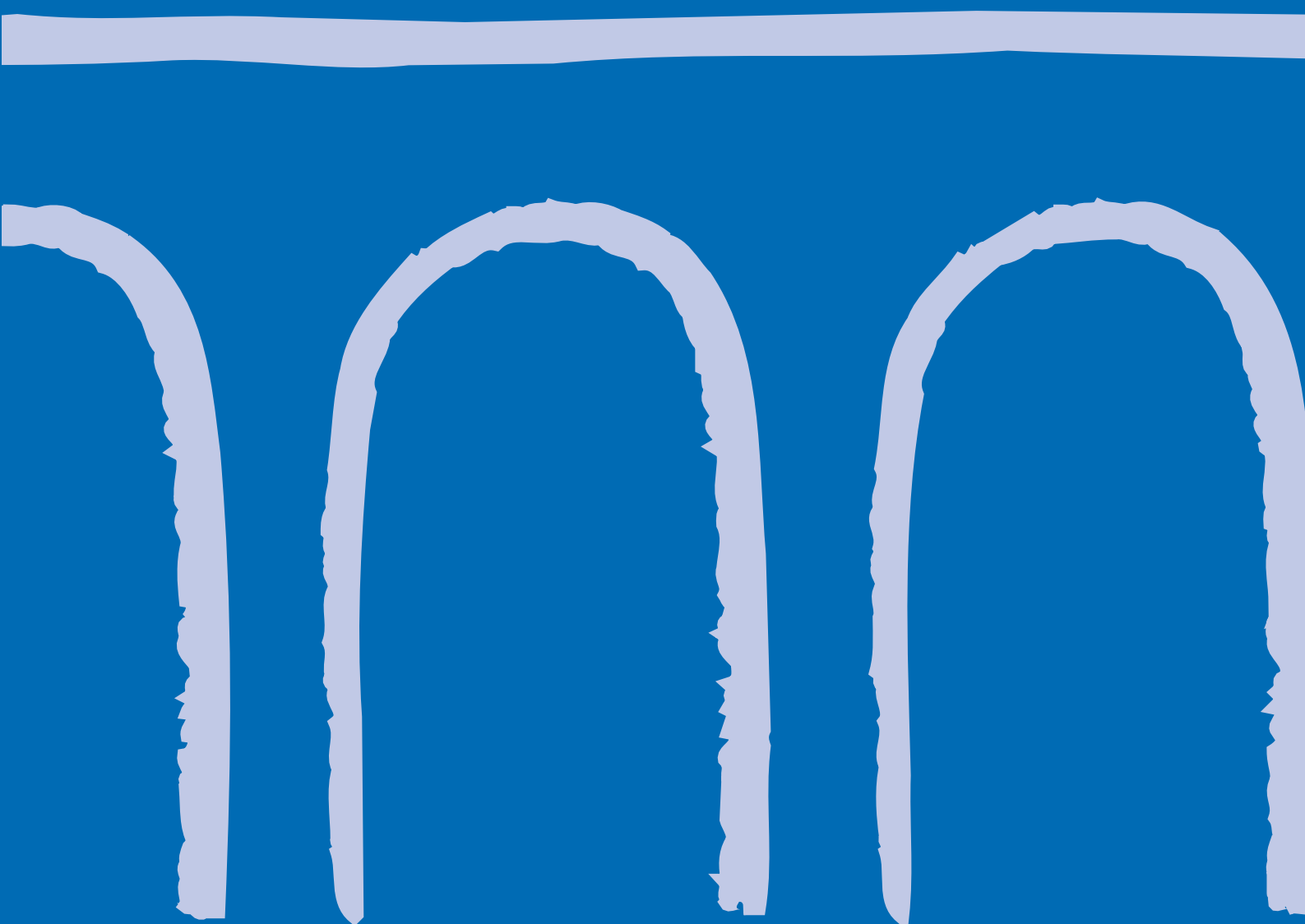
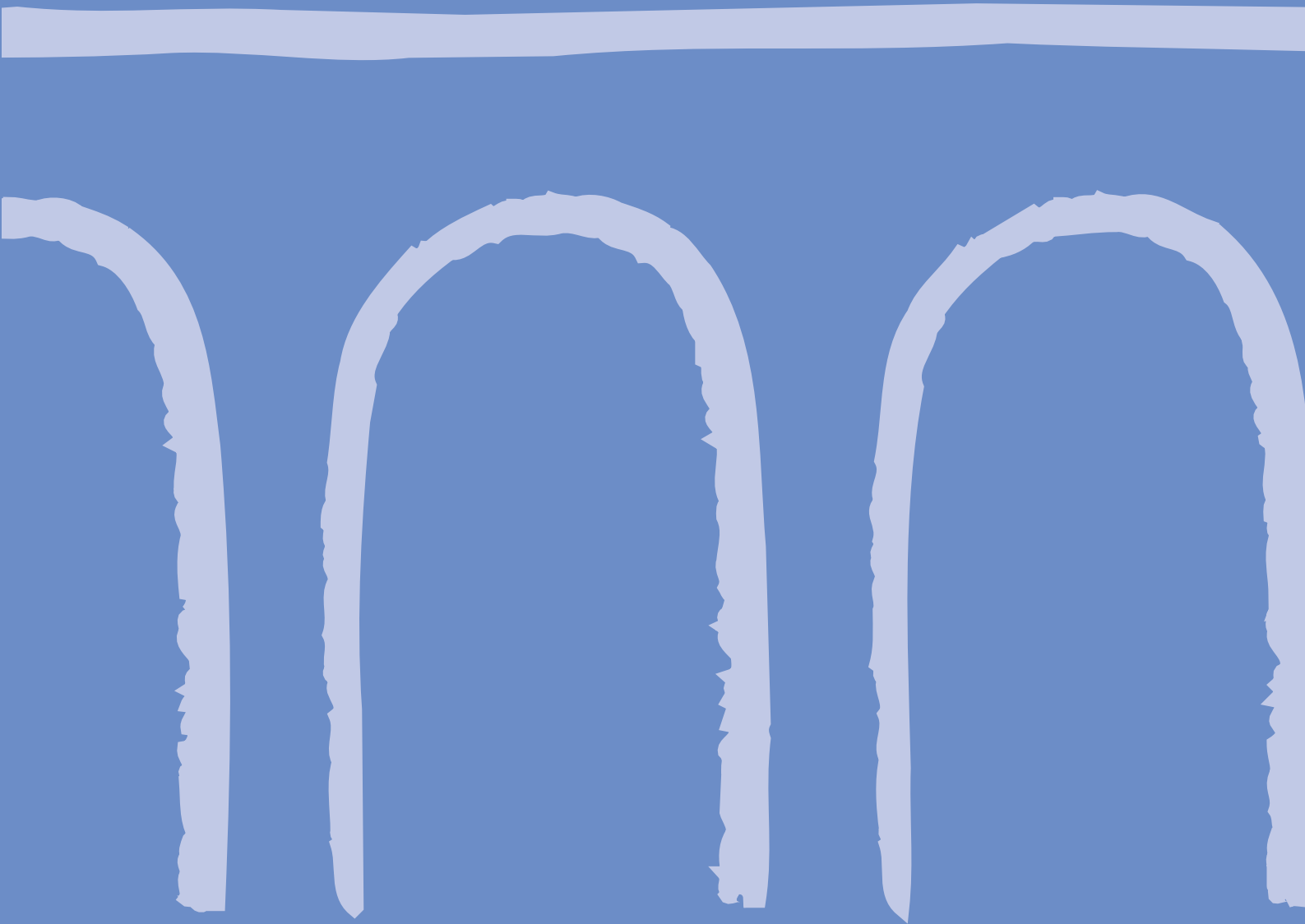


Gruppo Intesa
Report on Operations
and Consolidated
Financial Statements



Report on Operations





Significant events

The Group's development

Gruppo Intesa was established at the beginning of 1998 from the integration of the Banco Ambrosiano Veneto and Cariplo groups. At the end of 1999 it was organised according to a federal model, characterised by the division of responsibilities between various banking entities and product companies. Starting from spring 2000 both this model and also Banca Intesa had undergone deep changes to adapt to the rapid evolution under way in the Italian and European banking system and to better capitalise on the potential of BCI that had been acquired toward the end of 1999.

The strategic plan approved by the Board of Directors in April entailed the integration of the most important Group banks no longer according to the federal model, which had characterised the creation and strong growth phase of Intesa, but using a divisional structure, better suited to meet the challenges of the consolidation and rationalisation process which had become necessary. According to this initial plan, in the first phase, Banco Ambrosiano Veneto, Cariplo - Cassa di Risparmio delle Provincie Lombarde, Banca Carime and Mediocredito Lombardo were to be merged in Banca Intesa, and the latter was to be organised in three divisions specialised by customer segment: the Private, Retail and Corporate divisions. BCI would have transferred a considerable part of its Italian distribution network to Intesa and it would have been transformed into the Group's wholesale bank.

The Group's new model

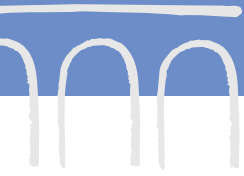
The merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Banca Intesa, resolved upon by the respective Shareholders' Meetings at the end of July, was realised in December with legal effects starting from 31st December, immediately before the end of 2000. Instead, the merger of Carime, resolved upon at the same time as the merger with the other banks, was not formalised and was later reverted by the Extraordinary Shareholders' Meeting held on 1st March 2001. In fact, as will be illustrated in detail hereafter, in October 2000 Banca Popolare Commercio e Industria presented an offer for the acquisition of Intesa's stake in Banca Carime. The proposal was accepted by Intesa's Board of Directors and the sale agreement was signed in November, with completion in 2001.

Mergers

The decision to proceed to a complete integration and more specifically to merge Banca Intesa and BCI is certainly the strategic decision made in 2000 which will produce the most significant effects on the Group's future operations and profitability. The recognition that it was necessary to change the integration plan under implementation had matured in the light of the complex organisational and governance problems connected to the transformation of BCI in a wholesale bank; the decision to proceed with the merger of the two Banks, taken in full agreement by the Board of Directors of both firms immediately after the approval of the Half-Yearly Report, has the sole objective of enhancing the efficiency of the integration process, thus favouring the creation of wider synergies within the Group. The merger project, prepared in December by the Boards of Directors, was approved by BCI's Extraordinary Shareholders' Meeting on 28th February 2001 and by Intesa's Extraordinary Shareholders' Meeting on the following day. The operation should be formalised next April, with legal effects probably as of 1st May 2001.

At the end of October, in execution of the instructions of the Antitrust authority – which had given its clearance to the Tender Offer for BCI shares conditional upon the sale and closure of a certain number of branches – the Group sold to Banca Popolare di Vicenza 46 branches, with legal effects as of 1st January 2001.

Rationalisation
of the network



Instead, as part of the rationalisation of the Group's distribution network, in November and December Banca Intesa sold its control stake in Banca Carime, BCI sold its controlling interest in Banca di Legnano, and 51 branches were sold to Unipol Banca in January 2001. Lastly, Cariplo sold its stake in Cassa di Risparmio di Pescara e di Loreto Aprutino.

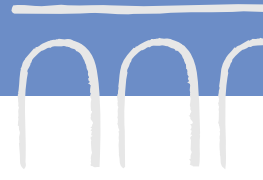
Acquisitions

In 2000 the Group realised some acquisitions abroad, aimed at building or strengthening its presence in certain areas deemed to have banking potential. In Croatia, BCI acquired Privredna Banka Zagreb, the Country's largest bank in terms of number of branches and the second in terms of total assets, with a market share of approximately 20%, both in customer deposits and loans to customers. The operation has the objective of increasing the Group's presence in Central and Eastern Europe, also in consideration of the entry of such Countries in the EU.

In Argentina, again BCI acquired Banco Caja de Ahorro, which has a retail network of 80 branches and approximately 450,000 clients, for the purpose of a subsequent merger with the Banco Sudameris Argentina, which will lead to the creation of a banking entity ranked among the top ten privately-owned banks in the Country.

In Italy, the acquisition of control of Banca Cis was completed as well as the purchase of a 35% stake in Cassa di Risparmio di Terni e Narni, sold by the homonymous Foundation, which also has the option to sell a further quota amounting to 16% of the share capital.

The restructuring of the subsidiary Carinord Holding which has controlling stakes in Cassa di Risparmio di Alessandria, Cassa di Risparmio di Carrara and Cassa di Risparmio della Spezia started. In particular, the restructuring plan sets out the total de-merger of the Holding company with the transfer of the equity investment in Cassa di Risparmio di Alessandria to a new company established by Intesa and Fondazione Cassa di Risparmio di Alessandria, and the transfer of the equity investments in Cassa di Risparmio di Carrara and Cassa di Risparmio della Spezia to another company which will have as shareholders exclusively Banca Intesa and the Foundations and which is destined to be subsequently merged in Banca Intesa.



Specific events and extraordinary transactions

Company operations finalised to the creation of the Group's new model

The merger of Banco Ambrosiano Veneto, Cariplo - Cassa di Risparmio delle Provincie Lombarde and Mediocredito Lombardo in Banca Intesa represented the first step in the realisation of the new organisational model.

As already pointed out, the rapid diffusion of bank concentration transactions, the establishment of players specialised by business area, the organisation of the market by customer segment and the progressive development of innovative distribution channels imposed the identification of a new organisational model better suited to meet the challenges of Banca Intesa's competitors. In addition to these important factors, at the end of 1999 the Group acquired BCI and it rapidly became clear that the federal model would have not led to fully capitalise on BCI's potential.

For these reasons Intesa opted for a new divisional model, organised in autonomous, highly specialised, customer-centric business units, a streamlined governance centre and great decentralisation of commercial responsibilities to the local markets.

The adoption of this new organisational model implied the merger in Intesa of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo and was at the basis of the prospected transfer to Intesa of BCI's Italian distribution network.

The merger approved by the competent Shareholders' Meetings at the end of last July, was realised in December and came into legal effects at the end of 2000. However, both accounting and fiscal effects, were backdated to the beginning of 2000, therefore Banca Intesa 2000 financial statements consolidate both the balance sheet items and also the statement of income captions of the merged banks.

Initially in the new organisational model BCI would have become the Group's wholesale bank, maintaining its brand and its listing, with responsibility over the management of large corporate clients, securities trading, investment banking, the Group's foreign network (branches and subsidiary companies) and other related activities.

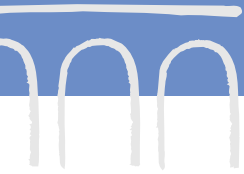
Intesa was to contribute to BCI its large corporate clients, merchant banking and private equity activities and the equity investment in Caboto Holding Sim while BCI was to spin off its Italian banking network in favour of Intesa.

At a later date, as already mentioned above, Banca Intesa's and BCI's Boards of Directors realised that, for the purpose of improving the efficiency of the integration process and of maximising value creation for shareholders, it was necessary to proceed to the merger of BCI in Intesa.

This operation, which does not modify the logic of the original Industrial plan presented to the market last April, will more easily lead to operational and economic advantages. First of all it will permit the simplification of the transfer of expertise and activities between various Group entities and eliminate the potential conflicts of interest between the respective Shareholders. Therefore the divisionalisation by business areas remains unchanged, though the number of business areas will increase from three to four (Retail, Private, Corporate and Merchant banking) and the competencies attributed to the Divisions/business units responsible for covering the various market segments are also maintained. The brand names of the two banks will be maintained and combined in the new corporate name, that is Banca Intesa Banca Commerciale Italiana or, in short form, IntesaBci or Banca Intesa Comit, for the purpose of confirming the continuity in the Group's strategic direction and objectives.

Merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Intesa

Merger of Intesa with BCI



Furthermore the merger will enable the streamlining of the Group's management and governance structure, at the same time guaranteeing greater efficiency with regard to operating costs, also as a result of the elimination of duplications in corporate structures, and greater effectiveness in the sharing and transfer of best practices within the Group, while fully capitalising on existing know-how and capabilities. Lastly, the operation will favour the realisation of the integration synergies identified in the Industrial plan and will, consequently, simplify the achievement of the Group's profitability targets.

The merger of BCI in Intesa was approved by the competent Extraordinary Shareholders' Meetings held on 28th February 2001 (BCI) and on 1st March 2001 (Intesa), based on the financial statements as at 30th September 2000. The exchange ratio was fixed at 1.45 Banca Intesa ordinary shares for each BCI ordinary or saving share. Following the formalisation of the operation Banca Intesa will increase its share capital up to a maximum value of 792,320,323,000 lire by the issue of a maximum of 792,320,323 shares. The calculation of the maximum number of newly-issued shares also considers the 8,000,000 new ordinary shares that BCI will issue in relation to the spin-off of Credito Fondiario ed Industriale - Fonspa, approved by BCI's Shareholders' Meeting held on 28th February 2001.

Proposal for the purchase of own shares

The proposal for the purchase of own shares, approved by the Ordinary Shareholders' Meeting held on 1st March 2001, was closely related to the merger of BCI in Intesa. In fact, the Tender Offer promoted in 1999 by Intesa on BCI shares set out that, for each share tendered and not exchanged, Banca Intesa would assign to each accepting shareholder one "Warrant Put Intesa - BCI" (later re-named Warrant Put IntesaBci) representing the right to sell one BCI ordinary or saving share at a price of 7.80 euro.

As is generally known, since the shares tendered exceeded the Offer, Banca Intesa assigned 330,170,484 warrants, which may be exercised in the period from 1st to 15th November 2002.

As a result of the approval of the merger and in consideration of the exchange ratio of 1.45 Banca Intesa ordinary shares for each BCI ordinary or saving share, each "Warrant Put Intesa - BCI" will automatically no longer refer to the sale to Banca Intesa of one BCI share but to the sale of 1.45 Banca Intesa ordinary shares, always at a price of 7.80 euro.

Therefore, Intesa's Ordinary Shareholders' Meeting held on 1st March authorised the purchase of a maximum of 478,747,202 own ordinary shares belonging to the holders of "Warrant Put Intesa - BCI" at a price of 5.38 euro each, for a total value of 2,576 million euro (4,987 billion lire). Intesa Ordinary Shareholders' Meeting also authorised the sale of the acquired shares at a unit price no lower than the cost of purchase, via the sale on the stock market and approved the use of the Share premium reserve for a maximum value of 2,576 million euro (4,987 billion lire) in order to set up an unavailable reserve pursuant to Art. 2357 ter of the Italian Civil Code.

Interventions for the rationalisation of the Group

Sale of Banca Carime

As already described in the previous chapter, while the actions for the realisation of the merger approved by the Extraordinary Shareholders' Meeting held on July were under way, last October Banca Popolare Commercio e Industria (Comindustria) manifested its interest to purchase Intesa's stake in Banca Carime (amounting to 99.92% of the latter's share capital). An offer based on a valuation of 3,075 billion lire for the entire capital of the bank followed.



The proposal was accepted by the Board of Directors on 21st November 2000, which gave mandate to the Chairman and the Managing Directors to define and sign the agreement for the sale of the shares. The contract was signed on the same date.

This contract sets out that, before its execution, the Shareholders' Meetings of the companies involved revoke the merger resolution. The Shareholders' Meetings of Banca Carime and Banca Intesa respectively held on 22nd December 2000 and on 1st March revoked the merger resolution.

As already mentioned above, the purchase proposal submitted by Comindustria was valued positively and accepted by the Directors. The proposal was based on an overall valuation of Banca Carime's equity of 3,075 billion lire, corresponding to 2.6 times the book value of the latter's shareholders' equity as at 30th September 2000 (net of the goodwill of the contributed banks still included in the balance sheet). This valuation is at the high end of the scale of valuations of banks with distribution networks located mainly in Southern Italy made in the last few years. The proposal referred to the purchase of a 75% stake in Banca Carime's share capital. The transfer of the shares is expected to occur within the first half of 2001 and in any case within 31st December of this year. Comindustria has a call option on the remaining portion of Intesa's equity investment in Carime, amounting to 24.92% of Carime's share capital, (as already mentioned above Intesa's total stake in Carime currently amounts to 99.92%) to be exercised within three years from the execution date of the contract. Banca Intesa has a put option, to be exercised in case of abandon of the call by the purchaser within the agreed time period. Banca Intesa will realise a capital gain from the sale of 1,294 billion lire, of which 1,100 billion lire in 2001 and 194 billion lire within 2004.

In the sale contract Banca Intesa gave certain guarantees, which are standard practice in large transactions, in favour of Comindustria in relation to both the existence of asset values and with regard to any litigations which may arise. However, since Intesa will not guarantee the quality of Carime's loans, the contract sets out the possibility for the purchaser to transfer loans for a maximum net book value of 650 billion lire to Intesa, according to predefined procedures and in different moments, which in any case will be no later than the term of approval of the Carime financial statements as at 31st December 2001.

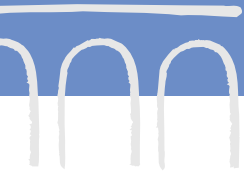
The contract also sets forth that Intesa will hire approximately 500 Carime employees, most of which are already seconded with Group companies.

The sale of Banca Carime will enable the Group to rationalise its presence in the Southern regions, by eliminating concentrations and overlapping which had already been highlighted in the analysis carried out by the Antitrust authorities and which had only partly been solved with the recent sale of 19 branches of Banca Carime to Banca Popolare di Vicenza.

At the moment Gruppo Intesa counts in the South of Italy, Abruzzo and Molise included and Islands excluded, 624 branches, of which 325 belonging to Banca Carime; the others belong to Intesa (Banco Ambrosiano Veneto and Cariplo networks) and to BCI.

Half of these branches will be sold with the disposal of the stake in Banca Carime; therefore in the South the Group will maintain almost 300 branches covering approximately 7% of the market which will certainly ensure an efficient and qualified coverage of the area and allow to strongly develop banking activities and placement of products and services.

As at 31st December 2000 Banca Carime had 6,304 billion lire of loans to customers, 19,894 billion lire of total assets, 15,313 billion lire of direct customer deposits, 10,752 billion lire of indirect customer deposits and total customer deposits under administration of 26,065 billion lire.



Its shareholders' equity as at 31st December 2000 – including net income for the year amounting to 40 billion lire – totalled 1,672 billion lire.

Sale of Banca di Legnano

The sale of the stake held by BCI in Banca di Legnano, which occurred in December 2000, is part of the plan for the rationalisation of the Group's equity investments and commercial networks. BCI sold its 55% stake in the share capital of Banca di Legnano to Banca Popolare di Milano at a price of 1,300 billion lire, which corresponds to an overall valuation of the bank of approximately 2,000 billion lire. This valuation reflects a price/book value of shareholders' equity ratio of over four times. The sale of the equity investment will be completed in the first half of 2001 and will lead BCI to achieve a gross capital gain in excess of 1,000 billion lire.

Even after the sale of Banca di Legnano, which boasts 68 branches located in the Milano, Varese and Novara provinces, Intesa maintains its forefront position as the top banking group in these areas, with approximately 600 branches, and market shares of 21% of loans to customers and of 31% of deposits (data as at 30th June 2000).

The financial statements as at 31st December 2000 of Banca di Legnano recorded: loans to customers of 2,893 billion lire; total assets of 4,468 billion lire; direct customer deposits of 2,936 billion lire; indirect customer deposits of 6,376 billion lire; customer deposits under administration of 9,312 billion lire.

Shareholders' equity as at 31st December 2000 – including net profit for the year amounting to 24 billion lire – equalled 520 billion lire.

Sale of branches

Again as part of the rationalisation of the distribution network, in October 2000 Intesa sold 46 branches belonging to various Group banks to Banca Popolare di Vicenza. The goodwill paid by Banca Popolare di Vicenza amounted to over 250 billion lire, this price may be eventually changed considering the balance sheet situation at the moment of the final sale.

The operation, which was executed to comply with the instructions issued by the Antitrust authority, which subordinated its "Clearance" to the Tender Offer for BCI shares to the sale and closure of a certain number of branches, was carried out by selecting those branches which overlapped with BCI branches.

The sale came into effects on 1st January 2001 and involved 19 branches of Banca Carime, 14 branches of Cassa di Risparmio di Parma e Piacenza, 5 branches of Banco Ambrosiano Veneto, 3 of BCI, 2 of Cariplo, 2 of FriulAdria and 1 of Cassa di Risparmio di Rieti; such branches are located in the Calabria (19), Lombardia (12), Emilia Romagna (7), Liguria (4), Friuli-Venezia Giulia (2), Piemonte (1) and Lazio (1) regions. As at 30th June 2000, which was the reference date used in the preparation of the contract, volumes intermediated with customers by these branches amounted to approximately 520 billion lire of direct customer deposits, approximately 860 billion lire of indirect customer deposits and approximately 350 billion lire of loans to customers.

A similar operation was concluded in January 2001 with Banca Unipol, to which the Group sold another 51 branches belonging to Group banks.

The overall price for the sale amounted to approximately 400 billion lire and it was calculated using the same multiples applied in the previous sale of branches (21% of customer deposits under administration for the 39 branches located in Northern/Central Italy and 14% for the remaining 12 branches).

The branches subject to the sale are located in the following regions: Emilia Romagna (10), Lombardia (9), Campania (7), Liguria (5) Sardegna (5), Toscana (5), Lazio (4), Piemonte (3), Veneto (2) and Friuli-Venezia Giulia (1).

Average volumes intermediated with customers at the end of the first half of 2000 summed up to approximately 600 billion lire of direct customer deposits,



approximately 1,450 billion lire of indirect customer deposits and approximately 660 billion lire of loans to customers.

The spin-off in favour of Banca Popolare FriulAdria of the 60 branches located in the Friuli-Venezia Giulia region belonging to Banco Ambrosiano Veneto is part of the rationalisation of the Group's various brand names in Italy. The operation, which was completed on 1st July 2000 by a partial spin-off by Banco Ambrosiano Veneto, led to the attribution to FriulAdria of 1,895 billion lire of assets, 1,783 billion lire of liabilities, and 112 billion lire of shareholders' equity.

Spin-off of Banco Ambrosiano Veneto in favour of FriulAdria

New strategic initiatives

As is generally known, new telecommunication technologies have an increasingly profound effect on the financial industry and at the same time offer interesting opportunities to financial institutions which decide to enter in areas that are not traditionally part of their core competencies.

Development of Internet activities

Banca Intesa decided to undertake various important projects which exploit the potential of operations via the Internet and are listed below according to the time period deemed to be necessary for such companies or business areas – which are currently recording losses – to reach break-even:

- first time period (initiatives which will reach break-even in the short-term) upgrading of the bank web sites of Banco Ambrosiano Veneto, Cariplo and BCI;
- second time period – development of solutions for the extension of Intesa's offering in specific sectors by the creation of Category killers such as Intesa Trade and FundsWorld. In parallel Intesa wants to play a forefront role in the development of on line and mobile payment systems, leveraging on the expertise matured by Setefi, which is one of the Group's important assets in this area;
- third time period – the initiatives based on innovative platforms, which are extremely difficult to value with traditional methods but that represent a fundamental stepping stone in order to access the New economy: the Direct bank, the Business to consumer and the Business to business initiatives.

The following projects involving operations via the Internet were undertaken in 2000: Intesa Trade, FundsWorld, Shoplà.

Intesa Trade is operational as of June 2000 and is the Group's second-generation on line trading platform.

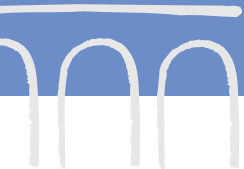
Intesa Trade

The site enables clients to operate on line, via the Internet, on numerous markets: Italian stock, bond and covered warrants markets and foreign stock markets (Paris, Frankfurt, Nasdaq, NYSE). The orders are collected and transmitted in real time to the Group's securities houses which are responsible for the execution of the order. The structure, currently operating as one of the Divisions of Caboto Sim, offers advanced tools to support trading (personalised position management, trading profit and loss analysis, asset allocation, graphs) and extensive information (real time quotes, news and researches, and so on).

Since its establishment Intesa Trade pursues a twofold mission: first of all becoming the Group's on line investment platform, integrated with the legacy systems of Group banks, and then to operate for the acquisition and autonomous management of own clients. During 2001 Caboto Sim will spin off the Intesa Trade business area and a new, autonomous Sim (securities house) controlled by Intesa e-lab will be established.

Technical investments sustained so far amount to approximately 40 billion lire.

The platform boasts over 30,000 registered clients, of which over a third are active.



FundsWorld

FundsWorld, which is operational as of November 2000, is the Group's platform for the on line sale of mutual funds (an on line mutual funds supermarket). The site provides an extensive range of national products and international Sicavs (371 as at 31st December 2000, 447 at the end of February 2001) and offers an independent and neutral consulting service on funds available. The site may be accessed any time (24 hours a day, 7 days a week) and from anywhere. FundsWorld is a company established under Irish law, formed together with foreign partners for the purpose of penetrating the European markets, in which Banca Intesa holds a 70.5% stake. Banca Intesa's stake in FundsWorld will be sold to Intesa e-lab during 2001. The technical investments sustained to date amount to approximately 5 billion lire. The platform has approximately 500 clients of which approximately 300 are active with total managed assets of approximately 5 million of euro, without having realised any particular marketing activity.

Shoplà

Shoplà operational as of January 2001, is the Group's business to consumer portal developed as a joint venture with Elsag (Finmeccanica group) for the purpose of seizing the opportunities of a high-growth sector, fidelising existing customers, contacting new customers and becoming the primary player in the management of on line payments. Shoplà's operative structure offers:

- Retailers, the possibility of opening their own site dedicated to on line sales;
- End-users, an advanced tool to search for goods, access to a guaranteed suppliers list and the possibility to use secure on line payment channels.

The technical investments sustained to date amount to approximately 7 billion lire. The platform has approximately 350 retailers as customers and approximately 100,000 viewed pages per day.

Other initiatives

Further initiatives which are programmed and have already been partly developed during the year are listed below:

- Pagamenti sicuri on line (safe on line payments) (December 2000)
Agreement with Visa to develop a system which assigns to the Moneta card or Moneta on line holder a virtual Visa Electron card number which may be used for on line payments. Over 3,000 codes have been distributed to date;
- Euroqube: an investment amounting to approximately 20 billion lire for a 12% stake in the fund managed by MyQube which buys equity investments in companies with high-growth prospects operating in the Internet and high-tech sectors.
The equity investment is currently held by Banca Intesa and will be transferred to Intesa e-lab during 2001;
- Business to business: there are two types of services that Intesa intends to offer in this area: on the one hand, a virtual market for companies for the procurement of non-strategic goods and, on the other hand, the management of financial relationships in markets managed by other operators.
Intesa is in a position to act as reference point in these initiatives since it can count on one million corporate customers.
The management of financial relationships in markets managed by other parties is the bank's natural evolution as financial intermediary in e-commerce and allows it to leverage on the Group's core competencies.

Direct bank

Intesa intends to launch a new, completely independent direct bank which will compete with other Group banks. This new bank will offer a full range of services, will have a multi-brand approach and will be accessible through remote channels (Internet, mobile, Web TV) and a streamlined network of branches. Initially, it will



only operate in Italy; however, it will in time become the platform for the Group's international expansion. It is deemed that the stipulation of an alliance with a primary telecommunication partner may turn out to be an important competitive advantage to reach a wide customer base and use cutting edge technologies on new channels.

For the purpose of co-ordinating and optimising the development of the e-business projects, Gruppo Intesa established an autonomous company: Intesa e-lab. This Company has the mission of accelerating the development and the realisation of financial services based on new technologies, operating as the Group's innovation and excellence centre. The Company boasts a streamlined and extremely flexible operational structure which is necessary to follow the fast dynamics of the Internet world.

Intesa e-lab

Intesa e-lab is responsible for selecting and developing the best investment opportunities and for managing their implementation. At the same time it acts as competence centre in the New economy sectors, capable of supporting the Group and attracting the best professional resources.

Intesa e-lab intends to operate with two different approaches in the management of e-business initiatives. According to the incubator model, which sets out the creation of a dedicated task force and it is applicable to initiatives with a medium-low risk profile which are correlated to the Bank's core businesses, or for which the Bank has relevant assets.

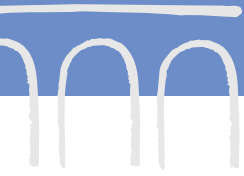
According to a Venture capital approach, by making direct equity investments or investing in Venture capital funds; this approach must be normally applied to initiatives with higher risk profiles and not closely related to the banking business. The Company can count on 775 million euro in the next 3-4 years, of which 10-20% will be used to finance Venture capital initiatives.

Other significant transactions

For the first time in the year just ended, Intesa closed the securitisation of mortgaged loans granted by Cariplo. The portfolio placed on the market via the newly-established special purpose vehicle, controlled by Banca Intesa – Intesa Sec. – is made up of over 20,000 performing loans stipulated with privates. Intesa Sec. holds loans with a residual capital of approximately 993 billion lire acquired at nominal value and issued three tranches of rated securities amounting to approximately 977 billion lire. Such securities have been sold to institutional investors and listed on the Luxembourg stock exchange. A fourth tranche of approximately 16 billion lire, of un-rated securities, which however embed the right to receive the additional return represented by the greater gains realised compared to the cost of the operation, were directly subscribed by Cariplo. This operation – followed in the first months of 2001 by a similar operation involving non-performing mortgaged loans and commercial loans with net residual value of almost 1,500 billion lire, realised by another controlled company named Intesa Sec. NPL – is part of a new operating strategy aimed at improving return on equity thanks to the re-investment of the liquidity generated and a different allocation of the liberated supervisory capital.

Loan securitisation

In the way they have been structured by Banca Intesa, the securitisation operations do not change the way the loans and the relevant relationships are managed, since servicing is carried out directly by Intesa or, for non-performing loans, by Intesa Gestione Crediti, the Group company specialised in the recovery of doubtful loans.



The Group's model and Strategic plan

Introduction

As already illustrated, the changes currently under way in the banking system required the evolution of the previous federal model to the more effective divisional model, focused on customer segments, which, thanks to the merger first of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo and then of BCI in Intesa, will lead to the formation of specialised customer-centric business areas. The new business model will enable the Group to achieve efficiency levels in line with the European standards and to respond more effectively to the significant changes in the competitive scenario. In fact, as already pointed out above, the acceleration of market dynamics requires faster decision-making, and enhanced strategic consistency. The competitive coverage of the market requires higher investments and with faster reimbursement period in all areas: investments in innovative products and services, in new remote channels, in communication are also absolutely necessary.

The new model is better suited to this context since it leads to a faster decision-making process, favours powerful and consistent actions on products, services, channels, technologies and concentrates investments on most important initiatives, thus increasing their overall impact.

From an economic standpoint, a customer-centric model has greater potential compared to one which is mostly organised by territorial areas. In fact, greater segment focalisation ensures higher customisation of products and services offered with the consequent increase in service quality standards and, at the same time, increases cross-selling opportunities, thus providing higher revenue potential. Also with regard to costs, the divisional model offers greater opportunities in terms of rationalisation and cost savings: first of all it leads to a more effective territorial presence and secondly it simplifies information system management with a consequent improvement in the overall cost/income ratio.

The most important characteristics of the Group's new model, as approved by Banca Intesa's Boards of Directors, are described below together with the guidelines which will be followed in its implementation.

The Group's organisational structure

The new model is based on a light "streamlined" central structure and highly autonomous business areas specialised by customer segment.

Governance centre

The Governance centre is made up of the central structures and is responsible for the strategic direction of the Group and the co-ordination and supervision of the Group's business areas.

The new model sets out the transition from a Governance centre which also offered support services to the business units to a Governance centre mainly focused on governance and supervision, with the decentralisation of the most important operational levers. In particular the Governance centre is responsible for the definition of the Group's strategic guidelines and for the co-ordination and supervision of the Divisions, the business units, the product companies and of other subsidiary companies.

Internal business areas

The business areas specialised by customer segment within Banca Intesa, are the following:

- the Retail division, for individual customers and small companies;



- the Private division, for high net worth individuals;
- the Corporate division, for medium businesses;
- the Merchant banking division, for large companies, financial institutions and transactions on the international markets.

The organisational structures of the three commercial divisions (Retail, Private and Corporate) have already been designed and the central and peripheral structures, the customer segmentation criteria, the main commercial and operational processes and the number of employees of each division have also been defined. The Merchant banking division is destined to serve large corporate clients and financial institutions in Italy and abroad and has full responsibility over the relationship. It is also manages Group liquidity and carries out investment banking activities (trading on most important markets, origination and sale of financial instruments, corporate finance), treasury activities (liquidity management, money market operations and exchange rate operations, speculative trading activities), corporate banking, domestic and international private equity (acquisition of equity investments, or investments in the equity of companies, bridge financing to companies before the listing or increases in capital). Lastly, it will offer global custody services (correspondent bank, depository bank, custody and settlement services) for Group companies and for the market; provide M&A and advisory activities and manage the Group's proprietary portfolio. Caboto will be transformed into the Group's Securities house, by progressively concentrating securities trading on behalf of all of Gruppo Intesa.

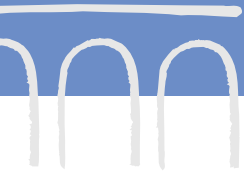
The business areas external to the Bank include:

- the Italian "federated" banks: this area includes the banks which are not integrated in the divisional model of Banca Intesa. For these banks the organisational model remains the "federal" one.
The diffusion on the Italian territory of the Retail division, implies the simultaneous presence on local markets of both Intesa's retail branches and the branches of the Group's "federated" banks; this will lead to the development of synergies which will benefit both the Group and its customers, to whom the Group offers the possibility to differentiate the relationship with the banking system, delegating more complex operations to a bank which is present all over the Italian territory and instead favouring the local banks for activities related to day to day operations;
- the specialised product companies, with the double mission of serving the Group's distribution channels and developing direct relationships with customers which are not served by the Group. The means with which to implement the integration have been defined for the companies which carry out factoring, leasing, credit card management activities. The design of the organisational structure of each company, the size and the plans for their commercial development have been identified considering the evolution in the Group's organisational model and the specific market context;
- the International division, which is responsible for all of the Group's international activities. It is made up of two organisational units: the Multinational banking unit, which controls all the Group's foreign subsidiaries and the International branch network unit, which has the functional responsibility over Banca Intesa's physical offices abroad;
- Intesa e-lab, dedicated to the development of the financial services projects based on new technologies.

External business areas

Asset management is a profit centre, operating in the various forms of asset management and supplementary insurance schemes.

Asset management



Alternative channels

Alternative channels: with regard to the network of personal financial consultants, the strategic positioning of the network has been defined together with the relevant operating characteristics.

The integration procedures, organisational positioning and development programmes have been prepared for complementary channels (call centre, Internet banking, corporate banking, ATMs).

Operating area

The Operating area includes the information systems and the general services, which have been centralised for the purpose of achieving economies of scale, with specialised internal organisational structures which ensure adequate service standards and professionalism to meet the specific needs of each business line.

In this field Intesa Sistemi e Servizi is the Group's reference company and is already operational for all the banks merged in Banca Intesa, for all activities connected to central back office, logistics, purchases, general services, facility management and application management.

The management and recovery of doubtful loans will be centralised and integrated in Intesa Gestione Crediti, which also started operations over two years ago.

Implementation of the Master plan

Timing

The process for the implementation of the Group's new structure will occur according to the following steps:

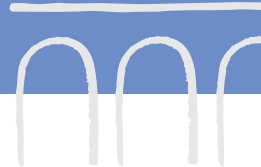
- on 31st December 2000 the merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Banca Intesa was finalised;
- in February 2001 the Private division was established and the "test" phase of the divisionalisation process commenced;
- within the first half of 2001 (the operation will probably come into legal effects as of 1st May) the merger of BCI in Banca Intesa and the establishment of the Corporate division will begin;
- within 2001 the Retail and Merchant banking division will be completed and the Private and Corporate divisions will be fully operational;
- within June 2002, the Retail division will be completed and the migration of the Cariplo network to the target system will be completed;
- within 2003, with the migration of the BCI network to the target system, Banca Intesa will have just one information system.

Target system

The realisation of a unified information system (target system) will necessarily occur in steps, which will be co-ordinated with company operations as they are formalised. In particular, the merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Intesa at the end of 2000 required the institution of "bridge" systems to feed the unified accounting system and permit the individual operating systems in the merged banks to communicate with customers and the banking system as a single entity not only in legal but also in operational terms.

The target system, referred to above, will represent the best possible evolution of the reference system of the banks which form Gruppo Intesa, and was realised to satisfy the functions which existed in the Banco Ambrosiano Veneto and Cariplo systems, integrated in order to manage all the specific operations offered by BCI. The realisation of the migration of operations on the target system will be correlated to the completion of the system itself.

Considering the entity and the complexity of the changes required for the implementation of the Group's new model Banca Intesa established a specific



programme structure to govern the various implementation steps. The structure is articulated in homogeneous Project areas sided by a Programme Management function dedicated to the control and monitoring of the entire project.

Human resource management

The merger of BCI in Intesa, just like the previous mergers, will determine excess personnel. The Half-Yearly Report, which presented a plan for the merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Intesa, but not the merger of BCI, estimated approximately 7,900 excess resources. The sale of Banca Carime and Banca di Legnano, which occurred afterwards, will lead to a reduction in the Group's human resources higher than the one initially forecasted. In all the mergers Banca Intesa always took actions for the purpose of minimising the social impact connected to the need to reduce personnel. Various measures will be activated for the management of excess personnel such as incentive-driven exit plans for staff who have the minimum requirements for early retirement, the containment of turnover, the extension of part-time contracts, the possible introduction of collective contractual subsidies (Excess personnel fund) and intergroup mobility accompanied by adequate re-qualification programmes for personnel involved.

Excess personnel will be dealt with entirely over the next 2-3 years, in close connection with the integration of structures and systems and the divisionalisation and rationalisation of the distribution network.

Economic effects of the merger

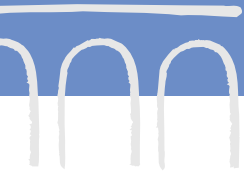
The merger of BCI in Intesa will allow to obtain integration synergies amounting to over 2,000 billion lire in 2003, without considering the further potential coming from the enhancement of the value of the equity investments of BCI.

From an economic standpoint, as already mentioned above, a customer-centric model has greater potential compared to one which is mostly organised by territorial areas. In fact, greater segment focalisation ensures higher revenue generating potential by leading to improved service quality standards and increasing cross selling opportunities.

Revenues will be positively affected both from the Divisions' greater commercial focus, and by the possibility to divert to new business areas qualified resources currently present in the wholesale activities carried out by the two Groups. Net interest and other banking income will have a growth potential which may be prudentially estimated in approximately 1,100 billion lire per year once the model is fully implemented. The most important sources of revenues will be related to the following activities.

Revenue synergies

- Strengthening the Retail and Corporate segments: the integration of the branch networks and their specialisation according to the best practice per segment approach, will lead to an increase in the Group's market share and, consequently, in the profitability associated to each segment. In total, greater revenues forecasted from these two customer segments total 550 billion lire, net of approximately 350 billion lire which will be lost following the rationalisation of the branch network and of approximately 80 billion lire of lower revenues



deriving from the rationalisation of exposures of customers common to the Intesa and BCI Groups.

- Private division: it is deemed that the Group can rely on approximately 50,000-60,000 affluent customers, of which only 14,000 are currently served by dedicated structures. The development of the Private division will enhance service quality to this segment and increase revenues, with an estimated potential of approximately 150 billion lire of higher revenues per year once the new model is fully implemented.
- Another strong impulse to Group profitability will come from the Merchant banking division which, thanks to the unification of investment banking with large corporate clients management, the rise in volumes traded on the capital markets and higher placing power inside and outside the Group, may further develop its presence in the Corporate finance area. All these factors will lead to an approximately 380 billion lire increase in net interest and other banking income, already net of lower revenues which will follow from the necessary reduction in certain credit positions which will be excessive for the new Group. These forecasts do not include the value creation potential stemming from the re-organisation of the Group's subsidiary companies which can be prudentially estimated in approximately a further 200-300 billion lire.

Cost reductions

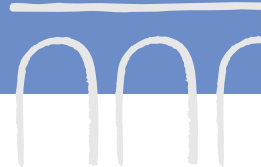
With regard to costs, the divisional model has a far greater value creation potential deriving from the possibility of unifying and rationalising the distribution networks and the relative governance structures, selling a certain number of overlapping and non-strategic branches and converging to a simpler and more homogeneous IT and process structure, rationalising the Merchant banking structures and refocusing them on value added activities. All this will lead to cost savings amounting to approximately 980 billion lire. The forecasted economic benefits will also stem from the actions programmed to deal with excess of personnel which will be implemented over the next 3-4 years. Overall restructuring charges may be prudentially quantified in 1,200 billion lire, mostly for Human resources management and for the convergence of IT systems to a single platform.

Total synergies which will be reached once the model is fully implemented are therefore estimated in higher revenues amounting to approximately 1,100 billion lire and lower costs of approximately 980 billion lire. This will enable the Group to achieve in 2003 a high economic efficiency level, testified by a cost/income ratio ranging between 49%-51%, and good profitability with a ROCA, indicator which measures the economic return on operations considering the risks estimated according to supervisory requirements, forecasted to range between 26%-28% (in 2000 the Group's cost/income equalled 64.1% and ROCA amounted to 19.7%).

Strategic objectives

Gruppo Intesa intends to consolidate its competitive position in the Italian banking and financial services industry, where it has a clear leadership in numerous product and client segments. The changes determined by the monetary union, nevertheless, tend to expand the European reference market; Gruppo Intesa believes to have the know-how and to have reached, thanks to its greater dimensions and the related significant economies of scale and scope, a profitability enabling it to compete effectively also in this wider market.

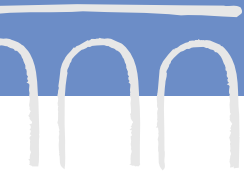
The competitive objectives, which testify the Group's utmost attention to the satisfaction of customer needs, appear in any case subordinated to the safeguard



of economic, social and ethical values, expressed by its numerous Stakeholders. In particular, Intesa pursues the continuous improvement in efficiency and profitability in the management of the Group, with the objective of creating value for its Shareholders through an adequate and stable return on the investment made in the Group's equity.

The strategically relevant initiatives and projects commenced for the achievement of these objectivities pursue the following purposes:

- the completion of the integration and the new divisional organisational structure of the Parent Company;
- the containment of costs and increased efficiency and productivity;
- the development of income from services and the defence of the interest margin;
- the rationalisation of the branch network and the expansion of alternative distribution channels, namely the personal financial consultants network and Internet services;
- the improvement of loan portfolio quality and the reduction of costs deriving from ineffective lending policies;
- the development of international partnerships;
- a capital allocation policy aimed at maximising value creation.



The macroeconomic scenario

World economy

During the year 2000 the evolution of world economy was characterised by three factors: the rise in energy prices, the gradual slowdown of the American economy and the decrease in world stock market indices.

The price of oil rose further in 2000 (+ 60.4% compared to 1999), causing a widespread increase in inflation rates, a reduction in economic growth and distortions in international currency flows which contributed to strengthen the US dollar. By reducing corporate profitability, the rise in the prices of energy raw materials also favoured the stock market crisis.

US

In the first half of 2000, economic growth in the United States continued at the same rate as the previous year, but in the second half various demand components registered signs of slowdown. Between November and December a serious crisis in consumer confidence emerged, mostly attributable to the drastic drop in stock prices and the crisis of the Internet companies. In view of a slowdown in growth rates of economic activity, as of June the Federal Reserve abstained from further increases of its base rate, which it had already increased by 75 basis points between February and May, and at the end of December it disclosed its intention to relax its monetary policy.

Latin American area

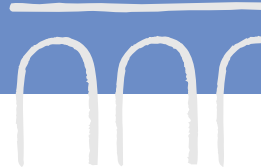
In the Latin American area, economic activity recorded a substantial growth rate in 2000. In Brazil the economic crisis was definitely over: GNP recorded an increase of over 4% sustained by industrial production (6%) and investments in fixed assets (over 5%). Despite high oil prices and the considerable growth in economic activity, inflation was contained below 7% for most of the year. This favoured a decrease in short-term interest rates, which were reduced by a total of 375 basis points in 2000. By contrast the situation was far worse in Argentina, where the fixed exchange rate and the need to keep public expenditure under control restrained growth which, after the 1999 recession, stands close to zero also in 2000. Growth was negatively affected by a stagnation in consumption and investments, restrained by low competitiveness of Argentine goods compared to the Brazilian ones. The fear of the abandonment of the fixed exchange rate to the US dollar moved up both domestic short-term interest rates and the spread on sovereign bond issues, particularly in the last two months of 2000.

Euro area

In the Euro area, the consolidation of the economic recovery, the increase in the inflation rate and the gradual depreciation of the exchange rate forced the European Central Bank to raise its base rate by a total of 17 basis points. At the end of 2000 the minimum rate on the main refinancing operation equalled 4.75%. GNP is estimated to grow at 3.4%, in acceleration from 2.5% in 1999, but the growth rate seemed to be slowing down in the second half. Investments and exports were the most dynamic components of demand. Inflation, fuelled by a weakening in the exchange rate and a rise in oil prices, jumped from 1.1% to 2.3%.

Capital markets

In 2000 world stock markets went through a period of exceptional volatility. The speculative bubble, which determined the extremely high prices of technology stocks already in 1999 and encouraged the listing of many companies on the stock exchange, continued till March.



Since then, almost all stock prices plunged below IPO prices, with substantial drops from maximum prices which for some Internet companies resulted higher than 90%. At the end of the year, investors' opinions on this sector were characterised by a deep and generalised lack of confidence, with the exception of very few companies with particularly sound fundamentals. In the United States, the S&P500 and the Nasdaq dropped respectively by 10.1% and 30.4% compared to the end of 1999. This speculative cycle had important economic repercussions, contributing first to accelerate and then restrain corporate investments and household consumption. Moreover, the volatility of the US stock exchange affected stock markets in the rest of the world, which registered losses ranging from - 27% of the Nikkei to - 0.5% of the French Cac-40; only the Mib30 (+ 1.7%) and the Swiss index (+ 7.5%) recorded gains.

Stock markets

International bond markets benefited from the drop in the issue of Government securities. A lower demand led to looser conditions, raising the differentials between the yields of Government securities, corporate bonds and swap indices. Starting from the summer, the slowdown of the American economy and the stock markets crisis determined a strong rise in prices of Government bonds. In the United States, yields dropped from a minimum of 103 to a maximum of 133 basis points for different maturity dates. In the Euro area, the fall in yields was limited to the 5-30 years segment, reaching a maximum of 58 basis points for the 30 years maturity. The progressive increase in risk aversion implied that this drop in yields was not entirely reflected on the prices of corporate and Government bonds issued by the emerging Countries.

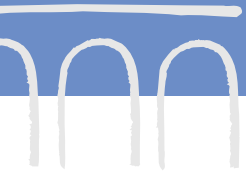
Bond markets

On the foreign exchange markets, the euro continued to go through a difficult period, weakening against all the main currencies. The exchange rate to the US dollar reached a minimum of 0.8252 dollars on 26th October and then bounced back to 0.9305 dollars as at the end of the year. The loss in value compared to 1999 amounted to 7.4% (5.1% against the Swiss franc). A renewed pessimism on the Japanese economy led euro to gain 4.1% in respect of the Japanese yen. The drop in the European currency was caused by the rise in oil prices and the considerable capital flows toward the dollar area.

Foreign exchange markets

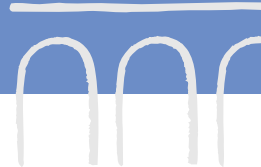
During the year, the Italian economy registered a satisfactory growth rate (2.9%), mainly thanks to domestic demand and net exports. Fixed investments also benefited from the recovery in the construction sector, favoured by incentives and programmes of public works. The considerable rise in employment and the more relaxed fiscal policy led to an expansion in private consumption (2.9%). Exports benefited from strong international demand and the prolonged phase of weak exchange rate. The weakness of the euro coupled with the rise in energy prices also contributed to increase the inflation rate in consumer prices from 1.7% to 2.5%. The increase in salaries, estimated at 1.9% for the whole year, does not appear to have compensated for the increase in prices. The rise in oil prices also boosted import growth, generating a deficit of approximately 4.7 billion euro in the balance of trade. The flow of capitals, which recorded a net deficit of approximately 6.6 billion euro in 1999, will register a surplus of 2 billion euro this year, due to the reduction in the deficit in direct investments (0.8 billion euro). In 2000 portfolio movements were similar to those recorded the previous year and the outflow of Italian capital equalled approximately 25 billion euro. However, the comparison of data relative to the second half shows the acceleration of the deficit which increased by over 10 billion euro (+ 81%) compared to the same period the previous year.

The Italian economy



The yields of Italian Government bonds followed the general trend in the Euro area, even though the differential with the corresponding German securities increased by 27 to 41 basis points. In fact the Italian securities did not benefit as much as the German ones from the extraordinary revenues generated by the sale of the UMTS licences, which contributed to reduce the debt/GDP ratio by almost five percentage points down to 110.3%.

In 2000, the number of companies listed at the Italian stock exchange increased from 270 to 297, with an increase in capitalisation from 66.1 to 70.5% of GDP, for a total of 818 billion euro. The daily average turnover rose from 2 to 3.4 billion euro. The rise in indices however was limited to 1.7% for the Mib30 and to 5.5% for the Midex (Italian Mid cap companies index).



The market and Gruppo Intesa's activities

The restrictive monetary policy maintained by the European Central Bank triggered a progressive increase in short-term interest rates: three-month interbank Euribor increased by 175 basis points during the year, exceeding 5% as monthly average in November. By contrast, long-term rates, while rising in the previous months, starting from February recorded a downward trend, as the expectations of an increase in long-term inflation subsided. As a consequence of such opposite dynamics, during the year 2000 the yield curve became flatter and then increased its inclination at the beginning of the current year.

Money market

Bank rates progressively reflected the indications of the monetary policy, recording an upward trend already starting from the last months of 1999, but adjusting somewhat more slowly for liabilities.

During the year 2000 the nominal interest rate on short-term loans applied on average by Italian banks rose by 133 basis points, exceeding 6% from May onwards and registering a yearly average of 6.26%. The rise in nominal rates on medium- and long- term loans proved more contained as a result of positions closed at previously agreed conditions. For the whole banking system the average medium- and long- term interest rate recorded a rise of only 64 basis points for the year with an average value of 6.24%.

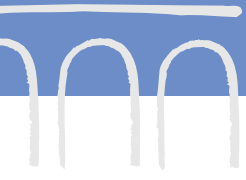
Turning to examine the cost of funding, the nominal rate applied on average by Italian banks on customer deposits rose from the beginning of the year by 68 basis points, equalling 1.84% as yearly average. As to the bond market, the average nominal rate paid on issued bonds rose by little more than 40 basis points for the year, with an average value of 4.65%.

In such context, the interest rates applied by Gruppo Intesa to customers – calculated as the weighed average of those applied by the main Italian banks^{(1) (2)} – moved in line with the trend of the national market average, while showing lower average values on loans to customers, with particular reference to Banca Intesa.

Gruppo Intesa

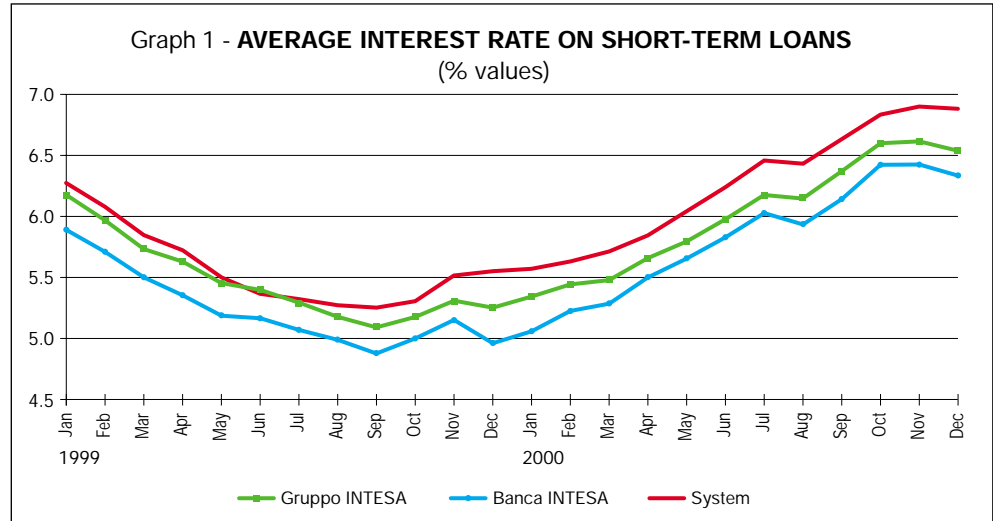
⁽¹⁾ Data used in the present chapter are desumed from official statistics for supervisory purposes in order to ensure a complete comparability with the banking system's data. Consequently they are related only to customers resident in Italy.

⁽²⁾ Banca Intesa after the merger, Banca Commerciale Italiana, Cassa di Risparmio di Parma e Piacenza, Banca Carime, Banca Popolare FriulAdria.



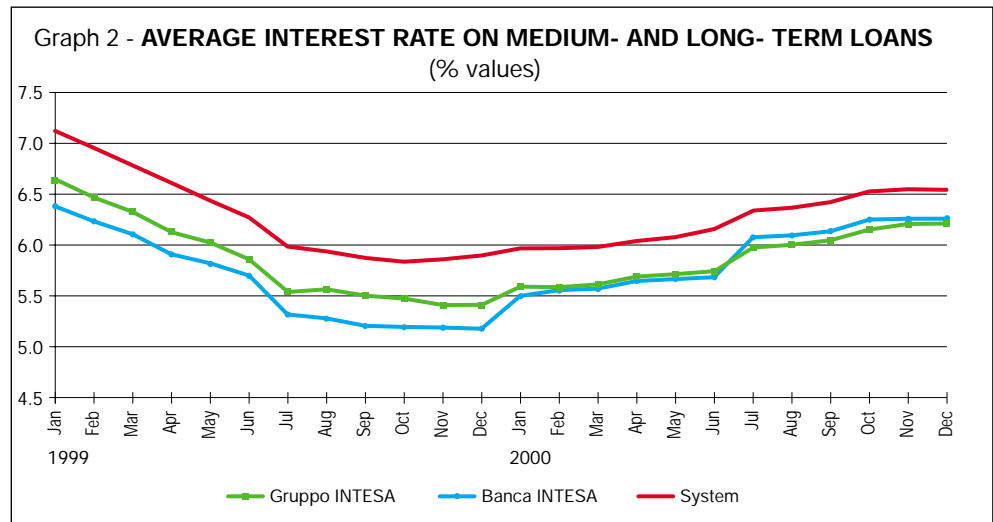
Interest rates on loans

The interest rate on short-term loans applied on average by Gruppo Intesa (Graph 1), even if up by 128 basis points from the end of 1999, equalled 6.01%, thus approximately 25 basis points lower than the national average. It has to be remembered that such difference with respect to the system's average reflects the peculiar geographical composition of Gruppo Intesa's reference market, which is skewed to the regions in Northern Italy, where, due to lower risk and higher competition, rates are structurally more contained compared to other areas in the Country. For the same reasons, with reference to the merged banks and their geographical markets, the rate applied by Banca Intesa, equalling 5.82% on average, resulted even more contained.

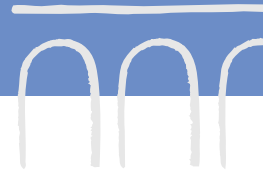


Source: Bank of Italy

As to medium- and long- term loans, the average rate applied by the Group, though slightly rising (80 basis points from the end of 1999), was lower by 37 basis points than the system's, equalling 5.87% as yearly average (Graph 2).

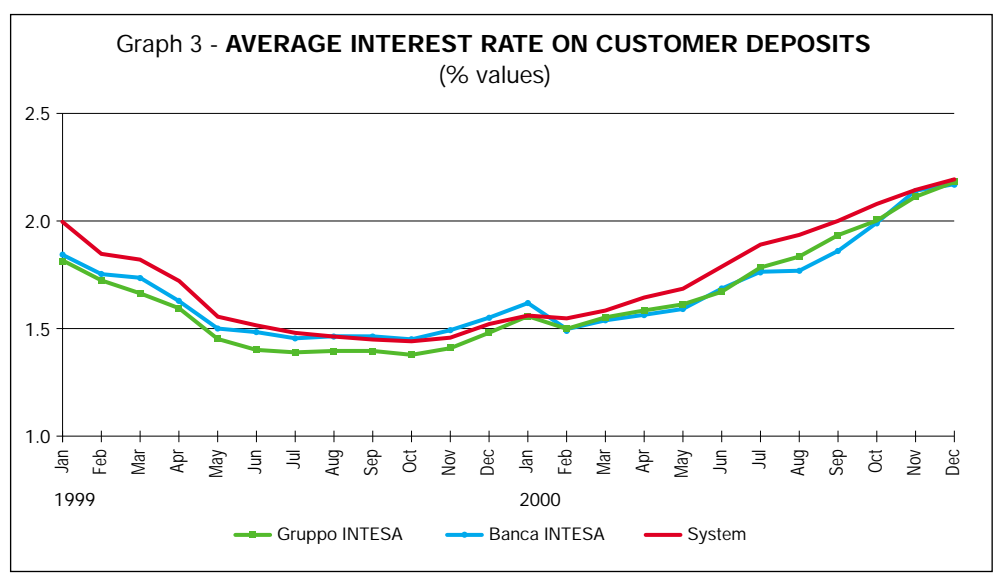


Source: Bank of Italy



As to interest rates on customer deposits, it is noted that the Group benefited from a nominal funding rate, equalling 1.78% (yearly average), which was slightly lower than the system's 1.84%. From the end of 1999 the Group registered a 70 basis point increase (Graph 3).

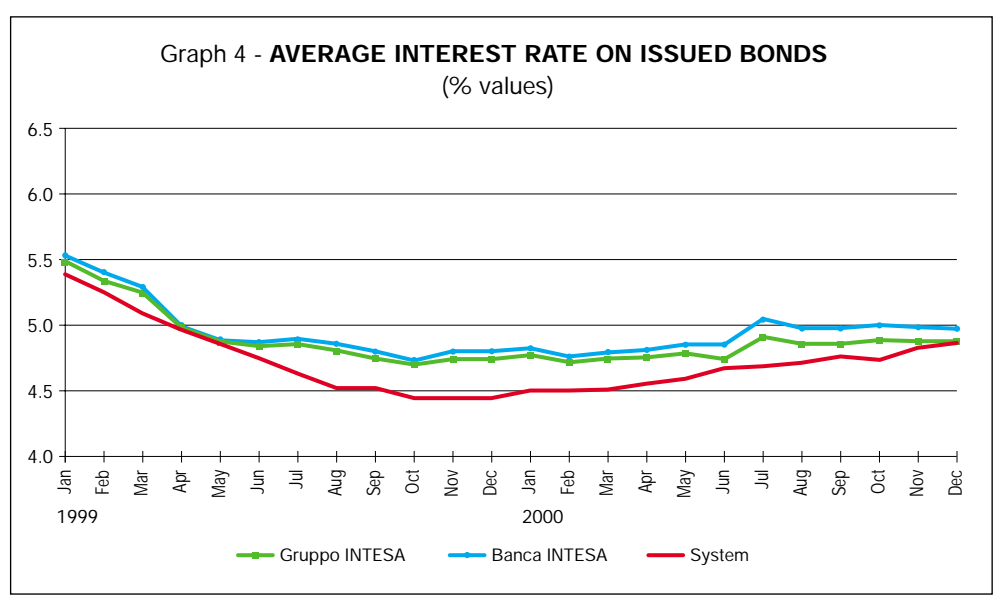
Interest rates on deposits



Source: Bank of Italy

The Banca Intesa's lower funding cost on deposits "on demand", although slowly converging to the system's average, seems to confirm the persisting competitive advantage deriving from the fact that Gruppo Intesa's main banks are deeply rooted in their respective local markets.

By contrast, the rate paid by Gruppo Intesa on issued bonds, equalling 4.8% on yearly average, was 15 basis points higher than that registered by the Italian banking system (Graph 4). The higher interest rate paid by the Group on issued bonds is the result of the fact that most bonds were issued in the past at higher interest rates than at present.

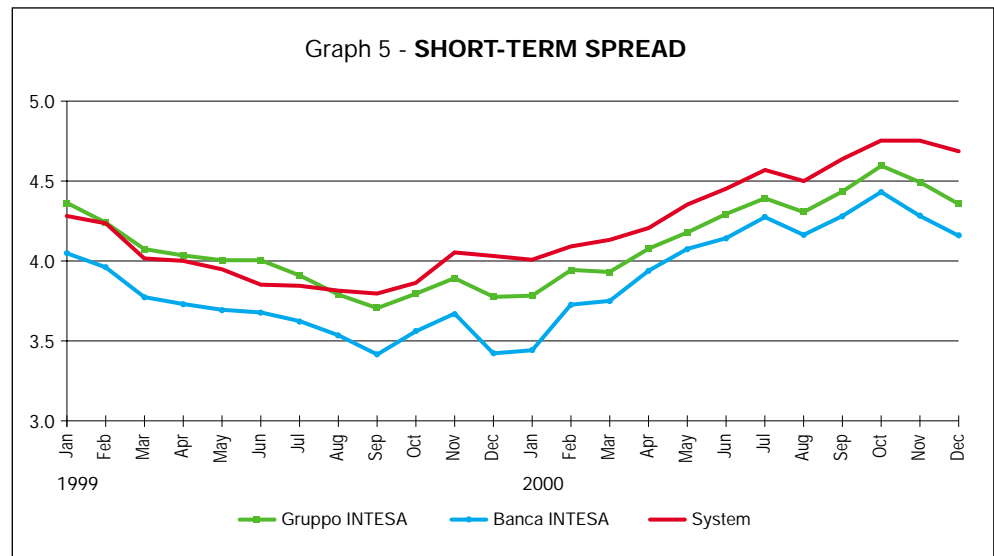


Source: Bank of Italy

Spread

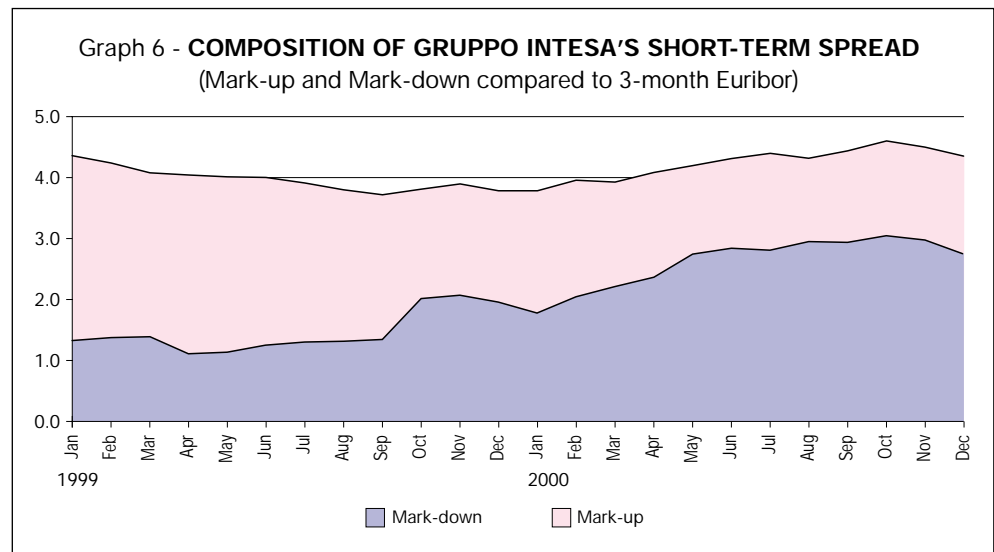
The different speed with which interest rates on loans and deposits adjusted to changing market conditions, gave Italian banks the opportunity to raise substantially the short-term spread: the difference between the rate on short-term loans and deposits rose by 65 basis points in the year, touching 4.69 points in December.

The corresponding spread calculated for Gruppo Intesa recovered over 1/2 percentage point compared to the end of 1999, with a yearly average increase of 27 basis points (Graph 5).

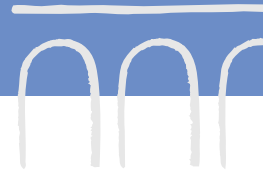


Source: Bank of Italy

With reference to the composition of the Group's short-term spread (Graph 6), in the period considered, similarly to what happened for the system, the unit contribution of funding, called Mark-down, increased. Mark-down is equal to the difference between three-month Euribor and the average rate on deposits: at the end of the year it reached 2.75 points, equalling almost 2/3 of the spread. In parallel the corresponding contribution of loans to customers, called Mark-up, decreased to 37%, against 48% at the end of 1999.



Source: Bank of Italy and ECB

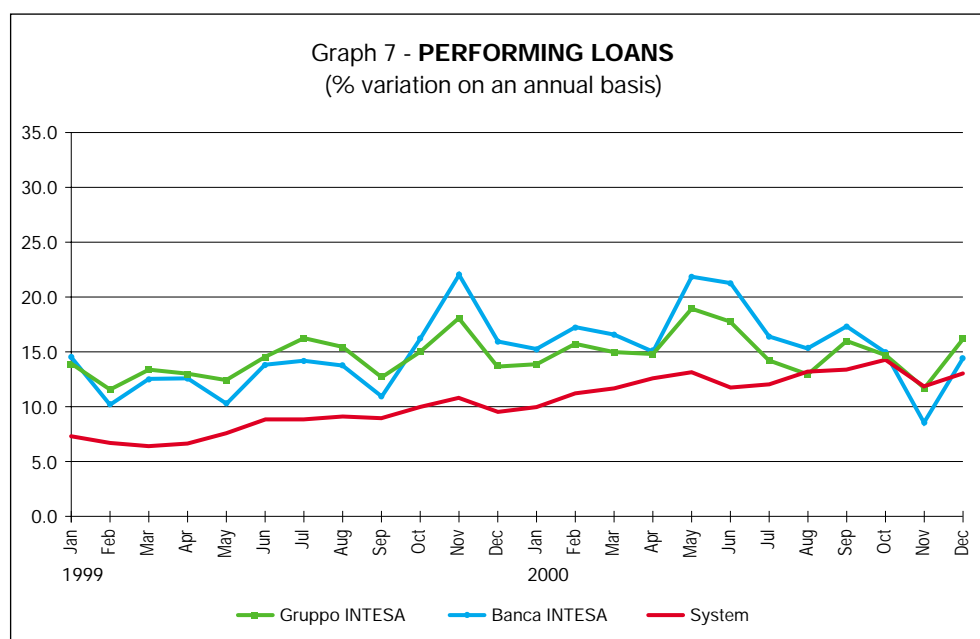


Turning to examine the trend of intermediated volumes, it must be noted first of all that the strengthening of the expansive phase of the economic cycle during the year contributed to support a strong rise in loans in the whole of Euroland (+ 8.7% on yearly average), favoured by still low interest rates. In particular, growth rate on loans to non-financial companies strongly accelerated and reached a yearly average of 10.7%, approximately twice the increase registered in 1999. Such trend was supported not only by the improved economic environment but also by various factors, among which rising demand of finance for extraordinary financial operations by medium-sized enterprises and groups and the increase in loans to telecom companies, also in relation to the purchase of the UMTS licences. Instead, the rise in household loans, although at high level (+ 8.6% average), recorded a slight slowdown compared to a year earlier, both with regard to mortgages and, above all, consumer credit.

Volumes

In Italy, since the beginning of 2000, although in a context of more contained economic growth compared to the European average, loans to customers increased more than the average of the European Union, with an acceleration in the second half. Examining the aggregate homogeneous with the data registered at the European level (harmonised definition, including non-performing loans and repurchase agreements), loans to customers rose by 11.3% on yearly average, against + 8.7% recorded on average by European banks. Performing loans, net of non-performing loans and repurchase agreements, increased on average by 12.3% (Graph 7). In particular, demand for household loans continued strong (+ 17.8% with respect to the 1999 average) and was directed primarily toward investment in real estate and purchase of tangible assets.

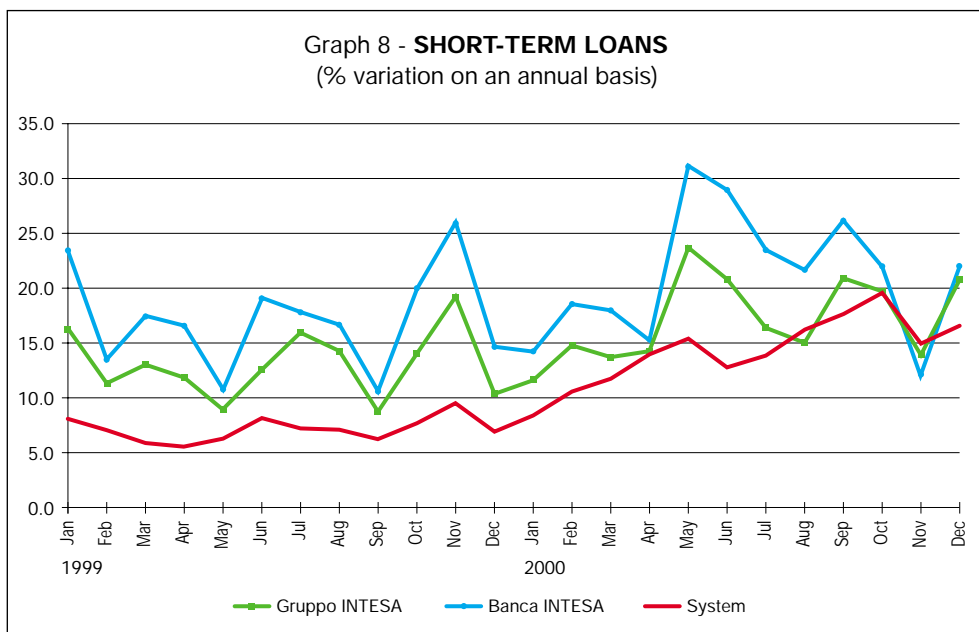
Loans



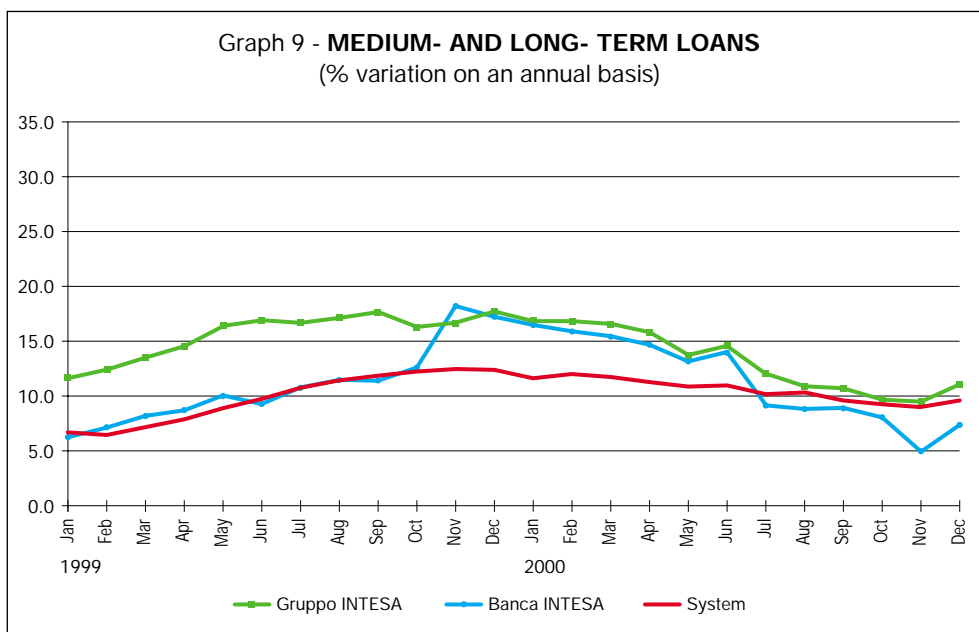
Source: Bank of Italy

With reference to the maturity of financing, short-term loans recorded an average growth rate (+ 14.2%) higher than medium- and long- term loans (+ 10.5%; Graphs 8 and 9).

For Gruppo Intesa – considering the aggregate consisting of the sum of the volumes recorded by all Group banks ⁽³⁾ – the rise in loans was higher than the national average, with reference to both short-term lending (+ 17% average growth rate) and to medium- and long- term lending (+ 13.1%). Consequently, Gruppo Intesa improved its market penetration: with regard to short-term loans, market share rose by approximately half a point to an estimated 18.8%; with regard to medium- and long- term loans, market share rose by 30 hundredths to 16.3%.

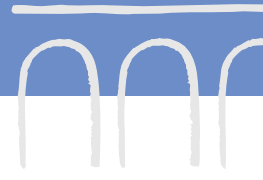


Source: Bank of Italy

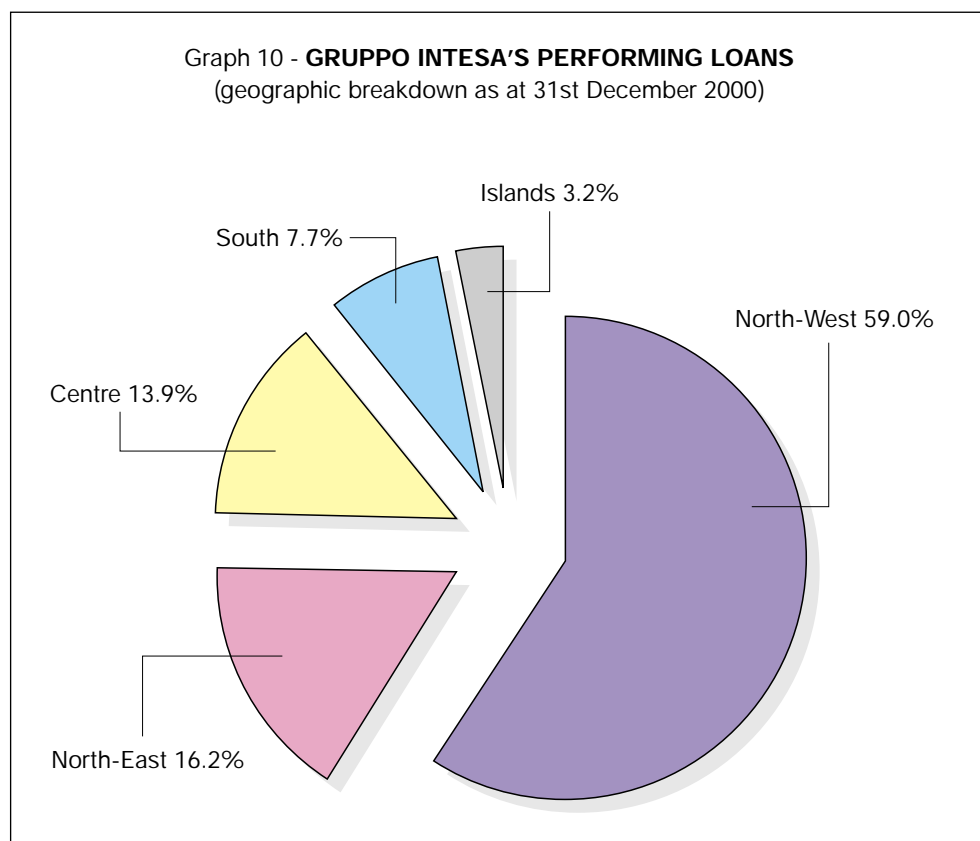


Source: Bank of Italy

⁽³⁾ In addition to the data related to the banks indicated in note (2), total volume also includes the following Italian companies: Banca di Trento e Bolzano, Banca di Legnano, Banco di Chiavari e della Riviera Ligure, Biverbanca, Cassa di Risparmio di Ascoli, Cassa di Risparmio di Spoleto, Cassa di Risparmio di Foligno, Cassa di Risparmio di Città di Castello, Cassa di Risparmio della Provincia di Viterbo, Cassa di Risparmio di Rieti and Intesa Gestione Crediti.



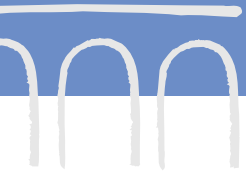
With reference to the geographic breakdown of the Group's loans (Graph 10), the highest growth rate was recorded in the North-Western regions, where loans to customers, with an average increase equalling almost 20%, raised by almost 2 percentage points their contribution to the total, which reached 59%. In terms of contribution to the total, the second most important area is the North-East macro-region, where the Group granted 16.2% of its loans, a slightly lower percentage than in 1999.



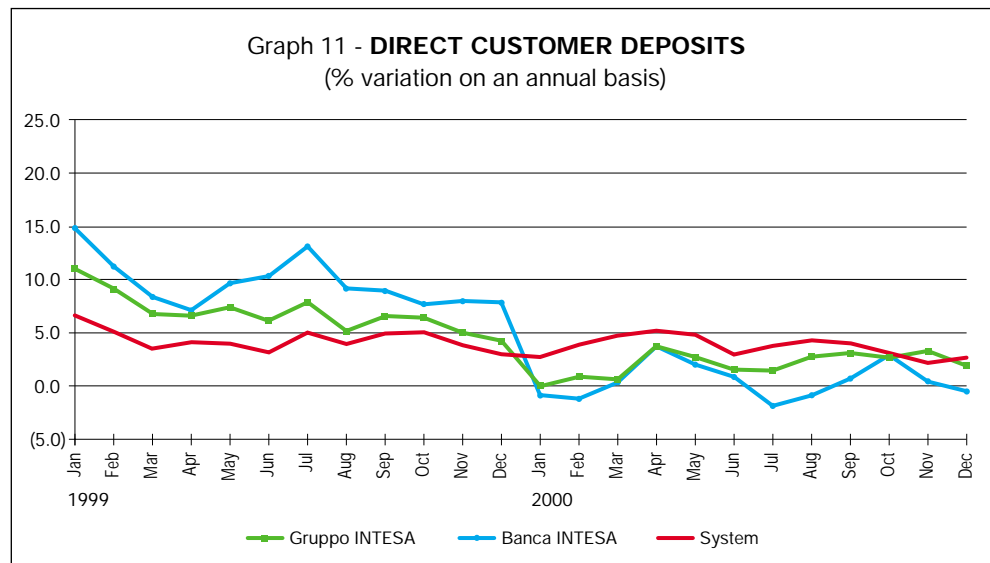
Source: Bank of Italy

With reference to direct deposits from resident customers, according to the ECB's harmonised definition which includes deposits (current accounts, saving deposits, certificates of deposit) repurchase agreements and bonds (including subordinated liabilities), the growth rate of the aggregate of the Italian banking system recorded a 5.8% yearly average, in line with Euroland's average. The rises in current accounts (+ 9.2%) and bonds (+ 10.2% - including subordinated liabilities) were also substantially in line with the European average. The increase in current accounts is deemed to be the result both of the higher propensity of individuals for liquidity in a phase of volatile financial markets and of higher cash balances in the accounts of enterprises and financial companies. The growth rate recorded by bonds was also positive, while the strong drop in certificates of deposit, medium- and long- term in particular, and the stagnation of saving deposits persisted.

Direct customer deposits



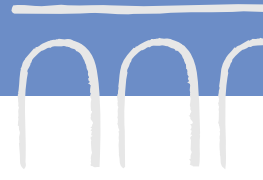
On the basis of the traditional definition, net of repurchase agreements and subordinated bonds, overall growth in funding appears more contained, equalling 3.6% on average (Graph 11).



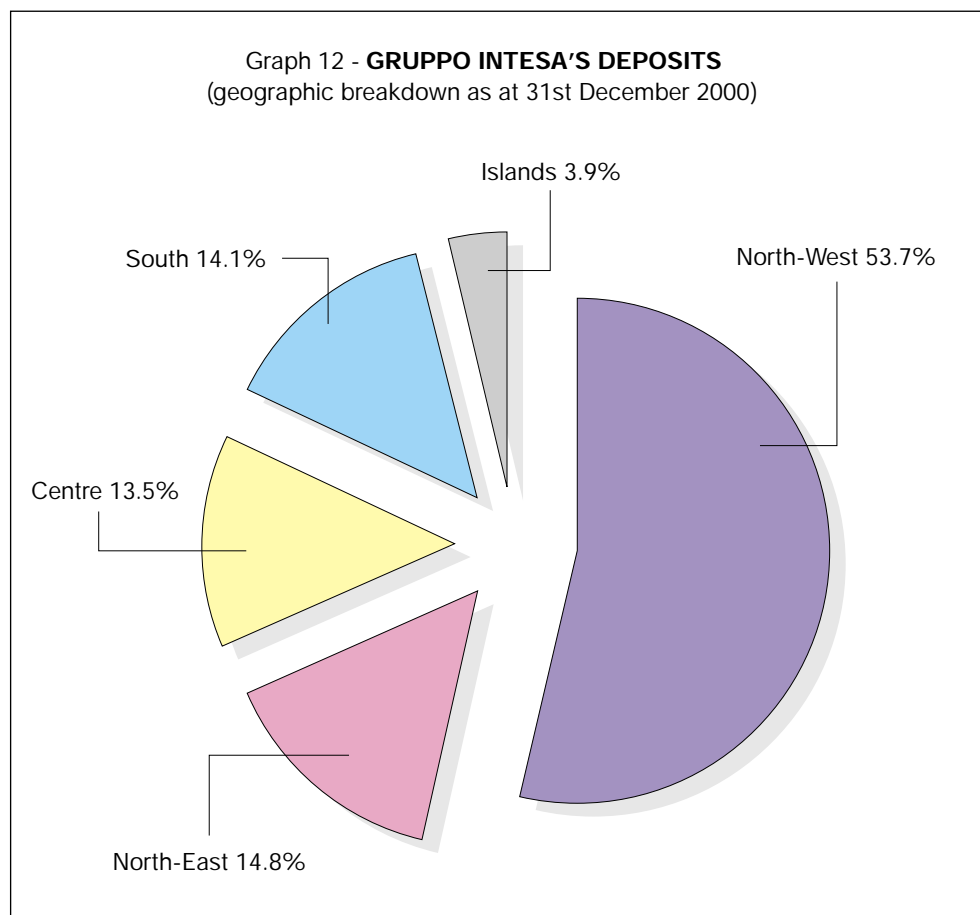
Source: Bank of Italy

The significant difference between growth rates of lending and funding induced Italian banks to diversify sources of funding, further increasing funding abroad, even if at more contained growth rates compared to 1999, divesting a portion of the securities portfolio and implementing securitisations of performing loans and, above all, of non-performing loans.

For Gruppo Intesa, during the year, the growth in direct customer deposits, with a 2% average increase, was lower than the system's average. Consequently, market share decreased slightly from 17.1% in 1999 to 16.8%. The Parent Company recorded less favourable results: a virtual stagnation of overall funding and a 30 hundredths reduction in the relevant market share.



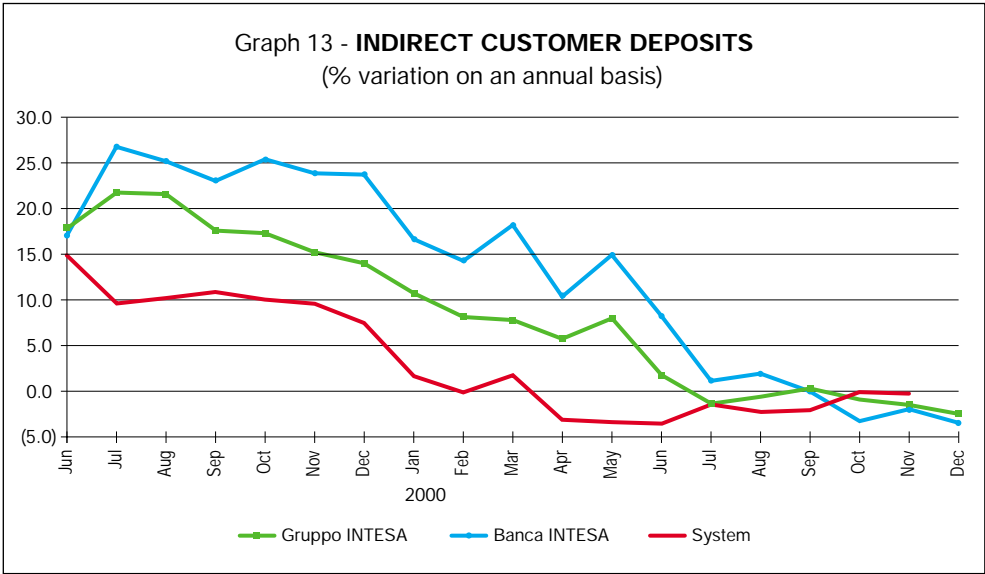
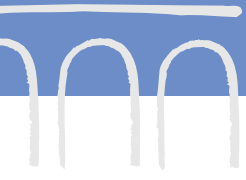
With reference to the geographic breakdown of deposits – aggregate made up of current accounts, saving deposits and certificates of deposit – the Group realised (Graph 12) an over 20% average expansion of volumes in the regions of Central Italy, a stagnation in those in the North-West and a declining trend in the other macro-areas. The highest portion of deposits was collected in the North-West, almost 54% of the overall aggregate, followed by the North-East (14.8%).



Source: Bank of Italy

The trend recorded by direct customer deposits, however, has to be considered together with that of so-called indirect deposits, consisting of customer securities managed, administered and held in custody by the Group. If compared to the system, Gruppo Intesa's growth in indirect customer deposits valued on the basis of nominal values (customer securities deposits net of bank bonds and certificates of deposit, Graph 13) was positive, although in a quiet market context. To prove this it is sufficient to note that, against an 1.3% average slowdown recorded by the system in the first 11 months of the year, deposits managed and administered by Gruppo Intesa banks rose by 2.9% on yearly average terms. High specialisation and the rising appreciation of the products offered by Group banks in this segment, which is of strategic importance for current banking activity, is testified by the market share which rose in the year by over one percentage point up to 27.3%. The growth trend recorded by Banca Intesa was even higher and equalled 6.4%.

Indirect
customer deposits



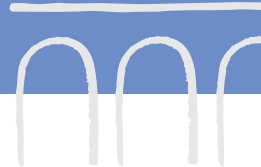
Source: Bank of Italy

Asset management

The asset management activities through mutual funds, individual portfolio management schemes and insurance products recorded a considerable slowdown during 2000, to a large extent attributable to the trend of mutual funds and traditional individual portfolio schemes. The substantial drop in the growth of net asset value of mutual funds, down by 2% at the end of the year against an over 33% increase a year earlier, is due to two reasons: one structural, i.e. the termination of the process of conversion of securities in custody into managed funds, the other one linked to the economic environment. The crisis of bond markets, occurred in the second half of 1999, with a consequent shift in investors' preferences for equity funds, continued for the whole of 2000 even if at a lower pace in the last part of the year. However, the higher volatility of stock market indices during the spring and, later, the fears of slowdown in the US economy, cooled the expectations of high stock market yields. Consequently, after the boom in purchases in the first quarter of the year, a reduction in net funding was recorded by equity funds, followed, in the last two months of 2000, by a contraction of net asset value due to the falling stock markets.

Mutual funds

Gruppo Intesa plays a very important role among the Italian asset managers, with managed assets exceeding 203,000 billion lire at the end of 2000 and a market share equalling 19.1%. The subdued market phase and the reduction in net funding contributed to sharpen the already intense competition in this segment. As a consequence the Group's market share shrank by approximately 1.7 percentage points estimated for the year, which mostly related to the discontinuation of distribution agreements with certain external banking networks. Finally, noteworthy is the positive start up of the Group's new products in the "fund of funds" category (IAM Portfolio and Comit Multifondo), which at the end of the year managed approximately 1,800 billion lire. The trend of the individual portfolio management schemes, in particular of the traditional GPM, was even less favourable than that recorded by mutual funds: an early estimate indicates a 6.3% drop in assets managed by the system, net of the quotas in mutual funds, which testifies the magnitude of the current slowdown when compared to the 5% increase registered in 1999. Gruppo Intesa, instead, succeeded in maintaining a positive trend, registering an over 6% growth in volumes.



Collected premiums

As far as concerns the life insurance market in 2000 collected premiums are estimated in 82,500 billion lire (Source: IAMA) – of which 60,000 billion lire of premiums on new insurance schemes – with a 3.4% growth rate compared to 1999. Overall the market was characterised by two distinct time periods: in the first eight months it reached with difficulty the production levels of 1999, whereas from September onwards open-ended pension funds increased considerably as a result of the desire of capturing the last fiscal advantages before the enforcement of the new tax regime in 2001. With reference to the distribution channels the growth in collection through bank branches continued and 60% of premiums in this segment were collected via branches.

In the first half of the year, Gruppo Intesa ranked second among the Italian banking groups in the distribution of life insurance products. With reference to the whole year, against gross collected premiums amounting to over 6,300 billion lire, anticipations and estimates available to date (Source: IAMA) indicate for the Group a market share slightly below 8%, lower than that registered in 1999 (8.9%) as a result of the policy adopted to re-balance the portfolio toward guaranteed-minimum products, limiting the issue of index and unit-linked products.

Comments on the consolidated financial statements

Consolidated statement of income

Reclassified statement of income

(in billions of lire)

	2000	1999 ^(*)	Changes	
			amount	%
Net interest	11,585.0	11,048.3	536.7	4.9
Dividends and other revenues	1,954.5	334.9	1,619.6	-
Income from investments carried at equity	120.7	5.7	115.0	-
Interest margin	13,660.2	11,388.9	2,271.3	19.9
Net commissions	8,300.0	7,606.5	693.5	9.1
Profits (Losses) on financial transactions	375.4	316.6	58.8	18.6
Other operating income	983.9	1,244.3	(260.4)	(20.9)
Net interest and other banking income	23,319.5	20,556.3	2,763.2	13.4
Administrative costs including Payroll	(13,373.6)	(13,062.0)	311.6	2.4
	(8,186.3)	(8,118.5)	67.8	0.8
Adjustments to intangible and tangible fixed assets	(1,572.0)	(1,799.8)	(227.8)	(12.7)
Operating margin	8,373.9	5,694.5	2,679.4	47.1
Provisions for risks and charges	(644.4)	(494.4)	150.0	30.3
Net adjustments to loans and provisions for possible loan losses	(2,623.7)	(3,116.5)	(492.8)	(15.8)
Net adjustments to financial fixed assets	(17.2)	(109.7)	(92.5)	(84.3)
Income (Loss) from operating activities	5,088.6	1,973.9	3,114.7	157.8
Extraordinary income (loss), net	300.8	1,503.1	(1,202.3)	(80.0)
Income taxes for the year	(2,215.4)	(753.7)	1,461.7	-
Use of allowance for risks and charges	21.8	0.0	21.8	-
Change in the reserve for general banking risks	77.6	(226.6)	304.2	-
Income attributable to minority shareholders	(444.0)	(388.3)	55.7	14.3
Net income for the year	2,829.4	2,108.4	721.0	34.2

^(*) Data restated on a consistent basis, considering changes in the consolidation area.

General comments

In order to more clearly illustrate the economic performance recorded during the year homogeneous statement of income captions have been aggregated according to standard practice in the banking system.

In the reclassification only two changes have been made in the contents of balance sheet captions:

- in the case of complex financial portfolios deriving from equity swaps, interest expense connected to the related hedging contracts has been directly deducted from the dividends collected on the stocks included in such portfolios;



– provisions to the supplementary pension funds have been directly deducted from the returns generated by the investments made with such funds and the difference between captions 65 and 85 of the compulsory forms representing operating expenses, has been accounted for in administrative costs and income taxes for the year.

Gruppo Intesa's financial statements for 2000 closed with a consolidated net income of 2,829 billion lire compared to 2,108 billion lire in 1999 (calculated in consistent terms) which corresponds to a 34.2% growth rate.

The valuation of these results must, however, consider certain non-recurring events recorded during the year by the subsidiaries Banca Commerciale Italiana and Banque Sudameris.

Banca Commerciale Italiana received an interim dividend of almost 1,400 billion lire paid by the Luxembourgish holding company Huit which originated from the latter's sale of part of the equity investment indirectly held in Seat Pagine Gialle (Seat PG).

The operation had started in 1997, at the time of the privatisation of the company, when BCI, as part of its ordinary merchant banking business, established, together with other investors, a company for the purpose of acquiring control of Seat PG. Later on control of Seat PG was transferred to Huit and BCI's original investment decreased from 15% to 13.99%.

In 2000 the sale of all the Seat PG ordinary shares held by Huit to Telecom Italia was defined and this transaction determined the aforementioned interim dividend amounting to approximately 1,400 billion lire.

The extraordinary provisions to offset credit risk amounting to approximately 400 billion lire which burdened the Brazilian network of the Sudameris group has the negative sign. Such provisions follow from the extraordinary regulations regarding the valuation of risky loans introduced by the local supervisory authorities.

Net of the relative fiscal effects and for the part pertaining to Gruppo Intesa, such non-recurring events originated a net effect on the consolidated financial statements amounting to approximately 365 billion lire.

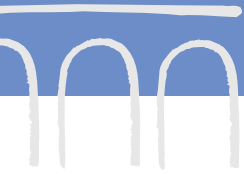
Net of such components, ordinary business in any case, generated a net income of 2,464 billion lire with a 17% rise compared to the previous year.

It must also be pointed out that while the interim dividend is accounted for among the statement of income captions which record ordinary operations, adjustments to the value of loans carried out by the Brazilian subsidiaries in compliance with supervisory regulations, have been registered in extraordinary charges. The different accounting treatments stem from the fact that, the income related to the dividend is the result – unusually high – of a merchant banking operation, which is a type of activity that is part of BCI's ordinary business, while the adjustments to loans indicated above can be attributed to special regulations issued by the Brazilian supervisory authorities, regarding the compulsory coverage of credit risks.

For a better interpretation of the performance achieved in the year, it must be noted that 1999 had also benefited by particularly significant extraordinary income.

First of all, following the introduction in Italian accounting regulations of the Accounting principle regarding deferred taxes, the Group had recorded credits for prepaid taxes referred to previous year, balanced by extraordinary income, amounting to approximately 980 billion lire, and capital gains on the sale of equity investments exceeding 1,000 billion lire, which summed up to almost 2,000 billion lire. Extraordinary expenses registered the provisions made to cover forecasted integration costs, which totalled approximately 515 billion lire.

These "macrophenomena" explain by themselves the reduction in net extraordinary income of 1,202 billion lire and, therefore, the more contained growth rate recorded by net income compared to income from operating activities, which grew by over 150%.



As concerns the contribution to the Group's result made by the subsidiary companies, in addition to the Parent Company, which after the merger with Cariplo, Banco Ambrosiano Veneto and Mediocredito Lombardo represents 42%, BCI and its subsidiaries also have a profound impact, notwithstanding the negative result of Sudameris, representing 36% of consolidated results. The performances recorded by Cassa di Risparmio di Parma e Piacenza, Intesa Asset Management Sgr and Banca Carime must also be pointed out, even if lower, as illustrated in detail in one of the chapters hereafter.

Moving on to a detailed analysis of the most important income areas, it must be pointed out that in the notes below, for the purposes of a more transparent illustration of operations in 2000, the results achieved net of the non-recurring operations, namely the interim dividend and adjustments to loans mentioned above, are indicated in brackets.

Interest margin

Interest margin showed a 19.9% rise (7.7% net of the interim dividend), as a consequence of greater returns generated by both loans to customers and the securities portfolio.

The contribution of dividends and other revenues on equity investments was also considerable and, even net of the extraordinary dividend amounting to 1,395 billion lire, recorded a growth rate of almost 68%.

(in billions of lire)

Captions/subcaptions	2000	1999	Changes	
			amount	%
Interest income from loans to customers	22,153.6	18,718.1	3,435.5	18.4
Interest income from debt securities	6,481.6	5,860.2	621.4	10.6
Interest expense due to customers	(5,464.2)	(4,102.5)	1,361.7	33.2
Interest expense on debt securities	(6,004.4)	(5,976.9)	27.5	0.5
Interest expense on subordinated liabilities	(1,007.9)	(662.7)	345.2	52.1
Interest expense on interbank relations (net)	(4,564.7)	(3,391.0)	1,173.7	34.6
Total	11,594.0	10,445.2	1,148.8	11.0
Differentials on hedging contracts	(72.8)	556.7	(629.5)	(113.1)
Other interest (net)	63.8	46.4	17.4	37.5
Total net interest	11,585.0	11,048.3	536.7	4.9
Dividends and other revenues	1,954.5	334.9	1,619.6	
Income (Loss) from investments carried at equity	120.7	5.7	115.0	
Interest margin	13,660.2	11,388.9	2,271.3	19.9

In total the margin on customer relationships improved by 12% (+ 1,038 billion lire). Group banks operating in Italy achieved a 16.3% growth rate in average loans to customers, while customer deposits, recorded an average increase of 2.5%. The spread between average interest rates on loans to customers and on customer deposits remained practically stable (+ 3 basis points) compared to 1999, with both interest rates recording rises: 40 basis points on loans to customers and 37 basis points on customer deposits.



Interest rate movements were less favourable in the South American area, in particular on the Brazilian market, where, after the extremely high spreads reached during 1999 as a result of the devaluation of the local currency, in 2000 the differential between interest on loans and deposits considerably decreased.

Interest on the securities portfolio recorded a 10.6% growth rate, while interest on interbank positions presented an increasingly negative balance (4,565 billion lire compared to 3,391 billion lire), attributable to the different growth rates recorded by loans to customers and customer deposits and the structurally negative net debt position toward the system, which as at 31st December 2000 exceeded 84,000 billion lire.

The positive result registered by the interest margin is also confirmed by net interest and other banking income which, with a 13.4% (6.7%) growth rate, totalled 23,319 billion lire (21,928 billion lire).

Net interest and other banking income

This margin included income from services which recorded a 9.1% growth rate compared to the previous year with an apparent reduction in its contribution to net interest and other banking income from 37% to 35.6% and an improvement in consistent terms from 37% to 37.9%.

(in billions of lire)

Captions	2000	1999	Changes	
			amount	%
Commission income	9,596.6	8,793.6	803.0	9.1
Commission expense	(1,296.6)	(1,187.1)	109.5	9.2
Net commissions	8,300.0	7,606.5	693.5	9.1

The progress in this aggregate is mostly attributable to the rise registered by income from management and dealing services on behalf of customers and, in particular, by income from professional asset management (individual portfolio management schemes + 25.9%, dealing in securities + 23.8%, custody and administration of securities + 21.1% and acceptance of instructions + 41%, "door-to-door" sale of securities and services + 32%), which was only partly offset by the reduction in commissions on placement activities (- 23.8%).

Other net operating income decreased (- 20.9% to approximately 984 billion lire) and mainly reflects lower revenues recorded in the year on the sale of equity investments held as part of the merchant banking activities, which decreased from 217 billion lire to 15 billion lire.

Net income from services more than "cover" personnel costs and represented 62% of administrative costs compared to 58.2% in 1999.

Practically unchanged is the contribution of profits from financial transactions (375 billion lire compared to 317 billion lire the previous year), which was broken down in the various components as indicated in the table below:

(in billions of lire)

Captions/subcaptions	2000	1999	Changes	
			amount	%
Securities and securities derivatives				
– results from dealing activities	107.5	627.3	(519.8)	(82.9)
– valuation effects	(227.6)	(695.0)	(467.4)	(67.3)
– results from derivatives operations	148.5	252.9	(104.4)	(41.3)
	28.4	185.2	(156.8)	(84.7)
Currencies and currency derivatives	498.8	360.0	138.8	38.6
Other transactions	(151.8)	(228.6)	(76.8)	(33.6)
Total profits (losses) on financial transactions	375.4	316.6	58.8	18.6

Operating margin

Operating costs remained almost unchanged (+ 0.6%) compared to last year. In particular, personnel expenses (8,186 billion lire in 2000 compared to 8,118 billion lire in the previous year) were almost stable, while other administrative costs recorded a slight increase (4.9%), also affected by the beginning of the integration process currently under way in Italy and in the South American subsidiaries which obviously determined in these first phases some diseconomies and higher costs. The rise in legal expenses, essentially concentrated in Banca Intesa and BCI, is also noteworthy, while the increase in advertising costs (+ 25.3%) is attributable to the launch of certain new operations, such as, for example, Intesa Trade. The amortisation of positive consolidation differences – which is a purely accounting caption – operated in the opposite direction and derived from the different allocation in the 2000 and 1999 financial statements of goodwill arising on consolidation of BCI.

(in billions of lire)

Captions/subcaptions	2000	1999	Changes	
			amount	%
Administrative costs				
– payroll	(8,186.3)	(8,118.5)	67.8	0.8
– other	(5,187.3)	(4,943.5)	243.8	4.9
	(13,373.6)	(13,062.0)	311.6	2.4
Adjustments to				
– tangible fixed assets	(766.1)	(807.8)	(41.7)	(5.2)
– intangible fixed assets	(624.7)	(687.7)	(63.0)	(9.2)
– goodwill arising on consolidation and on application of the equity method	(181.2)	(304.3)	(123.1)	(40.5)
	(1,572.0)	(1,799.8)	(227.8)	(12.7)
Operating costs	(14,945.6)	(14,861.8)	83.8	0.6



The ratio of operating costs to net interest and other banking income dropped from 72.3% to 64.1% (68% net of the interim dividend). Operating margin therefore totalled 8,373.9 billion lire (6,983 billion lire net of the interim dividend) with a 47.1% rise (22.6%) compared to the previous year.

The provisions made to cover credit risk, together with greater recoveries of adjustments recorded in previous years recorded an appreciable reduction (- 14.9%) compared to 1999, without prejudice to the prudent risk coverage policy applied by the Group, which led to an increase in excess of one percentage point in the ratio between write-downs and nominal non-performing loans.

Income from operating activities

(in billions of lire)

Captions	2000	1999	Changes	
			amount	%
Adjustments to loans and provisions for guarantees and commitments	(3,546.4)	(3,953.7)	(407.3)	(10.3)
Write-back of adjustments to loans	1,025.3	990.8	34.5	3.5
	(2,521.1)	(2,962.9)	(441.8)	(14.9)
Provisions for possible loan losses	(102.7)	(153.6)	(50.9)	(33.1)
Provisions for risks and charges	(644.4)	(494.4)	150.0	30.3
Adjustments to financial fixed assets	(82.1)	(153.2)	(71.1)	(46.4)
Write-back of financial fixed assets	64.8	43.4	21.4	49.3
Balance	(3,285.5)	(3,720.7)	(435.2)	(11.7)

Income from operating activities therefore greatly exceeded 5,000 billion lire with a growth rate of over 150%, which decreases to a still extremely satisfactory + 87% net of the interim dividend.

The considerable contraction in extraordinary items is attributable, as already mentioned above, to the lower capital gains on the sale of equity investments - which totalled 1,038 billion lire in 1999 and 573 billion lire in 2000 - and the adoption last year, of the new accounting principle regarding deferred taxes which had led to an extraordinary income of almost 980 billion lire.

As concerns extraordinary charges the most important captions referred to the extraordinary adjustment to cover credit risk made by the Sudameris group to comply with Brazilian regulations, which for the part referring to loans as at 31st December 1999 amounted to 403 billion lire; while last year the most significant caption referred to provisions to the allowance for integration charges of 515 billion lire.

Income from extraordinary activities and net income

(in billions of lire)

Captions	2000	1999	Changes	
			amount	%
Extraordinary income	1,527.8	3,239.9	(1,712.1)	(52.8)
Extraordinary charges	(1,227.0)	(1,736.8)	(509.8)	(29.4)
Extraordinary income, net	300.8	1,503.1	(1,202.3)	(80.0)

The sum of the items described above leads to an income before taxes of 5,389 billion lire (4,400 billion lire) with a 55% (27%) increase compared to last fiscal year, on which the average tax rate equals 41%.

The higher tax rate can be attributed to the rise in income before taxes in excess of 1,900 billion lire, to the fact that prepaid taxes accounted for in extraordinary income in 1999 (980 billion lire) were neutral in fiscal terms and that capital gains on the sale of equity investments, which were particularly significant last year, benefited by a lower tax rate.

Furthermore, the undeductibility of the extraordinary adjustments made by the Brazilian subsidiaries led to a higher consolidated tax burden estimated to equal 140 billion lire.

The use of the reserve for general banking risks for approximately 78 billion lire, carried out by certain subsidiaries, and the use of the allowance for risks and charges for 22 billion lire carried out directly in the consolidated financial statements, as described in the Notes to the financial statements, to offset the loss recorded by Banca Cis, determined a net income for the year, net of minority shareholders, of 2,829.4 billion lire.



Consolidated balance sheet

Reclassified balance sheet

(in billions of lire)

Assets	31/12/2000	31/12/1999 (1)	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	3,426.3	3,009.4	416.9	13.9
2. Loans				
– loans to customers	363,097.7	317,716.3	45,381.4	14.3
– due from banks	92,076.8	85,571.9	6,504.9	7.6
3. Trading portfolio	89,230.5	90,734.9	(1,504.4)	(1.7)
4. Fixed assets				
a) investment portfolio	25,180.9	28,163.1	(2,982.2)	(10.6)
b) equity investments	5,972.5	6,121.6	(149.1)	(2.4)
c) tangible and intangible	10,670.5	11,128.1	(457.6)	(4.1)
5. Goodwill arising on consolidation	1,236.1	824.2	411.9	50.0
6. Goodwill arising on application of equity method	99.0	8.3	90.7	
7. Other assets	52,368.5	53,860.3	(1,491.8)	(2.8)
Total assets	643,358.8	597,138.1	46,220.7	7.7

(in billions of lire)

Liabilities and shareholders' equity	31/12/2000	31/12/1999 (1)	Changes	
			amount	%
1. Debts				
– due to customers	227,212.7	210,314.0	16,898.7	8.0
– securities issued	123,652.8	117,499.8	6,153.0	5.2
– due to banks	176,312.8	160,644.7	15,668.1	9.8
2. Allowances with specific purpose	13,731.9	11,828.1	1,903.8	16.1
3. Other liabilities	54,266.6	53,168.9	1,097.7	2.1
4. Allowances for possible loan losses	436.3	682.8	(246.5)	(36.1)
5. Subordinated liabilities	18,860.1	16,603.9	2,256.2	13.6
6. Minority shareholders	5,175.5	6,086.2	(910.7)	(15.0)
7. Shareholders' equity				
– share capital, reserves and reserve for general banking risks	20,844.3	18,142.2	2,702.1	14.9
– negative goodwill arising on consolidation	30.4	52.6	(22.2)	(42.2)
– negative goodwill arising on application of the equity method	6.0	6.5	(0.5)	(7.7)
– net income (loss) for the year	2,829.4	2,108.4	721.0	34.2
Total liabilities and shareholders' equity	643,358.8	597,138.1	46,220.7	7.7

Guarantees, commitments and credit derivatives	312,845.0	193,806.5	119,038.5	61.4
Custody and administration of securities	628,688.2	575,137.6	53,550.6	9.3

(1) Data restated on a consistent basis, considering changes in the consolidation area.

Lending and deposit collection

Loans to customers

Loans to customers showed a 14.3% growth rate compared to the previous year's figure.

(in billions of lire)

Subcaptions	31/12/2000	31/12/1999	Changes	
			amount	%
Overdrafts	63,922.4	57,670.8	6,251.6	10.8
Mortgages	104,426.7	92,714.1	11,712.6	12.6
Advances and other loans	173,569.9	149,959.3	23,610.6	15.7
Repurchase agreements and securities lending	8,606.5	4,923.0	3,683.5	74.8
Non-performing loans	12,572.2	12,449.1	123.1	1.0
Total loans	363,097.7	317,716.3	45,381.4	14.3
<i>Including with residents in Italy</i>	<i>281,815.6</i>	<i>249,339.2</i>	<i>32,476.4</i>	<i>13.0</i>
<i>with residents in other EU Countries</i>	<i>33,451.6</i>	<i>26,954.8</i>	<i>6,496.8</i>	<i>24.1</i>
<i>with residents in non-EU Countries</i>	<i>47,830.5</i>	<i>41,422.3</i>	<i>6,408.2</i>	<i>15.5</i>

Excluding repurchase agreements which are typical treasury investments and are mostly concluded with financial counterparties, the increase is uniformly spread among the various most important contract types.

In percentage terms the growth in loans to customers with non-residents is higher than that recorded by loans to resident customers which totalled 13%.

Breakdown by geographic area of loans granted to resident customers, indicated in the table below, shows greater operations in the North-West regions while the other regions, North-East, Central Italy and the South and the Isles show lower percentages.

Geographic areas - Italy	31/12/2000	31/12/1999
North-West	59.0%	57.4%
North-East	16.2%	17.3%
Central Italy	13.9%	13.8%
South and Isles	10.9%	11.5%
Loans - Italy	100.0%	100.0%

Loans with anomalous trends and Country risk

Non-performing loans as at 31st December 2000 equalled 12,572 billion lire, with a 1% rise compared to the 1999 figure, which is almost entirely attributable to the more prudent classification criteria applied to risky loans introduced by Brazilian regulations.

Instead problem loans reached 5,634 billion lire (+ 27%), and reflected, on the one hand, the effects of the new classifications adopted by the Brazilian subsidiaries and, on the other hand, as described in detail in the Parent Company's performance, the activation on the Cariplo network of the problem loan monitoring process. The latter uses sophisticated IT methodologies and more rigorous management criteria and when fully operational, leads to a significant contraction in problem loans while, on its first application, it leads problem loans to increase.



(in billions of lire)

Subcaptions	31/12/2000	31/12/1999	Changes	
			amount	%
Non-performing loans	12,572.2	12,449.1	123.1	1.0
Problem loans	5,633.8	4,435.4	1,198.4	27.0
Loans under restructuring	66.7	142.7	(76.0)	(53.3)
Restructured loans	918.4	1,047.6	(129.2)	(12.3)
Loans subject to Country risk	2,619.8	2,675.5	(55.7)	(2.1)
Performing loans	341,286.8	296,966.0	44,320.8	14.9
Total loans	363,097.7	317,716.3	45,381.4	14.3

Net non-performing loans represent a 3.5% portion (3.9% as at 31st December 1999) of total loans, while, gross of value adjustments, the ratio decreased from 7.6% to the current 6.9%.

Average percentage coverage of non-performing loans (the ratio between value adjustments and nominal value) totalled 52.2%, while that relative to problem loans equalled, again on average, 15.6%.

Adjustments in the year for "generic" purposes totalled 603 billion lire, which led total coverage to equal 0.59% of performing loans, a slightly lower percentage than that reported in the 1999 financial statements (0.62%).

Net loans to customers resident in Countries subject to Country risk amounted to 2,619.8 billion lire (- 2.1% compared to last year). The table below summarises total un-guaranteed credit positions and total provisions made to cover such risks, calculated on 15% of commercial loans and 100% of other loans.

(in billions of lire)

Countries	31/12/2000			31/12/1999		
	Gross amount	Adjustments	Net amount	Gross amount	Adjustments	Net amount
Brazil	2,303.7	(238.1)	2,065.6	2,037.1	(188.0)	1,849.1
Argentina	928.4	(54.5)	873.9	1,010.9	(64.2)	946.7
Peru	457.1	(18.0)	439.1	377.8	(14.0)	363.8
Russia	334.3	(171.8)	162.5	637.0	(380.9)	256.1
Columbia	222.9	(13.0)	209.9	269.2	(18.8)	250.4
Other Countries	1,536.7	(159.1)	1,377.6	1,392.1	(205.4)	1,186.7
Total	5,783.1	(654.5)	5,128.6	5,724.1	(871.3)	4,852.8
including						
Cash loans						
• ordinary customers	2,863.5	(243.7)		2,930.3	(252.9)	
• banks	1,053.7	(112.8)		1,490.8	(462.0)	
• debt securities	717.7	(176.4)		701.4	(123.9)	
Non-cash loans						
• ordinary customers	73.3	(10.0)		121.7	(13.7)	
• banks	1,074.9	(111.6)		479.9	(18.8)	

Customer funds

Total customer deposits under administration recorded an 8.6% rise to 998,414 billion lire.

(in billions of lire)

Subcaptions	31/12/2000	31/12/1999	Changes	
			amount	%
Deposits	25,469.0	25,949.6	(480.6)	(1.9)
Current and other accounts	172,453.8	162,632.0	9,821.8	6.0
Bonds	78,337.9	73,621.3	4,716.6	6.4
Certificates of deposit	37,156.4	36,754.1	402.3	1.1
Other	15,983.4	15,853.7	129.7	0.8
Repurchase agreements	21,465.0	13,002.0	8,463.0	65.1
Subordinated and perpetual liabilities	18,860.1	16,603.9	2,256.2	13.6
Total direct deposits ⁽¹⁾	369,725.6	344,416.6	25,309.0	7.3
Indirect deposits	628,688.2	575,137.6	53,550.6	9.3
Customer deposits under administration	998,413.8	919,554.2	78,859.6	8.6
⁽¹⁾ Including with residents in Italy	273,521.2	272,936.7	584.5	0.2
with residents in other EU Countries	38,371.1	25,701.3	12,669.8	49.3
with residents in non-EU Countries	57,833.3	45,778.6	12,054.7	26.3

This result is particularly affected by the contribution of funding through repurchase agreements with customers which grew by over 65%. Excluding this contract type and subordinated customer deposits the rise equalled 4.6%, mostly determined by the increases in current accounts and issued bonds.

Contrary to loans to customers for which the growth rate was equally divided among the different geographic areas, for customer deposits the increase essentially occurred with non-Italian counterparties.

Deposit collection with residents, which is practically unchanged in absolute terms, highlighted, as in the case of loans to customers, an increase in the North-West area, and much lower rises in the North-East, the South and the Isles.

Geographic areas - Italy	31/12/2000	31/12/1999
North-West	53.7%	52.4%
North-East	14.8%	15.6%
Central Italy	13.5%	13.2%
South and Isles	18.0%	18.8%
Direct deposits - Italy	100.0%	100.0%

Indirect deposits

For the first time in years, the positive trend in asset management halted confirming last year's figure. The almost constant result reflected the decrease in assets managed by mutual funds, common to the entire banking system and the rise in insurance products. Most of the increase in traditional individual portfolio management schemes is due to the development of schemes invested in mutual funds which, on the hand, contributed to sustain the performance of the Group's



asset management companies, but on the other hand are eliminated on consolidation, since they are transactions within the consolidation area.

(in billions of lire)

Subcaptions	31/12/2000	31/12/1999	Changes	
			amount	%
Individual portfolio management schemes	145,594.0	133,302.4	12,291.6	9.2
Assets managed by mutual funds	214,160.9	223,107.9	(8,947.0)	(4.0)
Insurance products	20,194.4	14,858.1	5,336.3	35.9
deducted Funds from individual portfolios placed in mutual funds	(92,415.1)	(83,349.1)	9,066.0	10.9
Total managed funds	287,534.2	287,919.3	(385.1)	(0.1)
Assets under administration and custody	341,154.0	287,218.3	53,935.7	18.8
Indirect deposits	628,688.2	575,137.6	53,550.6	9.3

Financial activities

The 2000 financial statements register an overall reduction in the size of the securities portfolio amounting to almost 4,500 billion lire (- 3.8%):

Securities portfolio

(in billions of lire)

Subcaptions	31/12/2000		Capital gains/losses	31/12/1999		Capital gains/losses
	Book value	Market value		Book value	Market value	
Investment portfolio	25,180.9	24,778.6	(402.3)	28,163.1	28,322.0	158.9
Trading portfolio						
– debt securities	84,215.7	84,281.0	65.3	86,883.9	87,031.2	147.3
– shares, quotas and other forms of capital	5,014.8	5,155.9	141.1	3,851.0	4,000.0	149.0
Total trading portfolio	89,230.5	89,436.9	206.4	90,734.9	91,031.2	296.3
Securities	114,411.4	114,215.5	(195.9)	118,898.0	119,353.2	455.2

The contraction in the investment portfolio is mostly attributable to the closure of the foreign branches of the Cariplo and Banco Ambrosiano Veneto networks, which led to the divestment of the securities in their portfolios partly through sale to third parties (approximately 2,400 billion lire) and partly (2,600 billion lire) through the transfer to the trading portfolio of the Banca Intesa branches opened in the same locations.

Comparison with market value of the portfolio highlights implicit net capital losses amounting to almost 200 billion lire, part of which (132 billion lire) are attributable to securities in the investment portfolio lodged in guarantee of the Warrants Put IntesaBci, which will expire within 31st October 2002.

Off-balance sheet transactions

The table below summarises the Group's off-balance sheet transactions at year-end, net of repurchase agreements on securities and derivatives included in funding contracts issued.

(in billions of lire)

Contract type (Notional values)	31/12/2000	31/12/1999	Changes	
			amount	%
Dealing				
Interest rate and index derivatives	1,517,678.3	1,276,095.3	241,583.0	18.9
Foreign currency purchases	174,767.9	183,139.3	(8,371.4)	(4.6)
Foreign currency derivatives	26,155.6	26,322.0	(166.4)	(0.6)
Securities derivatives	18,530.9	35,256.0	(16,725.1)	(47.4)
Total	1,737,132.7	1,520,812.6	216,320.1	14.2
Hedging				
Interest rate and index derivatives	201,650.6	166,697.3	34,953.3	21.0
Foreign currency purchases	37,542.4	32,502.5	5,039.9	15.5
Foreign currency derivatives	8,479.6	9,246.0	(766.4)	(8.3)
Securities derivatives	1,390.5	892.0	498.5	55.9
Total	249,063.1	209,337.8	39,725.3	19.0

Figures at year-end show significant rises in both areas, even if with different contract type combinations and a reduction in volumes compared to the year's average volumes.

The significant growth in interest rate and index derivatives is concentrated on the books of BCI Spa and Caboto Holding and partly on Banca Intesa's books. However the three Companies pursued different objectives.

BCI, Central offices and foreign network, operated on the market mostly with its proprietary positions, privileging at year-end short-term instruments (both interest rate swaps and interest rate options). Caboto Holding instead developed its dealing activities with third parties, in particular by assisting the latter in the coverage of structured securities. In this area activities with Group companies was limited. Following the centralisation of Bank finance capacities with the Parent Company, Banca Intesa operated with speculative positions – both on regulated markets and in OTC derivatives – and managed the Group's overall exposure to interest rate risk.

The decrease in securities derivatives is attributable to a different position at year-end, however in reality average volumes in 2000 did not significantly diverge from the previous year's.

Interbank position

The net interbank position, which is structurally a debt position, showed a further rise in the deficit which exceeded 9,000 billion lire (+12.2%).

(in billions of lire)

Captions	31/12/2000	31/12/1999	Changes	
			amount	%
Due from banks repayable on demand	8,363.0	9,107.0	(744.0)	(8.2)
Due to banks repayable on demand	29,114.2	18,349.5	10,764.7	58.7
<i>Net interbank position repayable on demand</i>	<i>(20,751.2)</i>	<i>(9,242.5)</i>	<i>11,508.7</i>	<i>124.5</i>
Due from banks - with maturity	83,713.8	76,464.9	7,248.9	9.5
Due to banks - with maturity	147,198.6	142,295.2	4,903.4	3.4
<i>Net interbank position with maturity</i>	<i>(63,484.8)</i>	<i>(65,830.3)</i>	<i>(2,345.5)</i>	<i>(3.6)</i>
Net interbank position	(84,236.0)	(75,072.8)	9,163.2	12.2



Capital adequacy

The Group's shareholders' equity, excluding net income for the year, registered a 14.7% growth rate and amounted to 20,881 billion lire:

Shareholders' equity

(in billions of lire)

Captions	31/12/2000	31/12/1999	Changes	
			amount	%
Share capital	5,836.3	5,405.7	430.6	8.0
Share premium reserve	11,704.0	10,215.8	1,488.2	14.6
Reserves	2,504.1	1,725.5	778.6	45.1
<i>a) legal reserve</i>	1,496.5	493.6	1,002.9	203.2
<i>b) reserve for own shares</i>	33.4		33.4	
<i>c) statutory reserves</i>	25.0	152.7	(127.7)	(83.6)
<i>d) other reserves</i>	949.2	1,079.2	(130.0)	(12.0)
Revaluation reserves	585.2	502.7	82.5	16.4
Reserve for general banking risks	214.7	292.4	(77.7)	(26.6)
Negative goodwill arising on consolidation	30.4	52.6	(22.2)	(42.2)
Negative goodwill arising on application of equity method	6.0	6.5	(0.5)	(7.7)
Total shareholders' equity	20,880.7	18,201.2	2,679.5	14.7
Net income (loss) for the year (excluding minority shareholders)	2,829.4	2,108.4	721.0	34.2
Shareholders' equity	23,710.1	20,309.6	3,400.5	16.7
Minority shareholders	5,175.5	6,086.2	(910.7)	(15.0)
Subordinated liabilities	18,860.1	16,603.9	2,256.2	13.6

The most significant changes derive from the increase in capital amounting to 1,313 billion lire resolved upon by the Board of Directors held on 11th April 2000 based on the powers delegated by the Shareholders' Meeting of 28th July 1998, which was executed in May, the allocation to reserves of 751 billion lire of consolidated net income and, lastly, the conversion of bonds and exercise of warrants for a total of 365 billion lire.

Capital for supervisory purposes equalled 39,785 billion lire and covered risk-weighted assets of 442,164 billion lire corresponding to a capital requirement of 35,373 billion lire and a free capital of 4,412 billion lire.

The solvency ratio equalled 9% and the Tier 1 ratio was 6%.

Reconciliation between the Group's consolidated balance sheet and the Parent Company's balance sheet

The table below indicates the reconciliation of the Parent Company's shareholders' equity and net income and the Group's shareholders' equity and net income:

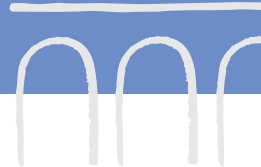
Captions	Shareholders' equity	including net income for the year as at 31/12/2000
Balance as at 31st December 2000 of Parent Company shareholders' equity	23,092.5	2,058.2
Elimination of write-downs on equity investments	96.3	96.3
Effect of full and proportional consolidation	1,658.7	1,785.9
Effect of consolidation of subsidiaries accounted for by the equity method	123.0	57.8
Elimination of provisions carried out solely in order to comply with fiscal regulations	143.6	(96.7)
Amortisation of goodwill arising on consolidation and application of the equity method	(520.9)	(130.5)
Use of allowance for risks and charges	21.8	21.8
Dividends received during the year	(904.9)	(904.9)
Dividends registered because accrued in the year		(58.5)
Consolidated shareholders' equity as at 31st December 2000	23,710.1	2,829.4

Other information regarding the Group

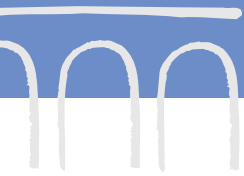
Parent Company's shares

During the year Group companies carried out the following transactions:

- Ordinary shares: Initial number 50,102 (countervalue 451 million lire); 49,651,017 purchased (countervalue 404,152 million lire); 49,699,876 sold (countervalue 405,338 million lire); end-of-year number of shares 1,243 (countervalue 10 million lire); Profit 745 million lire;
- Non-convertible saving shares: Initial number 100,000 (countervalue 420 million lire); 708,276 purchased (countervalue 3,118 million lire); 808,276 sold (countervalue 3,529 million lire); end-of-year number of shares -; Loss 9 million lire;
- Bonds convertible in ordinary shares: Initial number 24,500 (countervalue -); 9,639,000 purchased (countervalue 24 million lire); 9,639,000 sold (countervalue 22 million lire); end-of-year number of bonds 24,500 (countervalue -); Loss 2 million lire;
- Bonds convertible in non-convertible saving shares: Initial number 2,200 (countervalue -); 30,800,000 purchased (countervalue 52 million lire); 31,900,000 sold (countervalue 54 million lire); end-of-year number of bonds - 1,097,800 (countervalue - 2 million lire); Profit -;
- Warrants on ordinary shares: Initial number 7,000 (countervalue 14 million lire); 527,971 purchased (countervalue 810 million lire); 534,971 sold (countervalue 822 million lire); end-of-year number of warrants -; Loss 2 million lire;
- Warrants on non-convertible saving shares: Initial number -; 1,290 purchased (countervalue 2 million lire); 1,290 sold (countervalue 2 million lire); end-of-year number of warrants -; Profit -.



Following the merger in Banca Intesa of Mediocredito Lombardo, the following banks which held stakes in Mediocredito Lombardo received Banca Intesa ordinary shares in exchange for the merged company's shares: Banca Carime 4,145,862 shares with book value of 33,357 million lire, Cassa di Risparmio di Alessandria 10,800 shares with book value of 55 million lire, Cassa di Risparmio di Carrara 21,600 shares with book value of 140 million lire and Cassa di Risparmio della Spezia 21,600 shares with book value of 130 million lire.



The Parent Company's performance

Merger effect

The merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Banca Intesa determined deep changes in the Bank's operations and their effects are already evident in the 2000 financial statements. In fact, till the end of the year, Banca Intesa was mainly a bank holding company and essentially performed activities as central treasurer for Group companies.

Considering that the merger with Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo came into legal effects as of 31st December 2000, just before the end of the year 2000, and had backdated accounting and fiscal effects, as of 1st January 2000, Banca Intesa's financial statements report not only balance sheet data of merged banks, but also the statement of income results related to the whole year.

Therefore, to allow an easier evaluation of achieved results, in this Report the data related to the financial statements for 2000 are compared with those related to the pro forma financial statements for 1999, restated on a consistent basis.

Reclassified statement of income

(in billions of lire)

Captions	2000	1999 pro forma	Changes	
			amount	%
Net interest	4,998.8	4,700.4	298.4	6.3
Dividends and other revenues	1,549.1	1,260.3	288.8	22.9
Interest margin	6,547.9	5,960.7	587.2	9.9
Net commissions	2,881.3	2,607.2	274.1	10.5
Profits (Losses)				
on financial transactions	(42.9)	(243.8)	(200.9)	(82.4)
Other operating income	391.9	475.6	(83.7)	(17.6)
Net interest and other banking income	9,778.2	8,799.7	978.5	11.1
Administrative costs	(5,110.5)	(5,134.0)	(23.5)	(0.5)
including Payroll	(2,721.5)	(2,891.4)	(169.9)	(5.9)
Adjustments to intangible and tangible fixed assets	(327.8)	(489.0)	(161.2)	(33.0)
Operating margin	4,339.9	3,176.7	1,163.2	36.6
Provisions for risks and charges	(162.5)	(278.5)	(116.0)	(41.7)
Net adjustments				
to loans and provisions for possible loan losses	(643.4)	(1,039.0)	(395.6)	(38.1)
Net adjustments				
to financial fixed assets	(100.4)	(153.1)	(52.7)	(34.4)
Income (Loss) from operating activities	3,433.6	1,706.1	1,727.5	101.3
Extraordinary income (loss), net	139.5	659.1	(519.6)	(78.8)
Income taxes for the year	(1,515.0)	(552.2)	962.8	174.4
Change in the reserve for general banking risks	0.0	6.3	(6.3)	(100.0)
Net income for the year	2,058.1	1,819.3	238.8	13.1



In order to more clearly illustrate the economic performance recorded during the year, homogeneous compulsory statement of income captions have been aggregated according to standard practice in the banking system.

In the reclassification, only two changes have been made in the contents of balance sheet captions:

- recovery of the cost of personnel seconded to other Gruppo Intesa companies has been transferred from the caption other operating income and deducted from payroll. Payroll therefore records the effective costs sustained for staff working at Banca Intesa;
- provisions to the supplementary pension funds have been directly deducted from the returns generated by the investments made with such funds and the difference between captions 65 and 85 of the compulsory forms representing operating expenses has been accounted for in administrative costs.

General comments

(in billions of lire)

Interest margin

Captions/subcaptions	2000	1999 pro forma	Changes	
			amount	%
Interest income from loans to customers	9,919.8	8,143.5	1,776.3	21.8
Interest income from debt securities	2,130.0	2,068.3	61.7	3.0
Interest expense due to customers	(1,749.9)	(1,347.2)	402.7	29.9
Interest expense on debt securities	(3,316.6)	(3,650.1)	(333.5)	(9.1)
Interest expense on interbank relations (net)	(1,759.7)	(942.1)	817.6	86.8
Total	5,223.6	4,272.4	951.2	22.3
Differentials on hedging contracts	333.1	803.0	(469.9)	(58.5)
Other interest (net)	(557.9)	(375.0)	182.9	48.8
Total net interest	4,998.8	4,700.4	298.4	6.3
Dividends and other revenues	1,549.1	1,260.3	288.8	22.9
Interest margin	6,547.9	5,960.7	587.2	9.9

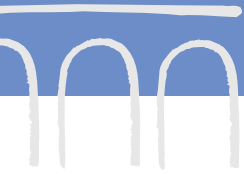
The interest margin in 2000 equalled 6,547.9 billion lire, with a 9.9% growth rate compared to 1999. The increase is attributable to the rise of both net interest (+ 6.3%) and dividends (+ 22.9%) mostly as a result of the improvement in net income generated by subsidiary companies.

Operations with customers significantly contributed to the growth of net interest with a substantial rise in interest income (over 1,776 billion lire), and a more modest increase in interest expense (69.2 billion lire) and in the cost of funding on the interbank market (+ 817.6 billion lire).

The rise in interest income on relationships with customers is attributable to both the considerable increase in intermediated volumes and the rise in interest rates. Average volumes recorded a growth rate in excess of 15% compared to 1999 due to a marked expansion in the short-term component (+ 23%) and a more contained rise in medium- and long- term loans (+ 9%). The average interest rate on loans increased by 43 basis points compared to 1999, also in this case with a more significant rise in short-term interest rates (+ 73 basis points) with respect to medium- and long- term interest rates (+ 17 basis points).

Instead, the cost of customer funds remained practically unchanged. Current accounts and deposits increased (+ 402.7 billion lire) while issued securities

Net interest



decreased (- 333.5 billion lire). In terms of average levels total customer funds in 2000 was practically unchanged on the same levels recorded the previous year (+ 0.4%) while interest rates recorded a slight increase (+ 34 basis points). Short-term funding also turned out to be the most dynamic component, with an increase in terms of average volumes of almost 5%, while, as regards average interest rates, short-term rates grew slightly more (+ 42 basis points) than medium- and long- term rates (+ 39 basis points).

As a result of the aforementioned trends, average spread on operations with customers increased by 9 basis points, from 2.89% to 2.98%. The short-term spread increased by 31 basis points, while the medium- and long- term spread decreased by 22 basis points.

Repurchase agreements with customers decreased, again in terms of average volumes, compared to the previous year both as momentary investment (- 54%), and funding operations (- 58%).

The rise in loans to customers was partly financed by interbank funding and partly by the divestment in securities. The net cost of interbank funding increased compared to 1999 by over 800 billion lire, while the contribution of interest on securities to interest margin rose by 62 billion lire since the reduction in average volumes of approximately 4,800 billion lire was more than offset by the rise in the average interest rate (65 basis points). Furthermore, the result was positively affected by the operations of the London branch which carried out an arbitrage consisting of the purchase of Government securities with a high coupon and close to maturity, hedging the position with futures contracts or term funding. This operation, from the accounting stand point, determines higher write-downs and therefore higher adjustments to securities, more than offset by the improvement in interest margin (determined by the difference between the high coupons attached to the securities and the relevant financing cost).

Dividends

The growth in dividends is mainly attributable to the improvement in net income for the year generated by the subsidiaries. In fact, the dividends related to equity investments in Group companies (which are accounted for by Banca Intesa in the year when net income is generated by the subsidiaries) increased by 305 billion lire. The dividends (including tax credit) which recorded the most considerable increases were those related to Banca Commerciale Italiana (+ 239.3 billion lire), Cassa di Risparmio di Parma e Piacenza (+ 119.3 billion lire), Intesa Asset Management (+ 37.8 billion lire), Banca Popolare FriulAdria (+ 22.2 billion lire) and Mediofactoring (+ 11.2 billion lire). The increases related to Cassa di Risparmio di Parma e Piacenza and Banca Popolare FriulAdria are due to an increase in the stake held by Banca Intesa. Instead, dividends from Caboto Holding Sim dropped by 139.5 billion lire.

Net interest and other banking income

(in billions of lire)

Captions	2000	1999 pro forma	Changes	
			amount	%
Commission income	3,275.8	2,993.6	282.2	9.4
Commission expense	(394.5)	(386.4)	8.1	2.1
Net commissions	2,881.3	2,607.2	274.1	10.5

During 2000 net income from services registered a 10.5% growth rate, from 2,607.2 billion lire to 2,881.3 billion lire.



Commission income increased by 9.4% mostly due to the growth in income from management, dealing and consultancy services on securities (+ 15.3%).

In particular, commissions generated by the placement of securities increased (+ 118.7 billion lire equivalent to 15.7%) mainly those related to the placement of mutual funds managed by Intesa Asset Management Sgr, the commissions on acceptance of instructions (+ 57.2 billion lire equivalent to 38.8%) and the commissions on custody and administration of securities (+ 28.2 billion lire equivalent to 21.2%) also rose.

Commission expense rose slightly (+ 2.1%) mostly as a result of higher commissions paid for the placement of issued securities and the increase in commissions paid for the custody and administration of foreign securities following a growth in operations with customers.

Also in 2000 activities on financial markets recorded a negative result, even if considerably lower than the previous year, as illustrated in the following table, where the loss on financial transactions is broken down in the securities, currency and derivative components, differentiating the economic effects determined by dealing activities from those deriving from year-end valuations.

Profits
on financial transactions

(in billions of lire)

Captions/subcaptions	2000	1999 pro forma	Changes	
			amount	%
Results from dealing activities				
– securities and securities derivatives	14.8	(10.6)	25.4	239.6
– currency and currency derivatives	64.2	27.9	36.3	130.1
– interest rate and index derivatives	(4.8)	(49.4)	(44.6)	(90.3)
	74.2	(32.1)	106.3	331.2
Valuation effects				
– adjustments	(137.2)	(401.2)	(264.0)	(65.8)
– capital gains on listed securities	106.6	15.1	91.5	606.0
– write-backs of unlisted securities	0.7	81.1	(80.4)	(99.1)
– valuation of asset swaps	(5.7)	1.9	(7.6)	(400.0)
	(35.6)	(303.1)	(267.5)	(88.3)
Valuation effects of securities derivatives	(27.7)	(7.9)	19.8	250.6
Valuation of commitments on securities	1.3	0.0	1.3	0.0
Result of valuation of interest rate and index derivatives	(55.1)	99.3	(154.4)	(155.5)
Total profits (losses) on financial transactions	(42.9)	(243.8)	(200.9)	(82.4)

In 2000 activities on financial markets registered a negative result equalling 42.9 billion lire.

As regards securities, the result must be analysed separately for the Central offices and the foreign branches. In Italy, the Bank achieved a positive result

equalling 183.8 billion lire due to an appreciable performance of the equity market segment, which generated a brokerage income of 48.4 billion lire and write-backs on year-end financial assets amounting to 75.4 billion lire. A positive contribution to such result was given by the cancellation of own bonds contained in the trading portfolio which generated an income in the securities compartment amounting to approximately 100 billion lire (partly offset by an approximately 50 billion lire loss on the corresponding derivative hedging contracts).

Foreign branches, instead, registered a negative result equalling 231 billion lire mainly due to the aforementioned arbitrage implemented by the London branch aimed at profiting from the differentials in terms of spread between the yield generated by the high-coupon securities portfolio and the relevant funding cost. Such operation led to significant write-downs on securities and positively affected the interest margin due to the high coupons. The average size of this particular portfolio during 2000 amounted to approximately 4,500 billion lire and the estimated margin in respect of the average overnight interest rate for 2000 exceeded 200 billion lire.

The currency compartment recorded a very positive trend and generated an income totalling 64.2 billion lire as a result of broking activities with customers and of long positions taken on the US dollar which led to fully benefit from the revaluation of the American currency against the euro.

Derivatives on interest rates recorded an overall loss of 59.9 billion lire, mostly due to the already mentioned charges connected to the disposal of derivative contracts acquired to hedge bonds issued in previous years and repurchased and cancelled during the year.

Net interest and other banking income stood at 9,778.2 billion lire, with an 11.1% growth rate compared to 8,799.7 billion lire in 1999. The contribution of income from services to net interest and other banking income amounted to 29.5% (the percentage rises to 35% if dividends are excluded from net interest and other banking income).

Operating costs

(in billions of lire)

Captions/subcaptions	2000	1999 pro forma	Changes	
			amount	%
Administrative costs				
- payroll	(2,721.5)	(2,891.4)	(169.9)	(5.9)
- other administrative costs	(2,389.0)	(2,242.6)	146.4	6.5
	(5,110.5)	(5,134.0)	(23.5)	(0.5)
Adjustments to				
- tangible fixed assets	(181.0)	(235.8)	(54.8)	(23.2)
- intangible fixed assets	(146.8)	(253.2)	(106.4)	(42.0)
	(327.8)	(489.0)	(161.2)	(33.0)
Operating costs	(5,438.3)	(5,623.0)	(184.7)	(3.3)

Operating costs registered a 3.3% reduction from 5,623 billion lire in 1999 to 5,438.3 billion lire in 2000.

Personnel costs decreased by 5.9% due to the reduction of 728 employees (including 511 employees related to the branches contributed by Banco Ambrosiano Veneto to Banca Popolare FriulAdria).

Other administrative costs rose by 6.5% as a result, on the one hand, of the increase in legal costs generated by the liquidation of liabilities connected with the non-performing



loans transferred to Intesa Gestione Crediti, the expenses for organisational activities not related to the integration process currently under implementation and the advertising expenses associated with the launch of new products and, on the other hand, of the containment of operating costs which had been centralised in Intesa Sistemi e Servizi. In fact, expenses for maintenance and refurbishing of real estate, postal expenses, cleaning expenses and security expenses declined.

Administrative expenses were also affected by the fact that the previous year Banco Ambrosiano Veneto and Cariplo had transferred to Intesa Sistemi e Servizi their own hardware and software to concentrate all IT activities in the new Service company. Since the transfer occurred in the middle of 1999, the 1999 statement of income incorporated only a six-month imputation by ISS of the depreciation and amortisation charges on the contributed assets, whereas the 2000 statement of income obviously recorded such charges for the whole year.

The same phenomenon with the opposite sign was recorded by the trend in depreciation and amortisation which decreased by 161.2 billion lire with respect to 1999. This reduction was also due to the fact that the previous year Banca Intesa had entirely expensed the remaining charges related to the registration tax on increases of capital and to the organisational consultancies entered as assets in the previous years.

In 2000 operating margin reached 4,339.9 billion lire with a 36.6% growth rate compared to the previous year. The cost/income ratio, i.e. the ratio between operating costs and net interest and other banking income dropped by eight percentage points compared to 1999, down to 55.6%.

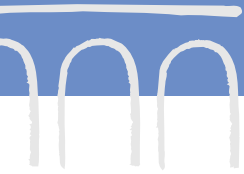
(in billions of lire)

Adjustments,
write-backs and
provisions

Captions	2000	1999 pro forma	Changes	
			amount	%
Adjustments to loans and provisions for guarantees and commitments	(694.7)	(1,036.5)	(341.8)	(33.0)
Write-back of adjustments to loans	173.9	208.6	(34.7)	(16.6)
Provisions for possible loan losses	(122.6)	(211.1)	(88.5)	(41.9)
	(643.4)	(1,039.0)	(395.6)	(38.1)
Provisions for risks and charges	(162.5)	(278.5)	(116.0)	(41.7)
Adjustments to financial fixed assets	(116.2)	(155.7)	(39.5)	(25.4)
Write-back of financial fixed assets	15.8	2.6	13.2	507.7
Balance	(906.3)	(1,470.6)	(564.3)	(38.4)

Adjustments to loans, guarantees and financial fixed assets together with provisions for risks and charges registered a 38.4% reduction compared to 1999, from 1,470.6 billion lire to 906.3 billion lire.

Net adjustments to cash loans and guarantees and commitments decreased by 307.1 billion lire partly as a result of the use of the provisions for risks and charges made by Cariplo and Mediocredito Lombardo in previous years. Adjustments, net of write-backs, were related to non-performing loans for 315 billion lire and to problem loans for 108.2 billion lire. Further provisions amounting to 70.5 billion lire were made (excluding the portion allocated by Cassa di Risparmio di Parma



e Piacenza and therefore included in the reserves of the latter) for the so-called "generic reserve" to cover the intrinsic risk of performing loans. Provisions for possible loan losses (122.6 billion lire) referred to the allocation, which was made to benefit from a deferment of taxes, of interest on non-performing loans accrued during the year and deemed to be recoverable. Provisions for risks and charges decreased by 116 billion lire compared to 1999. It amounted to 162.5 billion lire and was mainly related to charges foreseen for legal disputes (58.5 billion lire), pending litigations (41 billion lire) and to the re-negotiation of mortgages granted to the subsidised construction industry ex Law 133/99 (29 billion lire). Adjustments to financial fixed assets (116.2 billion lire) were mainly related to the revaluation of the equity investments in FundsWorld (27.5 billion lire), in Intesa e-lab (8.4 billion lire), to Agricola Investimenti (4.5 billion lire), to Elsacom NV (7.2 billion lire) and to Banco de Investimento Imobiliario (63.3 billion lire) following the spin-off made by the latter in favour of its parent company Banco Comercial Portugues (Banca Intesa also holds an equity investment in the latter). This spin-off operation heavily affected the statement of income of Banco de Investimento Imobiliario, as illustrated in the specific comment on the Portuguese bank.

Income from operating activities

Following the growth in operating margin coupled with the containment of adjustments and provisions, income from operating activities for 2000 reached 3,433.6 billion lire, doubling the result recorded the previous year.

Income from extraordinary activities and net income

(in billions of lire)

Captions	2000	1999 pro forma	Changes	
			amount	%
Extraordinary income	521.8	1,391.2	(869.4)	(62.5)
Extraordinary charges	(382.3)	(732.1)	(349.8)	(47.8)
Extraordinary income, net	139.5	659.1	(519.6)	(78.8)

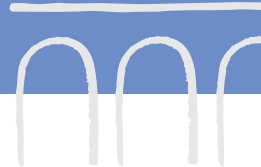
During 2000 extraordinary operations registered a substantial contraction compared to the previous year and net extraordinary income equalled 139.5 billion lire, against 659.1 billion lire in 1999.

Extraordinary income (521.8 billion lire) decreased by 869.4 billion lire mainly because the previous year's figure included 561.5 billion lire of extraordinary income deriving from the first application of Accounting Principle 25 on taxes plus higher capital gains from the sale of equity investments (583.3 billion lire against 70.6 billion lire in 2000). The main components of extraordinary income for the year, in addition to the mentioned income from the sale of equity investments, was generated by the collection of interest on non-performing loans (78.8 billion lire), the capital gains on the sale of securities in the trading portfolio (56.2 billion lire), and the income from the sale of real estate properties (23.9 billion lire).

Also extraordinary charges (382.3 billion lire) recorded a considerable reduction compared to 1999 since in the previous year an extraordinary provision of 500 billion lire was made to the allowance for integration charges to cover future charges connected to the completion of the integration in Intesa of Cariplo and Banco Ambrosiano Veneto and to the start up of the integration with Banca Commerciale Italiana.

The main components of extraordinary charges during the year were related to the liquidation of interest and commissions (45 billion lire) and to transactions with customers (35.9 billion lire).

Finally, it must be noted that during 2000 extraordinary operations were affected by the effects of the settlement of pending items generated in Cariplo in previous



years, as well as to the correction of an error in a newly installed IT procedure, made in Cariplo in 1999. Such settlements negatively affected the statement of income for approximately 40 billion lire.

The statement of income for 2000 registered taxes amounting to 1,515 billion lire, with a percentage incidence on the result before taxation slightly exceeding 42%. In both absolute and percentage terms these figures are considerably higher than those recorded in 1999.

This increase is due to the different tax incidence in both years: in 2000 the statement of income included the deferred taxes related to the deficit resulting from the mergers and a heavier tax burden related to the acquisition of the banking activities of Cassa di Risparmio di Parma e Piacenza, company which was later merged in Banca Intesa with an overall negative effect of approximately 135 billion lire; instead, 1999 benefited from a positive effect exceeding 220 billion lire, which was due to the tax exemption for the extraordinary income generated by the registration of prepaid taxes.

Banca Intesa closed the year 2000 with a net income of 2,058.1 billion lire, with a 13.1% increase compared with the consistent figure in 1999.

Reclassified balance sheet

(in billions of lire)

Assets	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
1. Cash and deposits with central banks and post offices	972.3	922.0	50.3	5.5
2. Loans				
– loans to customers	173,412.8	155,199.8	18,213.0	11.7
– due from banks	44,177.9	43,440.3	737.6	1.7
3. Trading portfolio	26,192.6	25,518.1	674.5	2.6
4. Fixed assets				
a) investment portfolio	8,580.8	12,673.5	(4,092.7)	(32.3)
b) equity investments	19,178.5	17,650.9	1,527.6	8.7
c) tangible and intangible	2,582.5	2,832.3	(249.8)	(8.8)
5. Other assets	16,700.0	19,734.2	(3,034.2)	(15.4)
Total assets	291,797.4	277,971.1	13,826.3	5.0

(in billions of lire)

Liabilities and shareholders' equity	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
1. Debts				
– due to customers	82,571.1	82,648.0	(76.9)	(0.1)
– securities issued	69,215.0	72,145.2	(2,930.2)	(4.1)
– due to banks	82,768.5	70,357.5	12,411.0	17.6
2. Allowances with specific purpose	6,697.6	5,154.0	1,543.6	29.9
3. Other liabilities	15,454.6	16,390.4	(935.8)	(5.7)
4. Allowances for possible loan losses	439.2	782.5	(343.3)	(43.9)
5. Subordinated liabilities	11,559.0	10,075.2	1,483.8	14.7
6. Shareholders' equity				
– share capital and reserves	21,034.3	18,599.0	2,435.3	13.1
– net income (loss) for the year	2,058.1	1,819.3	238.8	13.1
Total liabilities and shareholders' equity	291,797.4	277,971.1	13,826.3	5.0

Guarantees, commitments and credit derivatives	63,193.3	55,961.5	7,231.8	12.9
Custody and administration of securities	271,383.4	250,892.4	20,491.0	8.2



Lending and deposit collection

During 2000 lending and deposit collection activities with customers recorded an appreciable growth in loans to customers and a more subdued trend in customer deposits. The former rose by 11.7% compared to as at 31st December 1999 and by over 15% in terms of average volumes. Direct customer deposits, instead, decreased on year-end values (- 1.3%), also as a result of an over 5,000 billion lire reduction in intergroup financing, and increased slightly (+ 0.4%) in terms of average volumes. The short-term component was decidedly more dynamic both on assets and on liabilities and registered a 22.7% growth rate in loans to customers and a 4.8% growth in customer deposits.

The analysis of the balance sheet must take into account that figures for 2000 reflect Banco Ambrosiano Veneto's spin-off of sixty branches located in the Friuli-Venezia Giulia region in favour of Banca Popolare FriulAdria. Book values pertaining to the aforementioned branches, included in the 1999 balance sheet, amount to approximately 1,400 billion lire for loans to customers and to 1,300 billion lire and 3,500 billion lire respectively for direct and indirect customer deposits.

Banking activities

(in billions of lire)

Loans to customers

Subcaptions	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
Overdrafts	39,668.5	37,249.8	2,418.7	6.5
Mortgages	67,312.5	60,954.1	6,358.4	10.4
Advances and other loans	59,088.8	48,956.2	10,132.6	20.7
Repurchase agreements and securities lending	3,214.7	3,705.0	(490.3)	(13.2)
Non-performing loans	4,128.3	4,334.7	(206.4)	(4.8)
Total loans	173,412.8	155,199.8	18,213.0	11.7
<i>Including</i>				
<i>with residents in Italy</i>	<i>161,209.8</i>	<i>143,180.2</i>	<i>18,029.6</i>	<i>12.6</i>
<i>with residents</i>				
<i>in other EU Countries</i>	<i>9,079.5</i>	<i>8,873.9</i>	<i>205.6</i>	<i>2.3</i>
<i>with residents</i>				
<i>in non-EU Countries</i>	<i>3,123.5</i>	<i>3,145.7</i>	<i>(22.2)</i>	<i>(0.7)</i>

Loans to customers as at 31st December 2000 amounted to 173,412.8 billion lire, with an 11.7% increase compared to 155,199.8 billion lire recorded in 1999, in spite of the mentioned spin-off of branches in favour of Banca Popolare FriulAdria. Such increase concerned both overdrafts (+ 6.5%) and mortgages (+ 10.4%). Also advances and other loans (+ 20.7%) registered positive trends as a result of the Bank's activities as a treasurer for Group companies and of the so-called "hot money" operations.

By contrast, repurchase agreements, which in the loans to customers caption represent the typically financial transactions, recorded a 13.2% drop.

Non-performing loans declined by 206 billion lire (- 4.8%).

Geographic areas - Italy	31st December 2000	31st December 1999
North-West	69.0%	67.4%
North-East	11.4%	11.4%
Central Italy	11.4%	11.1%
South and Isles	8.2%	10.1%
Loans - Italy	100.0%	100.0%

Geographic breakdown of loans to customers granted in Italy, which represent over 90% of total loans to customers, did not show significant changes compared to 1999. Loans to customers granted in the North-Western area always represent the greatest portion with a percentage close to 70% since both the Cariplo network and the Mediocredito Lombardo network operate mostly in that area.

(in billions of lire)

Subcaptions	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
Non-performing loans	4,128.3	4,334.7	(206.4)	(4.8)
Problem loans	3,224.4	2,595.2	629.2	24.2
Restructured loans and loans under restructuring	383.4	435.4	(52.0)	(11.9)
Loans subject to Country risk	143.5	114.7	28.8	25.1
Performing loans	165,533.2	147,719.8	17,813.4	12.1
Total loans	173,412.8	155,199.8	18,213.0	11.7

Doubtful loans show a decrease in non-performing loans amounting to 206.4 billion lire (– 4.8%) and an increase in problem loans amounting to 629.2 billion lire (+ 24.2%) mainly due to the activation also on the Cariplo network of the “Doubtful loan process”, which was previously implemented on the Banco Ambrosiano Veneto network and is later described in this Report by analysing in which ways loans to customers are granted, monitored and managed. The implementation of this process allowed to identify critical situations more promptly and precisely, also with the adoption of sophisticated IT procedures, and therefore quickly activate adequate actions to manage such positions. The experience already gained on the Banco Ambrosiano Veneto network showed that a first phase characterised by rising values is followed by a significant contraction in values as a result of more effective management procedures and more timely corrective actions.

Gross non-performing loans amounted to 6,136.8 billion lire and is covered by 2,008.5 billion lire of adjustments representing a 32.7% coverage (percentage which rises to 50.2% excluding the land credit segment of the Cariplo network). The incidence of non-performing loans (which for the portion related to ordinary loans are annually transferred pro soluto – without recourse, that is, without guarantee on the solvency of the borrower – to the Group’s doubtful loan recovery company) on total loans to customers equalled 2.4%, lower than the 1999 figure (2.8%).

Gross problem loans totalled 3,566.4 billion lire against adjustments amounting to 342 billion lire with a 9.6% coverage.



Restructured loans and loans subject to Country risk stood at contained levels: the former, equalling 383.4 billion lire, decreased by 52 billion lire compared to 1999 while loans subject to Country risk, equalling 143.5 billion lire, increased by 28.8 billion lire.

Lastly, with regard to performing loans, i.e. the loans which at present do not show any critical trends, the aggregate is covered by provisions (the so-called Generic reserve) amounting to 635 billion lire, which guarantees a 0.5% coverage of performing loans, net of repurchase agreements and of due from Group companies.

The following table shows the overall exposure (represented by cash loans, guarantees given and securities issued) and the so-called Value at Risk, i.e. the exposure, net of the guarantees considered to calculate the adjustments related to the so-called Country risk, toward residents in Countries outside OECD, together with the relevant provisions which have been made.

(in billions of lire)

Countries	31st December 2000			31st December 1999 - pro forma		
	Nominal value	Value at Risk	Write-downs and provisions	Nominal value	Value at Risk	Write-downs and provisions
Cayman Islands	146.5	145.0	2.4	247.0	34.3	3.2
Russia	77.2	73.8	27.8	61.1	61.1	36.6
Bermuda	45.3	45.2	7.0	13.6	5.1	1.2
Argentina	49.8	39.9	2.5	9.6	9.6	1.9
Philippines	39.9	33.6	0.1	83.6	83.6	12.6
Other Countries	167.3	117.2	14.5	393.6	390.2	29.9
Total	526.0	454.7	54.3	808.5	583.9	85.4

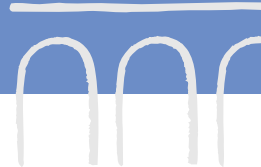
The overall exposure as at 31st December 2000 shown in the table is represented by cash loans for 273 billion lire, by securities for 261 billion lire and by guarantees for the remaining part. The considerable exposure toward borrowers resident in the Cayman Islands is almost entirely due to securities (131 billion lire), which are valued by applying to each security a market spread reflecting both the issuer's risk and Country risk. Among the Countries not reported above, the main exposures relate to Brazil (31 billion lire), Venezuela (25 billion lire) and Egypt (16 billion lire).

Subcaptions	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
Deposits	9,386.2	10,834.8	(1,448.6)	(13.4)
Current and other accounts	67,913.0	66,340.4	1,572.6	2.4
Bonds	54,720.7	54,035.9	684.8	1.3
Certificates of deposit	12,846.5	16,120.3	(3,273.8)	(20.3)
Other	1,932.6	2,511.8	(579.2)	(23.1)
Repurchase agreements	4,987.1	4,950.0	37.1	0.7
Subordinated and perpetual liabilities	10,325.6	9,525.5	800.1	8.4
Total direct deposits ⁽¹⁾	162,111.7	164,318.7	(2,207.0)	(1.3)
Indirect deposits	271,383.2	250,892.8	20,490.4	8.2
Customer deposits under administration	433,494.9	415,211.5	18,283.4	4.4
⁽¹⁾ Including with residents in Italy with residents in other EU Countries with residents in non-EU Countries	139,635.1	144,054.9	(4,419.8)	(3.1)
	12,942.4	10,852.6	2,089.8	19.3
	9,534.2	9,411.2	123.0	1.3

Direct customer deposits as at 31st December 2000 amounted to 162,111.7 billion lire, with a slight decline (- 1.3%) with respect to 164,318.7 billion lire recorded in 1999. Such reduction was due both to the spin-off operation related to sixty branches spun off by Banco Ambrosiano Veneto to Banca Popolare FriulAdria and to lower deposits from Group companies, which dropped by over 5,000 billion lire mostly as a result of lower temporary cash investments from Intesa Asset Management. Excluding deposits from Group companies for both years and excluding also customer deposits collected by the spun off branches in 1999, direct customer deposits would record a 3.2% increase in 2000. Current accounts and issued bonds registered slightly positive trends (respectively + 2.4% and + 1.3%) whereas saving deposits (- 13.4%) and especially certificates of deposit declined, following a progressive contraction which has affected the latter type of contract in the last few years. By contrast, direct customer deposits collected through subordinated liabilities increased ⁽¹⁾ (+ 8.4%).

Geographic areas - Italy	31st December 2000	31st December 1999
North-West	72.1%	72.8%
North-East	12.2%	14.8%
Central Italy	7.5%	6.4%
South and Isles	8.2%	6.0%
Direct deposits - Italy	100.0%	100.0%

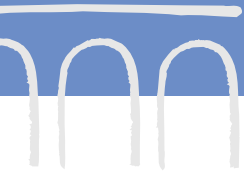
⁽¹⁾ The figure related to subordinated liabilities indicated in the table differs from that reported in balance sheet caption 110, since a portion of the deposits were collected from banks.



The table above shows the breakdown of direct customer deposits (excluding issued bonds) collected in Italy, which represent almost 90% of the total. During 2000, compared to the previous year, no significant shifts from one area to the other were made. Also in this case, as already seen for loans to customers, the North-Western area was the main source of funding.

Indirect customer deposits, instead, recorded a decidedly more dynamic trend compared to that registered by direct customer deposits. The aggregate rose by 8.2% from 250,892.8 billion lire in 1999 to 271,383.2 billion lire in 2000. On a consistent basis (i.e. excluding from the 1999 data, the component pertaining to the spun off branches) the growth rate increases to 9.7%. On the contrary, managed funds recorded a slight decline from 116,326.3 billion lire in 1999 to 113,779.8 billion lire in 2000 (- 2.2%). In consistent terms such decrease stands at 1.2%. Managed funds represented 42% of indirect customer deposits.

Indirect
customer deposits



Financial activities

Portfolio management

Speculative portfolio

During the first semester, for the purpose of anticipating market trends, the Bank set up positions capable of benefiting from the flattening of the yield curves on Government bonds in euro and dollar and the contraction in the spread between the euro and the dollar curve, and acquired asset swaps on bonds of the Euro area. Furthermore the Bank set up structurally long positions on short-term interest rates, mostly through interest rate swaps. Benefiting by the high volatility levels on German Government securities at the beginning of the year, the Bank sold options and swaptions on the long-term end of the euro curve. During the second half, with the first concrete signs of slowdown in the US and the consolidation of expectations of the end of interest rate rises also in Europe, short interest rate positions were implemented also by means of options and swaptions. As concerns corporate and emerging markets securities, the market was significantly influenced by the substantial rise in interest rates, by a considerable rise in investors' risk aversion (also related to high stock market volatility) and the inversion in the dollar yield curve: all these factors negatively affected spreads of corporate issuers and suggested to maintain the exposure constantly and largely below the attributed limits, limiting operations to certain issuers (mainly in the euro area). In the second half, against a more favourable context in terms of curve inclination, the reliability of issuers deteriorated further (mostly in the telecommunication sector, aggravated by extremely large issues); it was therefore felt appropriate to continue to hold very light positions. With reference to the money market, substantial long positions were set up both on the euro curve (to a greater extent) and on the dollar curve; starting from the end of the first half, such positions had been profitably sold and short positions on interest rates on the euro curve were progressively built. The forex, spot and derivatives desks continuously performed trading activities, mainly on the euro/dollar and dollar/yen cross, benefiting, also through the use of derivatives, from both directional trends and volatility. As consequence of the above-described strategies, activities on derivatives registered a strong boost, particularly on negotiations of interest rate swaps (exceeding 80,000 billion lire), of Ois (56,000 billion lire) and of futures contracts and futures options in the Euro and US areas, both on securities and interest rates. Trading activities on equities mostly concerned equities listed in the Milano Stock Exchange and those representing the main Italian and foreign indices (Mib30, Nasdaq, Dow Jones and Nikkei): the volume of transactions totalled approximately 1,600 billion lire in the year.

Structural portfolio

As already pointed out, in the first part of the year the credit spread on investment grade corporate securities increased, both as a result of sector trends (the consolidation of the Telecom sector, the antismoke judicial proceedings for tobacco) and general trends (mostly, an increase in investors' risk aversion). In this area, asset allocation turned to asset-backed securities issued by banks which, in spite of considerable market volatility, remained stable. Marginal activities were carried out on the corporate issues segment by carefully selecting single issuers. With regard to the Government bond market, a satisfactory performance was registered on BTP (Italian fixed-rate Government bonds) related to asset swaps and positions in CCT (Italian floating-rate Government bonds) were maintained.

Issuing and listing activities

Banca Intesa issues totally amounted to approximately 13,300 billion lire: 4,841 billion lire issued in the name of Banca Intesa, 5,113 billion lire by Cariplo, 1,069 billion lire by Banco Ambrosiano Veneto and 2,271 billion lire by Mediocredito Lombardo. Issues carried out on behalf of Cassa di Risparmio di Parma e Piacenza amounted to 1,812 billion lire.



The lower appeal of bonds compared to other forms of investment determined a drop in Gruppo Intesa's placement activities on behalf of other issuers: the overall countervalue of securities issued was approximately 2,250 billion lire on the euro market and 61 billion lire on the domestic market.

Placement of Government securities on the primary market amounted to 19,500 billion lire, of which over 90% was made up of BOT (Italian short-term Government bonds).

The overall value of shares placed on behalf of third parties on the retail market totalled 1,350 billion lire, with a slight decrease compared to the previous year (1,800 billion lire) in spite of the greater number of operations (28 vs. 23).

The year 2000 saw the closure of the Cariplo and Banco Ambrosiano Veneto branches and the gradual transfer of operations to the new Banca Intesa branches. This led to a different allocation of the investment portfolio which, partly for Cariplo's London branch, and totally for all other Cariplo branches, was re-allocated to Intesa's trading book. The London branch increased its operations in the fixed-income trading area and generated particularly satisfactory results.

*Operations of
the foreign branches*

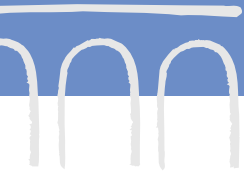
(in billions of lire)

Operating margin

Subcaptions	31st December 2000		Capital gains/losses	31st December 1999 pro forma		Capital gains/losses
	Book value	Market value		Book value	Market value	
Investment portfolio	7,499.6	7,351.2	(148.4)	11,796.8	11,961.3	164.5
Trading portfolio						
– debt securities	25,168.1	25,228.7	60.6	24,491.2	24,510.3	19.1
– shares, quotas and other forms of capital	686.6	687.5	0.9	756.6	756.6	–
Total trading portfolio	25,854.7	25,916.2	61.5	25,247.8	25,266.9	19.1
Investments						
– Pension funds						
– Investment portfolio	1,081.2	1,136.0	54.8	876.7	959.8	83.1
– Trading portfolio	337.9	470.3	132.4	270.3	415.2	144.9
Total Investments						
– Pension funds	1,419.1	1,606.3	187.2	1,147.0	1,375.0	228.0
Total	34,773.4	34,873.7	100.3	38,191.6	38,603.2	411.6

Investments in securities as at 31st December 2000 show a 3,418.2 billion lire drop (– 9%) with respect to the end of the previous year, down from 38,191.6 billion lire to 34,773.4 billion lire.

The contraction is concentrated on the investment portfolio, which decreased by 4,297.2 billion lire, and is mainly due to the divestment of securities held by the foreign branches of Cariplo and Banco Ambrosiano Veneto, following their closure. These assets were partly sold in the market and partly transferred to the co-existing foreign branches of Banca Intesa, which were established during 2000. The transferred assets, with the only exception of few securities (totalling 271 billion lire),



were no longer kept as investments by the new branches since the management of the securities portfolio was centralised in Italy.

As at the end of 1999 the foreign branches of Cariplo and Banco Ambrosiano Veneto held in the investment portfolio securities amounting to 5,016 billion lire (in terms of nominal value). Of such securities 2,356 billion lire were sold, while 2,660 billion lire were transferred to Banca Intesa's branches at market prices realising a total capital gain (net of the charges connected with the relevant hedging derivatives) equalling 23.8 billion lire.

The securities trading portfolio is slightly higher than as at 31st December 1999 (+ 606.9 billion lire) as a result of the aforementioned transfer of securities previously held in the investment portfolio by foreign branches which have been closed down, coupled with a reduction of investments in the bond sector.

The investments pertaining to the internal pension funds, instead, increased by 272.1 billion lire and were essentially made up of securities in the investment portfolio.

On the whole the securities portfolio embedded implicit net capital gains, which were not accounted for, totalling 100.3 billion lire, which were offset by implicit net write-downs (not accounted for) on the relevant hedging derivatives amounting to 31.6 billion lire (the corresponding values the previous year amounted to + 411.6 billion lire and to - 240.9 billion lire).

The investment portfolio (which, as it is well known, is valued at cost), had implicit capital gains of 8.4 billion lire and implicit write-downs of 156.8 billion lire as well as on the corresponding derivatives implicit write-downs of 3.4 billion lire and implicit capital gains of 1.4 billion lire, all of which were not accounted for. The greatest portion of write-downs on securities (131.6 billion lire) was generated by the securities (5,162 billion lire) constituted as guarantee for the "Warrant Put Intesa - BCI" issued at the end of 1999 on occasion of the Tender Offer for Banca Commerciale Italiana shares. These are Italian Government securities booked at a value below the nominal value which reach maturity just before the date of exercise of the mentioned warrants in November 2002.

In the trading portfolio, implicit capital gains of 61.5 billion lire on unlisted securities (which are valued at the lower value between purchase cost and market price) and the implicit net write-downs on the relevant hedges (29.6 billion lire) were not accounted for.

The securities pertaining to the internal supplementary funds (which are valued at purchase cost if contained in the investment portfolio and at the lower value between purchase cost and market value if contained in the trading portfolio) show as at 31st December 2000 implicit net capital gains totalling 187.2 billion lire, which have not been accounted for.

Off-balance sheet transactions

The following table reports notional values of derivatives as at 31st December 2000 and as at the end of the previous year, broken down according to underlying asset (interest rates, currencies, indices and securities).



(in billions of lire)

Contract type (Notional values)	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
Dealing				
Interest rate derivatives	203,109.2	257,736.0	(54,626.8)	(21.2)
Currency derivatives	1,804.7	3,114.0	(1,309.3)	(42.0)
Index and other derivatives	610.2	17,831.0	(17,220.8)	(96.6)
Total	205,524.1	278,681.0	(73,156.9)	(26.3)
Hedging				
Interest rate derivatives	134,546.2	111,555.0	22,991.2	20.6
Currency derivatives	3,659.1	3,532.0	127.1	3.6
Index and other derivatives	5,660.9	5,807.0	(146.1)	(2.5)
Total	143,866.2	120,894.0	22,972.2	19.0

In addition to				
Credit derivatives (trading book)	104.0	106.0	(2.0)	(1.9)

The notional value of dealing derivatives changed from 278,681 billion lire as at 31st December 1999 to 205,524.1 billion lire as at the end of 2000. The reduction in values, especially for index and securities derivatives, is mainly due to the punctual year-end situation which is different in the two years under consideration (the average volumes traded during 2000 are instead higher than the previous year) rather than to a real decrease in operations.

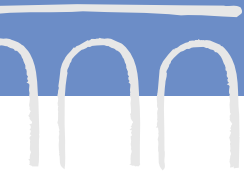
The notional value of hedging derivatives rose from 120,894 billion lire as at 31st December 1999 to 143,866.2 billion lire as at the end of 2000. The prevailing portion of the contracts is related to transactions on interest rates which were made to hedge issued bonds and granted mortgages.

(in billions of lire)

Interbank position

Captions	31st December 2000	31st December 1999 pro forma	Changes	
			amount	%
Due from banks repayable on demand	5,168.8	5,392.1	(223.3)	(4.1)
Due to banks repayable on demand	22,600.1	13,654.0	8,946.1	65.5
<i>Net interbank position repayable on demand</i>	<i>(17,431.3)</i>	<i>(8,261.9)</i>	<i>9,169.4</i>	<i>111.0</i>
Due from banks - with maturity	39,009.1	38,048.2	960.9	2.5
Due to banks - with maturity	60,168.4	56,703.5	3,464.9	6.1
<i>Net interbank position with maturity</i>	<i>(21,159.3)</i>	<i>(18,655.3)</i>	<i>2,504.0</i>	<i>13.4</i>
Net interbank position	(38,590.6)	(26,917.2)	11,673.4	43.4

The net interbank position as at 31st December 2000 shows a negative balance of 38,590.6 billion lire which compares with an equally negative balance of 26,917.2 billion lire as at the end of 1999. In terms of average volumes due to banks increased more significantly compared to 1999, from 21,000 billion lire to over 37,000 billion lire, since the higher liquidity was used partly to finance increases in loans with customers and partly to invest in equity investments.



Equity investments

In the implementation of the new Group model the merger of Banco Ambrosiano Veneto, Cariplo and Mediocredito Lombardo in Banca Intesa is the most important operation which involved equity investments during 2000.

Group restructuring

Again with the aim of giving the Group a more functional structure, the previous year Banca Intesa absorbed Cassa di Risparmio di Parma e Piacenza, after the transfer by the latter of banking assets and liabilities to a new company, which took the same name and is entirely owned by Intesa.

With the purpose of rationalising the equity investment structure, another operation was also defined in detail during 2000 and will be implemented in 2001. It concerns Carinord Holding and involves the Foundations Cassa di Risparmio di Alessandria, Cassa di Risparmio della Spezia and Cassa di Risparmio di Carrara. In fact, an agreement was reached with these Foundations which foresees the total and unproportional split of the Holding company, which will be extinguished, and the assignment of its equity investments to two new companies.

The first new company will receive only the equity investments in Cassa di Risparmio di Alessandria and its shareholders will be Banca Intesa and the Foundation Cassa di Risparmio di Alessandria.

The second company will incorporate the equity investments currently held in Cassa di Risparmio di Carrara and Cassa di Risparmio della Spezia and its shareholders will be the homonymous Foundations and Banca Intesa. This company will then be incorporated in Intesa, which therefore will become direct shareholder of the two Saving banks.

Within new activities the following entities have been established: Intesa e-lab, which renamed and modified the corporate purpose of Banca Proxima, which is a sub-holding responsible for initiatives in the sector of "remote banking" services; FundsWorld, which is proposing on line investments in Mutual funds and Sicavs; Intesa Sec. which is a special purpose vehicle whose corporate purpose is the securitisation of performing loans. Other operations in newly established companies concerned: Sviluppo Garibaldi-Repubblica, Loyalty Group Italia and Banca Intesa Mediocredito.

In the framework of the Industrial plan for the tax collection sector, the sale of the equity investments owned by Cariplo in GET - Gestioni Esattorie Tesorerie (in liquidation) and Esa.Tri. to Intesa Riscossione Tributi was completed, in order to concentrate in the sub-holding the companies performing that activity.

Acquisitions and sales

Acquisitions and sales within the banking sector involved the following minor companies:

- the acquisition, through Mediocredito Lombardo, of a 53.23% stake in the share capital of Banca Cis owned by the Treasury Ministry; following this operation the stake held in that bank rose to approximately 55.4%;
- the acquisition, through Cariplo, of a 35% stake in the share capital of Cassa di Risparmio di Terni e Narni. The contract provides for a put option, with four-year validity, held by the Foundation which still retains the control of the Saving bank, to sell a further 16% of the capital, so that in the future Intesa could attain the control of the Saving bank;
- the sale to the homonymous Foundation, which already held the majority stake, of the 20% stake owned in Cassa di Risparmio di Pescara e Loreto Aprutino;



- the sale to Credito Emiliano of the stake (5.9%) held by Banco Ambrosiano Veneto in Istituto Centrale di Banche e Banchieri;
- the sale to Geam of a portion (13.7%) of the equity investment which Cariplo held in Credito Agricolo e Industriale (formerly Credito Agricolo Italiano); the residual stake in the bank decreased therefore to 7.5%, with a further put option to sell to Geam;
- the conclusion of the second and last phase of the ICCRI - Banca Federale Europea operation, which led to the sale to Bipielle Partecipazioni of approximately 9% of the capital held by certain Group companies. As a consequence of the commitments taken with the counterparty, Gruppo Intesa purchased approximately 9% of the capital of Immocri, a real estate company controlled by ICCRI.

In the financial sector, the following transactions must be noted:

- the sale of the stake held by Banco Ambrosiano Veneto in Tecnofin, in which the Group, through Banca di Trento e Bolzano, keeps a symbolic stake;
- the sale to the European Investment Bank of the equity investments held by Cariplo and Banco Ambrosiano Veneto in the European Investment Fund, Luxembourg: only BCI with a 0.3% stake now represents the Group;
- the sale to Mediocredito Centrale of all interests held by Group companies in Sofipa;
- the establishment of the new company Nord-Est Sicav, of which Intesa holds a controlling stake.

In the service sector the controlling stakes respectively held by Banco Ambrosiano Veneto in Assiprogetti and by Cariplo in Paros were sold; this determined the exit of the Group from the insurance brokerage sector, with the exclusion of a small stake in Paros held by Banca Carime.

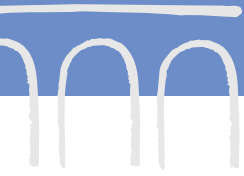
To re-enter within the limits set by corporate agreements, which had been exceeded after the entry of BCI in the Group, Cariplo, Banco Ambrosiano Veneto and BCI itself sold half of the stake each of them held in Centrale Rischi Finanziaria - CRIF.

The spin-off of Banco Ambrosiano Veneto in favour of Banca Popolare FriulAdria and the consequent transfer to the latter of 60 branches located in Friuli-Venezia Giulia region and of relevant real estate properties also determined the transfer to FriulAdria of the equity investments held by Banco Ambrosiano Veneto in Agemont, Alpifin, Finest, Finporto, Friulia, Friulia Lis, Mediocredito del Friuli-Venezia Giulia.

Following the liquidation of the companies, Banco Ambrosiano Veneto's equity investments in Euro Travellers Chèque Ecu and in Metim Nord Ovest were cancelled.

The interests held by Group companies in Mediocredito di Roma were exchanged against shares of Mediocredito Centrale, in which the Group holds at present an approximately 0.7% stake.

With regard to acquisitions, the 20% stake in Carivita held by TSB Group BV was purchased through Cariplo, thus raising the current majority stake to 80%. Equity investments held by minority shareholders in the subsidiaries Intesa Leasing, Intesa Asset Management Sgr, Mediocredito Lombardo, Banca Carime and Caboto Sim were also purchased.



Increases in capital

The Group took part in other numerous increases in capital; the most important was related to Intesa Sistemi e Servizi: in fact the capital was increased in various steps and, after the re-denomination in euro, rose from 50 billion lire to 208 million euro, entirely underwritten by Group companies.

Another substantial increase in capital was made by Carivita, to adapt its shareholders' equity to the increased operations in compliance with the mandatory solvency margin; therefore shareholders' equity rose, in two tranches, from 120 billion lire to 200 billion lire and the quota subscribed by the shareholder Cariplo amounted to 64 billion lire.

Again to comply with the solvency margin, also Po Vita increased its capital from 20 million euro to 26 million euro, of which 3 million euro subscribed by Cassa di Risparmio di Parma e Piacenza.

Also Caboto Holding Sim translated in euro its capital of 260 billion lire and then increased it to 162.5 million euro, entirely subscribed by Banca Intesa.

Agos Itafinco, of which Banca Intesa holds a 30% stake, realised a similar operation, moving from an initial capital of 26.7 billion to a final one of 57.3 million euro. The amount invested by Banca Intesa to underwrite its quota of shares equalled 7.8 million euro, since the company realised also a gratuitous increase in capital, using reserves.

Moreover, Banca Intesa adhered to the increase in capital from 3 billion lire to 5 billion lire made by Brebemi, with an investment of approximately 254 million lire. Banca Intesa also acquired from its own subsidiary Cassa di Risparmio di Foligno a 65% stake in Nemetria Servizi Srl; after having changed the corporate name of the latter in Intesa Learning and the corporate status in Spa (joint stock company), Banca Intesa increased the company's capital from 20 million lire to 200 million lire. The Group controls this company with a stake of 98.5%.

As regards Agricola Investimenti, its share capital was annulled to cover losses and then reconstituted to the amount of 5 billion lire. Cariplo took part in this operation for a quota of 99.994%, incurring a total charge of 38.1 billion lire.

Also noteworthy is the operation related to Servizi Interbancari which span off a company arm in favour of Società per i Servizi Bancari - SSB.

The Group's overall equity investment in SSB is currently equal to 18.7%.

Foreign equity investments

As regards the foreign sector, cross equity investments with Banco Comercial Portugues (BCP), Lisbon, were increased. In fact Banca Intesa's equity investment in the Portuguese bank rose from 5% to 6.41%, in spite of the doubling of its share capital which now amounts to 2.1 billion euro. The increase was carried out through both purchases on the market and the assignment of BCP shares following the spin-off operation carried out by Banco de Investimento Imobiliario (in which Banca Intesa holds a 50% stake) in favour of BCP itself.

Banco de Investimento Imobiliario, whose share capital after the spin-off had decreased to 50,000 euro, was again re-capitalised to 94.5 million euro, of which half subscribed by Intesa.

As regards Crédit Lyonnais, Banca Intesa exercised its pre-emptive rights on the stake to be sold by Crédit Commercial de France and thus acquired 275,537 shares; the operation required an investment of 24.8 billion lire and therefore Banca Intesa's stake in Crédit Lyonnais is now approximately 2.7%.

Information on operations and on results achieved in 2000 by the most important associated companies are shown in this Report in the chapter Group companies' performance.



Shareholder base

Shareholder base and Voting syndicate

Based on the last information recorded in the Shareholders' Register and communications received pursuant to Art. 120 of the Testo Unico (Combined regulations on investment services) and other information in Banca Intesa's possession, Shareholders with voting rights in excess of 2% of capital with voting rights are the following:

Shareholders with holdings in excess of 2%			Number of shares	% on ordinary share capital	Major Shareholders
1	Caisse Nationale de Crédit Agricole		814,986,054	16.15	
2	Fondazione Cariplo		498,125,809	9.87	
3	Fondazione Cariparma		242,339,723	4.80	
4	Alleanza Assicurazioni		184,523,983	3.66	
5	Banca Lombarda		130,198,395	2.58	
6	Commerzbank International SA		120,123,116	2.38	
Total			1,990,297,080	39.44	

On 11th April 2000 the main Shareholders of Intesa closed a Voting syndicate which modifies and/or integrates that stipulated on 15th April 1999. The contents of the Shareholders' agreement were communicated to Consob and the Bank of Italy, were made public by means of an excerpt in a notice published by the daily newspaper "Il Sole 24 Ore" on 21st April 2000 and deposited with the Milano Company Register on the same date.

The table below sets out the situation of the shares included in the syndicate in force between the main Shareholders of Banca Intesa updated as at 1st February 2001.

Shareholders taking part in the Voting syndicate		Shares included in the Voting syndicate	% of total shares in the Voting syndicate	% of ordinary share capital	Voting syndicate
1	Caisse Nationale de Crédit Agricole	814,986,054	36.63	16.15	
2	Fondazione Cariplo	498,125,809	22.39	9.87	
3	Generali group	317,005,757	14.25	6.28	
	• Assicurazioni Generali	45,915,297	2.07	0.91	
	• Alleanza Assicurazioni	184,523,983	8.29	3.66	
	• other companies controlled by Assicurazioni Generali	86,566,477	3.89	1.71	
4	Fondazione Cariparma	201,897,057	9.07	4.00	
5	Gruppo "Lombardo"	206,870,866	9.29	4.10	
	• Banca Lombarda	130,198,395	5.85	2.58	
	• IOR ^(*)	42,917,536	1.93	0.85	
	• Mittel	20,427,036	0.92	0.40	
	• Abaxbank (formerly Euromobiliare IB)	8,327,899	0.37	0.17	
	• Credito Emiliano	5,000,000	0.22	0.10	
6	Commerzbank group	186,317,187	8.37	3.69	
	• Commerzbank AG	66,194,071	2.97	1.31	
	• Commerzbank International SA	120,123,116	5.40	2.38	
Total		2,225,202,730	100.00	44.09	

^(*) Shares with a beneficial interest in favour of Mittel Spa.



Group companies' performance

In a Group of the size and the complexity of Intesa, which includes in the full consolidation area 111 companies based in Italy and abroad and operating in the different areas of banking, financial services and services to customers, it is of utmost importance that the Shareholder understands the performance in the year of the larger entities which make up the Group, by means of a synthetic and effective disclosure.

For this reason, for the larger companies it was decided to present the financial highlights and the most important data regarding operations in table format and to limit comments to significant events. This has also made the Annual Report shorter than in previous years, but equally complete.

In this report BCI and its Group are again described in greater detail considering the importance of BCI and its subsidiaries in the economics of the Group.

Banking

As at 31st December 2000 Banca Commerciale Italiana, Cassa di Risparmio di Parma e Piacenza, Banca Carime, Banca Popolare FriulAdria, Banca di Trento e Bolzano, Banca Cis, Cassa di Risparmio di Ascoli Piceno, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Foligno, Cassa di Risparmio di Rieti, Cassa di Risparmio di Spoleto, Cassa di Risparmio della Provincia di Viterbo, Bankhaus LÖbbecke, Intesa Bank Overseas, Banca Intesa (France) and Banca Intesa International carried out banking activities in Gruppo Intesa, in addition to the Parent Company Banca Intesa.

In turn BCI, at the same date, controlled directly or indirectly the following banks: Banca di Legnano, Banco di Chiavari e della Riviera Ligure, Cassa di Risparmio di Biella e Vercelli, Banque Sudameris, Banco Sudameris Brasil, Banco Sudameris de Investimento, Banco América do Sul, Banco Wiese Sudameris, Wiese Bank International, Banco Sudameris Paraguay, Banco Sudameris Colombia, Banca Commerciale Italiana of Canada, Société Européenne de Banque, Banca Commerciale Italiana Suisse, Banca Commerciale France, Banca Commerciale Italiana (Ireland), Central-European International Bank, Privredna Banka Zagreb. Even though the corporate purpose of Intesa Gestione Crediti comprises banking activities, it is listed in the Intergroup support services area considering its typical business within the Group (management and recovery of non-performing loans). Banca Intesa holds a 30.94% stake in Carinord Holding, which controls Cassa di Risparmio di Alessandria, Cassa di Risparmio di Carrara and Cassa di Risparmio della Spezia. Carinord Holding is subject to joint control, and, therefore, the data regarding its group is proportionally consolidated.



Banca Commerciale Italiana

Consolidated financial statements

(in billions of lire)

Financial highlights	2000	1999 ^(*)	Change
Statement of income			
Interest margin	6,337	4,608	37.5%
Net commissions	3,161	2,915	8.4%
Net interest and other banking income	10,413	8,675	20.0%
Operating costs	6,381	6,173	3.4%
<i>including Personnel expenses</i>	3,366	3,309	1.7%
Operating margin	4,032	2,502	61.2%
Income (Loss) from operating activities	2,058	487	322.6%
Net income (loss) for the year (excluding minority shareholders)	1,290	656	96.6%
Balance sheet			
Loans to customers	153,072	127,290	20.3%
Securities	43,758	43,930	(0.4%)
<i>including Investment portfolio</i>	8,196	8,614	(4.9%)
Equity investments	1,744	2,840	(38.6%)
Total assets	280,719	247,761	13.3%
Direct customer deposits	147,274	122,057	20.7%
<i>including Subordinated and perpetual liabilities</i>	7,384	6,512	13.4%
Indirect customer deposits	271,807	243,387	11.7%
<i>including Managed funds</i>	94,681	93,979	0.7%
Customer deposits under administration	419,081	365,441	14.7%
Net interbank position (debt)	40,476	42,196	(4.1%)
Shareholders' equity ⁽¹⁾	10,357	9,577	8.1%
Other information			
Staff (<i>number</i>)	36,241	37,669	(1,428)
<i>including part-time</i>	1,503	1,497	6
Branches (<i>number</i>) ⁽²⁾	2,030	2,094	(64)
<i>including Italy</i>	1,147	1,154	(7)
<i>Abroad</i>	883	940	(57)

^(*) Data restated for consistency purposes.

⁽¹⁾ Including net income for the year, excluding shareholders' equity belonging to minority shareholders.

⁽²⁾ In addition to 631 (655 as at 31/12/99) ATMs inside companies or public entities and 27 (27 as at 31/12/99) representative offices abroad, 13 (formerly 2) private banking branches and 12 (formerly 0) distribution, consulting and investment outlets.

Economic and financial ratios and other data	2000	1999
Balance sheet ratios		
Loans to customers/Total assets	54.53%	51.38%
Securities/Total assets	15.59%	17.73%
Direct customer deposits/Total assets	52.46%	49.26%
Managed funds/Indirect customer deposits	34.83%	38.61%
Statement of income ratios ^(*)		
Interest margin/Net interest and other banking income	60.86%	53.12%
Net commissions/Net interest and other banking income	30.36%	33.60%
Operating costs/Net interest and other banking income	61.28%	71.16%
Net income for the year/Average total assets (ROA) ⁽¹⁾	0.31%	0.28%
Net income for the year/Average shareholders' equity (ROE) ⁽²⁾	8.19%	7.23%
Risk ratios		
Net non-performing loans/Total loans	2.01%	1.84%
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	57.01%	63.40%
EPS - Earnings per share - lire	719	366

^(*) Net of non-recurring transactions.

⁽¹⁾ Average total assets is calculated as the arithmetical average of total assets at the end of previous year and of each subsequent quarter. Including non-recurring transactions, ROA equalled 0.52%.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks. Including non-recurring transactions, ROE equalled 13.70%.



The modifications in the consolidation area which are contained BCI's 2000 consolidated financial statements are indicated below. The following companies have been fully consolidated:

- certain companies of the Banco Wiese Sudameris group - Lima, acquired in the second half of 1999, previously valued according to the equity method;
- the company Atlantis SA - Buenos Aires, also previously valued with the equity method;
- the Privredna Banka Zagreb group - Zagreb, for which control was acquired in the first part of 2000.

Also included in the consolidation area is Banco Caja de Ahorro - Buenos Aires, acquired in the first half of 2000 and later merged with Banco Sudameris Argentina, which was also already consolidated. The new name of the merged banks is Banco Sudameris Argentina.

Among the companies excluded from the consolidation area, the following are particularly noteworthy:

- Credito Fondiario e Industriale - Fonspa, following the completion of its sale;
- Companhia América do Sul Corretora de Câmbio, Titulos e Valores Mobiliários - São Paulo, now valued according to the equity method due the reduction of the percentage stake held following the entrance of new shareholders.

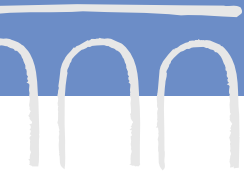
Statement of income and balance sheet figures for 1999 have been properly adjusted so that they are homogeneous and comparable with the data related to 2000.

With reference to the revaluation of the equity investment in Banca di Legnano, which was made by Banca Commerciale Italiana in compliance with Law 342/2000 and then accounted for in an ad hoc reserve net of the relevant tax burden, it must be noted that, for the purpose of the consolidated balance sheet, the effects of such revaluation on the balance sheet have been written off and the relevant tax burden was accounted for in the statement of income and offset by the relevant prepaid taxes.

For further information on this operation please refer to the comments on BCI's financial statements.

The correct evaluation of the results recorded in the consolidated statement of income must be properly linked to the two important events which have been greatly described to the market during the year and classified as non-recurring items in consideration of their magnitude. We are referring to the collection of an interim dividend amounting to almost 1,400 billion lire gross of taxes, deriving from the capital gain originated by the sale of the stake in the share capital of the company Seat Pagine Gialle, indirectly owned through the company Huit which is consolidated at cost. The extraordinary provisions amounting to 400 billion lire have the minus sign. Such provisions refer to the Brazilian network of the Sudameris group, as a consequence of new mandatory requirements to cover credit risk introduced by the Brazilian supervisory authorities. The above-mentioned non-recurring events determined a contribution to the statement of income for the year - net of the tax burden and minority shareholders - totalling approximately 520 billion lire, thus increasing net income for the year to 1,290 billion lire, twice the figure of the previous year.

Excluding the mentioned non-recurring events, ordinary operations in any case registered a net income equalling 771 billion lire, with an 18% increase compared to a year earlier, thanks to the favourable trend recorded by interest margin (+ 7.2%) and net commission income (+ 8.4%), which was partly offset by the lower contribution of other net operating income (- 32%) and the growth in



administrative costs (+ 3.4%). The latter were considerably affected by the integration and restructuring processes implemented during the year by the Sudameris group's Brazilian and Peruvian entities.

As concerns the contribution to net income made by the various consolidated companies, the Sudameris group still appeared heavily affected by difficulties directly linked to its local markets, in addition to the phase of deep structural transformation of the group's entities which are engaged in expanding their networks. In addition to the above-mentioned contingent provisions for credit risks regarding the Brazilian subsidiaries, the management of the conglomerate was affected, also on a purely operational basis, by further negative elements which concurred to determine a loss for the year amounting to 295 billion lire, therefore leading the negative impact to total 695 billion lire. In view of founded expectations of recovery in national economies, the advanced realisation of the integration with the acquired banks, coupled with the financial strengthening attained through the increases in share capital totalling approximately 1,400 billion lire which have been implemented during the year, it is reasonable to expect that soon the group will return to show positive results.

Interest margin

Interest margin recorded by the group increased by 7% to 4,942 billion lire; this result rises to 6,337 billion lire including the aforementioned non-recurring dividend.

Overall interest margin increased as a result of various components.

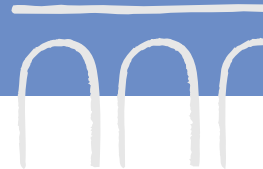
The contribution of operations with customers recorded a 12.2% increase, attributable to a rise in interest income on lending operations greater in absolute value than that recorded by interest expense on various types of funding. This trend is directly linked to the almost generalised expansion in intermediated volumes, in the presence of not-always favourable situations regarding the spread between interest rates on lending and funding. In fact, while banks operating in Italy generally benefited from an upward trend of the above-mentioned spread, in the South-American area – with particular reference to the Brazilian market – the trend in interest rates was decidedly downward, determining a considerable contraction in spreads. The comparison is also affected by the very high levels reached by spreads during the previous year, as a result of the Brazilian real's devaluation. As regards the rise in interest on interbank relationships, the marked increase is directly attributable to BCI's greater use of interbank funding.

Net interest and other banking income

The increased contribution of the interest margin was entirely reflected in net interest and other banking income, which equalled 9,022 billion lire (10,413 billion lire, considering the mentioned interim dividend of 1,395 billion lire net of 4 billion lire of other operating charges) and confirmed the levels reached the previous year. The favourable trend recorded by net commissions, with a growth rate exceeding 8% – due also to the effective action performed by the foreign network, both European and South-American – allowed to easily balance the lower contribution given by financial operations and other net operating income.

Among various categories of commissions, commissions for management, dealing and consultancy were particularly important and their aggregate income represented a 45% portion of the whole caption.

Profits on financial transactions recorded a performance generally less favourable than the previous year's one, in line with what was noted in BCI's financial statements, and stopped at 534 billion lire (– 9.5%). As to dealing in securities, the extremely volatile evolution of the world stock markets – with a particularly severe price drops recorded by high-tech and new economy stocks – determined, despite the sustained volume of transactions, a considerable decrease in income, even if the



defensive strategies adopted by the network allowed, with the support of positive flows generated by transactions in derivatives, to maintain a satisfactory result as a whole.

Performance was differentiated, instead, for transactions on foreign exchange and relevant derivatives, area in which the very positive results achieved by BCI and certain European subsidiaries mostly made up, with the limited sacrifice of approximately 10% of their income, for the non-recurrence of the favourable arbitration opportunities seized in 1999 by the Sudameris group, on occasion of the turbulences induced by the Brazilian currency's devaluation in respect of the US dollar.

By contrast, completely different trends were recorded by transactions on derivatives with underlying assets other than securities or currencies – contracts on interest rates, stock market indices, credit derivatives and so on, mostly contained in complex portfolios – area in which improved profitability led to a decisive inversion of the negative sign which characterised the previous year. Lastly, the contraction in other net operating income was mostly attributable both to the lower capital gains associated with the disposal during the year of equity investments acquired with a merchant banking approach and to the lower capital gains generated by the sale of real estate investments related to leasing contracts, which is a very important activity for the Sudameris group.

The favourable economic performance described above was partly eroded by operating costs, which rose – even if by a limited percentage thanks to successful cost containment policies adopted by the whole structure world wide – so as to absorb, in absolute terms, approximately two thirds of the increase in net interest and other banking income. Consequently, operating margin equalled 2,641 billion lire (+ 5.6%), 4,032 billion lire including the mentioned non-recurring revenues.

Operating margin

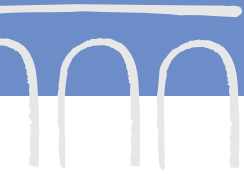
Personnel expenses were substantially stable (+ 1.7%) as a result of the balance between, on the one hand, the increases generated by contractual adjustments and recruitment of personnel specialised in the offer of innovative products and, on the other hand, almost equivalent savings derived from the gradual contraction in the number of employees (reduced by over 1,400 units in average terms).

Other administrative expenses recorded a 6% increase, which is deemed to stand within the typical fluctuations for an international structure involved in phases of great expansion in its network or of integration and restructuring of the existing one. The increases in administrative expenses are due to the following main factors: 297 billion lire (+ 7.8%) structure costs such as rentals, cleaning, illumination and heating, 232 billion lire (+ 34.4%) legal and general consultancy expenses, also with operational purposes; 303 billion lire (+ 7.8%) communication costs (postage, telephone and access to data banks); 189 billion lire (+ 12.8%) security costs, including custody, transport of valuables and insurance coverage; 113 billion lire (+ 28%) advertising expenses; 395 billion lire indirect taxes and duties, unchanged compared to 1999.

The reduction in adjustments to tangible fixed assets mainly reflected the completion in the depreciation period of assets bought in previous years, while the moderate rise in adjustments to intangible fixed assets was related to the costs sustained by certain subsidiaries to update and expand their IT systems.

Lower requirements to cover credit risk, jointly with more contained net adjustments on financial fixed assets originated a saving in terms of operating income so as to compensate entirely for the higher provisions – allocated mainly by BCI and the Sudameris group – to the allowances for risks and charges. The result was a net

Income from operating activities



contribution to the profitability for the year which led to a 37% increase in income from operating activities to 667 billion lire with a further rise to 2,058 billion lire – more than four times the 1999 figure – including the aforementioned interim dividend.

Lower requirements for adjustments to loans (2,154 billion lire; – 7%) reflected an overall improvement in loan portfolio quality, including also the substantial write-backs (579 billion lire; + 12.2%) for the payments received on loans which had been written down in previous years.

The higher provisions to the allowances for risks and charges derived essentially, as previously mentioned, from similar movements made both by BCI, for various reasons analysed in detail in its Report, and by the Sudameris group. In the latter case provisions were made in relation to legal controversies and a pending tax litigations.

Extraordinary income and net income

Income from extraordinary activities recorded a negative balance of 9 billion lire, against a positive one of 389 billion lire in 1999. In the extraordinary income caption the most significant component by far was the capital gain realised on the sale of equity investments, mostly related to the sale of minority interests in Mediobanca, Tecnost and Olivetti realised by BCI. Also the main changes which occurred in the items contained in the extraordinary charges caption are to a large extent related to BCI, as described in detail in the comments to the BCI's financial statements.

Furthermore it must be remembered that extraordinary expenses – as already mentioned in the initial summary – included non-recurring charges for approximately 400 billion lire, resulting from new legislation passed to protect coverage of credit risk pertaining to the Sudameris group.

Taking into account income taxes and income attributable to minority shareholders, consolidated net income reached 771 billion lire (+ 17%), rising to 1,290 billion lire – twice the 1999 result – by including the contribution from the non-recurring items illustrated above.

*Balance sheet
Loans to customers*

The whole aggregate of loans to customers recorded significant growth rates and exceeded 153,000 billion lire, up by 20% on the figure as at 31st December 1999. Among various loan categories, overdrafts registered a 7% growth rate compared to the previous year, whereas both mortgages and consumer loans (+ 23%) and advances and other types of financing (+ 19%) recorded a more substantial and sustained expansion. Repurchase agreements and securities lending almost doubled, although within far lower absolute values. Finally, leasing (+ 15%) and factoring (+ 9%) were particularly dynamic.

Loans to customers, including intergroup transactions, were granted for approximately 72% by BCI, for approximately 8% by Italian subsidiaries and for approximately 20% by various foreign conglomerates. Half of the last percentage was granted by the Sudameris group.

With reference to credit-related off-balance sheet transactions, guarantees and commitments – including credit derivatives managed in the banking book – exceeded 125,000 billion lire, with over 30% increases. In line with the expansion of cash loans, as already mentioned previously, the most significant changes are related to the non-cash, traditional types of guarantees, such as commercial endorsements and sureties and to usable margins on overdrafts (not certain to be called on).



Loans to customers with anomalous trends related to non-performing loans totalled, net of adjustments, 3,078 billion lire, with a considerable increase (+ 33.9%) compared to the figure as at the end of the previous year. The increase is mostly attributable to the new more severe Brazilian legislation mentioned above. The phenomenon had a limited impact on the net non-performing loans to total loans to customers ratio (2%), which recorded a slight rise compared to the level as at the end of December 1999 (1.8%). The aforementioned regulatory changes had a negative impact also on problem loans, which amounted to 1,197 billion lire with an approximately 59% increase compared to the figures as at the end of 1999. By contrast, restructured loans and loans under restructuring, almost entirely related to BCI, are declining, even if for far lower orders of magnitude.

Loans to customers with anomalous trends and Country risk

The category of loans subject to Country risk registered – in terms of assets at risk – gross cash exposures amounting to 1,570 billion lire, with a substantial reduction (– 27%) and non-cash transactions amounting to 497 billion lire, three times the figure recorded the previous year.

The exposures under consideration changed because of various factors such as the different classification in the various Countries in the consolidation area, reimbursements and new loans, loan renegotiations and foreign exchange differences. The main changes on cash exposures are related to the sale of Russian loans and on non-cash transactions are related to new guarantees given by BCI in favour of the Sudameris SA's Brazilian network to cover various types of structured transactions. Total adjustments were determined on a lumpsum basis for each individual Country, in line with indications agreed by the Italian banking system. However loans to certain Countries were excluded from loans subject to Country risk, as their reliability was confirmed by market quotations, which were based upon expectations of full loan repayments. The same approach was taken in the case of a primary borrower resident in Russia, whose exposure is guaranteed by valid reimbursement sources outside Russia. Also transactions on securities contained in the trading portfolio were excluded from loans subject to Country risk as they are already accounted for at market value. For supervisory purposes all these loan positions – totalling 1,017 billion lire of cash loans and 229 billion lire of non-cash loans – were considered under the direct coverage of shareholders' equity, with an overall capital absorption of 247 billion lire.

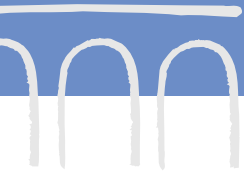
Direct customer deposits recorded a considerable expansion and exceeded 147,000 billion lire with an approximately 21% growth rate.

Direct customer deposits

All various types of customer deposits registered, even if along differentiated lines, remarkable growth rates. The expansion was evident for current accounts (+ 12%) and even stronger for issued bonds (+ 54%) and certificates of deposit (+ 28%). Repurchase agreements also more than doubled, while increases in subordinated and perpetual liabilities include the issues which contributed to the integration of the supplementary capital, in compliance with regulations set forth by supervisory authorities.

Direct customer deposits were collected, including intergroup transactions, for approximately 66% by BCI, for approximately 7% by Italian subsidiaries and for approximately 27% by various foreign conglomerates. Among the latter, the Sudameris group gave the greatest contribution with more than 50% of the total aggregate collected by the foreign network.

Indirect customer deposits also recorded a favourable trend, reaching 272,000 billion lire, with an approximately 12% increase compared to the figure as at the end of 1999, and led customer deposits under administration to exceed 419,000 billion lire (approximately + 15%).



Asset management

Total funds collected by BCI and its subsidiaries under the various types of asset management, both in individual and collective forms, totalled approximately 95,000 billion lire and confirmed (+ 0.7%) the level reached in the previous year. Such result is deemed to be very satisfactory considering that the conditions of high volatility, which have characterised the international financial markets in 2000, contributed to reduce investors' risk propensity. Among the various types of asset management schemes noteworthy is the remarkable increase recorded both by individual portfolio management schemes and by bankassurance products which showed particularly dynamic performances.

BCI's subsidiaries

In Italy Banking

Banca di Legnano raised interest margin by approximately 20%, also thanks to the favourable trend registered by interest rates on lending and funding which determined an increase in the relevant spread. This higher income was reflected on net interest and other banking income, which rose by 16% also as a result of profits on financial transactions. Higher provisions for credit risk virtually offset increases in typical revenues and led net income for the year to remain substantially unchanged at approximately 24 billion lire. With regard to the balance sheet, loans to customers rose considerably (+ 14%) to 3,115 billion lire, whereas direct customer deposits recorded a more contained rise (+ 3%) to 2,935 billion lire. Indirect customer deposits were practically stable.

Banco di Chiavari e della Riviera Ligure decidedly improved economic results achieved in 1999. In fact interest margin rose by 12%, with consequent positive effects on net interest and other banking income which – also due to a higher contribution from commission income – increased by 13% up to 217 billion lire. Containment of charges and operating costs – virtually unchanged compared to a year earlier – as well as lower provisions for credit risk improved economic performance further, leading to an income from operating activities equalling 28 billion lire, thus approximately 80% higher than that recorded the previous year. Net income for the year was satisfactory and amounted to approximately 34 billion lire (+ 14%), in spite of a significant reduction in extraordinary income. As far as the balance sheet is concerned, loans to customers recorded a robust rise (+ 29%) to over 2,500 billion lire. Quite the opposite was the trend registered by direct customer deposits, which declined by 5% to 2,768 billion lire, in view of an evident transfer in favour of the various types of indirect customer deposits, which rose to almost 6,000 billion lire.

Also the operations of *Cassa di Risparmio di Biella e Vercelli - BIVERBANCA* registered a very favourable performance and net income for the year totalled 25 billion lire up by approximately two thirds of the figure related to the previous year. Interest margin increased by approximately 20% as a result of the higher interest rate spread and a similar increase was recorded by net interest and other banking income, mainly thanks to higher contributions from commission income and other operating income. Virtually unchanged was the portion of operating income absorbed by general costs and adjustments. As regards the balance sheet, customer deposits were substantially unchanged (approximately 3,620 billion lire) whilst loans to customers recorded a considerable expansion (+ 16%) to 3,050 billion lire.

Financial activities

Comit Factoring's operations achieved their best historical performance with an overall turnover rising by 130% to over 13,100 billion lire. The Company is also directly involved in the project – under realisation through a number of extraordinary



operations due for completion within 2001 – aimed at concentrating all the Group's activities related to that specific sector into the subsidiary Mediofactoring. Comit Factoring will therefore proceed to transfer to Mediofactoring all assets and liabilities related to its typical operations, with the subsequent transfer – always within the Group – of non-performing loans which had been previously acquired from BCI. During the preparation of the financial statements as at 31st December 2000 certain parameters were adopted to take into account that the Company will not continue to run its business. The adoption of the aforementioned parameters increased the loss for the year to approximately 87 billion lire.

The Companies *S.I.Re.F.* and *S.I.Re.F. Gestioni Sim*, which administer and carry out fiduciary portfolio management on behalf of customers, considerably improved their performance and recorded net incomes for the year amounting to 1.5 billion lire and 0.6 billion lire respectively. Total assets under fiduciary administration and/or management amounted, for the two companies, to over 8,230 billion lire. During 2000, for the purpose of rationalising the Asset management area, all fiduciary activities were concentrated in *S.I.Re.F.* This operation was completed at the beginning of 2001.

Comit Asset Management Sgr is responsible for the centralised management of all asset management activities based on mutual funds established under Italian law, after having absorbed the six funds previously managed by Comit Gestioni, which has been assigned the task of managing speculative funds. Presently the Company's offering comprises 29 mutual funds, 2 "funds of funds" and a real estate fund; managed funds amounted to almost 59,000 billion lire and remained virtually stable during the year, even if distribution was not uniformly spread. The Company closed the year with a net income of 51 billion lire, with an approximately 13% increase. *Genercomit Distribuzione Sim* – the Company responsible for the distribution of Comit Asset Management funds as well as of Group financial products in general – closed the year with a net income of approximately 10 billion lire. The commercial network was further extended from 793 to 861 personal financial consultants.

Assiba – a 50/50 joint-venture between our Group and Assicurazioni Generali – operates in the bankassurance sector and is specialised in the development and distribution of investment packages which include insurance coverage. During 2000, the Company collected premiums totalling 2,576 billion lire and generated a net income of approximately 31 billion lire. Finally, the BCI group is present in the supplementary insurance coverage sector, with the companies *Sim Co.Ge.F.*, active in the sector of open-ended pension funds, and *PREVINET*, a Company offering highly specialised administrative services in the supplementary insurance sector. In both companies Banca Intesa and Assicurazioni Generali hold majority stakes.

The wholly-owned subsidiary *Comit Service* is responsible for the management of real estate properties and for the connected activities regarding the acquisition and management of real estate assets and related services.

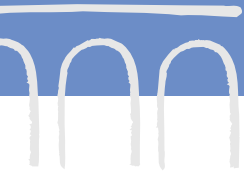
Support services

Comit Holding International, which holds almost all equity investments in foreign banks and financial entities, closed the year with a net income of 105 billion lire, mostly from dividends on its equity investments.

Abroad

Banque Sudameris SA, Paris operates with a widespread presence in almost all main Latin American Countries, with a network of direct branches and subsidiaries which ensure a strong penetration in the local markets and often important market

Latin American area
The Sudameris group



shares. In recent times the South-American area has been hit by recession periods which – although in most cases the most difficult phase has been overcome and signs of recovery are emerging – have negatively affected the profitability of the Sudameris group. In addition to this, the Sudameris is also managing the implications of the expansion and strengthening strategies undertaken through the recent acquisitions of banking conglomerates in Brazil, Peru and Argentina.

The macroeconomic scenario showed a drastic contraction in interest rate spreads, with trends recording a net inversion with respect of the high levels reached in 1999. The increase in intermediated volumes, although considerable, was not sufficient to balance the unfavourable performance registered by the interest margin, which dropped by 8%. Consequently, also net interest and other banking income decreased (– 5%), showing that the brilliant performance of net commission income (+ 14%) was completely offset by the lower income generated by financial operations and by the drop in other net operating income. The already mentioned increases in operating costs, to support the expansion, greatly affected operating margin, which decreased to 324 billion lire (– 40%). Operating revenues were not sufficient to cover provisions for credit risk, although considerably reduced, also because of inadequate contributions from extraordinary operations. The consequent loss, after deduction of taxes and the portion attributable to minority shareholders, amounted to 295 billion lire. To be added to this a further 400 billion lire of overall charges related to the provisions – classified as non-recurring charges – which are connected to the already recalled mandatory regulations imposed by Brazilian authorities on credit risk. In compliance with the regulations regarding local balance sheets and the international principles (IAS 8), the provisions under consideration – determined on the basis of loans to customers existing as at 31st December 1999 – have been directly booked in the balance sheet as reserves, whereas in the preparation of BCI's consolidated financial statements such provisions have been charged in the statement of income, in line with the Italian accounting criteria.

As a whole the South-American area shows signs of recovery, which however appears differentiated in relation to the scenarios characterising the various Countries and, in certain cases, restrained by external factors.

The Brazilian economy recorded a marked recovery. Financial institutions, however, did not receive significant advantages from the improved economic context, as local authorities introduced new criteria – decidedly more onerous for the whole banking system – for the classification of the loan portfolio and the determination of related provisions. This fact also negatively affected *Banco Sudameris Brasil's* statement of income (259 billion lire loss) as a result of higher provisions for credit risk, coupled with the costs related to the conclusion of the integration process with the *Banco América do Sul* group. The group's activities, however, recorded remarkable growth rates both on loans to customers and securities dealing and on asset management schemes. The increase in foreign trading operations was particularly significant and in this sector the group – first among the foreign banks in the Country – ranks in third position at system's level.

The economic situation in Argentina remains characterised by a static economic situation, with a very low GNP growth (+ 0.6%) because of a weak domestic demand coupled with a high unemployment rate. During 2000 *Banco Sudameris Argentina*, in the framework of its expansion strategy, completed the acquisition of *Banco Caja de Ahorro* and the related integration process, with the complete restructuring of the administrative and commercial areas. The integration allowed to increase considerably the customer base especially in the retail segment and to expand the product range offered by the network, with positive effects both on total revenues and on their degree of diversification. In spite of the difficult economic situation, the local group closed the year with a net income of 27 billion lire.



In Peru, after the encouraging signs of economic recovery appeared in the first half of 2000, a political crisis and restrictive fiscal measures determined a contraction in consumption and investments, both public and private, as well as rising solvency problems for enterprises. The negative effects generated by the economic scenario influenced also *Banco Wiese Sudameris*, which registered a worsening of the non-performing loans to total loans to customers ratio, in line with the local banking system's ratio, but with a far higher coverage index. With the aim of facing the contraction in interest margins on lending as well as the higher funds required for provisions, the Peruvian subsidiary continued the expansion policy in the innovative sectors (virtual bank) and in consumer credit, adopting at the same time effective measures aimed at containing operating costs through manpower cuts and closure of unprofitable branches. This fact allowed Banco Wiese Sudameris to close the year with a net income amounting to approximately 22 billion lire.

Perhaps the year 2000 marked the end of the most prolonged and severe recession in Columbia's history. The financial sector's situation remained fragile, leading banks to adopt a prudent lending policy and to invest surplus liquidity in Government securities. *Banco Sudameris Colombia* decided to concentrate loans to corporate customers, with particular preference for large companies. During the year, the subsidiary implemented a re-organisation of the administrative area and the sales network, attaining savings in general costs so as to partly balance lower profitability resulting from the reduction in domestic interest rates. Therefore the local group closed the year with a loss of approximately 27 billion lire.

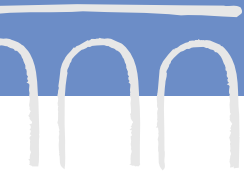
As regards the other Countries in the area where the Sudameris group is present, recessive conditions generally persist as in the previous year (Paraguay, Uruguay), although significant inversions in trend (Chile) are emerging which lead to envisage a progressive, even if difficult, recovery. The subsidiaries operating in such Countries achieved in any case – with Uruguay the only exception – satisfactory results on the whole.

The presence in this area is ensured both by the direct branches of Banca Commerciale Italiana and Banque Sudameris in the US and by *Banca Commerciale Italiana of Canada*. During 2000 the Canadian economy registered an approximately 5% growth rate, a contained rise of the consumer price index (+ 2.5%) and an improved unemployment rate, down to 6.8%. In this economic context, the Canadian subsidiary realised, in the corporate area, a policy of carefully selected risks and product profitability. Also the retail activity was focused on operational segments with higher profitability potential. The considerable increase in operating margin was more than absorbed by higher funds required for provisions for credit risk, leading therefore to a loss for the year of approximately 13 billion lire.

North-America

In Europe the Luxembourg and Swiss markets hold traditionally a world position in the sectors of banking and financial services, as is confirmed by the high concentration in those Countries of international institutions operating in those specific sectors. In Luxembourg the transformation currently under way from off shore centre to on shore centre is progressing without particular difficulties, since the Country will maintain a regulatory framework which is very favourable to the development of financial activities. *Société Européenne de Banque, Luxembourg*, continued to develop its activities especially, in line with its traditional inclination, in the sectors of providing services to companies, mutual funds and private customers, where it plays an active and dynamic role also in the development of adequate synergies with Group companies. The increase registered mostly in the commission area contributed considerably to the improvement of performance

Western Europe



during the year, which closed with a net income of 20.5 billion lire (approximately + 25%). *Banca Commerciale Italiana (Suisse)* achieved a net income of approximately 23 billion lire – despite the higher charges generated by important IT investments aimed at strengthening the Company's operational structure.

In France positive factors such as an economic growth higher than 3%, an inflation rate which, although rising, remained at very contained levels (+ 1.9%), an improvement in employment levels, contributed to create a climate of confidence with beneficial effects on investments and consumption. *Banca Commerciale Italiana (France)* continued to develop mainly corporate banking activities toward multi-national customers or linked to France-Italy trade. The expansion in intermediated volumes, the intervention in structured lending transactions as well as an attentive cost control policy allowed to realise a considerable increase in the bank's profitability and to close the year with a net income of approximately 61 billion lire (+ 134%).

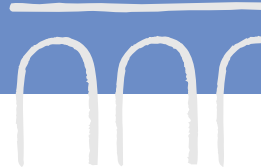
Also in 2000 Ireland succeeded, thanks to the favourable economic and institutional scenario, in attracting substantial foreign investments which contributed considerably to the growth in national wealth. *Banca Commerciale Italiana (Ireland)* – specialised mainly in the offer of financial services to large international companies – progressively concentrated its attention to the development of loans with complex financial structures, capable of offering higher contribution margins. The results of such strategy, coupled with the substantial growth in intermediated volumes, allowed it to achieve a net income of 40.2 billion lire (approximately + 50%). *Comit Investments (Ireland)*, operating since 1995 in the recovery of trade receivables for international customers, generated a net income of 8.6 billion lire.

Compagnie Monégasque de Banque, Montecarlo, holds in the Principauté de Monaco a forefront positioning in the private banking sector and achieved brilliant results with a net profit of 95 billion lire (approximately + 80%).

Eastern Europe

In Hungary the favourable macroeconomic and institutional conditions place the Country among those destined to be among the first, over the forthcoming years, to become members of the European Union. In Central-Eastern Europe Hungary has been the Country which recorded one of the most dynamic economies, even if the increase in domestic demand and the rise in energy costs partly restrained the drop in inflation rate. *Central-European International Bank (CIB)* continued to pursue a stronger penetration in the corporate customer sector, as well as an extension in its services offered to the small- and medium- sized enterprises and to private customers. The strategy aimed at expanding the commercial network led to cover the Country with 41 operational branches, which are spread on the whole territory. During 2000 CIB strengthened its position in the local banking sector, acquiring new market shares and achieving a consolidated net income of approximately 70 billion lire.

After the 1999 recession, Croatia's economy was characterised by a satisfactory recovery, with a GNP rising by 3.5% thanks to the contribution from the tourism sector and to the partial recovery in exports. The macroeconomic trend appears therefore substantially positive, even if the unemployment rate is still high and inflationary pressure is sustained by the oil price trend and by the local currency's gradual devaluation. *Privredna Banka Zagreb (PBZ)*, after having undertaken effective promotional actions aimed at extending the range of services offered to retail and corporate customers, recorded increases in its funding and lending volumes. PBZ resulted the first among local banks in the new complementary channels segment, thanks to the start up of the telephonic bank, the launch of the Internet banking and the expansion of the ATM network mostly in the tourist areas.



Furthermore PBZ expanded its operations on the territory, by acquiring a control stake in the share capital of *Medimurska Banka dd*, which is a regional bank operating close to the Hungarian border. PBZ closed the year with a net income of 104 billion lire (+ 105%).

In Poland *BRE Bank*, in which BCI holds a minority stake, consolidated its significant presence in the local market and proved to be one of the most innovative and profitable companies operating in the Country.

The gradual but slow improvement of the macroeconomic and political situation in the area, particularly in Japan, Malesia and Philippines, continued, with attractive developments for commercial activities. Also in China the political scenario has progressively improved, also in view of the forthcoming entry of the Country in the *World Trade Organisation*. From the economic standpoint the situation registered signs of slight recovery, thanks to higher exports and to planned public interventions to contain expenditure, even if the Country's structural problems are still to be resolved. The presence in the area is ensured with satisfactory results by BCI's direct branches in Tokyo, Hong Kong, Singapore and Shanghai.

*South-East Asia
and Far East*

BCI's financial statements

(in billions of lire)

Financial highlights	2000	1999	Change
Statement of income			
Interest margin	4,494	2,733	64.4%
Net commissions	1,850	1,816	1.9%
Net interest and other banking income	6,734	5,153	30.7%
Operating costs	3,388	3,392	(0.1%)
<i>including Personnel expenses</i>	2,049	2,059	(0.5%)
Operating margin	3,346	1,761	90.0%
Income (Loss) from operating activities ⁽¹⁾	2,153	410	-
Net income (loss) for the year ⁽²⁾	2,121	649	-
Balance sheet			
Loans to customers	110,430	89,651	23.2%
Securities	28,822	27,259	5.7%
<i>including Investment portfolio</i>	3,342	2,895	15.4%
Equity investments	8,134	6,221	30.8%
Total assets	216,972	187,665	15.6%
Direct customer deposits	98,719	81,036	21.8%
<i>including Subordinated and perpetual liabilities</i>	6,594	5,897	11.8%
Indirect customer deposits	212,680	194,007	9.6%
<i>including Managed funds</i>	65,099	71,840	(9.4%)
Customer deposits under administration	311,399	275,043	13.2%
Net interbank position (debt)	36,737	33,313	10.3%
Shareholders' equity ⁽³⁾	11,329	8,869	27.7%
Other information			
Staff (number)	17,072	17,459	(387)
<i>including part-time</i>	1,251	1,262	(11)
Branches (number) ⁽⁴⁾	914	921	(7)
<i>including Italy</i>	900	907	(7)
<i>Abroad</i>	14	14	-

⁽¹⁾ Including the effect of non-recurring transactions amounting to 1,391 billion lire.

⁽²⁾ Including income on non-recurring transactions amounting to 877 billion lire.

⁽³⁾ Including net income for the year.

⁽⁴⁾ In addition to 114 (formerly 111) ATMs inside companies or public entities, 19 (unchanged) representative offices abroad, 13 (formerly 2) private banking branches and 12 (formerly 0) distribution, consulting and investment outlets.

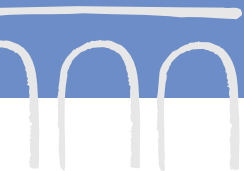


Economic and financial ratios and other data	2000	1999
Balance sheet ratios		
Loans to customers/Total assets	50.90%	47.77%
Securities/Total assets	13.28%	14.52%
Direct customer deposits/Total assets	45.50%	43.18%
Managed funds/Indirect customer deposits	30.61%	37.03%
Statement of income ratios ⁽¹⁾		
Interest margin/Net interest and other banking income	58.00%	53.04%
Net commissions/Net interest and other banking income	34.62%	35.25%
Operating costs/Net interest and other banking income	63.40%	65.82%
Net income for the year/Average total assets (ROA) ⁽¹⁾	0.60%	0.36%
Net income for the year/Average shareholders' equity (ROE) ⁽²⁾	14.48%	7.66%
Risks ratios		
Net non-performing loans/Total loans	1.14%	1.61%
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	54.70%	51.82%
Capital ratios		
Tier 1 capital/Risk-weighted assets	6.76%	7.05%
Total capital/Risk-weighted assets	9.99%	9.93%
Risk-weighted assets (in billions of lire)	157,584	127,806
Information on BCI's share (in lire)		
EPS - Earnings per share	1,182	361
Payout ratio	29.64%	63.67%
Maximum stock market quotation of ordinary share	14,239	15,184
Minimum stock market quotation of ordinary share	8,190	9,703
Average stock market quotation of ordinary share	10,974	12,329

^(*) Ratios for 2000 do not include non-recurring transactions.

⁽¹⁾ Average total assets is calculated as the arithmetical average of total assets at the end of previous year and of each subsequent quarter. Including non-recurring transactions, ROA equalled 1.02%.

⁽²⁾ Income for the year divided by arithmetical average of the sum of share capital, share premium reserve, revaluation reserves and reserves from retained earnings. Including non-recurring transactions, ROE rises to 24.69%.



Introduction

In the preparation of the financial statements for the year 2000, BCI has changed the accounting criterium for dividends received from its subsidiaries, which now are booked in the profit and loss account in the same year when the income, from which they derive, is generated. Such criterium, defined "as generated", replaces the previously adopted one, which was based on the fact that dividends were accounted for in the year when their distribution was approved and they were actually collected.

Still with reference to valuation criteria, BCI has applied, for the controlling stake owned in Banca di Legnano, the provisions set forth by Law 342 of 21st November 2000, which introduced the option of revaluing – for homogeneous categories and within the limit of present value – also equity investments in subsidiaries and associated companies, as defined by Art. 2359 of the Italian Civil Code, with the allocation of the balance resulting after revaluation in a special reserve named with specific reference to the mentioned Law and subject to a 15% substitute tax rate.

The equity investment in Banca di Legnano was accounted for in the balance sheet as at 31st December 1999 for a value of 262 billion lire, of which 234 billion lire were generated by the revaluation made in 1991 in compliance with Law 218/90. As a parameter to determine the revaluation applicable in the case of Banca di Legnano, it has been deemed appropriate to assume – within the maximum values provided for by Art. 11 of the said Law – the global amount of 1,300 billion lire defined in the preliminary agreement for the sale of the whole equity investment. More detailed information regarding this operation is contained in the comments to the important events subsequent to the close of the year.

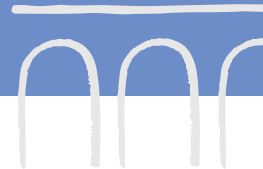
On the basis of the above points, the equity investment under consideration was revalued by 1,038 billion lire, increasing from 262 billion lire to 1,300 billion lire the value reported in the balance sheet as at 31st December 2000 and booking the same amount in an ad hoc caption of shareholders' equity named revaluation reserve ex Art. 14 of Law 342/2000. After deduction of the relevant taxes amounting to 156 billion lire, the balance of the said reserve equalled 882 billion lire. It has to be noted that the newly-defined reserve is in regime of tax suspension and, if not classified as capital, it can be reduced only in compliance with the provisions set forth in paragraphs 2 and 3 of Art. 2445 of the Italian Civil Code.

The economic result

Summary

The economic results achieved during the year are to be appreciated under two points of view. Beside the profitability of ordinary operations, punctually reconfirmed by all operational entities which have recorded and often improved the performances realised the previous year, additional revenues amounting to approximately 1,400 billion lire before taxes – classified as non-recurring in view of their absolute magnitude – were generated by the Company operating with a merchant banking approach, even if such revenues were technically received and therefore accounted for as dividends from equity investments.

Ordinary operations therefore closed the year with a net income of 1,244 billion lire, with an over 90% increase compared to a year earlier. This improvement was due to the favourable evolution of the interest margin – in both its components, net interest income and dividends – and to lower provisions required for credit risk, in a context of virtually unchanged general administrative costs. In addition to these positive factors the Company realised considerable capital gains linked to the disposal of important equity investments, among which the historical one in Mediobanca. Finally, due to the changed accounting criterium applied to dividends received from subsidiaries – which is illustrated in the introduction to this Report – this year's statement of income recorded both the dividends



distributed by the mentioned subsidiaries during the year and those matured in the year closed as at 31st December 2000, in accordance with the newly adopted criterium.

Thanks to the contribution of 877 billion lire (after taxes) attributable to the dividends classified as non-recurring as defined above, overall net income reached 2,121 billion lire, almost three and a half times the corresponding figure in 1999. It is recalled that such dividends – as illustrated in detail in the previous interim reports released to the market during the year – are connected to the distribution of the interim dividend generated by the sale of the equity investment in the company Seat Pagine Gialle, which was indirectly owned through the two Luxembourg companies Huit and Huit2.

During the year lending and deposit collecting activities developed along lines and conditions which had been on the whole more favourable compared to the previous year, and determined a near 3% growth in net balance between interest income and interest expense. The policy pursued over time in favour of a growing allocation of resources on investments in capital securities – such as equity investments in Italy and abroad or included in portfolios destined to proprietary brokerage and trading – increased by over 70% revenues from dividends and significantly contributed to the overall rise in excess of 13% recorded by ordinary interest margin. The further dividends totalling 1,395 billion lire collected in the year on merchant banking operations, illustrated above, contributed to increase the overall interest margin to levels which were over 60% higher than the previous year.

Interest margin

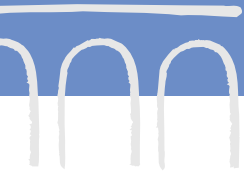
The various components affecting the balance of interest directly connected with funding and lending transactions recorded very dynamic trends, which led to significant increases, both in percentage and in absolute value, of their relevant contributions.

As concerns operations with customers, a strong increase in loans to customers coupled with a more modest increase in customer deposits resulted in a rise in interest income which, in absolute value, was much higher than the rise in interest expense. This positive effect was supplemented by the favourable trend registered by the spread between average interest rates on lending and funding transactions, which, inverting a contraction trend still present at the end of the first half, rose by 6 basis points with respect to the previous year's average. Such rise is the result of a higher growth rate recorded by interest rates on loans to customers – up by 48 basis points to 6.25% – compared to the growth rate, lower though sizeable, registered by customer deposits – up 42 basis points to 1.89%.

The evolution of net interest and other banking income, which amounted to 6,734 billion lire with a significant growth rate (+ 31%), was very satisfactory, in spite of reduced contributions of profits on financial transactions and other net operating income.

Net interest and other banking income

With reference to net commissions, amounting to 1,850 billion lire (+ 1.9%), income from management, dealing and consultancy services – which contributed, with 943 billion lire, to generate approximately 50% of total income – confirmed substantially the contributions recorded the previous year. In fact, the increase (approximately + 25%) in revenues related to dealing in securities allowed to offset the marked drop (approximately – 35%) in commissions on placement activities. The contribution, amounting to approximately 485 billion lire, given by the sale of mutual funds remained practically unchanged but is deemed to be positive, in consideration of the obstacles raised by the strong fluctuations recorded by the



stock markets, the fierce competition dominating the sector, investors' growing demand for diversification.

Finally, with reference to commissions on other services, for issue of guarantees and for collection and payment services recorded positive performances (up overall by approximately 12% to 331 billion lire) and commissions on safe deposits doubled to approximately 50 billion lire.

As mentioned before, profits on financial transactions registered a marked drop, from 216 billion lire to 137 billion lire.

Transactions in foreign exchange and related derivative instruments recorded a very positive performance globally (approximately + 43% to 76 billion lire), thanks to an effective service provided to customers and timely intra-day interventions on the spot market.

Lastly, equally positive performance was recorded by transactions in derivatives on interest rates, stock market indices and credit derivatives with a contribution rising to 95 billion lire, from 29 billion lire the previous year.

By contrast, performance of dealing in securities was not satisfactory.

In fact, trading transactions with customers were severely affected by the evolution of stock markets, the Italian one in particular, which was booming at the beginning of the year boosted also by technology and new economy stocks on the wake of US stock markets, and subsequently fell in various sessions, dragging the whole market in a depressive phase. The fixed-income sector confirmed that profitable brokering transactions on markets with very low spreads are difficult to make.

As concerns the proprietary portfolio, transactions in the fixed-income sector were influenced by a scenario characterised, especially for medium-long components, by the absence of directional trends on which to base important interventions. In the equity sector prudent strategies were adopted which allowed to be only marginally affected by falling stock markets.

Overall, the securities and securities derivatives compartment recorded a loss of 34 billion lire, compared to a net income of 134 billion lire in 1999.

Lastly, the contraction in other net operating income (- 35%), which dropped to 253 billion lire, is related only to lower opportunities available, compared to the previous year, for the disposal of equity investments deriving from the merchant banking portfolio.

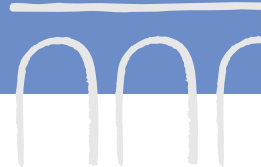
Operating margin

The improvements in the economic performance, so far analysed, were entirely reflected in the operating margin, which increased by 11% on ordinary operations and almost doubled to 3,346 billion lire if non-recurring dividends are also taken into account.

These brilliant results were favoured by the trend of general, administrative and personnel costs.

Personnel costs remained stable (2,049 billion lire: - 0.5%) as cost increases were entirely balanced by savings. To be counted among the former are the normal contractual salary increases, among the latter the effects of reductions in the number of staff - down by 432 on average - and the advantages derived from legislative measures which reduced social security charges. Other administrative costs (1,029 billion lire: + 5%) recorded minor positive and negative changes, which tended to balance each other.

The reduction in depreciation and amortisation of tangible and intangible assets (310 billion lire: - 12.1%) reflected the completion in the depreciation and



amortisation period of assets bought in previous years or costs booked as assets in view of their multi-annual nature.

As mentioned at the beginning, a substantial boost to income from operating activities was given, among other factors, also by requirements to cover credit risk, which were much lower than the previous year, and by adjustments to the investment portfolio which was considerably lower. The lower portion of operating income absorbed by the two aforementioned charges allowed to offset, with a large margin, the increase in provisions for risks and charges, determining an income from operating activities amounting to 2,153 billion lire, against only 410 billion lire the previous year, with increases in percentage which – if excluding or including the non-recurring contribution from the aforementioned interim dividend – vary from + 85% and four times the figure as at the end of 1999.

*Income from
operating activities*

The higher provisions to the allowances for risks and charges (130 billion lire, against 56 billion lire in the 1999 financial statements) are related to certain events occurred during the year concerning, in addition to controversies on taxable income for social security purposes, sums subject to be remitted to the pension fund for the Bank's employees to partially supplement the minimum agreed pension (in the framework of the agreements with Trade Unions connected with the pension fund's restructuring) and possible further charges resulting from contractual agreements related to the Bank's disengagement from one of its former subsidiaries (Fonspa).

Adjustments on loans to customers were significantly reduced in view of the portfolio's improved quality. Existing provisions for Country risk resulted globally adequate in respect of percentage adjustments which are periodically updated by the banking system. In fact, only one definitive loss amounting to approximately 38 billion lire was registered on positions in Russia, as a result of a further review of reimbursement conditions negotiated by Russian authorities with international banks which issued the loans.

Provisions to the allowances for generic or so-called physiological risks were considerably increased to approximately 310 billion lire taking also into account the limits allowed by tax legislation.

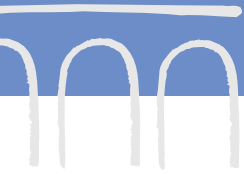
Overall the balance of adjustments and write-backs resulted negative for 988 billion lire, with a considerable drop compared to 1,110 billion lire in 1999.

Adjustments to financial fixed assets (125 billion lire in 2000, against 197 billion lire in 1999) included, for significant amounts, the effects of the anticipated losses for the subsidiaries Comit Factoring (87 billion lire) and Elsacom NV Amsterdam (15 billion lire) as well as the lower market quotations of Immobiliare Lombarda (20 billion lire).

Income from operating activities was supplemented by benefits consisting of revenues of various nature and not directly connected with ordinary activities, or generated by the disposal of financial fixed assets no longer deemed to be strategic. After the deduction of current and deferred income taxes, net income for the year equalled, as indicated in the introduction, respectively 1,244 billion lire and 2,121 billion lire, if excluding or including the aforementioned non-recurring dividends.

*Income from extraordinary
activities and net income*

The caption related to extraordinary income (864 billion lire in 2000, against 712 billion lire in 1999) included the capital gains realised with the disposal of equity investments held in Mediobanca (260 billion lire) and in the companies Olivetti (175 billion lire) and Tecnost (48 billion lire). Moreover, it must be recalled that – following the changes in the accounting principles – the above caption included,



for a value of 234 billion lire, the dividends received during the year from Italian and foreign subsidiaries.

As regards extraordinary charges (236 billion lire, against 385 billion lire the previous year), the most important items in absolute value relate firstly, for approximately 73 billion lire, to residual charges derived from the agreements previously signed for the sale of the subsidiary Fonspa. In fact, according to such agreements, the selling parties had ensured the coverage of eventual losses occurring until the formalisation of the sale, in addition to the payment of legal expenses, generated by proceedings for the recovery of loans not covered by existing guarantees.

The other significant items were related to the incentives given to dismissed personnel (24 billion lire) and the provisions of 47 billion lire – which integrated the analogous provision of 45 billion lire allocated the previous year – as overall charge for the Bank, in net present value terms and already paid in one instalment, derived from the agreements stipulated with the employees' pension fund in the framework of the reform of such institution, which was definitely approved by an opinion poll at the beginning of 2000.

Extraordinary income totalled 628 billion lire, almost twice the figure a year earlier. With reference to the determination of income taxes, the equity investment formerly held in Mediobanca had been revalued in the past in compliance with Law 218/90, with inclusion of an analogous value in the ad hoc reserve and creation at the same time – due to the special regime of suspended taxation provided for by the said Law – of a difference between the equity investment's recognised cost for fiscal purposes and its book value in the balance sheet.

Since the equity investment was sold in the year, in addition to the capital gain of 259 billion lire accounted for in the statement of income, a further capital gain of exclusively fiscal nature amounting to 266 billion lire was then determined. While income tax related to this year's capital gain was accounted for in the statement of income, that related to the said fiscal difference was deducted from the revaluation reserve ex Law 218/90.

Income taxes amounted to 660 billion lire, against only 88 billion lire in 1999.

Balance sheet

Loans to customers

Loans to customers recorded high average growth rates (+ 20.6% compared to + 17.5% a year earlier) so as to increase market share to 4.65% (4.33% in 1999). Medium- and long- term loans (approximately 40% of total loans) constituted the most brilliant component and recorded particularly impressive growth rates in the first part of the year, declining later to 16% average for the year; the Bank's market share fluctuated around the average value of 3.79% (3.39% in 1999). Also short-term loans were characterised by a dynamic development, with an average growth rate of approximately 18.9%; market share rose to 5.5%, improving by 21 basis points the average position in 1999.

The above trends, which have been analysed to compare with the system's data, are substantially confirmed by balance sheet data, where year-end values are reported, inclusive also of contracts with non-resident parties and of contracts managed by the foreign network.

Overall loans to customers exceeded 110,400 billion lire (+ 23%) showing virtually generalised increases – although with differentiated growth rates – for all types of contracts. Impressive performances were recorded by mortgages, consumer credit and even more by repurchase agreements.

From the structural standpoint, accounting data referred to the domestic network showed marked growth rates both on loans to households (+ 19%) and on loans to financial (+ 30%) and non-financial (+ 25%) companies. In parallel, the number of loans granted to customers rose to 760,000.

From the observation of data related to loans to resident customers broken down on the basis of the various Italian macroregions, it resulted that the highest growth rates were recorded in North-Western areas.



The situation of loans to customers with anomalous trends evidenced prospects for broad and further improvements. As already anticipated, the portfolio's more favourable quality determined a 13% reduction in non-performing loans to customers, which dropped to a net amount of 1,258 billion lire. Also the net non-performing loans to total loans to customers ratio decreased decidedly from 1.6% to 1.1%, on the basis of year-end data.

The general improvement concerned also loans subject to Country risk which dropped from 1,153 billion lire to 1,054 billion lire, with an overall write-down of 360 billion lire, against 441 billion lire the previous year.

The Bank registered growth rates in overall funding activities higher than the system's ones, with a consequent increase in its market share.

Customer deposits

In particular, the yearly average of customer deposits in euro – expressed in terms of average daily balances – rose by 6.9%, with a significant increase in market share (from 4.99% to 5.24%). The expansion in the aggregate concerned only current accounts, which increased by 12.9% and thus could absorb the declining trends recorded by both short- (- 19.9%) and medium- and long- term (- 41.9%) certificates of deposit. In terms of sectors, the rising trend of deposits was related mainly to companies and financial institutions, with a considerable increase of their contributions to the total aggregate.

During the year overall funding – expressed in terms of month-end balances – registered an 11% average growth rate, with a marked improvement compared to the previous year (+ 1.6%). A considerable boost to the aggregate's positive development was given also by bond issues, which rose by 60.3% as a result of substantial Euromarket issues at the beginning of the year, which led to a further recovery in market share. Unlike the system, the Bank recorded a drastic drop in repurchase agreements (- 10.4%).

Similar trends are registered if the analysis is made on the basis of the balance sheet's year-end figures as at 31st December 2000.

Direct customer deposits in the traditional forms rose by 19.4% to close to 86,000 billion lire. Equally positive was the trend of repurchase agreements (6,546 billion lire, almost doubled) and subordinated and perpetual liabilities (6,594 billion lire, + 11.8%). Total direct customer deposits exceeded 98,700 billion lire (+ 21.8%). This considerable expansion was achieved with a slight tension on interest rates on deposits, as was noted in the comments to the statement of income. All the various types of contracts contributed to the total increase, with particularly important developments recorded by bond issues – in terms of absolute value – and by current accounts, which reached over 1,760,000 relationships.

Total funds that the Bank received from third parties – obtained by adding to the aforementioned types of contracts the transactions, equalling 212,680 billion lire (+ 9.6%), related to customers' securities and other intangible assets, received in custody and/or administration or in connection with asset management activities – achieved 311,000 billion lire, improving considerably the volumes reached the previous year (+ 13%).

Cassa di Risparmio di Parma e Piacenza

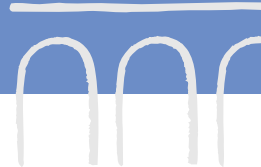
(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	713.8	666.9	7.0%
Net commissions	475.0	405.7	17.1%
Net interest and other banking income	1,272.3	1,066.4	19.3%
Operating costs	750.6	767.2	(2.2%)
including Personnel expenses	411.2	440.1	(6.6%)
Operating margin	521.7	299.2	74.4%
Income (Loss) from operating activities	435.0	10.9	
Net income (loss) for the year	221.7	127.3	74.2%
<i>Balance sheet</i>			
Loans to customers	15,373.9	14,946.9	2.9%
Securities	1,299.7	4,019.8	(67.7%)
including Investment portfolio	627.3	633.2	(0.9%)
Equity investments	178.2	250.4	(28.8%)
Total assets	24,346.0	23,970.1	1.6%
Direct customer deposits	18,392.4	17,690.9	4.0%
including Subordinated liabilities	400.8	361.7	10.8%
Indirect customer deposits	45,948.3	44,467.5	3.3%
including Managed funds	17,766.7	19,129.3	(7.1%)
Customer deposits under administration	64,340.7	62,158.4	3.5%
Net interbank position (debt)	3,136.0	473.3	
Shareholders' equity ⁽¹⁾	1,604.5	1,933.5	(17.0%)
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	63.1%	62.4%	
Securities/Total assets	5.3%	16.8%	
Direct customer deposits/Total assets	75.5%	73.8%	
Managed funds/Indirect customer deposits	38.7%	43.0%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	56.1%	62.5%	
Net commissions/Net interest and other banking income	37.3%	38.0%	
Operating costs/Net interest and other banking income	59.0%	71.9%	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.9%	0.5%	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	12.6%	6.8%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	0.2%	4.5%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	50.6%	46.7%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	7.6%	10.3%	
Total capital/Risk-weighted assets	9.8%	12.8%	
Risk-weighted assets	17,004.8	16,366.7	
Other information			
Staff (number)	3,840	4,009	(169)
Branches (number)	316	317	(1)

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



Comments

- Economic data shown in the table and utilised to determine indices refer to aggregate values related to the whole of 2000. In fact the Company started operations on 1st July 2000 with the contribution of all assets and liabilities of Cassa di Risparmio di Parma e Piacenza which, on the same date, was merged in Banca Intesa: this transaction allowed the Shareholders of Cassa di Risparmio di Parma e Piacenza to become Shareholders of Banca Intesa and Banca Intesa to attain full control of the Bank. In reality, however, business continued as usual without interruptions for the whole of 2000; comparisons with the previous year refer to the values of the "old" Company.
- Shareholders' equity decreased, since equity investments in Group companies and certain other assets and liabilities, with an overall net value of 513 billion lire, had been excluded from the transfer.
- The Bank's integration in the Group continued with the transfer to Banca Intesa of activities on financial markets, so that now the securities portfolio is sized to meet requirements of activities related to dealing with customers. Furthermore, non-performing loans for a book value of over 632 billion lire had been transferred to the Group company specialised in their recovery; remaining non-performing loans amounted to only 33.3 billion lire. Instead, the Company still maintained its autonomy in the fields of operational processes and IT systems.
- The new distribution model named Modi has become fully operational with customer segmentation in three channels, corporate, private and retail.
- Net income for the year exceeding 221 billion lire improved by 74.2% the previous year's result, even if the latter benefited from important extraordinary contributions which instead have been modest in 2000, and shows a ROE exceeding 16%. The excellent result is due to an increase in interest margin which benefited from the consolidation of intermediated volumes, a constant increase in net commissions, a significant improvement in the cost/income ratio and a drastic reduction in adjustments to loans.

Banca Carime

(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	598.9	604.8	(1.0%)
Net commissions	227.3	199.8	13.7%
Net interest and other banking income	911.7	826.8	10.3%
Operating costs	794.6	770.4	3.1%
<i>including Personnel expenses</i>	474.6	451.0	5.2%
Operating margin	117.2	56.4	107.9%
Income (Loss) from operating activities	99.2	28.5	
Net income (loss) for the year	40.0	21.6	85.2%
<i>Balance sheet</i>			
Loans to customers	6,303.5	6,833.8	(7.8%)
Securities	1,178.9	6,960.6	(83.1%)
<i>including Investment portfolio</i>	584.7	595.0	(1.7%)
Equity investments	45.5	51.5	(11.6%)
Total assets	19,893.6	22,649.2	(12.2%)
Direct customer deposits	15,312.7	15,925.8	(3.8%)
<i>including Subordinated liabilities</i>	205.2	125.9	63.1%
Indirect customer deposits	10,752.0	9,816.0	9.5%
<i>including Managed funds</i>	7,117.0	6,663.0	6.8%
Customer deposits under administration	26,064.7	25,741.8	1.3%
Net interbank position (debt)	9,162.1	3,463.3	
Shareholders' equity ⁽¹⁾	1,672.1	1,636.9	2.2%
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	31.7%	30.2%	
Securities/Total assets	5.9%	30.7%	
Direct customer deposits/Total assets	77.0%	70.3%	
Managed funds/Indirect customer deposits	66.2%	67.9%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	65.7%	73.1%	
Net commissions/Net interest and other banking income	24.9%	24.2%	
Operating costs/Net interest and other banking income	87.1%	93.2%	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.2%	0.1%	
Net income for the year /Average shareholders' equity (ROE) ⁽³⁾	2.4%	1.8%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	0.4%	0.5%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	33.4%	37.1%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	13.2%	10.7%	
Total capital/Risk-weighted assets	15.6%	11.9%	
Risk-weighted assets	8,559.1	9,777.3	
Other information			
Staff (number)	4,131	4,236	(105)
Branches (number)	344	343	1

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



Comments

- Banca Carime closed the year 2000 with a net income of 40 billion lire, with an over 18 billion lire increase compared to the previous year, confirming an excellent level of economic performance after the completion of the organisational and commercial restructuring and integration process, which was initiated in 1998.
- During 2000, the main lines of intervention foreseen in the 1999-2001 Industrial plan have been completed, including the new credit management process and the "Progetto Corsa", which is the new distribution model that identifies customer segments on the basis of dynamic criteria (income for individuals and turnover for companies) and the creation of new professional roles for network branches.
- During the year loans amounting to 19.9 billion lire, net of adjustments, were transferred to Intesa Gestione Crediti and loans totalling 2.3 billion lire, net of adjustments, were transferred to another Group company.
- Banca Carime's trading activity on financial markets and operating activities on money markets were concentrated in the Parent Company; this fact implied the transfer to Banca Intesa of the major part of the proprietary trading portfolio.
- Indirect customer deposits increased, especially following the positive performance in managed funds, by an amount higher than the decrease in direct customer deposits. Therefore the weight of indirect customer deposits against customer deposits under administration rose from 38.1% as at December 1999 to the current 41.3%.
The 2000 statement of income recorded a net income of 40 billion lire after deduction of 76 billion lire for income taxes and 69.3 billion lire for amortisation of goodwill arising on contribution.
- Extraordinary operations registered a net income of 16.9 billion lire determined by:
 - extraordinary income equalling 47.6 billion lire, of which 13.3 billion lire of accrued interest due from the Puglia region for delayed payments on agricultural lending, 4.4 billion lire gain generated by the sale of real estate properties and 1.6 billion lire remitted by SGR Società Gestione per il Realizzo Spa for unpaid interest in 1996 and 1997;
 - extraordinary charges totalling 30.7 billion lire, mostly connected to out-of-period expense due to costs not accounted for in previous years and amounts not payable related to revenues accounted for in previous years.

Banca Popolare FriulAdria

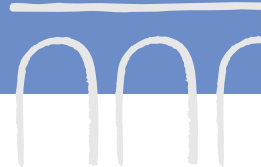
(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	206.5	163.2	26.5%
Net commissions	99.4	66.8	48.8%
Net interest and other banking income	313.7	270.0	16.2%
Operating costs	(223.9)	(157.1)	42.5%
<i>including Personnel expenses</i>	(114.3)	(88.6)	29.0%
Operating margin	89.8	112.9	(20.5%)
Income (Loss) from operating activities	71.1	94.4	(24.7%)
Net income (loss) for the year	52.1	45.2	15.3%
<i>Balance sheet</i>			
Loans to customers	4,485.4	2,824.6	58.8%
Securities	430.7	2,447.4	(82.4%)
<i>including Investment portfolio</i>			
Equity investments	17.8	13.5	31.9%
Total assets	6,771.4	5,850.0	15.8%
Direct customer deposits	4,850.7	3,505.4	38.4%
<i>including Subordinated liabilities</i>	104.6	75.5	38.5%
Indirect customer deposits	10,954.3	6,545.0	67.4%
<i>including Managed funds</i>	4,976.6	2,500.9	99.0%
Customer deposits under administration	15,805.0	10,050.4	57.3%
Net interbank position (debt)	838.5	(1,094.7)	
Shareholders' equity ⁽¹⁾	817.5	705.0	16.0%
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	66.2%	48.3%	
Securities/Total assets	6.4%	41.8%	
Direct customer deposits/Total assets	71.6%	59.9%	
Managed funds/Indirect customer deposits	45.4%	38.2%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	65.8%	60.4%	
Net commissions/Net interest and other banking income	31.7%	24.7%	
Operating costs/Net interest and other banking income	(71.4%)	(58.2%)	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.62%	0.86%	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	4.4%	7.3%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	0.2%	0.9%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	58.1%	37.8%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	14.8%	14.3%	
Total capital/Risk-weighted assets	16.8%	15.9%	
Risk-weighted assets	5,295.6	4,480.9	
Other information			
Staff (number)	1,403	909	494
Branches (number)	154	94	60

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



Comments

- After the acquisition of 60 branches from the Banco Ambrosiano Veneto network, FriulAdria has become the most important bank based in Friuli-Venezia Giulia, with over 150 branches, 1,400 employees, customer deposits under administration near 16,000 billion lire and loans to customers close to 4,500 billion lire.
- The acquisition of the Banco Ambrosiano Veneto branches was accompanied by a restructuring in the Bank's organisational and operational structure, with the transfer: to Banca Intesa of operating activities on financial markets; to Intesa Sistemi e Servizi of responsibilities on development and management of operational processes, of information systems and interbank services; to Intesa Gestione Crediti of activities related to the recovery of non-performing loans.
- The integration process in the Group required the adoption of the target IT system and a new distribution model (Modi) structured on the basis of customer segments. Therefore, the Bank's performance must be appraised taking into account the considerable commitments of economic and human resources made by the Bank in 2000, which determined an increase in operating costs.
- The business area transferred from Banco Ambrosiano Veneto comprised assets totalling 1,895.6 billion lire, loans to customers equalling 1,382.7 billion lire, customer deposits amounting to 1,711.9 billion lire; the net shareholders' equity in the spin-off equalled 112.5 billion lire.
- The non-performing loans transferred pro soluto (without recourse, that is, without guarantee on the solvency of the borrower) to Intesa Gestione Crediti amounted to 18.9 billion lire at book value.
- Net income for the year benefited from the use of 16 billion lire from the reserve for general banking risks.

Banca di Trento e Bolzano

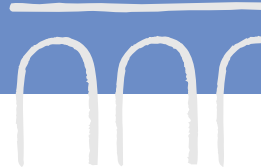
(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	81.0	79.2	2.3%
Net commissions	50.1	48.1	4.2%
Net interest and other banking income	139.4	131.1	6.3%
Operating costs	112.5	111.9	0.5%
<i>including Personnel expenses</i>	58.4	58.8	(0.7%)
Operating margin	26.9	19.2	40.1%
Income (Loss) from operating activities	16.5	7.0	135.7%
Net income (loss) for the year	18.2	14.0	30.0%
<i>Balance sheet</i>			
Loans to customers	2,253.2	2,103.1	7.1%
Securities	429.6	1,000.6	(57.1%)
<i>including Investment portfolio</i>	368.8	369.6	(0.2%)
Equity investments	11.7	12.0	(2.5%)
Total assets	3,815.2	3,798.9	0.4%
Direct customer deposits	2,790.0	2,779.4	0.4%
<i>including Subordinated liabilities</i>	80.8	51.8	56.0%
Indirect customer deposits	3,419.9	3,370.7	1.5%
<i>including Managed funds</i>	2,204.3	2,238.0	(1.5%)
Customer deposits under administration	6,209.9	6,150.1	1.0%
Net interbank position (debt)	293.3	(186.5)	
Shareholders' equity ⁽¹⁾	236.2	231.0	2.3%
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	59.1%	55.4%	
Securities/Total assets	11.3%	26.3%	
Direct customer deposits/Total assets	73.1%	73.2%	
Managed funds/Indirect customer deposits	64.5%	66.4%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	58.1%	60.4%	
Net commissions/Net interest and other banking income	35.9%	36.7%	
Operating costs/Net interest and other banking income	80.7%	85.4%	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.4%	1.1%	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	5.9%	20.0%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	2.6%	2.9%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	48.3%	48.2%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	9.0%	10.3%	
Total capital/Risk-weighted assets	11.8%	12.3%	
Risk-weighted assets	2,460.3	2,122.9	
Other information			
Staff (number)	574	595	(21)
Branches (number)	69	69	

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



- During 2000 the new customer-centric distribution model was completed, new distribution channels such as the contact centre, for banking transactions via telephone, were introduced and an Internet channel was activated.
- The Bank's assets have been harmonised with the Group's model which foresees the concentration in Banca Intesa of operational activities on the financial markets.
- Net income for the year benefited from the use of 4.7 billion lire from the reserve for general banking risks. However, income from operating activities was more than twice the previous year's one.

Comments

Banca Cis

(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	82.2	86.2	(4.6%)
Net commissions	25.6	26.8	(4.5%)
Net interest and other banking income	114.5	118.5	(3.4%)
Operating costs	(54.6)	(55.9)	(2.3%)
including Personnel expenses	(31.7)	(32.5)	(2.5%)
Operating margin	59.9	62.6	(4.3%)
Income (Loss) from operating activities	(23.4)	0.4	
Net income (loss) for the year	(12.8)	0.2	
<i>Balance sheet</i>			
Loans to customers	2,628.4	2,925.8	(10.2%)
Securities	89.2	137.4	(35.1%)
including Investment portfolio			
Equity investments	7.8	14.8	(47.3%)
Total assets	3,343.4	3,529.9	(5.3%)
Direct customer deposits	1,788.4	2,386.9	(25.1%)
including Subordinated liabilities			
Indirect customer deposits	407.0	365.4	11.4%
including Managed funds	11.4	14.0	(18.6%)
Customer deposits under administration	2,195.4	2,752.3	(20.2%)
Net interbank position (debt)	(444.1)	(293.8)	51.2%
Shareholders' equity ⁽¹⁾	429.0	441.6	(2.9%)
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	78.6%	82.9%	
Securities/Total assets	2.7%	3.9%	
Direct customer deposits/Total assets	53.5%	67.6%	
Managed funds/Indirect customer deposits	2.8%	3.8%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	71.8%	72.7%	
Net commissions/Net interest and other banking income	22.4%	22.6%	
Operating costs/Net interest and other banking income	47.7%	47.2%	
Net income for the year/Average total assets (ROA) ⁽²⁾	neg	neg	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	neg	neg	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	9.0%	10.3%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	74.2%	68.3%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	16.1%	14.6%	
Total capital/Risk-weighted assets	16.6%	15.1%	
Risk-weighted assets	2,576	2,921	
Other information			
Staff (number)	288	296	(8)
Branches (number)	10	10	

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



Comments

- The regional economic system, which is extremely dependent on institutional interventions to support investments, registered signs of moderate growth, while waiting that the regional administration defines the structure of subsidised instruments.
- In addition to its traditional activities on subsidised loans, which presently are assisted by regional measures, the Bank operated as Authorised Bank for the transactions ex Law 488/92, processing approximately 350 requests between the end of 2000 and the first months of 2001.
- Within its special activity in regional fund management, over 8,000 loans have been managed for an overall countervalue of approximately 400 billion lire.
- The persisting crisis conditions affecting certain medium-large companies present in the region represented the most critical element for the perspective of the Bank's anomalous loans portfolio.
- From the economic viewpoint, adjustments to loans exceeding 82 billion lire, thus 40.5% higher than the corresponding figure the previous year, heavily affected gross operating margin, which was slightly lower than the previous year's one. During the year capital gains amounting to over 13.4 billion lire, realised with the sale of real estate properties and equity investments, were not sufficient to prevent a loss for the year exceeding 12.7 billion lire.
- The Bank's entry into Gruppo Intesa, following the sale of the absolute majority stake in its share capital made by Treasury Ministry, coupled with the development of the system of subsidies to companies offered by the Sardinia Autonomous Region and by the Government, should enable the Bank to extend the range of offered products and to strengthen its position in the traditional sectors where it operates, with consequent positive commercial and economic returns.

Bankhaus LÖbbecke

(in thousands of DEM)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	67,695	68,947	(1.8%)
Net commissions	18,701	10,502	78.1%
Net interest and other banking income	86,002	83,886	2.5%
Operating costs	58,709	61,094	(3.9%)
<i>including Personnel expenses</i>	30,405	32,427	(6.2%)
Operating margin	21,840	17,680	23.5%
Income (Loss) from operating activities	15,902	6,095	
Net income (loss) for the year	17,006	10,115	68.1%
<i>Balance sheet</i>			
Loans to customers	1,750,706	1,946,395	(10.1%)
Securities	3,873,240	2,368,163	63.6%
<i>including Investment portfolio</i>	3,873,166	2,368,163	63.6%
Equity investments	1,406	1,706	(17.6%)
Total assets	6,702,025	5,190,096	29.1%
Direct customer deposits	1,400,058	1,834,116	(23.7%)
<i>including Subordinated liabilities</i>	575	635	(9.4%)
Indirect customer deposits	696,850	760,943	(8.4%)
<i>including Managed funds</i>	71,477	37,749	89.3%
Customer deposits under administration	2,106,908	2,655,694	(20.7%)
Net interbank position (debt)	(3,450,515)	(1,659,842)	107.9%
Shareholders' equity ⁽¹⁾	828,878	811,872	2.1%
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	26.1%	37.5%	
Securities/Total assets	57.8%	45.6%	
Direct customer deposits/Total assets	20.9%	35.3%	
Managed funds/Indirect customer deposits	10.3%	5.0%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	78.7%	82.2%	
Net commissions/Net interest and other banking income	21.7%	12.5%	
Operating costs/Net interest and other banking income	68.3%	72.8%	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.3%	0.2%	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	2.1%	1.3%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	5.3%	16.2%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	16.1%	37.1%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	14.4%	22.5%	
Total capital/Risk-weighted assets	14.6%	23.4%	
Risk-weighted assets	5,487,459	3,511,843	
Other information			
Staff (number)	237	233	4
Branches (number)	4	4	

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



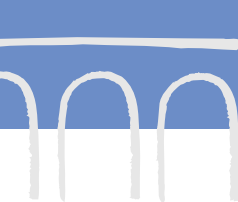
- During 2000 the Bank's strategic plan, initiated in 1999, continued and determined a profound restructuring of operating activities and the requalification of its market positioning.
In fact, the Industrial plan approved at the end of 1997 sets out articulated interventions to reorganise internal services, also considering information technology and risk monitoring aspects, and the network with consequent closure of certain branches and a drastic manpower reduction. Interventions to strengthen the Bank's shareholders' equity were foreseen through transfer of financial assets from the Parent Company, as it was deemed necessary to radically transform the operating lines and to achieve in particular:
 - a gradual contraction of retail lending activities to focus instead on loans to primary companies and on investments on capital markets;
 - an expansion of asset management products and, in general, of consultancy services to customers;
 - a specific boost to activities related to cash management and dealing in securities with the aim of supporting new financial products offered to customers and a modest trading activity on the Bank's own account.

- As regards 2000, in accordance with the long-term plan, the activities on global capital markets are to be specifically noted, these related to default swap and asset swap transactions, syndications on the primary and secondary markets as well as on corporate and bank issues. In the asset management segment, which in the past was mainly targeted to medium-high customers, the most sophisticated services and tailor-made assistance have been better defined in order to acquire also high net worth individuals.
- In lending, the apparent reduction in loans to customers was substantially determined by the extraordinary transaction consisting of the transfer of non-performing loans (net value of 331 million DEM) to Intesa Gestione Crediti.
- The increase in interbank debt position is due to the need to finance the strong expansion in the Bank's assets as well as the policy aimed at optimising the structure of liabilities which led to a reduction in high-cost customer deposits.
- With regard to the statement of income, interest margin remained stable, net commissions rose considerably and operating margin increased satisfactorily, with the contribution of lower operating costs and personnel costs in particular.
- Net income for 2000 rose by 6.9 million DEM to over 17 million DEM, with a 68% increase compared to the corresponding figure in 1999.

Cassa di Risparmio di Ascoli Piceno

The balance sheet as at 31st December 2000 registered loans to customers for 1,197 billion lire, total assets for 2,166 billion lire, direct customer deposits for 1,593 billion lire, indirect customer deposits for 1,550 billion lire, customer deposits under administration totalling 3,143 billion lire.

During 2000, the non-performing loan portfolio amounting to 34.4 billion lire, net of adjustments, was transferred to Intesa Gestione Crediti. Moreover, the centralisation in the Parent Company of the management of the Bank's liquid funds determined an increase in the interbank position and a reduction in the securities portfolio.



Shareholders' equity resulting from the 2000 balance sheet – including net income for the year equalling 5 billion lire – amounted to 296.5 billion lire. Net income for the year was penalised by extraordinary charges generated by the organisational, IT and commercial restructuring and was supported by the use of 7.3 billion lire from the reserve for general banking risks.

Holding Intesa Centro

The Company, which was established in November 1999, is operational since the beginning of 2000. It has a streamlined organisation, consistently with its sub-holding role within Gruppo Intesa. Holding Intesa Centro controls Cassa di Risparmio di Foligno, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Rieti, Cassa di Risparmio della Provincia di Viterbo and Cassa di Risparmio di Spoleto.

The Strategic plan sets out that the Company gradually centralises the co-ordination of commercial activities, credit risk control, resource management, auditing, planning and management control, to allow the Subsidiary saving banks to focus their resources on commercial and lending activities.

The Company closed its second year, the first covering the whole calendar year, with a loss of 2.2 billion lire, essentially due to the write-down of equity investments in Cassa di Risparmio Città di Castello and Cassa di Risparmio della Provincia di Viterbo, which were made to cover the operating losses incurred by such companies in 2000.

The most significant data related to the Subsidiary saving banks during 2000 are reported hereunder.

Cassa di Risparmio di Foligno: as at 31st December 2000, it had loans to customers for 1,008.3 billion lire (+ 9.8%), total assets for 1,511.7 billion lire (+ 5.1%), direct customer deposits for 1,123.9 billion lire, indirect customer deposits for 1,483.8 billion lire and customer deposits under administration totalling 2,607.7 billion lire. Furthermore, it divested the major part of the securities portfolio, transferring liquid funds to the Parent Company.

During the year, the Saving bank transferred non-performing loans with a net book value of 31 billion lire to Intesa Gestione Crediti.

Shareholders' equity as at 31st December 2000, including net income for the year, equalled 106.9 billion lire.

Net income for the year amounted to 3.5 billion lire and benefited from the use of 5.3 billion lire from the reserve for general banking risks.

The result was affected by provisions and higher amortisation related to the disposal of software which followed the migration to the new IT system.

Cassa di Risparmio di Città di Castello: as at 31st December 2000, it had loans to customers for 337 billion lire (+ 2%), total assets for 755.9 billion lire (– 1.4%), direct customer deposits for 591.7 billion lire, indirect customer deposits for 698.2 billion lire and customer deposits under administration totalling 1,289.9 billion lire.

During the year the Saving bank transferred to Intesa Gestione Crediti non-performing loans for a countervalue of 7.7 billion lire, net of adjustments. Furthermore, it divested the major part of the securities portfolio, transferring liquid funds to the Parent Company.



Shareholders' equity as at 31st December 2000, including the loss for the year, amounted to 79.5 billion lire.

The statement of income registered a loss of 7.9 billion lire; such result was determined by substantial provisions for the migration toward the new IT system.

Operating margin, before adjustments and provisions, was positive for 3.5 billion lire against a negative value of 1.7 billion lire the previous year.

Cassa di Risparmio di Rieti: as at 31st December 2000, it had loans to customers for 821 billion lire (- 9.4%), total assets for 2,322 billion lire (- 0.7%), direct customer deposits for 1,837 billion lire, indirect customer deposits for 1,541 billion lire and customer deposits under administration totalling 3,378 billion lire.

During the year, the Saving bank transferred to Intesa Gestione Crediti non-performing loans for a countervalue of 12.7 billion lire, net of adjustments. Furthermore, it divested the major part of the securities portfolio, transferring liquid funds to the Parent Company.

Shareholders' equity as at 31st December 2000 equalled 281.6 billion lire.

The statement of income closed the year at break-even after having used 16.2 billion lire from the reserve for general banking risks.

Profitability for the year was affected by extraordinary events; in particular, the migration to the new IT system generated charges amounting to 6.7 billion lire.

Cassa di Risparmio della Provincia di Viterbo: as at 31st December 2000, it had loans to customers for 1,013.6 billion lire (- 3.1%), total assets for 1,971 billion lire (+ 0.7%), direct customer deposits for 1,651.4 billion lire, indirect customer deposits for 1,338.6 billion lire and customer deposits under administration totalling 2,990 billion lire.

During the year, the Saving bank transferred to Intesa Gestione Crediti non-performing loans for a countervalue of 30.8 billion lire, net of adjustments. Furthermore, it divested the major part of the securities portfolio, transferring liquid funds to the Parent Company.

Shareholders' equity as at 31st December 2000, including the loss for the year, equalled 93.9 billion lire.

Statement of income closed with a loss of 9.8 billion lire. The result for the period, although it was sustained by the use of the whole reserve for general banking risks equalling 24.5 billion lire, was affected by the size of the write-downs of the securities portfolio.

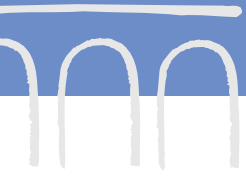
Cassa di Risparmio di Spoleto: as at 31st December 2000, it had loans to customers for 728.1 billion lire (+ 14.1%), total assets for 1,159.7 billion lire (+ 2.1%), direct customer deposits for 914.3 billion lire, indirect customer deposits for 724.6 billion lire and customer deposits under administration totalling 1,638.9 billion lire.

During the year, the Saving bank transferred to Intesa Gestione Crediti non-performing loans for a countervalue of 14.5 billion lire, net of adjustments. Furthermore, it divested the major part of the securities portfolio, transferring liquid funds to the Parent Company.

Shareholders' equity as at 31st December 2000, including net income for the year, amounted to 95.6 billion lire.

Net income for the year equalled 225 million lire and was achieved with the use of 1.2 billion lire from the reserve for general banking risks.

Net income for the year was affected by extraordinary charges generated by the migration to the new IT system.



Banca Intesa (France)

The financial statements as at 31st December 2000 for Banca Intesa (France), formerly named Cariplo Banque, closed with a net profit for the year equalling 26.2 million FRF.

Balance sheet recorded loans to customers for 2,308.4 million FRF, securities for 1,045.4 million FRF, total assets for 6,704 million FRF, customer deposits totalling 2,028 million FRF.

Shareholders' equity as at 31st December 2000 – including net profit for the year – amounted to 338.6 million FRF.

Banca Intesa International

The Company closed the year 2000 with a net income of 3.4 million euro, with a 0.9 million euro increase compared to the previous year.

The Bank, after having re-established normal IT and administrative operations, moved toward the consolidation of its traditional activities and the expansion of activities linked to mutual fund management which however, for various reasons, did not achieve expected diversification and volumes.

In particular, the operating sectors Money market, Private banking, Corporate consulting outperformed budget projections.

The balance sheet as at 31st December 2000 registered due from banks for 500.8 million euro and loans to customers for 90.8 million euro, securities for 274.6 million euro, total assets for 897.3 million euro, due to banks for 317.7 million euro and customer deposits for 512.5 million euro.

Indirect customer deposits amounted to 3,186 million euro, of which 256 million euro in managed funds.

Customer deposits under administration totalled 3,698.5 million euro.

Shareholders' equity as at 31st December 2000 – including net income for the year – equalled 46 million euro.

Banco de Investimento Imobiliario

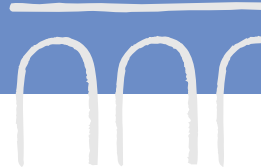
During 2000, the mortgage loan market in Portugal recorded a slowdown in demand as a result of the rise in interest rates and the changes in legislation limiting the access to subsidised credit.

In this context, the activity of Banco de Investimento Imobiliario (BII) was characterised by a particular dynamism in marketing and by a closer co-operation with the various distribution networks of the Banco Comercial Portugues group.

In opposition to market trend, during the year BII recorded increases in mortgage loans, with respect to 1999, amounting to 2.8% on number of contracts and 10% on volumes.

The Company is a 50/50 joint venture between Banca Intesa and Banco Comercial Portugues (BCP).

Balance sheet data as at 31st December 2000 are not comparable with those recorded the previous year as they are influenced by the extraordinary spin-off operation in favour of BCP realised in the second half, in the framework of a broader BCP restructuring process. Such operation, in particular, consisted of the transfer to BCP of assets and liabilities represented by the mortgage loans and relative coverage, which had been issued through the branches of the BCP group banks for an overall volume amounting to almost 55% of total book value. Instead,



BII kept in its accounting books the mortgage loans issued through its branches. Also as regards the personnel, 201 employees out of a total average number of 359 have been transferred to BCP in 2000. With regard to shareholders' equity, 92.5% of capital reserves have been transferred to BCP. BII's share capital was reduced from 60,000,000 euro to 50,000 euro and at the same time share capital was increased by 94,450,000 euro and equally underwritten by the two partners. Within this operation, a part of liabilities linked to the transferred mortgage loans, represented by bonds issued by BII for 167 billion escudos with maturity in 2008 and 2011, was not included in the spin-off. As at 31st December 2000 an allowance was created for prudential purposes, amounting to 15 billion escudos (74.8 million euro) which is equal to the difference between the nominal value of the related bonds and their current price. BII's net income for the year was therefore negative for 11.9 billion escudos, equal to 59.3 million euro.

Carinord Holding

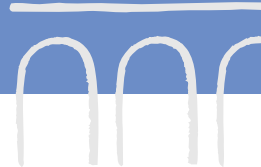
(in billions of lire)

	2000	1999	Change
Financial highlights			
<i>Statement of income</i>			
Interest margin	260.4	249.3	4.5%
Net commissions	128.7	120.2	7.1%
Net interest and other banking income	427.6	407.2	5.0%
Operating costs	319.9	318.1	0.6%
<i>including Personnel expenses</i>	180.4	177.3	1.7%
Operating margin	107.7	89.1	20.9%
Income (Loss) from operating activities	82.0	43.4	88.9%
Net income (loss) for the year	16.9	12.2	38.5%
<i>Balance sheet</i>			
Loans to customers	4,546.7	4,179.6	8.8%
Securities	2,117.7	2,090.3	1.3%
<i>including Investment portfolio</i>	307.2	308.4	(0.4%)
Equity investments	–	–	
Total assets	8,285.5	8,095.6	2.3%
Direct customer deposits	6,107.7	5,960.1	2.5%
<i>including Subordinated liabilities</i>	–	–	
Indirect customer deposits	7,634.8	7,528.7	1.4%
<i>including Managed funds</i>	3,785.0	4,003.9	(5.5%)
Customer deposits under administration	13,742.5	13,488.8	1.9%
Net interbank position	115.3	184.9	(37.6%)
Shareholders' equity ⁽¹⁾	590.0	568.7	3.8%
Economic and financial ratios and other data			
<i>Balance sheet ratios</i>			
Loans to customers/Total assets	54.9%	51.6%	
Securities/Total assets	25.6%	25.8%	
Direct customer deposits/Total assets	73.7%	73.6%	
Managed funds/Indirect customer deposits	49.6%	53.2%	
<i>Statement of income ratios</i>			
Interest margin/Net interest and other banking income	60.9%	61.2%	
Net commissions/Net interest and other banking income	30.1%	29.5%	
Operating costs/Net interest and other banking income	74.8%	78.1%	
Net income for the year/Average total assets (ROA) ⁽²⁾	0.1%	0.4%	
Net income for the year/Average shareholders' equity (ROE) ⁽³⁾	1.3%	5.3%	
<i>Risk ratios</i>			
Net non-performing loans/Total loans	2.9%	3.1%	
Accrued adjustments on non-performing loans/Gross non-performing loans to customers	35.0%	34.5%	
<i>Capital ratios</i>			
Tier 1 capital/Risk-weighted assets	14.5%	15.6%	
Total capital/Risk-weighted assets	13.7%	14.8%	
Risk-weighted assets	5,214.5	4,752.9	
Other information			
Staff (number)	1,649	1,614	35
Branches (number)	160	159	1

⁽¹⁾ Including net income for the year and the reserve for general banking risks.

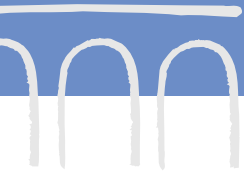
⁽²⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of total assets at the end of the previous year and of each subsequent quarter.

⁽³⁾ Income for the year, excluding the change in the reserve for general banking risks, divided by the arithmetical average of the sum of share capital, share premium reserve, revaluation reserves, reserves from retained earnings and reserve for general banking risks.



- Carinord Holding is owned for 30.94% of its share capital and is subject to the joint control with the Foundations of Cassa di Risparmio di Alessandria, Cassa di Risparmio della Spezia e Cassa di Risparmio di Carrara.
- Data as at 31st December 2000, reported in the table, are taken from the consolidated situation of the Carinord group, which includes the subsidiaries Cassa di Risparmio di Alessandria, Cassa di Risparmio della Spezia and Cassa di Risparmio di Carrara.
- Net income for the year benefited from the use of 8.8 billion lire from the reserve for general banking risks.

Comments



Securities trading

Caboto Holding Sim, Caboto Sim, Caboto Securities, Caboto USA, Intesa Ireland and Finreme Sim operate in securities trading.

Within Gruppo Intesa, Caboto is the reference point for investment banking activities.

Caboto is a group made up of four companies; each company is focused on a particular segment:

- Caboto Holding Sim: group holding company which operates on the bond market and the interest rate market;
- Caboto Sim: securities trading company focused on the stock market;
- Caboto Securities, established in London in 1997, represents Caboto group's first step toward an international expansion and is specialised in the brokerage of options and futures on the most important regulated markets;
- Caboto USA: the last-born group company, whose registered offices are located in New York, operates in stock and bond trading activities on the European market on behalf of American customers. In the last months, it also started origination of funding operations on behalf of North- and South- American issuers.

The four companies which belong to the Caboto group mainly operate with institutional investors, insurance companies, banks, large private and public industrial companies and supra-national issuers and are characterised by their expertise, dynamism and high standards in customer care. Caboto's mission, in fact, is to offer innovative and highly customised solutions. This commitment is particularly evident in the various activities characterising the four companies: investment banking, sales and trading, risk management, research and corporate and institutional banking.

Caboto Holding Sim

The Company closed the year 2000 with a net income of 20.1 million euro (71.9 million euro in 1999).

The marked drop in net income is related both to the changed market scenarios, characterised during the year by a substantially lower volatility with consequent reduction in intermediated volumes and lower profit opportunities, and to more aggressive competition by old and new competitors which enacted significant perturbing actions on our front-office structures.

Furthermore, for the purpose of a correct comparison between the 2000 and 1999 data, it must be noted that in 1999 the change in the accounting principle adopted for dividends implied the inclusion in the 1999 financial statements both of dividends matured in that year (38.2 million euro) and of dividends collected in that year (27.5 million euro).

Also in the year 2000, Caboto Holding Sim confirmed its leadership in the European market of issued bonds in terms both of volumes underwritten on the primary market and distribution in the secondary market.

During the year the Company converted 260 billion lire to euro and increased its capital to 162.5 million euro.

Caboto Sim

The Company closed the year with a net income equalling 28.9 million euro (33.4 million euro in 1999). The result, although lower than that in 1999, has to be considered very positive. In fact, the high contribution of the expenses incurred in



2000 for the start up of Intesa Trade, Gruppo Intesa's new on line trading platform, must be taken into account for a correct comparison with 1999. This initiative negatively affected the Company's statement of income by 28.6 million euro. In 2000 the Italian stock market resulted the best among the main Western markets, with a 7.9% growth in the Mibtel index. Traded volumes in the stock market increased considerably from 1,088 million euro in 1999 to over 1,701 million euro in 2000. The average value of each transaction decreased. Despite the entry of new operators, also in 2000 Caboto Sim confirmed its leadership in the ranking of Sim (Italian securities houses), with a 6.54% market share. Also on market making Caboto Sim positioned itself among the first Italian intermediaries, expanding its activity in the Isoalfa options and issuing, during 2000, new series of covered warrants on shares and Italian and foreign indices. In the MOT – Government bond market – the Company achieved third position with a 7.43% market share. In 2001, following the Banca Intesa-BCI merger, Caboto Sim will also be in charge of the instructions coming from the BCI network. This will determine a substantial increase in intermediated volumes and at the same time will require adequate investments to upgrade the capacity of the trading systems.

Caboto Securities

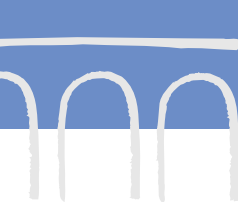
The financial accounts as at 31st December 2000 closed with a net income for the year of 544,234 GBP against 1,114,084 GBP in 1999. During 2000, the Company, which is the operating arm of Caboto Holding, aiming at promoting and developing the international strategies of the Holding company, strengthened its structure establishing the area of Sales and Distribution and Syndacation of bonds. The teams are formed by specialists active in the market both of Government securities and of non-Government securities. During 2000, the Company devoted particular attention to the Emerging markets area. In 2001, the Company intends to insert into its structure a team of traders specialised in emerging markets, with the aim of supporting the Parent Company's strategy and optimising the activity of the existing sales teams.

Caboto USA

The Company closed the year with a net income equalling 84,149 USD against a loss of 167,235 USD the previous year. The Company is a broker-dealer in the United States and is responsible for promoting Caboto group's activity with institutional investors.

Intesa Ireland

The company Intesa Ireland (formerly Cariplo Ireland) operates in the Financial Services Centre. Its financial activity performed at international level benefits from the logistic support of AIB International Financial Services, a subsidiary company of Allied Irish Bank. During 2000, the Company recorded a net income for the period equalling 11.3 million euro, with a 61.4% increase compared to a year earlier. The balance sheet as at 31st December 2000 shows due from banks amounting to 678.5 million euro and from customers amounting to 79.6 million euro, securities equalling 1,118.9 million euro, total assets of 1,911.7 million euro, due to



banks amounting to 1,607.3 million euro. In particular, during the year the proprietary portfolio dropped by approximately 200 million euro due to the sale of 30-year Italian Government securities in an asset swap carried out to rebalance the portfolio.

Shareholders' equity as at 31st December 2000 – including net income for the year – amounted to 114.6 million euro.

Finreme Sim

Finreme Sim's operations are conducted in the following three business areas:

- professional counterparties;
- private customers;
- management of the proprietary portfolio.

During the year closed as at 31st December 2000, business with professional counterparties recorded disappointing results due to difficult market conditions.

The market with private customers, which is sustained by the placement and dealing of bonds and certificates of deposit issued by banks, maintained the high growth recorded the previous year.

The management of the proprietary portfolio recorded a reduction in the securities therein; the reduction reflects a restructuring operation implemented during the year with the aim of disposing of structured securities, strongly exposed to interest rate risk, and reducing the residual life of the portfolio.

Net income for the year amounted to 2.5 billion lire against 1.8 billion lire in 1999.



Asset management

This activity is performed by Intesa Asset Management Sgr and Caboto International, together with two fiduciary companies: Intesa Fiduciaria Sim and Italfid Italiana Fiduciaria.

Intesa Asset Management Sgr

(in billions of lire)

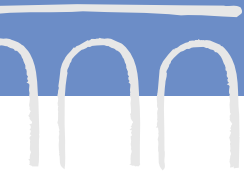
	2000	1999	Change
<i>Statement of income</i>			
Commission income	1,796.4	1,566.2	14.7%
Commission expense	1,370.5	1,249.9	9.6%
Net income (loss) for the year	151.0	110.7	36.4%
<i>Balance sheet</i>			
Securities portfolio	294.5	305.4	(3.6%)
Total assets	909.8	766.3	18.7%
Shareholders' equity ⁽¹⁾	400.6	321.9	24.4%
<i>Economic and financial ratios</i>			
Net income for the year/Total assets (ROA)	16.6%	14.4%	
Net income for the year/Shareholders' equity (ROE)	37.7%	34.4%	
<i>Other information</i>			
<i>Volumes of transactions</i>			
Assets under management	152,935.4	158,722.7	(3.6%)
Net funding	(9,031.8)	24,362.0	
Fund managed (number) ⁽²⁾	79.0	70.0	12.9%
<i>Market share</i>			
Assets under management (market share)	13.0%	14.4%	

⁽¹⁾ Including net income for the year and the reserve for general financial risks.

⁽²⁾ The multicompartment fund GEO is considered as one and comprises 15 compartments (7 compartments in 1999).

- During 2000 Intesa Asset Management Sgr (IAM) registered a considerable growth in individual portfolio management schemes, whereas a slowdown was recorded in collective portfolio management activities.
- At the end of 2000 the Company recorded a 13% market share on mutual funds/Sicavs positioning itself in third position in the ranking of the groups involved in asset management, against 14.37% at the beginning of the year. The slowdown in collective portfolio management activities was mainly due to a phase of generalised weakness of the portfolio, which was highly exposed to bonds and thus penalised by the market in 2000 and by the exit of some important distributors that moved to other banking groups.
- During the year a strategy aimed at expanding and rationalising the product range was pursued.
In May two new specialised funds were launched: Teodorico Obbligazionario Euro and Teodorico Misto Internazionale.

Comments



In August four funds of funds of the IAM Portfolio line started up. They invest exclusively in mutual funds and Sicavs managed by IAM, which offer flexible and diversified investment opportunities on the basis of the investor's risk profile. In October three fixed-income funds of the IAM line related to the corporate and convertible bond sectors were launched.

As to the multi-compartment GEO, between the end of May and the beginning of June three new fixed-income compartments were launched, whereas between October and year-end five new compartments started up, of which three on equities, one balanced and one flexible.

Regarding Sicavs, in February two new lines of Sicav Eurobridge (Strategic line and Index line) were launched. They are characterised by a half-yearly investment cycle, the protection of 95% of capital invested and the use of derivatives. Sicav Intesa Euroglobal, established under Luxembourg Law was also launched, with protection of capital equal to 94% of accrued maximum value.

- Pension funds registered a satisfactory development as a consequence of the acquisition of Collective pension funds for which IAM received the asset management mandate. As to open-ended pension funds, four new equity products became operational: investments in equity must not be lower than 50% of total assets of the investment line. At the end of 2000, assets managed by pension funds totalled 835 billion lire.
- As concerns individual portfolio management schemes, a strategy of concentration and rationalisation within the Group was pursued for the purpose of offering the same range of products to all distributors and creating one autonomous structure responsible for individual portfolio management schemes/private banking with the IAM brand, leaving to individual banks solely the role of distributor. In April 2000, the GPF with IAM brand were launched for smaller banks, in order to offer a complete service range and to extend to individual asset management schemes the placement procedures adopted for collective asset management schemes. In July, the management of the flexible Cariplo GPF (whose management is delegated to IAM), characterised by a higher value added content in terms of asset allocation compared to traditional GPF, commenced operations. These include lines made up only of funds managed by IAM with a minimum investment of 100 million lire, which are included in the delegated GPF, as well as lines made up of IAM funds and third party funds, with a minimum investment of 1 billion lire, which are included instead in the IAM private segment. With reference to delegated GPM, at the end of the year managed funds, net of the quota invested in IAM funds, amounted to 1,494 billion lire.
- With regard to private banking, the IAM Private model became operational. It offers 16 risk/return schemes and the option to choose various combinations of instruments. Furthermore two events took place. On the one hand, the transfer of Cariplo Private to IAM Private, started in November 1999, continued, on the other hand the various Private units existing in the Group implemented a conversion in terms of lines and pricing toward the IAM Private line. Starting from May the ex Caboto Private (relative to Banco Ambrosiano Veneto and Caboto Sim) and the Cariparma Private were aligned. Also the FriulAdria Private commenced distribution. At the end of 2000 assets managed by Private banking units, net of the quota invested in IAM funds, amounted to 9,117 billion lire.
- The Company acquired two equity investments. It acquired 100% of the share capital of Caboto International SA, a company established under Swiss Law, specialised in asset management on behalf of private and institutional customers based in Switzerland. IAM also acquired a minority interest in Fastnet Resources, a company of the Crédit Agricole group. Fastnet Resources holds, within the Crédit Agricole group, the ownership of operational software as well as the technology and professional know-how for the development of information systems which are essential for the services offered by Fastnet.



- In 2000 the rationalisation process already initiated in 1999 with the merger of four companies continued. In particular, substantial technology investments were made as required to re-engineer the instruments supporting the business with the aim of ensuring the launch of new and numerous products and guaranteeing the quality of products and services offered. Among the most important projects initiated in 2000 and due for completion in 2001, particularly noteworthy is the project to equip the Front/Middle office with flexible operational supports and to centralise in only one data base all information related to managed portfolios. Investments both for hardware and for software amounted to approximately 30 billion lire.
- Also in the year 2000, IAM achieved excellent economic results. The difference between commission income and commission expense amounted to 425.9 billion lire. Income before taxes equalled 264.1 billion lire with a net income for the year amounting to 151 billion lire, after having allocated 84 billion lire to the reserve for general financial risks.

Caboto International

The Company, which is now controlled indirectly through Intesa Asset Management Sgr, closed the year with a net income of 1.7 million CHF, improving by 16.64% the result of 1999.

The Company at its sixth year of operations achieved a position of equilibrium which allowed it to generate an operating margin amounting to approximately 1.8 million CHF, 77% higher than the previous year.

As at 31st December 2000 assets under management amounted to approximately 443 million CHF.

At the end of 2000 the staff of the Company consisted of 14 employees.

Intesa Fiduciaria Sim

Intesa Fiduciaria Sim, a Company operating in dynamic asset management, recorded a positive growth trend in managed funds placed by traditional sales networks, although in a context of high volatility and uncertain stock markets. In fact in the first few months of 2000 the performance of those markets determined the maximum rise in collection directed to very high risk investment lines. The reversal of this positive trend caused the depreciation of those investments and strengthened the re-structuring of investors' portfolios in favour of money market securities.

The Company closed 2000 with managed funds totalling 5,571.2 billion lire, against 4,964.1 billion lire in December 1999, with a 12.3% increase.

This increase was mainly due to new customers as the number of fiduciary mandates rose from 25,194 (as at 31st December 1999) to 29,765 (as at 31st December 2000).

Commission income and commission expenses rose respectively by 43% and 46%. Net income for the year equalled 7.7 billion lire with a 2.8 billion lire increase with respect to 1999.

Italfid Italiana Fiduciaria

During 2000 the Company absorbed Gemofid, after having acquired 100% of Gemofid's share capital from Cassa di Risparmio di Parma e Piacenza. As at 31st December 2000 the Company recorded a further increase in operations which expanded mostly thanks to the consolidated relationship with the Banco Ambrosiano Veneto network.

As at 31st December 2000 managed funds, valued at nominal price, amounted to 779 billion lire. Net income for the year equalled 60 million lire.

Specialised business units

It is the most diversified area, which includes the following companies operating in different segments of financial services to customers:

- Intesa Leasing offers leasing services;
- Mediofactoring provides factoring services;
- Agos Itafinco operates in the consumer credit market;
- Intesa Italia Sim is the "door-to-door" sales network for distributing Group financial products;
- Setefi operates in the credit cards and payment system market;
- Carivita is the Group's bancassurance company.

LEASING

Intesa Leasing

(in billions of lire)

	2000	1999	Change
<i>Statement of income</i>			
Lease income	2,612.5	2,135.1	22.4%
Contribution margin	136.1	130.6	4.2%
Administrative costs	66.0	67.2	(1.8%)
Net income for the year	41.8	49.4	(15.4%)
<i>Balance sheet</i>			
Leased assets	6,426.5	5,233.0	22.8%
Total assets	7,575.1	6,423.1	17.9%
Due to banks	5,695.0	4,875.1	16.8%
Shareholders' equity ⁽¹⁾	358.2	345.3	3.7%
<i>Economic and financial ratios</i>			
Administrative costs/Contribution margin	48.5%	51.5%	(5.8%)
Net income for the year/Total assets (ROA)	0.6%	0.8%	(28.3%)
Net income for the year/Shareholders' equity (ROE)	11.7%	14.3%	(18.4%)
<i>Other information</i>			
New contracts (value)	3,811.9	3,263.0	16.8%
New contracts (number)	36,036	19,124	88.4%
Implicit loans to customers	6,500.5	5,251.0	23.8%

⁽¹⁾ Including net income for the year and the reserve for general financial risks.

Comments

- In 2000 the Company recorded a positive commercial performance. In fact, during the year, 36,036 contracts, worth 3,811.9 billion lire, were stipulated, with an increase of + 88.4% and + 16.8% compared to the values registered a year earlier.
- The real estate leasing segment recorded the highest growth rate with respect to 1999, with a 39.7% increase in the number of signed contracts and a 50.9% increase in value terms, whereas increases in motor vehicle leasing were more contained, respectively of 5.25% and 15.6%.
- A special mention has to be made for the contracts related to the intangible assets segment, in view of the launch in May 2000 of the product "Tuttinrete",



developed in partnership with Banca Intesa, IBM and Tin.it, characterised by a complete financial and technological package targeted to the retail customers of Gruppo Intesa. Thanks also to this new initiative, the number of contracts related to this segment registered an increase of 179.23%, while the increase in their value amounted to 0.9%.

The penetration in the product market led to the stipulation of 14,848 small contracts, but the effectiveness of management was not negatively affected thanks to the flexibility of the company's organisation.

- During the year the Internet site (www.intesaleasing.it) was designed and activated; in a few months the connection with Banca Intesa's home banking service will become operational, in order to create new services available 24 hours a day and to improve their offering and attractiveness.
- In August 2000 the Company acquired from Banca Intesa 100% of the company Fiscambi Locazioni Finanziarie and absorbed it on 31st December 2000, with accounting and fiscal effects as of 1st January 2000.
- On 16th October 2000 the company Intesa Renting was established. It is owned 65% by Intesa Leasing and 35% by Ucabail SA company belonging to the Crédit Agricole group. The Company will offer all customers of Gruppo Intesa the possibility of hiring cars for private use on a long-term basis.
- Net income for the year, including the withdrawal of 1.1 billion lire from the reserve for general financial risks, even if lower than that of the previous year, has to be considered positive. In fact the previous year's result benefited from a 12.9 billion lire capital gain generated by the sale of premises previously used as the Company's registered offices.

FACTORING

Mediofactoring

(in billions of lire)

	2000	1999	Change
<i>Statement of income</i>			
Interest and commissions from factoring activities	461.9	341.0	35.5%
Contribution margin	166.4	154.9	7.7%
Administrative costs	68.4	71.1	(4.2%)
Net income for the year	55.2	48.3	14.6%
<i>Balance sheet</i>			
Loans for factoring activities	11,047.1	10,004.1	10.4%
Total assets	11,122.0	10,078.7	10.3%
Due to banks	7,194.9	5,885.8	22.2%
Due from factoring activities	3,225.9	3,284.0	(1.8%)
Shareholders' equity ⁽¹⁾	296.7	300.6	(1.4%)
<i>Economic and financial ratios</i>			
Administrative costs/Contribution margin	40.7%	45.8%	
Net income for the year/Total assets (ROA)	0.5%	0.5%	
Net income for the year/Shareholders' equity (ROE)	19.9%	17.1%	
<i>Other information</i>			
Turnover	41,192	33,572	22.7%

⁽¹⁾ Including net income for the year and the reserve for general financial risks.

- As concerns volume of operations, turnover reached 41,192 billion lire, with a 22.7% increase; also loans to customers as at the end of the year recorded a similar trend, totalling 7,761 billion lire (+ 22.9% compared to 1999). Qualitywise 70.14% of turnover was acquired through pro soluto (without recourse) contracts and the increase registered by international activities (+ 75.8%) was particularly important with a turnover totalling 3,491 billion lire.
- The trend of income from non-financial activities was very positive: 129.9 billion lire, with an almost 13% growth rate compared to the budget and to 1999. Net interest and other income amounted to 219.9 billion lire, with a 9.4% growth rate with respect to 1999.
- Operational costs recorded an overall drop of approximately 2% compared to 1999, as a result of a significant reduction in personnel expenses (- 4.4%), motivated by a drop in employed resources, and in other administrative expenses (- 3%), whereas amortisation rose considerably (+ 47% compared to 1999), as a result of the goodwill associated with the acquisition of Fivefactor. The cost/income ratio reached 33%, against a 34.5% target and 36.8% in 1999.
- The net balance of value adjustments/recoveries registered in the statement of income for the year amounted to 53.2 billion lire (+ 15.9% compared to the previous year). Income generated by ordinary activities equalled 93.9 billion lire, with a 15.3% increase compared to the previous year. The balance of extraordinary operations improved that figure further, raising income before taxation to 99.4 billion lire, while net income for the year amounted to 55.2 billion lire.

CONSUMER CREDIT

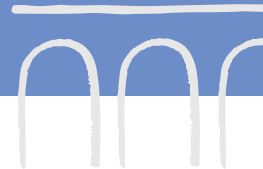
Agos Itafinco

During 2000, Agos Itafinco – a company controlled by Crédit Agricole, in which Banca Intesa holds a 30% stake – accelerated further its already strong growth rate. At the end of 2000 loans to customers reached 2,735 billion lire with a 25.4% increase compared to 1999. During the last three years the Company almost doubled its production level.

Agos Itafinco registered a commercial expansion in all sectors in which it operates. Such a success stems from a commercial action planned on the basis of the customer needs and favoured also by a more widespread distribution of its network. The Company's timeliness and flexibility enable it to follow the evolution of household consumption and distribution channels.

In particular, the Company achieved the following growth rates: 22.5% in car financing, 31.4% in the non-car segment and 20.3% in the credit card segment. During the year, an increase in the share capital amounting to 50.6 billion lire was approved at the time of the conversion to euro.

Shareholders' equity resulting from the 2000 balance sheet – including net income for the year of 19.9 billion lire – amounted to 172.1 billion lire.



DISTRIBUTION OF FINANCIAL PRODUCTS

Intesa Italia Sim

(in billions of lire)

	2000	1999	Change
<i>Statement of income</i>			
Commission income	205.8	162.7	26.5%
Commission expense	131.2	103.6	26.6%
Net income for the year	26.1	21.9	19.2%
<i>Balance sheet</i>			
Securities portfolio	39.8	39.4	1.0%
Total assets	127.8	108.4	17.9%
Shareholders' equity ⁽¹⁾	46.4	40.3	15.1%
<i>Economic and financial ratios</i>			
Net income for the year/Total assets (ROA)	20.4%	20.2%	
Net income for the year/Average shareholders' equity (ROE)	56.3%	54.3%	
<i>Other information</i>			
Intermediated volumes	7,402.5	6,478.1	14.3%
Number of personal financial consultants	1,206	1,186	20

⁽¹⁾ Including net income for the year and the reserve for general financial risks.

- During 2000, stock markets recorded a very sustained growth rate in the first part of the year and a rapid slowdown in the second half; however the Company achieved more than satisfactory results.
- The distribution of volumes placed re-confirmed the considerable weight of asset management (mutual funds and portfolio management schemes) which amounted to 5,044.5 billion lire and represented 68.1% of total activity.
- The development of the sales network which operates in tight co-operation with the Group's commercial banks allowed to substantially improve profitability of the Company which closed 2000 with a net income amounting to over 26 billion lire (+ 19.2% compared to the previous year).

Comments

PAYMENT SYSTEMS

Setefi

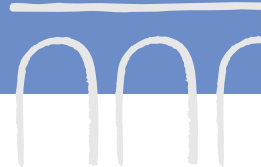
(in billions of lire)

	2000	1999	Change
<i>Statement of income</i>			
Commission income	149.2	119.9	24.4%
POS rental payments	10.8	7.6	42.5%
Commission expense	74.5	59.2	25.9%
Contribution margin	89.0	73.7	20.8%
Administrative costs	18.5	15.4	20.1%
Net income (loss) for the year	31.5	25.2	24.9%
<i>Balance sheet</i>			
Due from Moneta card holders	1.2	2.0	(40.0%)
Due from retailers with POS	4.1	2.2	85.9%
Other credits for services rendered	10.5	11.2	(6.2%)
Total assets	156.0	139.7	11.7%
Shareholders' equity ⁽¹⁾	82.2	74.0	11.1%
<i>Economic and financial ratios and other data</i>			
Administrative costs/Contribution margin	20.8%	20.9%	
Net income for the year/Total assets (ROA)	20.2%	18.0%	
Net income for the year/Average shareholders' equity (ROE)	38.3%	34.1%	
<i>Other information</i>			
Number of cards - issued and managed	1,420,498	1,302,921	9.0%
Transactions with Moneta cards managed:			
– transactions managed	23,876,500	18,694,901	27.7%
– value transacted (in billions of lire)	3,707	2,824	31.3%
Number of POS machines installed at year-end	49,727	37,247	33.5%
Number of transactions carried out on POS machines	68,585,208	50,375,469	36.1%
Total value transacted (in billions of lire)	11,069	8,258	34.0%

⁽¹⁾ Including net income for the year and the reserve for general financial risks.

Comments

- During the year the activity of Setefi as manager and sole processor for the issuing continued and consolidated. The Company also devoted its efforts to acquiring activities, to the realisation of new services and high value added projects, destined to meet the requirements of a continuously evolving market and maintaining high competitiveness in very innovative sectors such as e-commerce and mobile-commerce. The recent launch of MONETA online, the new service of Banca Intesa created and realised by Setefi, is also worth noting. Such service was implemented to manage the safe electronic payment through credit cards on the Internet and it allows the purchase of goods and services on the Internet from commercial operators which accept payments with VISA International and Moneta credit cards. This service is therefore usable in the whole world.
- Value transacted with Moneta credit cards increased by approximately 31.3%, from 2,824 billion lire to 3,707 billion lire.
- Overall value of transactions managed on POS rose by 34% exceeding 11,000 billion lire.
- The Company also improved its profitability with a net income for the year equalling 31.5 billion lire (+ 25% compared to 1999).



LIFE BANCASSURANCE

Carivita

In 2000 collected premiums from the life insurance market are estimated in 82,500 billion lire (of which 60,000 of new production), with an 18% growth rate compared to 1999 (Source: IAMA).

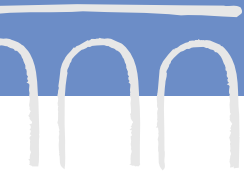
2000 was a two-speed year: in the first eight months the market outperformed with difficulty the production levels reached in the same months of 1999, whilst later the demand of pension funds, aimed at capturing the last period of fiscal advantages, consolidated and determined an acceleration of production. The banking channel continued to represent the prevailing distribution channel (over 60% of the total).

During 2000, Carivita structured its own portfolio (re-valuation, unit-linked, index-linked) in line with the market mix, on the one hand, limiting the growth of the index-linked portfolio and on the other hand, focusing on the products with minimum-guaranteed return and unit-linked. To do this, at the beginning of the year, the new product Solidità was launched, which recorded a performance exceeding expectations and allowing the Company to achieve an 88% growth rate in a declining market (- 35%).

Also in the unit-linked segment, Carivita developed an innovative product, named Safe Unit, which combines the typical characteristics of these contracts with the security of a dynamic guarantee on invested capital. Finally, the success of the private banking channel must be noted (over 350 billion lire collected).

Such strategy allowed to consolidate a market share in terms of managed funds equalling 3.1%. In fact, technical reserves, which amounted to 10,445 billion lire, registered an over 31% increase, slightly higher than the market growth rate estimated for 2000.

The Company's net income for the year equalled 35.5 billion lire, 14.3 billion lire higher (+ 67.5%) than 1999's, thanks to higher financial margins and containment of operating costs. Also ROE improved reaching 20.3%, compared to 13.5% in 1999. During the year shareholders' equity was increased to match the rise in operations through a 120 billion lire increase in the share capital which thus reached 200 billion lire.



TAX COLLECTION

Situation of the sector

During 2000, the holding company Intesa Riscossione Tributi and the concessionary companies, Esa.Tri., E.Tr. and Sesit, continued the implementation of the project included in Gruppo Intesa's Industrial plan for the sector. The situation of the sector was made particularly difficult both by external factors, such as the transitory phase of the reform of the collection system, and by internal factors related to individual companies. The enforcement of the reform of the Tax collection sector implied:

- the concentration of the activity exclusively on tax collection via the "ruolo" (tax payer list) segment characterised by great economic imbalances;
- the loss of the financial flows generated by direct payments;
- the drop in revenues generated by the ICI (real estate property tax) and TARSU (waste disposal tax) payments which previously were managed exclusively, while now local authorities are authorised to manage such tax collections on their own or to delegate them to third parties;
- the abolition of the obligation to guarantee for non-collected taxes;
- the reimbursement by tax authorities of the advances conceded on the basis of the above-mentioned obligation.

To summarise, the reform induced a substantial change in the role of the concessionary who, after having abandoned its traditionally monopolistic connotation, must compete in the free market and therefore carry out plans of intervention aimed at ensuring the survival of the Company in the changed context. Furthermore, during 2000, the fact that some important regulations related to the enforcement of the reform were not issued made the recovery of the financial exposure extremely difficult, while the almost total lack of issued tax forms shrank expected revenues.

In this scenario, Gruppo Intesa prepared an Industrial plan, which, by changing operational procedures, orientation to the market and organisational structure, will lead to a financial re-equilibrium in the period 2000-2002.

Lines of intervention

The strategic lines foresees:

- focusing on the primary business of management of "ruoli" and increasing considerably the effectiveness in tax collection;
- developing a competitive offer in the context of the local tax system;
- recovering operational efficiency and productivity through a rationalisation of the network, the development and upgrading of the structures of internal service.

Consequently extraordinary activities were programmed and, in particular, with regard to operational processes, various projects were initiated such as:

- a system of management of "ruoli" aimed at re-designing completely the whole procedure, to simplify processes by means of adequate IT instruments;
- the start up of a business unit "ruoli" aimed at optimising the enforced tax collection activities and destined to become more and more the main business;
- a new procedure for the management of the tax payers list aimed at speeding up and improving the notification process, even with recourse to external services.

At the same time the rationalisation of the branch network, which started in 1999 and determined the closure of 67 branches in 2000 (corresponding to 36% of the branches existing at the beginning of 2000) belonging to the three concessionary companies, continued.

The process of corporate re-organisation was mainly aimed at implementing measures directed to improve profitability and to expand collaboration with local entities as well as analysing and reducing all types of costs.



Labour cost, representing the main problem as a result of structural excesses of personnel which is aggravated by the reform of the tax collection system, was reduced both through interventions to subsidise voluntary resignations and by transferring part of the personnel to other Group companies which required new personnel. Finally, with recourse to the procedures provided for by Law 223 of 23rd July 1991, a solidarity contract was introduced which reduces contractual working hours by two hours per day.

Intesa Riscossione Tributi

Intesa Riscossione Tributi (IRT) is the holding company of the Group's tax collection companies.

In December 2000, it absorbed GET - Gestioni Esattorie Tesorerie (in liquidation). During 2000, the Company recorded a net income of 1.9 billion lire against 1.6 billion lire the previous year.

The most important data of the main subsidiaries related to 2000 are reported hereunder.

Esa.Tri. - Esazione Tributi: the Company closed the year with a net income of 32.1 billion lire, after having allocated 32.1 billion lire to the allowance for taxation. Such result represents a 26.9% increase (+ 6.8 billion lire) with respect to the figure as at 31st December 1999 and is also higher than the figure of the 2000 budget (+ 3.1 billion lire).

Revenues reached 265.5 billion lire, approximately 21 billion lire less than the previous year and the forecast; however, this fact may be deemed positive considering the significant effort made to manage change which could have diverted energies from the management of operations.

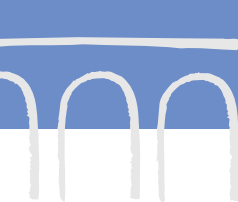
Operating costs totalled 182 billion lire, which is lower than the figure in 1999 (194.3 billion lire) and in the 2000 budget (190 billion lire).

Cost reduction is a first important effect of the gradual implementation of the strategic guidelines contained in the Company's re-organisation plan.

During 2000 financial management recorded higher charges due to an increase in interest expense coupled with the decrease in advances mainly of local taxes. Such charges amounted to 24.2 billion lire against 18.4 billion lire the previous year.

E.Tr. - Esazione Tributi: E.Tr., Government delegate, holds tax collection as corporate purpose and is also assignee of a rental contract whereby it manages part of the activities of the tax collection holding company Intesa Riscossione Tributi (IRT), which is absorbing GET after the merger between these two companies which occurred in 2000. As a consequence of this merger the rental contract originally stipulated between E.Tr. and GET was transferred to IRT. All liabilities arising from the management of this contract will be charged to IRT as provided for by the contract itself.

On 18th October 2000, the Company's Extraordinary Shareholders' Meeting decided to annul the share capital to cover the losses, including the loss of 11.1 billion lire recorded in the first half of the year, and at the same time re-constituted the capital with 30 billion lire entirely underwritten and paid by the Holding company Intesa Riscossione Tributi.



In the second half of 2000, the Company registered further losses amounting to 19.4 billion lire which therefore brought the total loss for the year to 30.5 billion lire.

S.Es.I.T. Puglia - Servizio Esazione Imposte e Tributi: the financial statements as at 31st December 2000 recorded a loss of 6.4 billion lire, practically completely due to provisions close to 4 billion lire, as a result of events occurred in the last part of the year and of charges amounting to almost 3 billion lire related to extraordinary events occurred at the end of the year.

Operating activities resulted in line with budget projections notwithstanding the considerable reduction in revenues, offset to a large extent by lower administrative costs and financial charges.

ALTERNATIVE CHANNELS

During 2000 Intesa developed a project of operations via alternative channels, in particular on the Internet.

Being new and strategically important, this activity and its achievements are already described in the part of this Report devoted to the important events which occurred during 2000.



Intergroup support services

Gruppo Intesa's organisational model defines autonomous units specialised by role and function and capable of offering services, in a framework of synergies and economies of scale, to all the Group's business units. The companies operating in this area are Intesa Sistemi e Servizi, Intesa Gestione Crediti, Caridata, Intesa Formazione, Intesa Learning and Intesa Formazione Sud.

Intesa Sistemi e Servizi

In 2000 Intesa Sistemi e Servizi consolidated its role as the entity integrating and innovating services, processes and technologies for Group companies for the purpose of realising economies of scale and specialised expertise.

With respect to the previous year, volumes managed directly by the Company recorded a substantial increase (1,214.8 billion lire revenues with a 71% increase over 1999) linked to the gradual centralisation of the Group's procurement contracts. Net income for the year amounted to 1,317 million lire.

Share capital was increased to 402,744,160,000 lire to support the Investment plan; with the contemporary translation in euro. Share capital totals 208 million euro broken down in 4,000,000 shares of nominal value 52 euro each; furthermore, on 15th December 2000 the type of company was changed from Società consortile per azioni - Scpa (consortium joint stock company) to Società per azioni - Spa (joint stock company).

Beside ordinary activities of providing services, all organisational units were involved both in developing and implementing projects identified by the Group's new model and in managing strategic projects in the Group's interest.

Among the activities performed in the framework of the Group's new model programme managed by the Parent Company, Intesa Sistemi e Servizi played a key role both in supporting the merger of Cariplo, Banco Ambrosiano Veneto and Mediocredito Lombardo into Banca Intesa and in the activities related to the sales of Group branches which were made during the year.

Within the activities related to the integration of Banca Commerciale Italiana, it is worth noting the concentration of the data centres in the pole located in Parma, which was implemented without interruption of service during the Christmas holidays.

Regarding the strategic projects in the Group's interest the following are particularly significant:

- the successful implementation of the change of date from 1999 to 2000 for all serviced companies;
- the realisation of the project for the concentration of finance in the Parent Company Banca Intesa;
- the substitution of the branch system on all of Cariplo's branches;
- the inclusion of Banca Popolare FriulAdria on the target IT system for the Group and the associated integration of processes and organisational structures;
- the completion of the multi-media platform of the Group contact centre which allowed various Group entities to rapidly avail themselves of a further, advanced distribution channel with very contained investments;
- the integration of the Group's Internet channels and the support to the start up of Intesa Trade and FundsWorld;
- the start up, in coordination with the Parent Company, of the programme aimed at introducing the euro as accounting and exchange currency.

Intesa Gestione Crediti

In the framework of Gruppo Intesa's industrial project, Intesa Gestione Crediti has been attributed the fundamental mission of improving cost-effectiveness and efficiency in the management and recovery of non-performing loans, thus reducing the costs of these activities and improving recovery capacity.

During the year the Company acquired the following non-performing loans:

Seller	Date of sale	Net value
Bankhaus LÖbbecke	February 2000	327,537,209,154
Banco Ambrosiano Veneto	June 2000	53,036,677,353
Cariplo	June 2000	77,423,297,946
Cassa di Risparmio di Rieti	June 2000	12,733,034,807
Cassa di Risparmio della Provincia di Viterbo	June 2000	30,791,441,895
Banca Carime	June 2000	19,903,382,955
Banca Popolare FriulAdria	June 2000	18,869,687,920
Cassa di Risparmio di Parma e Piacenza	October 2000	632,718,252,473
Cassa di Risparmio di Spoleto	November 2000	14,462,839,842
Cassa di Risparmio di Foligno	November 2000	30,964,632,231
Cassa di Risparmio di Ascoli Piceno	December 2000	34,444,546,814
Cassa di Risparmio di Città di Castello	December 2000	7,748,585,202
Total		1,260,633,588,592

Book value of loans increased from 3,885 billion lire as at 31st December 1999 to 4,630 billion lire as at 31st December 2000.

The Company also managed over 4,600 billion lire of non-performing loans on behalf of the Group banks recovering over 535 billion lire during the year.

Intesa Gestione Crediti, in order to be recognised in the market of managers of non-performing loans, instructed two companies specialised in rating: Standard & Poors and Fitch to value its management capacity. The analysis made so far led to the inclusion of Intesa Gestione Crediti among the approved servicers.

The statement of income for 2000 closed with revenues exceeding 227 billion lire (of which 156 billion lire of payments from managed loans and interest on non-performing loans, 50 billion lire of commissions on services provided to the Group and 20 billion lire of recovered legal expenses) which led to value adjustments on loans exceeding 130 billion lire. Net income for the year amounted to 390 million lire, after a withdrawal of 5 billion lire from the reserve for general banking risks.

Caridata

Financial statements as at 31st December 2000 recorded satisfactory results on the grounds of both the consolidation and the development of its areas of responsibility. During 2000 the Company went through a phase of consolidation as its operational processes were adapted to Banca Intesa's new directives and to Intesa Sistemi e Servizi's operations. This complex task was carried out by the Company's structure with great flexibility, which permitted to protect the professional and technical qualities of personnel and the forecasted operating margins.

The Company's financials appear sound. As at 31st December 2000 net working capital recorded a highly positive balance amounting to approximately 7.54 billion lire, liquidity index stands at a good 1.3 and the index of financial coverage of fixed assets shows a value of 1.2, fairly stable compared to the previous year, as a



result of an increase both in fixed assets and in shareholders' equity which occurred during 2000.

Income before taxation amounted to 6.9 billion lire and was practically stable with respect to the previous year (+ 3.8%).

Net income for the year equalled 3.6 billion lire, with a 27.7% increase compared to the previous year.

Intesa Formazione

During 2000 the activity of the Company was characterised by the development of initiatives and projects in the various professional areas, in line with the planned organisational and operational restructuring of the Group's branch network, which led to a higher requirement of specialists and consultants as well as to the consolidation of the Group's integration process.

The latter determined in the Company a specific and significant consequence with the integration in the IntesaC@mpus Catalogue of the training offer of Banca Commerciale Italiana.

Managerial training was given particular attention in order to achieve the strategic objective of creating one Intesa management style, common and shared by all companies.

Efforts in training Group personnel referred to approximately 109,000 man-days, of which approximately 57,000 in classroom and approximately 52,000 via distance training, in confirmation of the growing importance of the latter.

The Company closed the year with a net income of 129 million lire, in line with forecasts.

Intesa Learning

The Company was established through the transformation of the limited liability company Nemetria Servizi, in accordance with the decision of the Extraordinary Shareholders' Meeting held on 9th November 2000.

During 2000, the Company mainly performed activities set out in the programmes defined by the association Nemetria and more specifically conferences, seminars, meetings, researches, specific studies for enterprises.

The Company closed the year with a net income of 9 million lire.

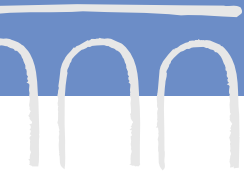
Intesa Formazione Sud

The objective of the Company is primarily to continue to meet training requirements which are agreed and planned with the Group companies operating in Central and Southern Italy.

Guidelines, organisation, mission, activities and investments, characterising the year 2000, were defined by the Group's Industrial plan, which represented the reference point for the offer of training in a framework of strategic development of the organisations of Banca Intesa and of individual brands. The global training proposal was consistent with these needs, developing interventions which involved managerial, commercial, technical-professional areas, with projects aimed at objectives related to the various development phases of Gruppo Intesa.

Overall, the Company provided interventions totalling approximately 25,400 man-days of classroom training, of which approximately 23,400 man-days realised directly, and approximately 28,500 man-days of distance training realised through Intesa Formazione.

Net income for the year amounted to 32 million lire.



Significant subsequent events

Resolutions of the Shareholders' Meetings held on 1st March 2001

The Extraordinary and Ordinary Shareholders' Meetings held on 1st March 2001 made certain resolutions that, considering their relevance in the future organisation of the Company and of Gruppo Intesa, were abundantly illustrated in the first part of this Report on operations. In particular the Shareholders' Meeting:

- revoked the resolution made on 28th July 2000 with regard to the part related to the merger of Banca Carime in Banca Intesa;
- approved the merger project of Banca Commerciale Italiana in Banca Intesa, on the basis of an exchange ratio of 1.45 Banca Intesa newly-issued ordinary shares for each Banca Commerciale Italiana ordinary or saving share;
- approved a stock option plan and therefore resolved upon an increase in capital, with the exclusion of pre-emptive rights for existing shareholders, through the issue of a maximum of 58,000,000 ordinary shares to be offered for subscription to Managing Directors of the Company and managers employed by Banca Intesa and other Group companies;
- modified certain articles of the Articles of Association, in particular with regard to the Company name, the number of Managing Directors and of General Managers;
- authorised the purchase of a maximum of 478,747,202 own ordinary shares, from the holders of Warrant Put IntesaBci and their possible subsequent sale at a price no lower than the cost of purchase.

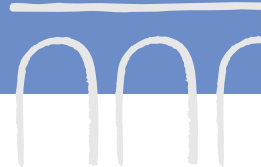
Other significant events

From the beginning of the year and until the approval date of this Report on operations, no significant subsequent events, which may affect Group's strategies and operations occurred.

The sole exception is the sale to Banca Unipol of 51 branches belonging to various Group banks, at a provisional approximate price of 400 billion lire, which has already been described above.

*Banca Intesa
Mediocredito*

A new subsidiary called Banca Intesa Mediocredito was established on 28th December 2000 with the objective of developing a specialised centre offering medium- and long- term credit to industrial companies for the purpose of seizing the opportunities related to medium- and long- term credit to industrial companies. The medium- and long- term industrial lending business area of former Mediocredito Lombardo will be contributed to the new Company after it has received all the necessary authorisations.



Forecast for 2001

During 2001 the slowdown of the US economy will lead to a net reduction in worldwide economic growth and in international trade. The cycle in Euroland will also be affected; however, these negative effects, amplified by a recovery in the exchange rate, will be partially offset by reductions in fiscal pressure and by a more favourable trend of domestic demand.

The strong economic slowdown should confirm the expansive stance in US monetary policy, for which other significant interest rate cuts are forecasted starting with the next few weeks. The European Central Bank, in a situation free of inflationary tensions, should also favour the system's liquidity through certainly less intense measures than those adopted in the US and postponed by a few months.

In Italy, economic growth should remain at current levels thus confirming the lower growth rate compared to Euroland's average. The most important contributions to the growth of the economy are forecasted to come from exports and investments in machinery and plants, while private consumption is expected to register a more contained increase.

World economy

In this context, lending and deposit collection should confirm the trends which emerged in the last part of 2000. Demand for credit should remain high, even if lower than last year. Short-term lending will drive the growth of bank lending, thanks to the forecasted growth of M&A transactions between medium large companies and the considerable expansion in consumer credit. Medium- and long- term lending will also continue to record good growth rates, due to the considerable demand for mortgage loans, also favoured by the reiteration of tax incentives for the construction industry.

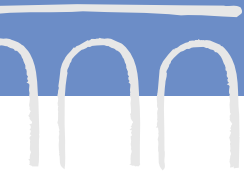
Direct deposits from resident customers are forecasted to register a lower growth rate than that recorded by loans to customers. As had already occurred in 2000, this will require that banks access alternative sources of funding, namely the interbank market or bond issues on the euromarkets. As a consequence of these trends, an increase in maturity mismatching is forecasted for the banking system also in 2001.

Also in 2001 bank interest rates are expected to record a moderate rise in terms of average for the year, since the forecasted decrease in market interest rates during the year will not be sufficient to entirely offset the increase recorded in 2000. The trend recorded by market interest rates and the different speed with which interest on lending and deposit collection adapt to market interest rates determine, for 2001, an almost constant level in the spread.

Lending and
deposit collection

As concerns profitability of the banking system, interest margin is forecasted to increase as a result of the rise in volumes and the almost stable spread. Net interest and other banking income will grow less than proportionally than the interest margin, due to the slowdown in income from services, even though average return on asset management activities is forecasted to recover, as a result of portfolio switches in favour of foreign, equity and insurance components. Operating costs, which are still forecasted to rise, will be weighed down by the rise in investments in technology and advertising. The considerable increases in various other cost captions, especially for the purchase of professional and non-professional goods and services, is destined to remain high for a significant period, also as a result of the concentration and re-organisation processes currently under way. Nonetheless, the cost/income ratio is forecasted to decrease in 2001 and also the ratio of personnel costs to net interest and other banking income.

The banking system



For Gruppo Intesa forecasts for 2001 are extremely positive, in spite of the activities related to the implementation of the new organisational model and the related charges.

In consistent terms, that is excluding from figures for 2000 the volumes and economic performance of the banks and branches which have been sold, net interest margin is forecasted to show a significant progress thanks to the growth in average volumes intermediated with customers (deposits up by approximately 2% and loans to customers + 9%) and the rise in the spread between interest on loans and deposits (+ 10 basis points).

Commissions and other net operating income should continue to show an appreciable growth rate, even if lower than in previous years. Profits on financial transactions are forecasted to record a considerable increase.

Operating costs, which will be negatively affected partly by the investments in the new e-finance initiatives and partly by the costs connected to the implementation of the new organisational model and, on the other hand, will not yet benefit from all the synergies deriving from the integration, should in any case record a very low growth rate.

Consequently operating margin will significantly increase.

A more considerable increase is forecasted for net income, which will also benefit by the aforementioned operations for the rationalisation of the branch network.

The Board of Directors

Milano, 19th March 2001