

C. PARTIES TO THE TRANSACTIONS

c.1 Company offering and issuing securities (Intesa Shares) in consideration for the exchange

Corporate name, legal status and registered office

Banca Intesa S.p.A. or "Intesa" is a joint stock company whose registered office is located in Milan, Piazza Paolo Ferrari 10. Intesa is listed at n. 2755/1998 on the Milan Company Register. It is registered at n. 5361 in the National Register of Banks, and it is the parent company (the "Parent Company") of the Intesa group («Gruppo Intesa») which is listed on the National Register of Banking Groups.

Intesa ordinary and saving shares, as well as convertible ordinary and saving bonds and ordinary and saving warrants are listed in Italy on the information system of the Italian stock exchange ("Borsa Italiana S.p.A.").

History

The company today named Banca Intesa S.p.A. was established in 1925 as «La Centrale», a firm operating in the field of production and distribution of electricity. After the nationalisation of companies operating in this sector, in the early 1960's, the company changed its name into «La Centrale Finanziaria Generale», acquiring equity investments in companies belonging to various productive sectors; particularly strong were the stakes acquired in banking, insurance and publishing companies. In 1985 La Centrale merged with its controlling company, Nuovo Banco Ambrosiano, and took over its name and corporate purpose. As is generally known, Nuovo Banco Ambrosiano was established in 1982 by seven banks in order to take over Banco Ambrosiano which was undergoing compulsory liquidation procedures. Following a first period where difficulties were encountered, the shareholder base was widened by allowing the old shareholders of Banco Ambrosiano undergoing compulsory liquidation procedures to become shareholders, by means of an increase in capital exclusively reserved for them. As of 1985, the founders of Nuovo Banco Ambrosiano, except Banca San Paolo di Brescia (today known as Banca Lombarda), sold their stakes to other credit institutions and financial and insurance companies. After the operation completed in 1985 the Group assumed a new structure: Nuovo Banco Ambrosiano was the new parent company, controlling Banca Cattolica del Veneto and other companies active in other financial non-banking sectors. In 1989 the parent company merged with Banca Cattolica del Veneto, changing its name to Banco Ambrosiano Veneto (Ambroveneto). In the following years Banco Ambrosiano Veneto acquired and merged with other smaller banks: Banca Vallone in 1991, Ambroveneto Sud (formerly Citibank Italy) in 1992 and Società di Banche Siciliane in 1994; the following year it merged with the sub-holding Fiscambi Holding, thus acquiring direct control of the non-banking financial companies. In

the early 1990's, Ambroveneto acquired a controlling stake in the Caboto Group, one of the most important financial operators in Italy, and in Banca di Trento e Bolzano. In 1997 Ambroveneto completed the transaction which resulted in its most significant growth in terms of size. During the same year Fondazione Cassa di Risparmio delle Provincie Lombarde ("Fondazione Cariplo") decided to privatise the Cassa di Risparmio delle Provincie Lombarde ("Cariplo"). This gave Banco Ambrosiano Veneto's Board of Directors the opportunity to realise the objectives it had pursued for some time: to empower the Group with the strength, size and products required to meet the challenges posed by the new global market.

Ambroveneto and Fondazione Cariplo's shareholders' common objectives facilitated the conclusion of a merger agreement and its realisation. On July 30, 1997 the preliminary agreement was signed and on September 30, 1997 Banco Ambrosiano Veneto resolved to issue new share capital and new bonds, for Lire 5,400 billion, in order to fund the merger. The merger was concluded during the first days of 1998, according to a plan which provided that the parent company of the new group should be a banking company holding the entire share capital of Banco Ambrosiano Veneto and Cariplo. On January 1, 1998, Banco Ambrosiano Veneto spun-off of the banking company (excluding one of its branches and some relevant controlling stakes it held) merging it with a wholly owned company (Euragrind), which was immediately renamed Banco Ambrosiano Veneto. The contributing company, in turn, changed its name to Banca Intesa. On January 2, 1998, Intesa acquired from Fondazione Cariplo the entire share capital of Cariplo.

Cariplo is one of the most important banking institutions in Italy. Established at the beginning of the 1800s, it has always been the main reference point for Lombardy's economy and institutions. It is active in all banking sectors: ordinary lending, real estate lending, agricultural credit and credit to the public sector.

Through various significant companies, leaders in their respective fields, it is also active in long-term credit (Mediocredito Lombardo), mutual funds (Fondigest, now part of Intesa Asset Management), leasing (Leasindustria, now Intesa Leasing), factoring (Mediofactoring), financial intermediation (Intercassa, now merged with Caboto Sim), bancassurance (Carivita) and in credit and debit card management (Setefi).

As part of its strategy of conglomerating local *Casse di Risparmio*, Cariplo acquired, during the last decade, a controlling stake in three Casse di Risparmio in the South of Italy (Caripuglia, Carical and Cassa di Risparmio Salernitana). They were later merged into Banca Carime, one of the most important credit institutions of Southern Italy. Moreover Cariplo is also active in Central Italy through its controlled companies, Cassa di Risparmio della Provincia di Viterbo, Cassa di Risparmio di Rieti, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Foligno, Cassa di Risparmio di Spoleto and Cassa di Risparmio di Ascoli Piceno as well as with smaller stakes in other Casse.

Between the end of 1998 and beginning of 1999, Intesa continued its consolidation and expansion strategy in the economically strong areas of Italy, with the acquisition of Banca Popolare FriulAdria and Cassa di Risparmio di Parma e Piacenza.

Share capital

Intesa's 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.

The Extraordinary Shareholders Meeting held on September 30, 1997 resolved upon the increase in share capital by the following amounts:

- up to a maximum of further Lire 483,852,969,000 (now reduced to Lire 270,052,805,000) through the issue of a maximum of 334,573,257 (now reduced to 129,198,967) ordinary shares and a maximum of 149,279,712 (now reduced to 140,853,838) unconvertible saving shares, reserved for the exercise of the rights attributed from, respectively, the 1,003,719,772 (now reduced to 387,596,902) ordinary share warrants and the 447,839,136 (now reduced to 422,561,514) unconvertible saving share warrants, in accordance with procedures and terms provided for in the respective regulations (to be carried out before May 31, 2002);
- up to a maximum of further Lire 250,929,943,000 (now reduced to Lire 44,642,421,000) corresponding to a maximum of 250,929,943 (now reduced to 44,642,421) ordinary shares, exclusively reserved for the conversion of bonds included in the bond issue «Banca Intesa subordinated floating rate bonds convertible into ordinary shares 1998 – 2003» of nominal value Lire 878,254,800,500 (now amounting to Lire 156,248,473,500), in accordance with procedures and terms provided for in the regulations;
- up to a maximum of further Lire 111,959,784,000 (now reduced to Lire 27,465,452,000) corresponding to a maximum of 111,959,784 (now reduced to 27,465,452) unconvertible saving shares, exclusively reserved for the conversion of bonds included in the bond issue «Banca Intesa subordinated floating rate bonds convertible into saving shares unconvertible 1998 – 2003» of nominal value 246,311,524,800 (now amounting to 60,423,994,400), in accordance with procedures and terms provided for in the regulations.

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.

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.

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.

Shareholders

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)	% on voting 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 the ordinary share capital, subject to a beneficial interest from IOR.

A voting syndicate agreement between certain shareholders was concluded on July 30, 1997 and supplemented 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 CARIPILO		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 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.

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

Board of Directors

<u>Position</u>	<u>Name and Surname</u>	<u>Place and date of birth</u>
<i>Chairman</i>	Giovanni Bazoli*	Brescia, 18.12.1932
<i>Deputy Chairmen</i>	Jean Laurent Sandro Molinari*	Mazamet (France), 31.7.1944 S. Maria di Rovagnate (CO), Italy, 23.3.1933
<i>Managing Director</i> <i>Director and General Manager</i>	Carlo Salvatori* Christian Merle*	Sora (FR), Italy, 7.7.1941 Saint Ouen (France), 6.11.1953
<i>Directors</i>	Marc Antoine Autheman* Giampio Bracchi Alfonso Desiata* Giancarlo Forestieri Franco Modigliani Luigi Amato Molinari Gian Giacomo Nardozzi* Jean-Luc Perron Sandro Salvati Jean Simon Luciano Silingardi* Gino Trombi	Beyrouth, Lebanon, 8.8.1954 Piacenza, Italy, 27.1.1944 Boiano (CB) Italy, 27.1.1933 Ravenna, Italy, 14.9.1946 Rome, 18.6.1918 San Severino (SA), 27.2.1939 Bologna, 30.10.1943 Le Puy en Velay (France), 1.1.1952 Rome, 1.8.1945 Issy-L'Eveque (France), 4.6.1933 Lama Mocogno (MO), Italy, 18.2.1940 Tizzano Val Parma (PR), Italy, 27.5.1923

* Member of the Executive Committee

The Board of Directors was appointed for a three-year term (1998-2000) by the Shareholders Meeting held on April 16, 1998.

Director Sandro Salvati was later appointed by the Shareholders Meeting held on July 28, 1998, to substitute Fabio Cerchiai, and Directors Giancarlo Forestieri and Luciano Silingardi were appointed by the Ordinary Shareholders Meeting held on January 28, 1999, following the increase, from 15 to 17, in the number of Directors; they will remain in office as long as the rest of the members of the Board of Directors, until the approval of the financial statements for the year ending December 31, 2000. Lastly, the Board of Directors, decided to substitute the resigning Deputy Chairman and Director Lucien Douroux, and appointed on September 14, 1999 to cover both positions Jean Laureant, who will remain in office until the next Ordinary Shareholders Meeting.

The members of the Board of Directors are domiciled, for the purpose of their office, at Banca Intesa, Piazza Paolo Ferrari 10, Milan.

Board of Statutory Auditors

<u>Position</u>	<u>Name and Surname</u>	<u>Place and date of birth</u>
<i>Chairman</i>	Gianluca Ponzellini	Varese, 7.2.1947
<i>Auditors</i>	Francesco Paolo Beato	Molinella (BO), Italy, 9.9.1927
	Paolo Andrea Colombo	Milan, 12.4.1960
	Franco Dalla Sega	Trento, 12.6.1960
	Bruno Rinaldi	Iseo (BR) Italy, 26.2.1945
<i>Alternate Auditors</i>	Enrico Cervellera	Milan, 27.2.1941
	Paolo Giolla	Milan, 28.6.1942

The Board of Statutory Auditors was appointed for a three year term (1999-2001) by the Ordinary Shareholders Meeting held on April 15, 1999. All members of the Board of Statutory Auditors are domiciled for the purpose of their office at Banca Intesa, Piazza Paolo Ferrari 10, Milan.

Summary description of Gruppo Intesa

In little more than a year, Gruppo Intesa has become a reference model for the Italian banking system as it integrates under one single management, banks and other companies active in different segments of credit, financial and auxiliary service markets, maintaining each company's identity and specific competitive characteristics.

Within the Italian market, characterised by a rich economy with a large number of small- and medium-sized firms and a dynamic and diverse population, this model, with its federal structure, is best suited to create multifunctional financial groups able to compete with the most important European banks in terms of size, efficiency and profitability. This model combines three major key factors: the strength and soundness of a large group; the advantages of specialisation in the various business areas; the benefits of deeply rooted banks which maintain privileged relationships in their local markets.

The model inspiring Gruppo Intesa is that of an integrated multifunctional financial group which enhances the single component companies leaving them utmost autonomy in their respective business areas, ensuring at the same time effective co-ordination carried out by the Parent Company.

The distinctive elements which build this model are:

- centralisation, within Intesa, of all central management functions, in order to ensure unitary strategic and executive guidelines and utmost co-ordination and control over the entire Gruppo Intesa;
- member banks maintain legal identity and brand names. The various banks will maintain their identities in order to increase activities in their respective local

markets. The remaining distribution networks, such as personal financial consultants and direct distribution channels, will be developed so as to exploit complementary branch networks;

- the creation of specialised business units with the objective of benefiting from the expertise already matured within Gruppo Intesa and improving response to increasingly sophisticated and diversified customer needs;
- the incorporation of "Intesa Sistemi e Servizi", in which all planning, management and co-ordination of operational processes, information services and infrastructures have been centralised, in order to further enhance the service quality for Gruppo Intesa companies and customers while containing costs incurred in the design, development and management of technological systems.

The Gruppo Intesa structure, which is currently still in the process of being implemented, involves the direct control by Intesa of the most important equity investments regarding the following four areas:

- *Investment services*: Caboto Holding Sim (and its subsidiaries Caboto Sim, Caboto Securities and Caboto USA), Intesa Asset Management (SGR), Ambrofid and Italfid;
- *Network companies*: Banco Ambrosiano Veneto, Cariplo, Banca Carime, Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria and Ambro Italia;
- *Product companies*: Mediocredito Lombardo, Intesa Leasing, Mediofactoring, Carivita and Setefi;
- *Support services*: Intesa Sistemi e Servizi and Intesa Gestione Crediti (formerly Cassa di Risparmio Salernitana).

The Gruppo Intesa structure as at June 30, 1999 is included as annex s.1 to this document.

Activities

Gruppo Intesa

Gruppo Intesa is active, through the banks and companies that constitute it, in a wide range of banking and financial activities, among which are: customer deposits, short- and medium/long-term lending, collection and payment services, international support activities, securities trading, corporate finance services, leasing, factoring, professional management of individual and collective portfolios, production and distribution of life insurance and supplementary pensions products.

The rapid growth rate registered in the last period led Gruppo Intesa to become one of the leading Italian banking groups, in terms of assets which totalled over Lire 361,000 billion as at June 30, 1999. The comparative analysis of Italian banking and financial groups' financial statements for 1998 places Gruppo Intesa in a leadership position in national rankings in many business areas: it is ranked first in customer deposits and loans to customers, with a volume, respectively, of Lire 215,000 and

Lire 173,000 billion, in industrial lending, in securities intermediation, in factoring; it ranks second in asset management (mutual fund and individual portfolio management); in production and distribution of life insurance products and in leasing. Moreover, according to consolidated financial statement figures, Intesa is ranked among the top thirty banking groups in Europe, maintaining absolute leadership in the continent in asset management and factoring.

Among Gruppo Intesa's main strengths are its wide customer base, mainly retail (with over 5 million individual clients) and small- and medium-sized enterprises.

It should be noted that Gruppo Intesa has very strong relationships with customers and market power deriving from over 2,400 branches, which hold the leadership in some of the richest and most dynamic regions of Italy (Lombardy, Emilia, Triveneto).

Gruppo Intesa also has distinctive competencies in high-growth and high-margin businesses: professional asset management, bancassurance, securities trading, medium- and long-term lending, factoring, leasing, electronic and telephone banking and payment systems.

This ensures a high degree of revenue diversification compared to the rest of the Italian banking sector, with a substantial contribution of services to economic results. Among Gruppo Intesa's «intangible assets» is the high quality of management, which has specific and long-term experience in managing integration processes.

Business areas: bank intermediation

Gruppo Intesa's banking intermediation activities in domestic markets are carried out, in harmony with the organisational philosophy that characterises the «federal banking» model, through Gruppo Intesa's commercial banks, whose main responsibility is to cover the areas where they are located and therefore have wide autonomous power regarding commercial and lending policies.

Among Gruppo Intesa's major commercial banks are Cariplo with 790 branches, deposits of Lire 109,400 billion and loans to customers of Lire 90,600 billion as at June 30, 1999; followed by Banco Ambrosiano Veneto, with 624 branches, deposits of Lire 32,100 billion and loans to customers of Lire 27,500 billion; Carime, with 338 branches, deposits of Lire 15,300 billion and loans to customers of Lire 6,600 billion; Cassa di Risparmio di Parma e Piacenza, with 317 branches, deposits of Lire 18,100 billion and loans to customers of Lire 13,800 billion; Banca Popolare FriulAdria, with 92 branches, deposits of Lire 3,600 billion and loans to customers of Lire 2,600 billion.

The remaining Gruppo Intesa banks and smaller savings banks – Banca di Trento e Bolzano, Cassa di Risparmio di Viterbo, Cassa di Risparmio di Rieti, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Ascoli Piceno, Cassa di Risparmio di Foligno, Cassa di Risparmio di Spoleto – total approximately 300 branches.

At the end of 1998 Gruppo Intesa's market shares relative to bank intermediation with customers in Italy were 12.3%, in terms of deposits, and 11.7% in terms of loans.

With regard to presence abroad, Gruppo Intesa has its own branches or representative offices in the most important international financial markets and those

that are most connected to the activities of its customers: branches are in London, New York, Madrid, Hong Kong, Singapore; representative offices are in Bruxelles, Chicago, Manila, Moscow, Beijing, San Francisco, Seoul, Shanghai, Taipei and Tokyo. Gruppo Intesa also holds strategic equity investments in banks operating on the following European markets: Germany, France, Austria, Portugal.

Asset management

In the area of asset management, Gruppo Intesa places itself among the leading players of the Italian market, with regards to competitive position and performance of its products. Within asset management, Gruppo Intesa realised the largest merger in Italy to date, integrating the activities of Fondigest, La Centrale Fondi and Caboto Gestioni.

In the field of mutual funds – it is ranked second among the main competitors with a market share of approximately 15% in terms of assets managed (source: Assogestioni) – it operates through two companies: Intesa Asset Management Sgr and Po Investimenti. The latter will be merged with the former, created by the merger between the above-mentioned companies, in the next few months.

Intesa Asset Management and Po Investimenti with approximately Lire 60,000 billion in the six month period ended June 30, 1999 recorded significant progress, increasing assets managed by the 67 operating funds from approximately Lire 113,000 billion as at December 31, 1998 to approximately Lire 140,000 billion as at June 30, 1999.

During 1999 the operations in the SICAV sector were also reinforced through EUROBRIDGE's increased activity.

Total assets managed by Gruppo Intesa's banks (including Cassa di Risparmio di Parma e Piacenza) and the operations of the two fiduciary companies, Ambrofid e Italfid, amounted to approximately Lire 187,000 billion as at June 30, 1999.

Bancassurance

In 1998, according to last available data, Gruppo Intesa accounted for 13% of the total insurance premia collected through the banking network and for 6% of the total life insurance market, according to an analysis prepared by Iama Consulting (contained in «*Osservatorio vita e risparmio gestito*», first quarter 1999)

The Intesa Group is active in the life insurance market through its subsidiary Carivita, which in the six month period ended June 30, 1999, collected premiums of Lire 1,823 billion (up 78% on the same period the previous year).

The extraordinary result was achieved through the wide range of high financial content of products offered, and, most of all, through the distribution of unit-linked and index-linked policies, which represented approximately 80% of new premia produced (over Lire 1,600 billion). Furthermore, the distribution and commercial agreement between Allenza Assicurazioni and Ambroveneto allowed the latter to collect premiums in excess of Lire 470 billion, of which premiums on new policies totalled approximately Lire 34 billion, in the six month period ended June 30, 1999.

Industrial lending

Gruppo Intesa is active in industrial lending through its subsidiaries Mediocredito Lombardo, Mediocredito del Sud and Mediocredito Padano, which according to the financial statements as at June 30, 1999, had loans to customers of approximately Lire 21,900 billion.

Mediocredito Lombardo, which will merge with Mediocredito del Sud during the year, as emerges by a comparison of 1998 accounts, is ranked in the first place among institutions specialised in industrial credit, after IMI merged with Sao Paolo. Approximately 66% of its total activities, focused on medium- and long-term lending, refer to Lombardy, where it holds a market share of approximately 23% on total financing loans granted to customers. It is also particularly active in merchant banking activities, offering a wide and integrated range of services, from consulting on acquisition and merger deals, to company valuation, business restructuring, investment in equities or bonds especially in medium/medium-large companies. The total portfolio of equity investments consequently increased to Lire 253 billion.

Factoring and leasing

In the factoring business, Gruppo Intesa – which developed a turnover of over Lire 15,000 billion with the two companies Mediofactoring and Po Factoring (corresponding to a 30% increase, compared to the same period in 1998) - maintains an approximately 19% market share of the Italian market, including companies belonging to the industrial sector. The market share reaches 30% if companies belonging to banking groups only are considered (percentage calculated using 1998 data; source: Assifact). Among the latter, Mediofactoring maintains a leadership position in the Italian market and is one of the first competitors in the European market (source: Factor Chain International).

With regard to leasing, Leasindustria merged its activities with those of Fiscambi Locazioni Finanziarie, at the end of last year, and a new company named Intesa Leasing was established. Intesa Leasing is intended to be one of the leading players in this sector, in terms both of intermediated volumes and market share. The total value of leased assets exceeded, as at June 30, 1999, Lire 4,600 billion, taking into account the contribution of the other Gruppo Intesa company operating in this sector, Po Leasing.

Securities intermediation and investment banking

The Caboto Group - Caboto Holding and Caboto Sim – is Gruppo Intesa's investment bank and maintains a leading position in the domestic bond (MTS) and equity (MTA) markets, in terms both of market share and of volumes traded (source: MTS and Consiglio di Borsa). It acts as the professional counterparty to over 400 institutional investors, banks and companies to which it offers specialised services in each market segment with high value added content.

In order to be able to play an active role in the main financial markets around the world, Caboto commenced an expansion process that, in the last two years, led to the opening of two new subsidiaries directly operating in the most important financial centers in the world: Caboto Securities in London and Caboto USA in New York.

Caboto Holding Sim, is Gruppo Intesa's intermediary in Government securities, interest rate and foreign exchange and warrants markets. It has been operating on the Italian market for over 50 years. It was one of the founders, from the outset, of the information system of the domestic Government bond market (MTS) and actively took part in the primary market as originator, lead and co-lead manager and underwriter. On the secondary market it is active as trader and market maker in Government bonds, non-Government bonds, foreign exchange and interest rate derivatives and foreign exchange. It also operates in «consulting, sales and distribution» through customer desks managed by skilled individuals specialised by product and client line.

Caboto Sim operates for institutional and private investors in the equity market. Its main areas of business are securities intermediation (both on its own behalf and on behalf of third parties), market making on listed ISOalfa operations, specialist for thinly traded stocks, primary market (the flotation of companies on the Stock Exchange, new issues and extraordinary finance operations), individual portfolio management, analysis and research, consulting. Within its trading activity, Caboto operates with over 60 Italian banks and 40 Italian and foreign institutional counterparties. Beginning on June 24, 1999 it is also active on the official market of covered warrants on Italian and foreign stocks and to the indexes of the main world Stock Exchanges.

With regard to the primary equity market, Caboto Sim, following its integration with Intesa, has become the exclusive underwriter for Gruppo Intesa. During the six month period ended June 30, 1999, Caboto Holding and Caboto Sim traded securities of approximately Lire 1,800,000 billion.

Legal or arbitral proceedings

Intesa and Gruppo Intesa companies are not subject to any legal or arbitral proceedings that had or could have a material effect on their economic and financial status. With regard to litigation currently underway, the relevant companies have set up adequate provisions to meet the anticipated liabilities.

Intesa's results for the year ended December 31, 1998

a) Gruppo Intesa's reclassified consolidated balance sheet and statement of income for the years ended December 31, 1998 and 1997

BALANCE SHEET

ASSETS	Lire (in billions)		Changes	Euro (in millions)
	1998	1997	%	1998
10. Cash and deposits with central banks and post offices	1,182	1,011	16.9%	611
20. Treasury bills and similar bills eligible for refinancing with central banks	21,617	17,510	23.5%	11,164
30. Due from banks	48,439	59,770	(19.0)%	25,016
40. Loans to customers	156,789	151,590	3.4%	80,975
50. Bonds and other debt securities	34,480	22,331	54.4%	17,807
60. Shares, quotas and other forms of capital	1,254	263	376.8%	648
70. Equity investments	2,401	2,260	6.2%	1,240
80. Investments in Group companies	167	129	29.7%	86
90. Goodwill arising on consolidation	851	418	103.6%	440
100. Goodwill arising on application of the equity method	10	108	(90.7)%	5
110. Intangible fixed assets	769	1,000	(23.1)%	397
120. Tangible fixed assets	4,467	3,900	14.5%	2,307
150. Other assets	20,202	14,947	35.2%	10,434
160. Accrued income and prepaid expenses	3,770	3,768	0.1%	1,947
Total Assets	296,398	279,005	6.2%	153,077

N.B.

1997 financial statements data has been extracted from the pro forma accounts presented to the Shareholders Meeting which approved the annual report for the year ended December 31, 1997

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
10. Due to banks	59,719	75,373	(20.8)%	30,842
20. Due to customers	103,663	85,346	21.5%	53,537
30. Securities issued	84,160	80,543	4.5%	43,465
40. Deposits and public funds under administration	135	133	1.5%	70
50. Other liabilities	19,010	14,225	33.6%	9,818
60. Accrued expenses and deferred income	4,440	4,273	3.9%	2,293
70. Allowance for employee termination indemnities	1,575	1,444	9.1%	813
80. Allowance for risks and charges	5,340	4,002	33.4%	2,758
90. Allowance for possible loan losses	858	1,000	(14.2)%	443
100. Reserve for general banking risks	71	31	129.0%	37
110. Subordinated liabilities	6,998	4,446	57.4%	3,614
120. Negative goodwill arising on consolidation	4	1	300.0%	2
140. Minority interests	1,134	783	44.8%	586
150. Share capital	2,732	2,227	22.7%	1,411
160. Share premium reserve	4,116	3,283	25.4%	2,126
170. Reserves	930	844	10.2%	480
180. Revaluation reserves	383	349	9.7%	198
200. Net income (loss) for the year	1,130	702	61.0%	584
Total Liabilities and Shareholders' equity	296,398	279,005	6.2%	153,077

GUARANTEES AND COMMITMENTS	Lire (in billions)		Changes	Euro (in millions) 1998
	1998	1997	%	
10. Guarantees given	18,887	16,846	12.1%	9,754
20. Commitments	72,883	78,481	(7.1)%	37,641
Total Guarantees and Commitments	91,770	95,327	(3.7)%	47,395

N.B.

1997 financial statements data has been extracted from the pro forma accounts presented to the Shareholders Meeting which approved the annual report for the year ended December 31, 1997

STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes %	Euro (in millions) 1998
	1998	1997		
10. Interest income and similar revenues	16,804	18,546	(9.4)%	8,679
20. Interest expense and similar charges	(11,011)	(12,467)	(11.7)%	(5,687)
30. Dividends and other revenues	40	33	21.2%	21
40. Commission income	4,249	2,951	44.0%	2,194
50. Commission expense	(670)	(407)	64.6%	(346)
60. Profits (Losses) on financial transactions	830	768	8.1%	429
70. Other operating income	734	610	20.3%	379
80. Administrative costs	(6,497)	(6,499)		(3,356)
85. Provisions for integrative social security benefits	(78)	(93)	(16.1)%	(40)
90. Adjustments to tangible and intangible fixed assets	(771)	(752)	2.5%	(398)
100. Provisions for risks and charges	(230)	(107)	114.9%	(119)
110. Other operating expenses	(188)	(128)	46.9%	(97)
120. Adjustments to loans and provisions for guarantees and commitments	(1,290)	(1,682)	(23.3)%	(666)
130. Write-backs of adjustments to loans and provisions for guarantees and commitments	353	413	(14.5)%	182
140. Provisions for possible loan losses	(99)	(246)	(59.8)%	(51)
150. Adjustments to financial fixed assets	(42)	(35)	20.0%	(22)
160. Write-backs of financial fixed assets	1	3	(66.7)%	1
170. Income (Loss) from investments carried at equity	50	17	194.1%	26
180. Income (Loss) from operating activities	2,185	925	136.2%	1,129
210. Extraordinary income (loss), net	323	617	(47.6)%	167
230. Change in the reserve for general banking risks	(40)	(11)	263.6%	(21)
240. Income taxes for the year	(1,271)	(802)	58.5%	(656)
250. Income attributable to minority shareholders	(67)	(27)	148.2%	(35)
260. Net income for the year	1,130	702	61.0%	584

N.B.

1997 financial statements data has been extracted from the pro forma accounts presented to the Shareholders Meeting which approved the annual report for the year ended December 31, 1997.

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)		Changes %	Euro (in millions) 1998
	1998	1997		
10. Interest income and similar revenues	16,804	18,546	(9.4)%	8,679
20. Interest expense and similar charges	(11,011)	(12,467)	(11.7)%	(5,687)
30. Dividends and other revenues	40	33	21.2%	21
<i>Interest margin</i>	<i>5,833</i>	<i>6,112</i>	<i>(4.6)%</i>	<i>3,013</i>
40. Commission income	4,249	2,951	44.0%	2,194
50. Commission expense	(670)	(407)	64.6%	(346)
60. Profits (Losses) on financial transactions	830	768	8.1%	429
70. Other operating income	734	610	20.3%	379
110. Other operating expenses	(188)	(128)	46.9%	(97)
<i>Income from services</i>	<i>4,955</i>	<i>3,794</i>	<i>30.6%</i>	<i>2,559</i>
<i>Net interest and other banking income</i>	<i>10,788</i>	<i>9,906</i>	<i>8.9%</i>	<i>5,572</i>
80. Administrative costs	(6,497)	(6,499)		(3,356)
85. Provisions for integrative social security benefits	(78)	(93)	(16.1)%	(40)
90. Adjustments to tangible and intangible fixed assets	(771)	(752)	2.5%	(398)
<i>Operating margin</i>	<i>3,442</i>	<i>2,562</i>	<i>34.3%</i>	<i>1,778</i>
100. Provisions for risks and charges	(230)	(107)	114.9%	(119)
120. Adjustments to loans and provisions for guarantees and commitments	(1,290)	(1,682)	(23.3)%	(666)
130. Write-backs of adjustments to loans and provisions for guarantees and commitments	353	413	(14.5)%	182
140. Provisions for possible loan losses	(99)	(246)	(59.8)%	(51)
150. Adjustments to financial fixed assets	(42)	(35)	20.0%	(22)
160. Write-backs of financial fixed assets	1	3	(66.7)%	1
170. Income (Loss) from investments carried at equity	50	17	194.1%	26
<i>180. Income (losses) from operating activities</i>	<i>2,185</i>	<i>925</i>	<i>136.2%</i>	<i>1,129</i>
210. Extraordinary income (loss), net	323	617	(47.6)%	167
230. Change in the reserve for general banking risks	(40)	(11)	263.6%	(21)
<i>Income before taxes</i>	<i>2,468</i>	<i>1,531</i>	<i>61.2%</i>	<i>1,275</i>
240. Income taxes for the year	(1,271)	(802)	58.5%	(656)
250. Income attributable to minority shareholders	(67)	(27)	148.2%	(35)
260. Net income for the year	1,130	702	61.0%	584

N.B.

1997 financial statements data has been extracted from the pro forma accounts presented to the Shareholders Meeting which approved the annual report for the year ended December 31, 1997

Gruppo Intesa's selected financial data for the years ended December 31, 1998 and 1997 "Proforma"

Selected Financial Data	Lire (in billions)		Changes %	Euro (in millions)
	1998	1997		
<u>Balance sheet</u>				
Loans to customers	156,789	151,590	3.4%	80,975
Securities	57,350	40,104	43.0%	29,619
Equity investments	2,568	2,389	7.5%	1,326
Total assets	296,398	279,003	6.2%	153,077
Direct customer deposits	187,957	166,022	13.2%	97,072
Subordinated deposits	6,998	4,445	57.4%	3,614
Indirect customer deposits <i>including Managed funds</i>	248,081	194,209	27.7%	128,123
	142,380	80,719	76.4%	73,533
Customer deposits under administration	443,036	364,676	21.5%	228,809
Shareholders' equity ⁽¹⁾	8,195	6,724	21.9%	4,232
<u>Statement of income</u>				
Interest margin	5,833	6,113	(4.6)%	3,012
Income from services	4,955	3,794	30.6%	2,559
Net interest and other banking income	10,788	9,907	8.9%	5,572
Administrative costs	6,497	6,499		3,355
Operating margin	3,442	2,563	34.3%	1,778
Net income for the year	1,130	702	61.0%	584
<u>Operating ratios %</u>				
Interest margin/total assets	1.97	2.19		
Income from services/net interest and other banking income	45.93	38.30		
Operating margin/total assets	1.16	0.92		
Administrative costs/net interest and other banking income	60.22	65.60		
Net income for the year/total assets (ROA)	0.38	0.25		
Net income for the year/shareholders' equity (ROE)	13.79	10.44		
Non-performing loans/total loans	5.74	5.58		
<u>Other information</u>				
Staff (<i>number</i>) ⁽²⁾	35,681	34,592		
Branches (<i>number</i>) ⁽³⁾	2,056	1,885		

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

(2) The 1998 figure includes Banca Popolare FriulAdria employees (912) and Cassa di Risparmio di Ascoli employees (485); net of new acquisitions the number of employees falls by 308 units.

(3) The 1998 figure includes Banca Popolare FriulAdria branches (89) and Cassa di Risparmio di Ascoli branches (44)..

Explanatory Notes

Gruppo Intesa results, for the year ended December 31, 1998 stand as a proof of the excellent achievements resulting from the integration of Ambroveneto and Cariplo and confirm the appreciation and the positive projections that the markets forecasted for the new group since its outset.

The most significant balance sheet and statement of income items show an improvement. Loans to customers registered a satisfactory overall growth rate (up 3.4%) up to almost Lire 157,000 billion, even though the result was not uniformly split among Gruppo Intesa companies. Furthermore, excluding repurchase agreements stipulated for investment purposes, which represent essentially a financial activity and decreased by approximately 67% in the last twelve months, the increase in loans to customers rose by 6.9%. The securities portfolio registered a significant growth rate (up 43%) and was mainly constituted by Government securities purchased during 1998 with the expectation, which proved to be correct, that interest rates would rapidly decrease.

Customer deposits under administration increased to Lire 443,036 billion (up 21.5%); out of these, managed funds registered an outstanding growth rate reaching over Lire 142,000 billion (up 76.4%). Direct customers' deposits reached Lire 188,000 billion, subordinated liabilities totalled Lire 7,000 billion, reaching a total funding of Lire 195,000 billion (up 14.4% with respect to the year ended December 31, 1997).

Economic results for the year ended December 31, 1998 were positive. Net income totalled Lire 1,130 billion and greatly outperformed budget projections. With regard to statement of income line items, interest margin recorded a persistent reduction, attributable to the combined effect of the continuous erosion of the interest rate spread as well as the increase in funding required by Intesa in order to acquire Cariplo.

It must be also noted that the importance of the former phenomenon is gradually ebbing away, especially since Italian interest rates are now in line with those of other EU Countries.

Income from services and, in particular, commission income, are mainly responsible for the 1998 performance of both Gruppo Intesa and the whole Italian banking system. 1998 was an exceptional year for asset management and also extremely favourable for financial markets, in spite of repeated signs of crisis. The continuous decrease of interest rates stimulated investors to transfer their capital to the management of professional managers able to guarantee higher returns. This phenomenon favoured individual portfolio management schemes and, even more, mutual funds, which registered outstanding results in terms of net funding and management fees. Financial market liquidity led to an increase in traded volumes, which touched all time records and an exceptional growth of commissions on securities trading.

Consolidated income from services almost reached Lire 5,000 billion, corresponding to a growth rate in excess of 30% with respect to the previous year. Net commission income was in excess of Lire 3,500 billion (up 41%), whereas profits on trading totalled Lire 830 billion (up 8%).

Net interest and other banking income therefore reached Lire 10,788 billion, an 8.9% increase compared to the year ended December 31, 1997. The contribution of income from services grew by over 7 basis points and reached 45.9%. This shows that almost half of Gruppo Intesa's revenues reflected services rendered to customers.

Administrative costs slightly decreased (only by Lire 2 billion). With regard to this area of activities the year ended December 31, 1998 must be considered a transition period. The integration programme began being implemented last year and only at its completion, expected in 2001, will the forecasted synergies occur. On the contrary, the results of this first year have been burdened with expenses due to the integration, which, are very difficult to quantify exactly. Nevertheless the administrative costs to net interest and other banking income ratio decreased to 60.2%, down by over 5 basis points.

Operating margin reached Lire 3,442 billion, with a Lire 880 billion increase on the 1997 result, corresponding to a growth rate in excess of 34%.

In the year ended December 31, 1998, provisions, adjustments and write-backs were calculated using very prudent criteria. Furthermore, provisions amounting to Lire 130 billion were recorded in order to account for extraordinary charges related to the merger. This led to a significant increase in provisions for future risks and charges which almost totalled Lire 230 billion.

Both write-downs and write-backs on loans decreased. The balance was negative Lire 937 billion, Lire 332 billion less than in the statement of income for the year ended December 31, 1997. Provisions for possible loan losses, which mainly reflect interest on delayed payments deemed to be recoverable, also registered a marked reduction.

As at December 31, 1998, the doubtful loans to performing customer loans ratio was 5.74%, showing a slight increase with respect to that of the previous year.

With regard to loan portfolio management it must be noted that at year-end 1998 Gruppo Intesa's doubtful loan management and recovery company (Intesa Gestione Crediti) began operations. This is an extremely innovative project for the Italian banking system which should lead to a more effective management of the Gruppo Intesa's doubtful loans by reducing costs and increasing recovered amounts.

Extraordinary income dropped substantially from Lire 617 billion to Lire 323 billion. It has to be noted, though, that the financial statements for the year ended December 31, 1997 benefited from the extraordinary revenues deriving from Cariplo's completion of the «Ionio Project». The increase in fiscal charges is directly connected to the increase registered by income before taxes. Lastly, net income reached Lire 1,130 billion, and registered a 61% increase compared to net income recorded in the pro forma financial statements as at December 31, 1997.

ROE showed a marked improvement reaching 13.8% compared to 10.4% in the pro forma accounts as at December 31, 1997.

Independent Auditors' Report

The accompanying consolidated financial statements of Intesa and its subsidiaries and the related Report on Operations as at December 31, 1998 have been audited by Arthur Andersen S.p.A.

The audit conducted by the Independent Auditors was carried out in accordance with the auditing standards recommended by CONSOB. Those standards require that the Independent Auditors plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

In the Independent Auditors' opinion, the financial statements present fairly, in all material respects, the financial position of Intesa and its subsidiaries and the results of their operations and cash flows in accordance with the generally accepted consolidated financial statements accounting principles in Italy.

In the Independent Auditors' Report, provided on March 18, 1999, Arthur Andersen S.p.A. noted that:

- the financial statements of certain subsidiaries and certain companies in which Intesa has a significant influence, which represent approximately 12% of consolidated assets and 14% of the consolidated net interest and other banking income respectively, were examined by other auditing firms, which provided Arthur Andersen with their reports;
- similarly, the financial statements of the wholly-owned subsidiary Cariplo, which entered into Gruppo Intesa as of 1998, and represents approximately 52% of consolidated assets and 45% of net interest and other banking income, were audited by another auditing firm, following a previously assigned engagement. Given the materiality of the amounts involved, Arthur Andersen S.p.A. performed additional audit procedures;
- the consolidated balance sheet and the consolidated statement of income of Gruppo Intesa are compared with the pro-forma financial statements as at December 31, 1997, prepared by combining the Ambroveneto Group and Cariplo Group consolidated amounts at the respective dates. Such combined data have not been audited. On the contrary, Ambroveneto Group's consolidated financial statements as at December 31, 1998 have been audited by Arthur Andersen, while Cariplo Group's consolidated financial statements at the same date have been examined by another auditing firm.

b) Intesa's reclassified balance sheet and statement of income for the year ended December 31, 1998

BALANCE SHEET

ASSETS	Lire (in billions)	Euro (in millions)
20. Treasury bills and similar bills eligible for refinancing with central banks	19	10
30. Due from banks	3,462	1,788
40. Loans to customers	2,667	1,377
50. Bonds and other debt securities	384	198
70. Equity investments	38	19
80. Investments in Group companies	12,376	6,392
90. Intangible fixed assets	201	104
100. Tangible fixed assets	29	15
130. Other assets	873	451
140. Accrued income and prepaid expenses	10	5
Total assets	20,059	10,359

N.B.

1998 figures cannot be compared to those as at December 31, 1997 for the reasons explained in the explanatory notes below.

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)	Euro (in millions)
10. Due to banks	4,578	2,365
20. Due to customers	182	94
50. Other liabilities	610	315
60. Accrued expenses and deferred income	106	55
80. Allowance for risks and charges	337	174
90. Allowance for possible loan losses	13	7
100 Reserve for general banking risks	15	8
110. Subordinated liabilities	5,936	3,065
120. Share capital	2,732	1,411
130. Share premium reserve	4,117	2,126
140. Reserves	799	412
150. Revaluation reserves	349	180
170. Net income (loss) for the year	285	147
Total Liabilities and Shareholders' Equity	20,059	10,359

GUARANTEES AND COMMITMENTS	Lire (in billions)	Euro (in millions)
10. Guarantees given	2,346	1,211
20. Commitments	125	65
Total Guarantees and Commitments	2,471	1,276

N.B.

1998 figures cannot be compared to those as at December 31, 1997 for the reasons explained in the explanatory notes below.

STATEMENT OF INCOME

Statement of income	Lire (in billions)	Euro (in millions)
10. Interest income and similar revenues	346	179
20. Interest expense and similar charges	(524)	(271)
30. Dividends and other revenues	773	399
40. Commission income	18	9
50. Commission expense	(4)	(2)
60. Profits (Losses) on financial transactions	5	3
70. Other operating income	19	10
80. Administrative costs	(137)	(71)
90. Adjustments to tangible and intangible fixed assets	(55)	(28)
100. Provisions for risks and charges	(1)	(1)
110. Other operating expenses	(3)	(1)
120. Adjustments to loans and provisions for guarantees and commitments	(110)	(57)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	20	10
140. Provisions for possible loan losses	(13)	(6)
150. Adjustments to financial fixed assets	(12)	(6)
170. Income (Loss) from operating activities	322	167
200. Extraordinary income	40	20
220. Income taxes for the year	(77)	(40)
230. Net income for the year	285	147

N.B.

1998 figures cannot be compared to those as at December 31, 1997 for the reasons explained in the explanatory notes below.

RECLASSIFIED STATEMENT OF INCOME

Statement of income	Lire (in billions)	Euro (in millions)
10. Interest income and similar revenues	346	178
20. Interest expense and similar charges	(524)	(270)
30. Dividends and other revenues	773	399
<i>Interest margin</i>	<i>595</i>	<i>307</i>
40. Commission income	18	9
50. Commission expense	(4)	(2)
60. Profits (Losses) on financial transactions	5	3
70. Other operating income	19	10
110. Other operating expense	(3)	(1)
<i>Income from services</i>	<i>35</i>	<i>19</i>
<i>Net interest and other banking incom</i>	<i>630</i>	<i>326</i>
80. Administrative costs	(137)	(71)
90. Adjustments to tangible and intangible fixed assets	(55)	(28)
<i>Operating margin</i>	<i>438</i>	<i>227</i>
100. Provisions for risks and charges	(1)	(1)
120. Adjustments to loans and provisions for guarantees and commitments	(110)	(57)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	20	10
140. Provisions for possible loan losses	(13)	(6)
150. Adjustments to financial fixed assets	(12)	(6)
<i>170. Income (losses) from operating activities</i>	<i>322</i>	<i>167</i>
200. Extraordinary income (loss), net	40	20
<i>Income before taxes</i>	<i>362</i>	<i>187</i>
220. Income taxes for the year	(77)	(40)
230. Net income (loss) for the year	285	147

N.B.

1998 figures cannot be compared to those as at December 31, 1997 for the reasons explained in the explanatory notes below.

Explanatory notes

The Bank's annual report reflected Intesa's intense efforts directed at acquiring equity investments and registered the effects of the mergers with Cassa di Risparmio di Puglia and Banca FriulAdria Holding completed at the end of the year.

On January 1, 1998, the company conferred all banking activities to a wholly-owned subsidiary company, which was renamed Banco Ambrosiano Veneto. The deal excluded a branch based in Milan, which manages certain relationships with Gruppo Intesa's companies and large corporate clients, certain important equity investments and other assets and liabilities. Cariplo and its group were added to the existing assets on January 2, 1998 and, at year-end, Banca Popolare FriulAdria joined the Group by means of the incorporation of Banca FriulAdria Holding.

During 1998 Intesa was particularly active in the development of the federal group model, whose peculiar characteristics have been described above. It should be noted that this model entails centralisation of all direction activities within the Parent Company in order to ensure unitary strategic and operational guidelines and utmost co-ordination and control over all the companies constituting Gruppo Intesa, as well as Intesa's direct management of Gruppo Intesa's financial resources.

The centralisation of finance and treasury activities is aimed at optimising profitability of ample financial resources managed by Gruppo Intesa and at controlling interest rates and liquidity risk more efficiently. When the process will be completed, Intesa will, on one hand, distribute to its subsidiaries adequate financial resources for their activities and, on the other hand, manage their liquidity applying in any case, both to assets and liabilities, conditions aligned to the market.

In 1998, Intesa carried out limited treasury functions for Banco Ambrosiano Veneto and for some of the companies previously belonging to the former Ambroveneto Group. The beginning of full group treasury functions, which will have a strong impact on Intesa's statement of income, depends on the completion of the organisational structures, especially the information technology system, which will support the dynamic management of a securities portfolio ranging from Lire 40,000-50,000 billion and of interbank relationships amounting to Lire 90,000-100,000 billion. The necessary interventions will be realised within year-end 1999, in order to allow the beginning of operations during the first six months of the year 2000.

For these reasons Intesa's annual report for the year ended December 31, 1998 is similar to that of a bank holding company. As a matter of fact the breakdown of income showed a far more relevant contribution of dividends than of interest income, commission income and income from trading activities which are the most typical sources of revenues for banks. Furthermore, interest on funding required to finance the acquisition of Cariplo had a strong impact on interest expense.

Further, it must be remembered that Cassa di Risparmio di Puglia and Banca FriulAdria Holding were merged in Intesa at the end of December 1998; both these mergers had backdated fiscal and accounting effects, the former starting as of January 1, 1998 and the latter starting as of October 1, 1998.

Cassa di Risparmio di Puglia, formerly part of the Cariplo Group, conferred its banking activities to Banca Carime and kept, as part of its assets, the equity participation in Banca Carime, non-performing loans and other scarcely significant assets. At the end of November 1998, the bank, whose controlling interest had since

then been transferred from Cariplo to Intesa, sold the residual portion of its loan portfolio to other companies in Gruppo Intesa; in particular, it sold non-performing loans to Cassa di Risparmio Salernitana (now renamed Intesa Gestione Crediti), which, in the Gruppo Intesa structure, is responsible for management and recovery of doubtful loans. The economic effects of the merger were backdated and, as a result, Cassa di Risparmio di Puglia's economic results were recorded in full in Intesa's accounts, and registered an extremely negative situation due to the impact of interest expenses, of commission expenses on the management of non-performing loans outsourced and of further write-downs in the loan portfolio.

The incorporation of Banca FriulAdria Holding also led to recording on Intesa's accounts the former's economic results from banking activities in the three-month period ended December 31, 1998, before the transfer of banking activities to Banca Popolare FriulAdria was completed.

The financial statements as at December 31, 1998 are not comparable with those as at December 31, 1997, which represented a totally different situation, as they relate to before the spin-off of the banking activities. As a result, Management made use of the derogation, granted under Legislative Decree 87/1992, to avoid comparing data in financial statements for the years ended December 31, 1998 and 1997.

Independent Auditors' Report

Intesa's consolidated financial statements have been audited by Arthur Andersen S.p.A, which also verified the consistency of the Report on Operations with the financial statements. The audit conducted by the Independent Auditors has been carried out in accordance with the auditing standards recommended by CONSOB and by way of controls deemed to be necessary to perform the audit.

In the Independent Auditors' opinion, the financial statements present fairly, in all material respects, the financial position of Intesa and the results of its operations and its cash flows in accordance with the generally accepted accounting principles in Italy.

The Independent Auditors' Report was provided by Arthur Andersen S.p.A on March 18, 1999.

c) *Reclassified pro forma balance sheet and statement of income of Gruppo Intesa and Cariparma Group as at December 31, 1998*

At the beginning of 1999 Intesa incorporated three holding companies: Cariparma Holding, Holding Piacenza and Società Bresciana di Partecipazioni Bancarie. These companies held in aggregate 76.582% of Cassa di Risparmio di Parma e Piacenza, which joined Gruppo Intesa.

As the mergers were completed between the end of January and the beginning of February 1999, Gruppo Intesa's consolidated financial statements as at December 31, 1998 do not include Gruppo Cassa di Risparmio di Parma e Piacenza.

However, for purely information purposes, the aggregate pro-forma financial statements of the two Groups were prepared and published together with 1998 financial statements in order to show Gruppo Intesa's financial highlights after the Cassa di Risparmio di Parma e Piacenza integration.

Pro forma accounts are not subject to the approval of the Shareholders Meeting nor are they audited by the Board of Statutory Auditors or Independent Auditors; the latter however, approved the approach used for the merger.

The consolidated financial statements were drawn by using Gruppo Intesa's and Gruppo Cassa di Risparmio di Parma e Piacenza's 1998 consolidated accounts— both audited by Arthur Andersen S.p.A - and reflect the balance sheet adjustments made in merging the two companies and described in the informative document relative to the merger projects (more specifically Intesa's equity investment in Cassa di Risparmio di Parma e Piacenza and the corresponding portion of the latter's shareholders' equity were eliminated, whereas the increase in capital carried out by Intesa in order to finance the mergers and the debt raised by Cariparma Holding to acquire 34% of the share capital of Cassa di Risparmio di Parma e Piacenza belonging to Fondazione Cariparma were included).

It must also be noted that, in aggregating data, no adjustments aimed at conforming accounting policies used by Gruppo Cassa di Risparmio di Parma e Piacenza to those of Gruppo Intesa were carried out since they would have had an irrelevant impact on the information content of the pro forma financial statements. For the same reasons reciprocal relationships between the two Groups have not been eliminated.

BALANCE SHEET (PRO FORMA)

ASSETS	Lire (in billions)	Euro (in millions)
10. Cash and deposits with central banks and post offices	1,279	661
20. Treasury bills and similar bills eligible for refinancing with central banks	23,563	12,169
30. Due from banks	52,159	26,938
40. Loans to customers	172,519	89,099
50. Bonds and other debt securities	36,702	18,955
60. Shares, quotas and other forms of capital	1,292	667
70. Equity investments	2,691	1,390
80. Investments in Group companies	167	86
90. Goodwill arising on consolidation	851	440
100. Goodwill arising on application of the equity method	10	5
110. Intangible fixed assets	926	478
120. Tangible fixed assets	5,192	2,681
150. Other assets	21,038	10,865
160. Accrued income and prepaid expenses	4,078	2,106
Total Assets	322,467	166,540

LIABILITIES AND SHAREHOLDERS' EQUITY	Lire (in billions)	Euro (in millions)
10. Due to banks	63,009	32,541
20. Due to customers	116,819	60,332
30. Securities issued	90,402	46,689
40. Deposits and public funds under administration	135	70
50. Other liabilities	20,023	10,341
60. Accrued expenses and deferred income	4,773	2,465
70. Allowance for employee termination indemnities	1,807	933
80. Allowance for risks and charges	5,713	2,951
90. Allowance for possible loan losses	871	450
100 Reserve for general banking risks	76	39
110. Subordinated liabilities	7,118	3,676
120. Negative goodwill arising on consolidation	11	6
140. Minority interests	1,573	812
150. Share capital	3,047	1,574
160. Share premium reserve	4,544	2,347
170. Reserves	930	480
180. Revaluation reserves	409	211
200. Net income (loss) for the year	1,207	623
Total Liabilities and Shareholders' Equity	322,467	166,540

STATEMENT OF INCOME (PRO FORMA)

Statement of income	Lire (in billions)	Euro (in millions)
10. Interest income and similar revenues	18,311	9,457
20. Interest expense and similar charges	(11,821)	(6,105)
30. Dividends and other revenues	47	24
40. Commission income	4,617	2,384
50. Commission expense	(687)	(355)
60. Profits (Losses) on financial transactions	919	475
70. Other operating income	810	418
80. Administrative costs	(7,250)	(3,744)
85. Provisions for integrative social security benefits	(78)	(40)
90. Adjustments to tangible and intangible fixed assets	(851)	(440)
100. Provisions for risks and charges	(232)	(120)
110. Other operating expenses	(190)	(98)
120. Adjustments to loans and provisions for guarantees and commitments	(1,513)	(781)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	390	201
140. Provisions for possible loan losses	(99)	(51)
150. Adjustments to financial fixed assets	(42)	(22)
	1	1
170. Income (Loss) from investments carried at equity	51	26
180. Income (Loss) from operating activities	2,383	1,230
210. Extraordinary income	317	164
230. Variation in the reserve for general banking risks	(40)	(21)
240. Income taxes for the year	(1,364)	(704)
250. Income attributable to minority shareholders	(89)	(46)
260. Net income for the year	1,207	623

RECLASSIFIED STATEMENT OF INCOME (PRO FORMA)

Statement of income	Lire (in billions)	Euro (in millions)
10. Interest income and similar revenues	18,311	9,457
20. Interest expense and similar charges	(11,821)	(6,105)
30. Dividends and other revenues	47	24
<i>Interest margin</i>	<i>6,537</i>	<i>3,376</i>
40. Commission income	4,617	2,384
50. Commission expense	(687)	(355)
60. Profits (Losses) on financial transactions	919	475
70. Other operating income	810	418
110. Other operating expense	(190)	(98)
<i>Income from services</i>	<i>5,469</i>	<i>2,824</i>
<i>Net interest and other banking income</i>	<i>12,006</i>	<i>6,200</i>
80. Administrative costs	(7,250)	(3,744)
85. Provisions for integrative social security benefits	(78)	(40)
90. Adjustments to tangible and intangible fixed assets	(851)	(440)
<i>Operating margin</i>	<i>3,827</i>	<i>1,976</i>
100. Provisions for risks and charges	(232)	(120)
120. Adjustments to loans and provisions for guarantees and commitments	(1,513)	(781)
130. Write-back of adjustments to loans and provisions for guarantees and commitments	390	201
140. Provisions for possible loan losses	(99)	(51)
150. Adjustments to financial fixed assets	(42)	(22)
160. Write-back of financial fixed assets	1	1
170. Income (Loss) from investments carried at equity	51	26
<i>180. Income (Loss) from operating activities</i>	<i>2,383</i>	<i>1,230</i>
210. Extraordinary income (loss), net	317	164
230. Variation in the reserve for general banking risks	(40)	(21)
<i>Income before taxes</i>	<i>2,660</i>	<i>1,373</i>
240. Income taxes for the year	(1,364)	(704)
250. Income attributable to minority shareholders	(89)	(46)
260. Net income (loss) for the year	1,207	623

**GRUPPO INTESA'S SELECTED FINANCIAL DATA FOR THE YEAR ENDED
DECEMBER 31, 1998 (PRO FORMA)**

	(In billions of Lire)	(In millions of euro)
	1998	1998
<u>Balance sheet</u>		
Loans to customers	172,519	89,099
Securities	61,557	31,792
Equity investments	2,858	1,476
Total assets	322,467	166,540
Direct customer deposits	207,336	107,080
Subordinated deposits	7,118	3,676
Indirect customer deposits <i>including Managed funds</i>	284,948	147,163
	158,693	81,958
Customer deposits under administration	499,402	257,920
Shareholders' equity (1)	8,977	4,636
<u>Statement of income</u>		
Interest margin	6,537	3,376
Income from services	5,469	2,825
Net interest and other banking income	12,006	6,201
Administrative costs	7,250	3,744
Operating margin	3,827	1,976
Net income for the year	1,207	623
<u>Operating ratios (%)</u>		
Interest margin/total assets	2.03	
Income from services/net interest and other banking income	45.55	
Operating margin/total assets	1.19	
Administrative costs/net interest and other banking income	60.39	
Net income for the year/total assets (ROA)	0.37	
Net income for the year/shareholders' equity (ROE)	13.45	
Non-performing loans/total loans	5.65	
<u>Other information</u>		
Staff (<i>number</i>)	39,832	
Branches (<i>number</i>)	2,370	

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

d) Gruppo Intesa's consolidated and reclassified balance sheet and statements of
income for the six month periods ended 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
Total assets	361,126	324,432	11.31%	186,506

Notes:

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 SpA) as of 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 deferred 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
Total Liabilities and Shareholders' Equity	361,126	324,432	11.31%	186,506

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
Total Guarantees and Commitments	143,219	140,823	1.70%	73,966

Notes:

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, 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
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 out 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 shareholders	(73)	(43)	69.77%	(38)
260. Net income for the period	1,006	604	66.56%	520

Notes:

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	(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 shareholders	(73)	(43)	69.77%	(38)
260. Net income for the period	1,006	604	66.56%	520

Notes:

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

Gruppo Intesa's selected financial data for the six month periods ended June 30, 1999 and 1998

Selected Financial Data	Lire (in billions)		Changes %	Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998		
<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	314,722	271,659	15.85%	162,540
<i>including Managed funds</i>	<i>186,972</i>	<i>133,877</i>	<i>39.66%</i>	<i>96,563</i>
Customer deposits under administration	535,005	478,394	11.83%	276,307
Shareholders' equity ⁽¹⁾	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>Operating 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 loans	5.59%	5.53%		
<u>Other information</u>				
Staff (<i>number</i>)	39,518	40,176		
Branches (<i>number</i>)	2,391	2,326		

N.B.

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.

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 0.47%), 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.

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 million) 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.

e) Intesa's reclassified balance sheet and statement of income for the six month period ended June 30, 1999 and 1998 ()*

BALANCE SHEET

Assets	Lire (in billions)		Changes	Euro (in millions)
	June 30, 1999	June 30, 1998	%	June 30, 1999
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
Total Assets	21,455	16,074	33.48%	11,081

(*) 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 SpA) 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
Total Liabilities and Shareholders' Equity	21,455	16,074	33.48%	11,081

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
Total Guarantees and Commitments	2,751	2,503	9.91%	1,421

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	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 expenses	(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)
230. Net income for the period	909	324	180.56	469

RECLASSIFIED 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	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)
230. Net income for the period	909	324	180.56	469

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.

f1) Gruppo Intesa's cash flow and net financial position for the year ended December 31, 1998

Statement of cash flow	Lire (in billions)	Euro (in millions)
Cash generated from operations		
Net income	1,130	584
Change in the reserve for general banking risks	40	21
Adjustments to tangible and intangible fixed assets	771	398
Net adjustments to financial fixed assets	41	21
Net adjustments to loans	937	484
Net adjustments to securities	1	1
Increase/(decrease) in allowance for possible loan losses	(142)	(73)
Increase/(decrease) in allowance for employee termination indemnities	130	67
Increase/(decrease) in allowance for retirement benefit	147	76
Increase/(decrease) in allowance for risks and charges - other	155	80
Increase/(decrease) in allowance for risks and charges – taxation	1,037	535
(Increase)/decrease in accrued income and prepaid expense	(2)	(1)
Increase/(decrease) in accrued expenses and deferred income	167	86
Cash generated from operations	4,412	2,279
Cash utilised in investing activities		
(Increase)/decrease in securities	(17,248)	(8,908)
(Increase)/decrease in tangible fixed assets	(939)	(485)
(Increase)/decrease in intangible fixed assets	(30)	(15)
(Increase)/decrease in positive consolidation differences	(472)	(244)
(Increase)/decrease in equity investments	(8,839)	(4,565)
(Increase)/decrease in due from banks (excluding amounts due on demand)	14,664	7,573
(Increase)/decrease in loans to customers	(6,136)	(3,169)
(Increase)/decrease in other assets	(5,255)	(2,714)
Cash utilised in investing activities	(24,255)	(12,527)
Cash generated from funding activities		
Increase/(decrease) in due to banks (excluding amounts due on demand)	(11,466)	(5,922)
Increase/(decrease) in due to customers	18,318	9,460
Increase/(decrease) in securities issued	3,617	1,868
Increase/(decrease) in other liabilities	4,785	2,471
Increase/(decrease) in subordinated liabilities	5,957	3,077
Increase/(decrease) minority shareholders	351	181
Increase/(decrease) in shareholders' equity	5,169	2,670
Dividends paid	(136)	(70)
Cash generated from funding activities	26,595	13,735
Increase/(decrease) in cash, liquid funds and due from Banks on demand, net	6,752	3,487
Cash, liquid funds and due from banks on demand, net – opening balance	(6,921)	(3,574)
Cash, liquid funds and due from banks on demand, Net – closing balance	(169)	(87)

f2) Gruppo Intesa's cash flow and net financial position for the six months ended June 30, 1999 and 1998

Statement of cash flow	Lire (in billions)		Euro (in millions)
	June 30, 1999	June 30, 1998	June 30, 1999
Cash generated from operations			
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 expense	293	(928)	151
Increase/(decrease) in accrued expenses and deferred income	(10)	1,454	(5)
Cash generated from operations	2,312	2,444	1,195
Cash utilised in investing activities			
(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)
Cash utilised in investing activities	(38,538)	(22,031)	(19,904)
Cash generated from funding activities			
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 shareholders	184	280	95
Increase/(decrease) in shareholders' equity	1,583	4,954	817
Dividends paid	(252)	(136)	(130)
Cash generated from funding activities	31,293	21,425	16,161
Increase/(decrease) in cash, liquid funds and due from banks on demand, net	(4,933)	1,838	(2,548)
Cash, liquid funds and due from banks on demand, net – opening balance	174	(6,921)	90
Cash, liquid funds and due from banks on demand, Net – closing balance	(4,759)	(5,083)	(2,458)

Note: statement of cash flow for the six month period ended June 30, 1999 was prepared by comparing consolidated financial statements as at June 30, 1999 with pro forma financial statements (Gruppo Intesa and Gruppo Cariparma) as at December 31, 1998.

f3) Intesa's cash flow and net financial position for the year ended December 31, 1998

Statement of cash flow	Lire (in billions)	Euro (in millions)
<i>Cash generated from operations</i>		
Net income	285	147
Adjustments to tangible and intangible fixed assets	55	28
Net adjustments to financial fixed assets	12	6
Net adjustments to loans	90	47
Increase/(decrease) in allowance for possible loan losses	13	6
Increase/(decrease) in allowance for risks and charges - other	108	57
Increase/(decrease) in allowance for risks and charges – taxation	(116)	(60)
(Increase)/decrease in accrued income and prepaid expenses	(4)	2
Increase/(decrease) in accrued expenses and deferred income	98	50
Cash generated from operations	541	279
<i>Cash utilised in investing activities</i>		
(Increase)/decrease in securities	(402)	(208)
(Increase)/decrease in tangible fixed assets	(11)	(6)
(Increase)/decrease in intangible fixed assets	(247)	(128)
(Increase)/decrease in equity investments	(10,600)	(5,474)
(Increase)/decrease in due from banks <i>(excluding amounts due on demand)</i>	(78)	(40)
(Increase)/decrease in loans to customers	(1,309)	(676)
(Increase)/decrease in other assets	(290)	(150)
Cash utilised in investing activities	(12,937)	(6,682)
<i>Cash generated from funding activities</i>		
Increase/(decrease) in due to banks <i>(excluding amounts due on demand)</i>	3,453	1,783
Increase/(decrease) in due to customers	(101)	(52)
Increase/(decrease) in other liabilities	499	258
Increase/(decrease) in subordinated liabilities	5,001	2,583
Increase/(decrease) in shareholders' equity	5,607	2,896
Dividend paid	(136)	(70)
Cash generated from funding activities	14,323	7,398
<i>Increase/(decrease) in cash, liquid funds and due from Banks on demand, net</i>		
	1,927	995
<i>Cash, liquid funds and due from banks On demand, net – opening balance</i>		
	(2,121)	(1,095)
<i>Cash, liquid funds and due from banks on demand, net - closing balance</i>		
	(194)	(100)

f4) Intesa's cash flow and net financial position for the six month periods ended June 30, 1999 and 1998

Statement of cash flow	Lire (in billions)		Euro (in millions) June 30, 1999
	June 30, 1999	June 30, 1998	
Cash generated from operations			
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
Cash generated from operations	1,297	461	670
Cash utilised in investing activities			
(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)
Cash utilised in investing activities	(1,337)	(8,864)	(691)
Cash generated from funding activities			
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
Dividend paid	(252)	(136)	(130)
Cash generated from funding activities	289	8,868	149
Increase/(decrease) in cash, liquid funds and due from banks on demand, net	249	465	128
Cash, liquid funds and due from banks on demand, net – opening balance	(194)	(2,121)	(100)
Cash, liquid funds and due from banks on demand, net - closing balance	55	(1,656)	28

Recent performance and future projections

Following June 30, 1999 no significant events which may have a material effect on Gruppo Intesa's and Banca Intesa's strategies occurred, with the obvious exception of this Offer.

However, it must be noted out that Intesa took part in the privatisation of Crédit Lyonnais, by purchasing a 2.75% stake and joining the voting syndicate agreement that comprises 33% of ordinary capital and includes, besides Crédit Agricole with a 10% stake, AGF – Assurances Generales de France, AXA, Commerzbank, BBV-Banco Bilbao Vizcaya and CCF – Credit Commercial de France. This investment is deemed to be strategic and pursues industrial objectives as the following significant areas of co-operation with Crédit Lyonnais have already been identified: near-banking financial services (especially leasing), asset management, capital markets and risk management. With regard to other strategies, in the second half of 1999 the integration plan entails the merger of product companies formerly belonging to the Cariparma Group. More specifically, Po Investimenti will be merged in Intesa Asset Management, Po Leasing in Intesa Leasing and Po Factoring in MedioFactoring. Mediocredito Padano, another company controlled by Cassa di Risparmio di Parma e Piacenza will be merged by its parent company. Furthermore, the transfer of Cariplo's equity investments (in Medioicredito Lombardo, in Intesa Asset Management, in Mediofactoring, in Intesa Leasing and in other companies which are strategically important to Gruppo Intesa) to Intesa will also begin.

Intesa is in the process of purchasing a 53.2% stake in Banca CIS—Credito Industriale Sardo. Banco Ambrosiano Veneto currently holds a 2.1% stake in Banca CIS. Once the transaction is completed, Intesa, already present in Sardegna through Cariplo, will further strengthen its presence with the branches belonging to Banca CIS.

Following Cariplo's recent acquisitions, of absolute majority stakes in Cassa di Risparmio di Foligno, Cassa di Risparmio di Spoleto and Cassa di Risparmio di Rieti, a Holding company of the two saving banks located in Central Italy with registered offices in Spoleto will be established. Cariplo will hold over 90% of the holding company's share capital and the latter will hold majority stakes in the three Casse mentioned above as well as in Cassa di Risparmio della Provincia di Viterbo and Cassa di Risparmio di Città di Castello which were part of Gruppo Intesa already. The holding company will boast total assets amounting to approximately Lire 8,000 billion and over 160 branches belonging to the five Casse and will be able to ensure enhanced coverage of the regions of Central Italy and benefit from the economies of scale and scope deriving from the centralisation in Intesa of typical governance functions.

The holding company's industrial plan sets out that the processes relating to strategic planning, risk management and finance will be carried out by Intesa, whereas planning, internal auditing and human resource management will be centralised in the holding company; main support functions will, instead, be outsourced.

Furthermore, the agreements for Cariplo's acquisition of a 35% stake in Cassa di Risparmio di Terni e Narni were signed and are awaiting approval by the respective competent bodies.

As part of the rationalisation of the Group's equity investment portfolio, Cariplo's equity investment in Banca Monte Parma was sold. Mediocredito del Sud's merger with Mediocredito Lombardo with accounting and fiscal effect as of January 1, 1999 is currently being completed. A letter of intent was signed with the insurance company INA for the sale of a 100% stake in Banca Proxima (a bank which has not yet started operations and will operate via the telephone and the Internet).

In the second half of the year Gruppo Intesa's results should be positively affected by the improvement in the general economic scenario and by the slight increase in the interest rate spread.

Commission income should register satisfactory growth rates in line with those recorded in the first half, whereas write-downs on the securities portfolio held by Group banks could negatively affect profitability considering that in the last two months interest rate rises would have required further adjustments on the securities portfolio.

Limitation of administrative costs should continue and adjustments to loans should decrease. The tax burden should also ease mostly as a result of tax incentives for bank integrations granted by the Ciampi Law.

It must also be noted that in the six months ended June 30, 1999 results reflected substantial extraordinary income which will not recur to the same extent in the second six months.

Lastly, starting from the excellent results registered in the six months ended June 30, net income for the year should be higher than that contained in budget projections which, as is generally known, totalled Lire 1,400 billion.

With regard to Intesa's financial statements it must be noted that the bank still carries out mostly holding company activities. Centralised group treasury functions will begin only in the first few months of 2000.

As dividends paid on equity investments were all collected and accounted for in the six month period ended June 30, 1999, it is possible to presume that revenues from services rendered to Gruppo Intesa companies will not be sufficient to offset interest expense and administrative costs. Therefore, net income for the year should be slightly lower than that registered as at June 30, 1999.