United States of America and in all other Countries including, without limitation, Australia, Canada and Japan in which such distribution is restricted or subject to limitations imposed by regulations in force in such Countries. Please refer to such regulations for any other detail and see paragraph b.9 of the Offer Document.

## **2. Summary of significant data relating to «Banca Intesa S.p.A. Warrants valid for the sale of Banca Commerciale Italiana S.p.A. ordinary or saving shares to Banca Intesa» or, as abbreviated, «Warrant Put Intesa-BCI»**

### ***2.1 Characteristics of securities***

- The warrants for which application for admission to the Official List applies are entitled «Banca Intesa S.p.A. Warrants valid for the sale of Banca Commerciale Italiana S.p.A. ordinary or saving shares to Banca Intesa» or, as abbreviated, «Warrant Put Intesa-BCI».
- The Warrants are governed by the regulations contained in Annex A, to which all reference must be made and which represent an essential and integral part of this prospectus (the «*Listing Prospectus*»).
- The maximum number of Warrants to be issued will total 538,427,809.
- The Warrants are securities in bearer form, are freely transferable and will be traded separately from the underlying shares to which they originally related; such warrants will be dematerialised and included in the centralised management system managed by Monte Titoli S.p.A.

### ***2.2 Conditions, terms, basis and exercise price***

- The holders of Warrants will have the right to sell to Intesa, who will be obliged to purchase, one BCI ordinary or one BCI saving share, currently of nominal value Lire 1,000 each, for each Warrant presented for exercise. The number of Warrants issued will be identical to the number of BCI shares available for exchange but which were not exchanged because they exceeded the number of shares the subject of the Offer.
- The price that Intesa will pay for each BCI ordinary or BCI saving share is equal to Euro 7.80 (seven point eight zero). Any dividends and distributions of any other kind paid out before November 15, 2002 will belong to BCI shareholders.
- Should any operations involving BCI's share capital or other operations which impact on the value of the underlying shares occur, the exercise price and ratio of the Warrants will be adjusted as provided for in Art. 3 of the Regolamentoo.
- The presentation of exercise notices to the Authorised Intermediaries will be restricted to the period from November 1, 2002 to close of business on November 15, 2002 (inclusive) provided that at the same time, the holder of the Warrants deposits the number of BCI shares corresponding to the Warrants being exercised.
- Warrants are exercisable before the close of business on November 15, 2002; Warrants that are unexercised by close of business on November 15, 2002 will expire and will no longer be validly exercisable or in any other way usable with Intesa.
- Intesa will pay the amount due to exercising warrant holders on November 29, 2002 without charging any commissions or expenses to warrant holders.
- The shares to be deposited for the exercise of the Warrants start to accrue rights as of the same date as the BCI ordinary or saving shares traded on the information system of the Italian Stock Exchange (Borsa Italiana S.p.A.) at the date in which the Warrant is exercised and therefore must include the relevant coupon in accrual at that date.

### 3. Gruppo Intesa's selected financial data for the six months ending June 30, 1999 and 1998

Selected Financial Data	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
<u>Balance sheet</u>				
Loans to customers	177,082	172,779	2.49%	91,455
Securities	89,179	55,827	59.74%	46,057
Equity investments	2,835	2,809	0.93%	1,464
Total assets	361,126	324,432	11.31%	186,506
Direct customer deposits	212,102	200,404	5.84%	109,542
Subordinated deposits	8,181	6,331	29.22%	4,225
Indirect customer deposits <i>Including Managed funds</i>	314,722	271,659	15.85%	162,540
Customer deposits under administration	186,972	133,877	39.66%	96,563
Shareholders' equity (1)	535,005	478,394	11.83%	276,307
	11,626	8,981	29.45%	6,004
<u>Statement of income</u>				
Interest margin	3,393	3,363	0.89%	1,752
Income from services	2,670	2,768	(3.54)%	1,379
Net interest and other banking income	6,063	6,131	(1.11)%	3,131
Administrative costs	3,646	3,637	0.25%	1,883
Operating margin	1,954	2,049	(4.64)%	1,009
Net income for the period	1,006	604	66.56%	520
<u>Ratios</u>				
Interest margin/total assets	0,94%	1,04%		
Income from services/net interest and other banking income	44,04%	45,15%		
Operating margin/total assets	0,54%	0,63%		
Administrative costs/net interest and other banking income	60,14%	59,32%		
Net income for the year/total assets (ROA)	0,28%	0,19%		
Net income for the year/shareholders' equity (ROE)	8,65%	6,73%		
Non-performing loans/total assets	5,59%	5,53%		
<u>Other information</u>				
Staff (Number)	39,518	40,176		
Branches (Number)	2,391	2,326		

#### Note:

Figures as at June 30, 1998 have been restated in order to consider the variation in the consolidation area

(1) Excluding net income for the year and provisions for general banking risks

## **SECTION I**

### **INFORMATION REGARDING THE ISSUER OF THE WARRANTS**

## **I – GENERAL INFORMATION REGARDING BANCA INTESA AND ITS SHARE CAPITAL**

### **1. Name and legal status**

Banca Intesa S.p.A. or, as abbreviated, Intesa S.p.A., was established as a joint stock company.

### **2. Registered offices**

Intesa's registered offices are in Milan, Piazza Paolo Ferrari 10.

### **3. Description of the compliance of Intesa's Articles of Association with the provisions contained in the Testo Unico**

Intesa's Articles of Association were amended in order to comply with provisions contained in the Testo Unico as was resolved upon by the Extraordinary Shareholders' Meeting held on March 16, 1999.

### **4. Essential elements of the incorporation agreement**

The company was established in 1925 as a firm operating in the field of production and distribution of electricity. After the nationalisation of the companies operating in this sector, the company changed its name into «La Centrale - Finanziaria Generale», acquiring equity investments in various productive sectors; particularly strong were the stakes acquired in banking, insurance and press.

In 1985 La Centrale merged with its controlling company Nuovo Banco Ambrosiano, and took over its name and corporate purpose, that is, conducting banking activities.

Following the merger with Banca Cattolica del Veneto, which occurred at the end of 1989, the company's name was changed to Banco Ambrosiano Veneto.

The further change in the company's name was resolved upon by the Extraordinary Shareholders Meeting held on December 18, 1997 and became effective as of January 1, 1998.

### **5. Duration of the Company.**

The duration of the Company is fixed at December 31, 2100 and may be extended.

### **6. Applicable Law and Jurisdiction**

Intesa has been incorporated under Italian law and operates in compliance with the regulations in force in the Italian Republic. Absent provisions to the contrary in Intesa's Articles of Association, the competent court for matters relating to company relationships is that provided for by current laws.

### **7. Location in the Company Register and in the other registers where the general public may inspect documents**

- Listed on Milan Company Register n. 2755/1998;
- Fiscal code 00799960158; VAT number 10810700152;
- Member of the National Guarantee Fund;
- Member of the Interbank Deposit Guarantee Fund;
- Listed on the National Register of Banks, n. 5361;
- Parent Company of Gruppo Intesa, listed on the National Register of Banking Groups, pursuant to Art. 64 of Legislative Decree 385 of September 1, 1993.

## **8. Corporate purpose**

Art. 4 of Intesa's Articles of Association defines corporate purpose and activities.

The purpose of Intesa is to carry out all forms of deposit and lending activities independently or by means of its subsidiary companies. For this purpose Intesa may, in compliance with current regulations and subject to obtaining the required authorisations, provide all banking and financial services, including the creation and management of open- and closed-end supplementary pension schemes, as well as carry out any other transactions that are necessary for, or related to, the achievement of its corporate purpose independently or by means of its subsidiary companies. Acting as parent company of the «Gruppo Intesa» banking group pursuant to Art. 61 of Decree 385 of September 1, 1993, the Company directs and co-ordinates group activities and issues instructions including those for the implementation of Bank of Italy's regulations and necessary to ensure the stability of the Group.

## **9. Current amount of issued share capital, main characteristics of shares and relative rights**

At the date of this Listing Prospectus, issued share capital totals Lire 3,332,791,543,000, divided into 3,332,791,543 shares of nominal value Lire 1,000 each, of which 2,568,112,633 are ordinary shares and 764,678,910 are unconvertible saving shares.

Both the ordinary shares and unconvertible saving shares are listed in the information system of the Italian Stock Exchange managed by Borsa Italiana S.p.A.

### Ordinary shares

Ordinary shares are registered in the name of the holder. The holder has the right to attend both Ordinary and Extraordinary Shareholders Meetings and each share carries one vote.

Shareholders may be represented at Meetings by proxies, in accordance with Italian law.

### Unconvertible saving shares

Saving shares, which may be in bearer form, give the right to attend and vote in the special Saving Shareholders Meeting.

They do not give the right to vote in Ordinary and Extraordinary Shareholders Meetings and cannot be converted into ordinary shares.

### Further privileges and rights of unconvertible saving shares

Pursuant to Art. 29 of the Articles of Association, «Saving shares have the same rights as other shares should the reserves be distributed. In the case of liquidation of the Company, savings shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares. The reduction in share capital following losses does not include the reduction in the nominal value of saving shares with the exception of the part which exceeds the total nominal value of other shares. In the case of exclusion from negotiations in regulated markets of the Company's ordinary or saving shares, the latter maintain their rights and characteristics, unless otherwise decided upon by the Extraordinary and Special Shareholders Meetings»; pursuant to Art. 30 of the Articles of Association relating to the Common Representative of holders of saving shares, «the Chairman of the Board of Directors informs the Common Representative, by means of specific communications, on Company operations which may influence the price of saving shares and in particular on proposals regarding capital operations, mergers and spin-offs which the Board of Directors resolved to submit for approval to the Meeting».

### Allocation of net income

Pursuant to Art. 27 of the Articles of Association, net income reported in the financial statements, net of any transfer to the legal reserve, will be allocated as follows:

a) to unconvertible saving shares a dividend of up to 5% of the nominal value of the unconvertible saving shares.

For the fiscal years 1998, 1999 and 2000, such right is conferred up to 10% of the nominal value of the unconvertible saving shares.

Should the dividend be less than 5% (or 10% in the years 1998, 1999 and 2000) of the nominal value of the unconvertible saving shares, the difference will be added to the preferred dividends paid in the following two accounting periods;

b) residual earnings made available for distribution by the Shareholders General Meeting, net of the above dividend, will be allocated to all shares so that the dividend per saving share will always be higher than that per ordinary share, by 2% of nominal value of the share;

c) any undistributed net income will be allocated to the extraordinary or other reserves, except that a portion may be used to support social or cultural activities and thus transferred to specific reserves which will be allocated by the Board of Directors.

### **10. Indication of any capital increases resolved upon but not yet subscribed or any other commitments for increasing share capital**

Pursuant to Art. 2443 of the Civil Code, the Extraordinary Shareholders Meeting held on July 28, 1998 resolved on giving a mandate to the Board of Directors to increase the share capital within a three-year period, either in one or more tranches, up to a maximum, including any premiums, of Lire 1,500,000,000,000 by means of an issue of ordinary shares, at price conditions determined by the Board of Directors. The Board of Directors has not yet exercised the mandate.

Pursuant to Art. 2443 of the Civil Code, the Extraordinary Shareholders Meeting held on March 16, 1998 resolved on giving a mandate to the Board of Directors to increase the share capital, within a five-year period, either in one or more tranches, up to a maximum, including any premiums, of Lire 10,000,000,000 by means of an issue of ordinary shares, with the same characteristics as those already circulating, to be gratuitously assigned to managers of Intesa and/or of the subsidiary companies as, identified by the Board of Directors pursuant to Art. 2349 of the Civil Code. Such distributions shall occur using the special reserve that Intesa's Ordinary Shareholders Meeting established for this purpose, and which, each year, it either renews or increases.

Lastly, other increases in capital, which have been resolved upon but have not yet been carried out, refer to the issue of shares connected to subordinated convertible bonds and warrants issued on January 2, 1998 and currently outstanding, whose maturity is fixed respectively, at January 1, 2003 and at May 31, 2002.

The table below displays a list of the maximum capital increases approved by the Shareholders Meeting for the service of such bonds/warrants, the portion which has already been converted or exercised and the residual capital increase which may be carried out following the conversion or exercise of securities currently outstanding:

SECURITIES	APPROVED CAPITAL INCREASE	CAPITAL INCREASE ALREADY CARRIED OUT	CAPITAL INCREASE YET TO BE CARRIED OUT
BONDS CONVERTIBLE IN ORDINARY SHARES	250,929,943,000	206,287,522,000	44,642,421,000
BONDS CONVERTIBLE IN SAVING SHARES	111,959,784,000	84,494,332,000	27,465,452,000
WARRANTS ORDINARY SHARES	334,573,257,000	205,374,290,000	129,198,967,000
WARRANTS SAVING SHARES	149,279,712,000	8,425,874,000	140,853,838,000

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The Extraordinary Shareholders Meeting held on August 17, 1999 resolved upon a further increase in share capital up to a maximum nominal value of Lire 2,072,947,067,000 by means of an issue of a maximum of 2,072,947,067 new ordinary shares of nominal value Lire 1,000 each, starting to accrue rights as of January 1, 1999. Those shares will be exchanged with Banca Commerciale Italiana ordinary and saving shares of nominal value Lire 1,000 each, at the time of the acceptance of the Exchange Offer made by Intesa.

Assuming the maximum number of BCI Shares is exchanged in the Offer to the maximum required (70% of ordinary shares and 70% of saving shares), Intesa's share capital will amount to 5,405,738,610,000 divided in 5,405,738,610 shares of nominal value Lire 1,000 each, of which 4,641,059,700 ordinary shares and 764,678,910 unconvertible saving shares.

## II – INFORMATION REGARDING BANCA INTESA'S SHAREHOLDER BASE

### 1. Holders of more than 2% of the voting share capital

Listed below are the holders of over 2% of the voting share capital, according to the records in the Shareholders' Register, the notices received pursuant to Art. 120 of the Testo Unico and other information in Intesa's possession:

Shareholders	Ordinary shares (number)	% of ordinary share capital
Caisse Nationale de Crédit Agricole	655,022,857	25.51
Fondazione Cariplo	476,265,031	18.55
Fondazione Cariparma	233,983,181	9.11
Alleanza Assicurazioni	165,322,241	6.44
Banca Lombarda	120,862,150	4.71
Mittel (*)	57,385,666	2.24

(\*) including 37,770,666 shares, equal to 1.47% of ordinary share capital, subject to a beneficial interest from IOR.

### 2. Voting Syndicate Agreement between the Shareholders

A voting syndicate agreement between certain shareholders was concluded on July 30, 1997 and completed on April 15, 1999 (the «Voting Syndicate» or the «the Syndicate»). The details of the Voting Syndicate have been reported to CONSOB and to the Bank of Italy, and an excerpt was published in a specific announcement which appeared in the Corriere della Sera on April 25, 1999 and filed with the Milan Company Register on April 26, 1999. Following the increase in capital, carried out in the period of May/June 1999, when 243,432,982 ordinary shares were issued, the percentage on ordinary share capital of the shares deposited in the Voting Syndicate changed and the necessary modifications were published by means of an announcement which appeared in La Repubblica on July 2, 1999 and filed with the Milan Company Register on the same day.

The following are the key points of the Voting Syndicate, as disclosed to the market in accordance with the law.

- a) the Voting Syndicate is designed to ensure continuity and stability of management policies regarding Intesa and the activities of its subsidiaries and to guarantee the banking Group's independence and managerial autonomy in the longer term.
- b) the Voting Syndicate is divided into five groups and the shares deposited in the Voting Syndicate are identified below:

SHAREHOLDERS		Shares deposited in the Voting Syndicate	% of Syndicate holding	% of ordinary share capital	other Shares held
- CREDIT AGRICOLE		602,731,857	38.97	23.47	(**)30,000,000
- FONDAZIONE CARIPLO		476,265,031	30.79	18.55	
- ALLEANZA ASSICURAZIONI		165,246,900	10.68	6.43	75,341
- FONDAZIONE CARIPARMA		145,175,040	9.38	5.65	(***) 88,808,141
- GRUPPO «LOMBARDO»:		157,384,307	10.18	6.13	
• Banca Lombarda	82,573,588		5.34	3.22	(***) 38,288,562
• IOR	(*) 37,770,666		2.44	1.47	607,309
• Mittel	19,615,000		1.27	0.77	
• Istituto Centrale di Banche e Banchieri	11,621,417		0.75	0.45	
• Fondazione Lambriana	2,901,818		0.19	0.11	
• Opera Diocesana San Narno di Bergamo	2,901,818		0.19	0.11	
Total		1,546,803,135	100.00	60.23	157,779,353

(\*) With a beneficial interest in favour of Mittel

(\*\*) At the date of this Offer Document shares totalled 52,291,000.

(\*\*\*) Such shares represent holdings after the increase in capital carried out in the period May/June 1999; this led to an increase in the number of non-syndicated shares which could be held by Fondazione Cariparma and Banca Lombarda (84,946,918 shares and 36,623,842 shares, respectively).

None of the parties to the Voting Syndicate may individually control the Company.

c) the Voting Syndicate operates through:

- the General Meeting, comprising representatives of the parties to the Voting Syndicate. The General Meeting meets to consider any matter of common interest relating to the management of Intesa and its subsidiaries;
- the Chairman, elected by the Management Committee;
- the Management Committee, composed of a number of members equal to the number of parties forming the Voting Syndicate, plus a Chairman, if not elected among the Committee members. The Management Committee establishes group budget, policies and strategies, financial reporting and dividend policies, mergers, changes to the company bylaws, acquisitions and divestments of controlling interests and of financially or strategically significant businesses and, generally speaking, it expresses its view – in advance – on all relevant decisions regarding Intesa and its subsidiaries.

The Management Committee appoints the Chairman, the Managing Director and Chief Executive Officer and/or the General Manager and Chief Operating Officer of Intesa and the Chairmen, the General Managers and the Managing Directors of the principal subsidiaries.

The Parent Company's Board of Directors is constituted by 17 members appointed as follows: 4 by Crédit Agricole (including 2 who sit on the Executive Committee), 4 by Fondazione Cariplo (2 on the Executive Committee), 2 by Alleanza Assicurazioni (1 on the Executive Committee), 2 by Gruppo Lombardo (1 on the Executive Committee) and 2 by Fondazione

Cariparma (1 on the Executive Committee), 3 (including the Managing Director and Chief Executive Officer) by the Voting Syndicate's Management Committee, two of which will be chosen following Fondazione Cariplo's proposal and one following Crédit Agricole's proposal. Resolutions of the Management Committee are passed by a simple majority of the syndicated holdings represented, with the following exceptions: a 75% majority is required for certain matters relating to subsidiaries' management, while a 70% majority is needed for acquisitions and mergers with non-Intesa Group companies, for non-proportional spin-offs, and for increases in capital where existing shareholders' pre-emption rights are excluded (including increases involving contributions in kind) and those which affect the structure of the Intesa Group. With regards to sales or mergers involving Cassa di Risparmio di Parma e Piacenza, or to the change of the company's name or registered offices, any resolutions will pass only with Fondazione Cariparma's favourable vote.

The decisions of the Management Committee are binding on the Voting Syndicate's members, but there are no formal follow-up procedures, as compliance with the decisions is based on trust;

- d) throughout the term of the Voting Syndicate, syndicated shares will be deposited with Intesa, which has a mandate to sub-deposit abroad Crédit Agricole's shares. Once the Voting Syndicate is in full operation, its members, except for Fondazione Cariparma and Banca Lombarda which maintained the right to hold 84,946,918 and 36,623,842 non-syndicated shares respectively, are prohibited from acquiring or holding non-syndicated ordinary shares amounting to over 5% of their syndicated holdings, either directly, indirectly or through companies belonging to their respective groups. However, transfers of syndicated shares to their respective parent or subsidiary companies or affiliates are permitted, provided that the control relationship remains and that the purchasing party accepts the obligations contained in this Voting Syndicate.

Transfers within Gruppo Lombardo are exempt from the pre-emption arrangements described in sub-paragraph e) below. Gruppo Lombardo may admit new participants – up to its stake's limit - to the Syndicate, provided in each case that the majority of the Intesa Group's shares continues to be held by Banca Lombarda.

All other parties to the Voting Syndicate may admit new participants to their syndicated holdings, provided they do not lose the controlling stake of the group emerging from these operations and that other Syndicate members agree. The Syndicate members must ensure that any new shares allotted to them by virtue of bonus issues, rights issues, or conversion of bonds, are added to their syndicated holdings;

- e) Syndicate members planning to divest their holdings outside the Syndicate must first offer them to the Management Committee, fully disclosing the details of the proposed terms of sale. By a simple majority, the Committee may decide to exercise its pre-emptive right to acquire the shares on behalf of its members (in the established syndicate proportions) or of external parties. Should the Committee decide not to exercise this right, the selling member is entitled to divest the shares outside the Syndicate, provided that the terms of sale are as originally reported to the Committee. The admission of the purchaser to the Syndicate is at the discretion of the Management Committee;
- f) should a member divest shares in circumstances which do not comply with the relevant Syndicate rules, a penalty of 40% of the value of the shares sold plus further damages will apply and will be paid to the other members of the syndicate. Similarly, when a member acquires non-syndicated shares beyond the agreed limit, a penalty of 40% of the value of the shares purchased (plus damages in certain cases) is imposed;
- g) the Voting Syndicate has a duration of 3 (three) years;
- h) any dispute concerning the Voting Syndicate's validity, interpretation or implementation will be referred to an Arbitration Panel, whose decision will be final.

### **3. Controlling shareholders**

There are no individuals or companies directly or indirectly holding sufficient number of voting shares to control the Voting Syndicate and thus indirectly control Intesa.

### **III – INFORMATION REGARDING BANCA INTESA’S RECENT PERFORMANCE AND FUTURE PROSPECTIVES**

#### **1. Banca Intesa S.p.A.’s and Gruppo Intesa’s consolidated results for the six months ending June 30, 1999**

Intesa’s half-year report as at June 30, 1999 has been approved by the Board of Directors on September 14, 1999. The relevant documents are available for the general public at the registered offices of the Offeror and the Issuer and at the Italian Stock Exchange (Borsa Italiana S.p.A.) as of September 27, 1999.

The consolidated balance sheet and statement of income, followed by a brief comment, as well as the Intesa’s balance sheet and statement of income, each followed by brief considerations, are set out below.

Gruppo Intesa's reclassified consolidated balance sheet and statement of income for the six months ending June 30, 1999 and 1998 (\*)

**BALANCE SHEET**

ASSETS	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Cash and deposits with central banks and post offices	1,061	912	16.34%	548
20. Treasury bills and similar bills eligible for refinancing with central banks	36,463	20,913	74.36%	18,832
30. Due from banks	49,300	60,645	(18.71)%	25,462
40. Loans to customers	177,082	172,779	2.49%	91,455
50. Bonds and other debt securities	51,150	33,796	51.35%	26,416
60. Shares, quotas and other forms of capital	1,566	1,118	40.07%	809
70. Equity investments	2,687	2,656	1.17%	1,387
80. Investments in Group companies	148	153	(3.27)%	77
90. Goodwill arising on consolidation	791	901	(12.21)%	409
100. Goodwill arising on application of the equity method	19	10	90.00%	10
110. Intangible fixed assets	927	765	21.18%	479
120. Tangible fixed assets	5,325	5,182	2.76%	2,750
150. Other assets	30,822	19,366	59.16%	15,917
160. Accrued income and prepaid expenses	3,785	5,236	(27.71)%	1,955
<b>Total assets</b>	<b>361,126</b>	<b>324,432</b>	<b>11.31%</b>	<b>186,506</b>

**Note:**

Figures as at June 30, 1998 have been restated in order to consider the variation in the consolidation area.

(\*) The volume which contains Banca Intesa's half-year report as at June 30, 1999 is available for the general public at the registered offices of the Offeror, the Issuer and at the Italian Stock Exchange (Borsa Italiana S.p.A.) as at September 27, 1999.

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Due to banks	77,323	70,967	8.96%	39,934
20. Due to customers	118,204	112,547	5.03%	61,048
30. Securities issued	93,763	87,726	6.88%	48,424
40. Deposits and public funds under administration	135	131	3.05%	70
50. Other liabilities	36,664	22,101	65.89%	18,935
60. Accrued expenses and repaid income	4,763	6,313	(24.55)%	2,460
70. Allowance for employee termination indemnities	1,808	1,779	1.63%	934
80. Allowance for risks and charges	5,504	4,662	18.06%	2,843
90. Allowance for possible loan losses	766	1,091	(29.79)%	396
100. Reserve for general banking risks	81	32	153.13%	42
110. Subordinated liabilities	8,181	6,331	29.22%	4,225
120. Negative goodwill arising on consolidation	51	45	13.33%	26
140. Minority interests	1,373	1,197	14.70%	709
150. Share capital	3,333	3,020	10.36%	1,721
160. Share premium reserve	5,924	4,487	32.03%	3,059
170. Reserves	1,798	943	90.67%	928
180. Revaluation reserves	449	456	(1.54)%	232
200. Net income (loss) for the period	1,006	604	66.56%	520
<b>Total Liabilities and Shareholders' Equity</b>	<b>361,126</b>	<b>324,432</b>	<b>11.31%</b>	<b>186,506</b>

Guarantees and Commitments	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Guarantees given	19,894	20,050	(0.78)%	10,274
20. Commitments	123,325	120,773	2.11%	63,692
<b>Total Guarantees and Commitments</b>	<b>143,219</b>	<b>140,823</b>	<b>1.70%</b>	<b>73,966</b>

**Note:**

Figures as at June 30, 1998 have been restated in order to consider the variation in the consolidation area.

## STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1999	%	June 30, 1999
10. Interest income and similar revenues	7,988	9,764	(18.19)%	4,125
20. Interest expense and similar charges	(4,665)	(6,433)	(27.48)%	(2,409)
30. Dividends and other revenues	70	32	118.75%	36
40. Commission income	2,585	2,244	15.20%	1,335
50. Commission expense	(405)	(333)	21.62%	(209)
60. Profits (Losses) on financial transactions	184	544	(66.18)%	95
70. Other operating income	383	418	(8.37)%	198
80. Administrative costs	(3,646)	(3,637)	0.25%	(1,883)
85. Provisions for integrative social security benefits	(42)	(41)	2.44%	(22)
90. Adjustments to tangible and intangible fixed assets	(421)	(404)	4.21%	(217)
100. Provisions for risks and charges	(186)	(39)		(96)
110. Other operating income	(77)	(105)	(26.67)%	(40)
120. Adjustments to loans and provisions for guarantees and commitments	(657)	(872)	(24.66)%	(339)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	171	220	(22.27)%	88
140. Provisions for possible loan losses	(106)	(201)	(47.26)%	(55)
150. Adjustments to financial fixed assets	(21)	(13)	61.54%	(11)
160. Write-backs of financial fixed assets	1	0		1
170. Income (Loss) from investments carried at equity	19	30	(36.67)%	10
180. Income (Losses) from operating activity	1,175	1,174	0.09%	607
210. Extraordinary income (loss), net	669	158		346
230. Change in the reserve for general banking risks	(10)	(2)		(5)
240. Income taxes for the period	(755)	(683)	10.54%	(390)
250. Income attributable to minority shareholder	(73)	(43)	69.77%	(38)
<b>260. Net income for the year</b>	<b>1,006</b>	<b>604</b>	<b>66.56%</b>	<b>520</b>

**Note:**

Figures as at June 30, 1998 have been restated in order to consider the variation in the consolidation area.

## RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	%	
10. Interest income and similar revenues	7,988	9,764	(18.19)%	4,125
20. Interest expense and similar charges	(4,665)	(6,433)	(27.48)%	(2,409)
30. Dividends and other revenues	70	32	118.75%	36
<i>Interest margin</i>	<i>3,393</i>	<i>3,363</i>	<i>0.89%</i>	<i>1,752</i>
40. Commission income	2,585	2,244	15.20%	1,335
50. Commission expense	(405)	(333)	21.62%	(209)
70. Other operating income	383	418	(8.37)%	198
110. Other operating expense	(77)	(105)	(26.67)%	(40)
<i>Commission income and other operating income, net</i>	<i>2,486</i>	<i>2,224</i>	<i>11.78%</i>	<i>1,284</i>
60. Profits (Losses) on financial transactions	184	544	(66.18)%	95
<i>Income from services</i>	<i>2,670</i>	<i>2,768</i>	<i>(3.54)%</i>	<i>1,379</i>
<i>Net interest and other banking income</i>	<i>6,063</i>	<i>6,131</i>	<i>(1.11)%</i>	<i>3,131</i>
80. Administrative costs - including payroll	(3,646)	(3,637)	0.25%	(1,883)
85. Provisions for integrative social security benefits	(42)	(41)	2.44%	(22)
90. Adjustments to tangible and intangible fixed assets	(421)	(404)	4.21%	(217)
<i>Operating margin</i>	<i>1,954</i>	<i>2,049</i>	<i>(4.64)%</i>	<i>1,009</i>
100. Provisions for risks and charges	(186)	(39)		(96)
120. Adjustments to loans and provisions for guarantees and commitments	(657)	(872)	(24.66)%	(339)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	171	220	(22.27)%	88
140. Provisions for possible loans losses	(106)	(201)	(47.26)%	(55)
150. Adjustments to financial fixed assets	(21)	(13)	61.54%	(11)
160. Write backs of financial fixed assets	1	0		1
170. Income (Loss) from investments carried at equity	19	30	(36.67)%	10
<i>180. Income (Loss) from operating activities</i>	<i>1,175</i>	<i>1,174</i>	<i>0.09%</i>	<i>607</i>
210. Extraordinary income (loss), net	669	158		346
230. Change in the reserve for general banking risks	(10)	(2)		(5)
<i>Income before taxes</i>	<i>1,834</i>	<i>1,330</i>	<i>37.89%</i>	<i>948</i>
240. Income taxes for the year	(755)	(683)	10.54%	(390)
250. Income attributable to minority shareholder	(73)	(43)	69.77%	(38)
<b>260. Net income for the period</b>	<b>1,006</b>	<b>604</b>	<b>66.56%</b>	<b>520</b>

**Note:**

Figures as at June 30, 1998 have been restated in order to consider the variation in the consolidation area

*b) Gruppo Intesa's cash flow and net financial position for the six months ending June 30, 1999 and 1998*

Statement of cash flow	Lire (in billions)		Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	
<b>Cash generated from operations</b>			
Net income	1,006	523	520
Change in the reserve for general banking risks	10	1	5
Adjustments to tangible and intangible fixed assets	421	356	217
Net adjustments to financial fixed assets	20	13	10
Net adjustments to loans	486	559	251
Net adjustments to securities	385	33	199
Increase/(decrease) in allowance for possible loan losses	(93)	112	(48)
Increase/(decrease) in allowance for employee termination indemnities	1	49	1
Increase/(decrease) in allowance for retirement benefit	65	42	34
Increase/(decrease) in allowance for risks and charges - other	104	(54)	54
Increase/(decrease) in allowance for risks and charges – taxation	(376)	284	(194)
(Increase)/decrease in accrued income and prepaid expenses	293	(928)	151
Increase/(decrease) in accrued expenses and deferred income	(10)	1,454	(5)
<b>Cash generated from operations</b>	<b>2,312</b>	<b>2,444</b>	<b>1,195</b>
<b>Cash utilised in investing activities</b>			
Increase/(decrease) in securities	(28,010)	(8,660)	(14,466)
Increase/(decrease) in tangible fixed assets	(333)	(532)	(172)
Increase/(decrease) in intangible fixed assets	(164)	321	(85)
Increase/(decrease) in positive consolidation differences	(11)	(428)	(6)
Increase/(decrease) in equity investments	4	(8,716)	2
Increase/(decrease) in due from banks (excluding amounts due on demand)	4,209	5,825	2,174
Increase/(decrease) in loans to customers	(4,449)	(6,651)	(2,298)
Increase/(decrease) in other assets	(9,784)	(3,190)	(5,053)
<b>Cash utilised in investing activities</b>	<b>(38,538)</b>	<b>(22,031)</b>	<b>(19,904)</b>
<b>Cash generated from funding activities</b>			
Increase/(decrease) in due to banks (excluding amounts due on demand)	8,249	(5,474)	4,260
Increase/(decrease) in due to customers	1,386	11,040	716
Increase/(decrease) in securities issued	3,361	837	1,736
Increase/(decrease) in other liabilities	16,106	5,153	8,318
Increase/(decrease) in subordinated liabilities	676	4,771	349
Increase/(decrease) minority shareholder	184	280	95
Increase/(decrease) in shareholders' equity	1,583	4,954	817
Dividends paid	(252)	(136)	(130)
<b>Cash generated from funding activities</b>	<b>31,293</b>	<b>21,425</b>	<b>16,161</b>
<b>Increase/(decrease) in cash, liquid funds and due from banks on demand, net</b>	<b>(4,933)</b>	<b>1,838</b>	<b>(2,548)</b>
<b>Cash, liquid funds and due from banks on demand, net – opening balance</b>	<b>174</b>	<b>(6,921)</b>	<b>90</b>
<b>Cash, liquid funds and due from banks on demand, Net – closing balance</b>	<b>(4,759)</b>	<b>(5,083)</b>	<b>(2,458)</b>

## Explanatory notes

In spite of the less than favourable time for the Italian economy and the uncertain trends registered by financial markets, the six month period ended June 30, 1999 was particularly satisfactory for Gruppo Intesa, with consolidated net income reaching Lire 1,006 billion (Euro 520 million), compared with Lire 604 billion (Euro 312 million) for the same period in 1998 (up 67%).

This result for the six month period ended June 30, 1999 is important and allows us to look at the financial statements for the year ending December 31, 1999 with realistic optimism. 1999, a year that was expected to require substantial efforts in building up Gruppo Intesa and which was to be regarded as a transition period, on the contrary, turned out to be a year of utmost importance for the future of Intesa. Interim results reflected this transition period and only partially registered the effects of expected synergies on the cost side; nevertheless important indications derive from adjustments to customers loans, which are strongly decreasing, and from operating costs which, in spite of inevitable «diseconomies» remained virtually stable.

By analysing individual statement of income items, the satisfactory performance of interest margin, which registered a positive growth rate, must be noted. Interest margin benefited from the increase in average volumes (up 9.8%), which offset the contraction in interest rate spread (down .47%), and from the increase in dividends.

The growth of both commission income (up 15.2%) and net commissions (up 14.1%) continued, so that the sum of interest, commissions and other operating income registered an 11.8% annual increase. The substantial reduction in profits on financial transactions (from Lire 544 billion to Lire 189 billion (from Euro 281 million to Euro 98 million) – negatively affected by adjustments to the securities and derivatives portfolio, resulting from the downward trend registered by bond prices which started in late Spring, following the sudden rise in interest rates – led income from services to register a moderate decrease (down 3.5%), after many years of high growth.

These circumstances negatively influenced net interest and other banking income, which registered a slight decrease (down 1.1%). The contribution of income from services dropped to 44% (one point lower than in the six month period ended December 31, 1998).

Operating costs remained virtually unchanged, with administrative costs increasing by Lire 9 billion (almost Euro 5 million) and amortisation by Lire 17 billion (Euro 9 million). In particular, staff costs corresponded to the amount registered in the same period of the previous year, while other administrative costs increased moderately (up 0.7%). The administrative costs to net interest and other banking income ratio was 60%, constant with respect to the previous reference periods.

The growth, though moderate (up 4.2%), of adjustments to fixed assets is due mainly to investments made by all Group companies in order to substitute certain information system procedures and to update others in time for the introduction of the single currency.

As already outlined above, in order to recompose income statement aggregates, adjustments and write-downs and provisions to various allowances are particularly important.

The significant increase in provisions to the allowance for risks and charges is mainly attributable to Cariplo's need to set up a cushion (of Lire 100 billion, Euro 52 million, net of the fiscal effect) capable of absorbing the additional write-downs in the Company's securities portfolio, which occurred after the end of the six month period ended June 30, 1999. A relevant part of Gruppo Intesa's financial investments is centralised in Cariplo's securities portfolio such provisions – which have a merely prudential purpose – must also be related to the future transfer of the securities portfolio to Intesa.

On the other hand, the overall improvement of loan portfolio quality led to a significant reduction in the negative balance between adjustments and write-downs to loans, which dropped to Lire 486 billion, Euro 251 million (down 25%).

Extraordinary income was particularly significant in the six month period ended June 30, 1999, mainly due to substantial capital gains obtained by Intesa from the sale of a minority stake in Banca Popolare FriulAdria, pursuant to a clause contained in the agreement signed at year -end 1999, which led Banca Popolare FriulAdria to join Gruppo Intesa, and by Cariparma, from the sale of a minority stake in Cassa di Risparmio di Reggio Emilia, which was no longer strategic.

The tax burden decreased, partly as a consequence of the tax incentives for bank mergers introduced with Law n. 461 of 1998 which are applicable to both the merger between Ambroveneto and Cariplo and to the subsequent mergers of FriulAdria and Cariparma.

Semi-annual ROE equalled 8.65%, registering a substantial growth rate with respect to the figure as at June 30, 1998 (6.73 %) and to that as at December 31, 1998 (13.30%).

The extremely positive performance of the six month period ended June 30, 1999 will not be repeated in the second part of the year. Nevertheless it is possible to forecast that net income will outperform budget estimates for year ending December 31, 1999 (Lire 1,400 billion, Euro 723 million).

The main balance sheet items also registered a satisfactory performance. Loans to customers, in nominal terms, slightly increased (up 2.3% December 31, 1998 and up 2.5% compared to as at June 30, 1998), mainly as a consequence of the reduction in repurchase agreements which, with respect to the previous reference dates, decreased, by 47.1% and 77.4% respectively. Absent these transactions, which have an essentially financial content and are continuously decreasing, the growth rate in loans to customers would be 3.6% compared to as at December 1998 and 7.4% compared to as at June 1998. These percentages are more consistent with the growth in average volumes recorded in the six month period ended June 30, 1999 which, as already noted, equalled 9.8% on the same period in 1998.

The securities portfolio almost reached Lire 90,000 billion (over Euro 46 billion) and registered a significant increase which corresponds to an increase in the debt position on the interbank market from approximately Lire 10,000 billion (Euro 5.2 billion) as at June 30, 1998 and as at December 31, 1998, to Lire 28,000 billion (over Euro 14 billion) recorded in the six month period ended June 30, 1998.

The satisfactory performance registered by direct customer deposits (up 2.5% compared to December 1998 and up 6.6% to June 1998, including subordinated deposits), corresponds to an even higher growth rate if deposits are considered net of repurchase agreements, that is 4.9% and 7.8% with respect to previous periods.

Indirect deposits continued to register a considerable growth rate: indirect deposits for the Group almost reached Lire 315,000 billion (approximately Euro 163 billion), corresponding to a 10.4% increase on the end of December 1998 and a 15.9% rise as at June 30, 1998.

Managed funds continued to show considerable growth rates and reached almost Lire 187,000 billion, corresponding to almost Euro 97 billion (up 16.6% and up 39.7% compared to the previous reference dates).

Total customer assets under administration managed by Gruppo Intesa exceeded Lire 535,000 billion (Euro 276 billion).

Shareholders' equity increased by Lire 2,575 billion (Euro 1,330 million) in the six month period ended June 30, 1999. Out of this, Lire 1,666 billion (Euro 860 billion) came from cash contributions made by shareholders.

### Auditing

On September 15, 1999 the auditing firm Arthur Andersen issued its review of Intesa's half - year report (both consolidated and the bank's).

In its Report Arthur Andersen pointed out the following:

- a) Gruppo Intesa postponed to the annual report the application of the accounting principle applicable to prepaid taxes, also provided for in specific communications issued by Consob and the Bank of Italy.
- b) During the six month period ended June 30, 1999, Cariplo developed certain important software applications, including the new procedures for managing securities, foreign activities and general accounting. During the start-up phase of the procedures for securities and foreign activities, certain malfunctions occurred in the input of general accounting procedures and in the operative efficiency of the back office. The actions taken in order to deal with pending items and for the improvement of procedures' functionality are still under way. Based on the results obtained to date, the Bank's Directors believe that no substantial charges should derive from these activities.

*c) Intesa's reclassified balance sheet and statement of income for the six months ending June 30, 1999 and 1998 (\*)*

**BALANCE SHEET**

Assets	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998		
20. Treasury bills and similar bills eligible for refinancing with central banks	19	0		10
30. Due from banks	3,070	1,879	63.38%	1,586
40. Loans to customers	2,816	1,885	49.39%	1,455
50. Bonds and other debt securities	388	389	(0.26)%	200
70. Equity investments	36	36		19
80. Investments in Group companies	13,516	10,963	23.29%	6,980
90. Intangible fixed assets	200	174	14.94%	103
100. Tangible fixed assets	41	24	70.83%	21
130. Other assets	1,334	685	94.74%	689
140. Accrued income and prepaid expenses	35	39	(10.26)%	18
<b>Total Assets</b>	<b>21,455</b>	<b>16,074</b>	<b>33.48%</b>	<b>11,081</b>

(\*) The volume which contains Banca Intesa's half-year report as at June 30, 1999 is available for the general public at the registered offices of the Offeror, the Issuer and at the Italian Stock Exchange (Borsa Italiana S.p.A.) as of September 27, 1999.

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	%	
10. Due to banks	3,183	2,608	22.05%	1,644
20. Due to customers	153	153		79
50. Other liabilities	113	16		59
60. Accrued expenses and deferred income	123	170	(27.65)%	63
80. Allowance for risks and charges	654	321	103.74%	338
90. Allowance for possible loan losses	20	5		10
100. Reserve for possible loan losses	15	15		8
110. Subordinated liabilities	5,854	4,689	24.85%	3,024
120. Share capital	3,333	2,565	29.94%	1,721
130. Share premium reserve	5,925	4,059	45.97%	3,060
140. Reserves	824	799	3.13%	426
150. Revaluation reserves	349	350	(0.29)%	180
170. Net income (loss) for the period	909	324	180.56%	469
<b>Total Liabilities and Shareholders' Equity</b>	<b>21,455</b>	<b>16,074</b>	<b>33.48%</b>	<b>11,081</b>

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	%	
10. Guarantees given	2,492	2,425	2.76%	1,287
20. Commitments	259	78	232.05%	134
<b>Total Guarantees and Commitments</b>	<b>2,751</b>	<b>2,503</b>	<b>9.91%</b>	<b>1,421</b>

## STATEMENT OF INCOME

Statement of Income	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Interest income and similar revenues	102	110	(7.27)%	53
20. Interest expense and similar charges	(193)	(209)	(7.66)%	(100)
30. Dividends and other revenues	1,340	617	117.18%	692
50. Commission expense	(7)	0		(3)
70. Other operating income	33	0		17
80. Administrative costs	(130)	(7)		(67)
90. Adjustments to tangible and intangible fixed assets	(28)	(20)	40.00%	(15)
100. Provisions for risks and charges	(21)	0		(11)
140. Provisions for possible loan losses	(7)	(5)		(4)
150. Adjustments to financial fixed assets	(43)	(6)		(22)
170. Income from operating activities	1,046	480	117.92%	540
200. Extraordinary income, net	251	27		129
220. Income taxes for the period	(388)	(183)	112.02%	(200)
<b>230. Net income for the period</b>	<b>909</b>	<b>324</b>	<b>180.56</b>	<b>469</b>

## RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
10. Interest income and similar revenues	102	110	(7.27)%	53
20. Interest expense and similar charges	(193)	(209)	(7.66)%	(100)
30. Dividends and other revenues	1,340	617	117.18%	692
<i>Interest margin</i>	<i>1,249</i>	<i>518</i>	<i>141.12%</i>	<i>645</i>
50. Commission expense	(7)	0		(3)
70. Other operating income	33	0		17
<i>Income from services</i>	<i>26</i>	<i>0</i>		<i>14</i>
<i>Net interest and other banking income</i>	<i>1,275</i>	<i>518</i>	<i>146.14%</i>	<i>659</i>
80. Administrative costs	(130)	(7)		(67)
90. Adjustments to tangible and intangible fixed assets	(28)	(20)	40.00%	(15)
<i>Operating margin</i>	<i>1,117</i>	<i>491</i>	<i>127.49%</i>	<i>577</i>
100. Provisions for risks and charges	(21)	0		(11)
140. Provisions for possible loan losses	(7)	(5)		(4)
150. Adjustments to financial fixed assets	(43)	(6)		(22)
<i>170. Income from operating activities</i>	<i>1,046</i>	<i>480</i>	<i>117.92%</i>	<i>540</i>
200. Extraordinary income, net	251	27		129
<i>Income before taxes</i>	<i>1,297</i>	<i>507</i>	<i>155.82%</i>	<i>669</i>
220. Income taxes for the period	(388)	(183)	112.02%	(200)
<b>230. Net income for the period</b>	<b>909</b>	<b>324</b>	<b>180.56</b>	<b>469</b>

*d) Banca Intesa's cash flow and net financial situation for the six months ending June 30, 1999 and 1998*

Statement of cash flow	Lire (in billions)		Euro (in millions)
	June 30, 1999	June 30, 1998	June 30, 1999
<b>Cash generated from operations</b>			
Net income	909	324	469
Adjustments to tangible and intangible fixed assets	28	20	15
Net adjustments to financial fixed assets	43	6	22
Increase/(decrease) in allowance for possible loan losses	7	5	4
Increase/(decrease) in allowance for risks and charges - other	25	2	13
Increase/(decrease) in allowance for risks and charges – taxation	292	(26)	150
(Increase)/decrease in accrued income and prepaid expenses	(24)	(32)	(12)
Increase/(decrease) in accrued expenses and deferred income	17	162	9
<b>Cash generated from operations</b>	<b>1,297</b>	<b>461</b>	<b>670</b>
<b>Cash utilises in investing activities</b>			
Increase/(decrease) in securities	(5)	(389)	(3)
Increase/(decrease) in tangible fixed assets	(13)	(4)	(7)
Increase/(decrease) in intangible fixed assets	(27)	(187)	(14)
Increase/(decrease) in equity investments	(1,181)	(9,180)	(610)
Increase/(decrease) in due from banks (excluding amounts due on demand)	499	1,435	258
Increase/(decrease) in loans to customers	(149)	(437)	(77)
Increase/(decrease) in other assets	(461)	(102)	(238)
<b>Cash utilised in investing activities</b>	<b>(1,337)</b>	<b>(8,864)</b>	<b>(691)</b>
<b>Cash generated from funding activities</b>			
Increase/(decrease) in due to banks (excluding amounts due on demand)	(1,253)	90	(647)
Increase/(decrease) in due to customers	(29)	(130)	(15)
Increase/(decrease) in other liabilities	(497)	(94)	(257)
Increase/(decrease) in subordinated liabilities	(81)	3,754	(42)
Increase/(decrease) in shareholders' equity	2,401	5,384	1,240
Dividends paid	(252)	(136)	(130)
<b>Cash generated from funding activities</b>	<b>289</b>	<b>8,868</b>	<b>149</b>
<b>Increase/(decrease) in cash, liquid funds and due from banks on demand, net</b>	<b>249</b>	<b>465</b>	<b>128</b>
<b>Cash, liquid funds and due from banks on demand, net – opening balance</b>	<b>(194)</b>	<b>(2,121)</b>	<b>(100)</b>
<b>Cash, liquid funds and due from banks on demand, net - closing balance</b>	<b>55</b>	<b>(1,656)</b>	<b>28</b>

## Explanatory notes

Banca Intesa mainly holds equity investments, therefore its interim results as at June 30, 1999 reflect this type of activity.

The projected transfer to Intesa of Gruppo Intesa's finance and treasury activities - according to the model described in greater detail in the 1998 Report on Operations - will be completed only in the first months of the year 2000.

For these reasons, the structure of Intesa's financial statements is similar to a holding company's, with considerable equity investments, reaching Lire 13,552 billion (up 9.2% compared to December 31, 1998 and up 23.2% compared to June 30, 1998), loans to Gruppo Intesa companies (equal to Lire 2,816 billion, up 5.6% and up 49.4% compared to previous dates), a net debt position on the interbank market of Lire 113 billion (lower than the Lire 1,116 billion registered as at December 31, 1998 and lower than Lire 729 billion as at June 30, 1998) and subordinated deposits of Lire 5,854 billion (slightly lower than December 31, 1998 but almost 25% higher than the figure as at June 30, 1998).

Following the mergers and the operations involving share capital completed at year-end 1998 and, most of all, in the first months of 1999, the company's shareholders' equity reached Lire 10,446 billion increasing by 30.4% with respect to December 31, 1998 and by 34.1% with respect to June 30, 1998, respectively.

The breakdown of income showed a far more significant contribution of dividends than of interest income, commission income and profits from financial transactions which are more typical sources of revenues for banks. Interest margin reached Lire 1,249 billion (up 141.3%) in the six month period ended June 30, 1999, as a consequence of the increase, in excess of Lire 720 billion, in dividends and in corresponding tax credits.

With regards to services, other operating income amounting to Lire 33 billion must be noted; this basically derives from activities carried out by Intesa in the interest of other banks in the group: legal, fiscal, administrative activities and management control, risk monitoring, human resource management and economic and organisational research.

Structure costs totalling Lire 130 billion were mainly represented by the cost of personnel seconded to the Parent Company from Gruppo Intesa companies and by information systems services and other support services provided by Intesa Sistemi e Servizi. The adjustments to fixed assets are mainly attributable to deferred charges related to the rights issues, subordinated securities issues and intercompany transactions carried out in 1998 and 1999. The provisions of Lire 21 billion made to the allowance for risks and charges are mainly due to the litigation exercised by the receivership towards the merged bank Cassa di Risparmio di Puglia, whereas provisions to allowance for possible loan losses were made solely for fiscal reasons.

Among equity investments, the adjustments made to the book value of Intesa Gestione Crediti (formerly Cassa di Risparmio Salernitana), carried out in order to update its book value to that of its shareholders' equity, must be noted. With regard to this fact it must be noted that after the completion of the project and the start-up phase of the company it became evident that the latter could not generate a net income that could justify the difference between its book value and the value of its shareholders' equity. Therefore, for prudential purposes, it was deemed necessary to align the two values.

For Banca Proxima, the adjustments to book value were made in order to account for its decrease in value following the loss recorded in the six months ended June 30, 1999. With regard to this company, established by Ambroveneto before the merger with Cariplo in order to carry out telephone banking activities, after the failure of last year's preliminary agreement with Poste Italiane, negotiations aimed at selling Banca Proxima to INA, Istituto Nazionale per le Assicurazioni, are in an advanced stage and should be completed by year-end 1999.

With regard to equity investments, extraordinary income on the transfer of a 33% stake of the controlled company Banca Popolare FriulAdria to previous shareholders of Banca FriulAdria Holding, totalled almost Lire 246 billion. This transaction was carried out in March 1999, pursuant to a clause contained in the agreements that led Banca Popolare Friuladria to join Gruppo Intesa in December 1998. Furthermore, extraordinary charges (allocated to the allowance for future risks and charges), due to the attribution of a bonus consisting of 80 shares per employee, totalled Lire 3 billion. The bonus was provided for in the agreement that led the Popolare to join Gruppo Intesa.

Net income for the six months ended June 30, 1999 totalled Lire 909 billion, which corresponds to a ROE, for the same period, of 8.70%.

Auditing

Arthur Andersen S.p.A.'s Report on the review of the consolidated financial statements as at June 30, 1999 was issued on September 15, 1999.