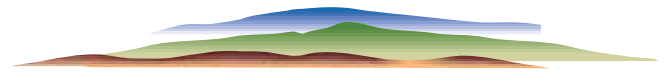
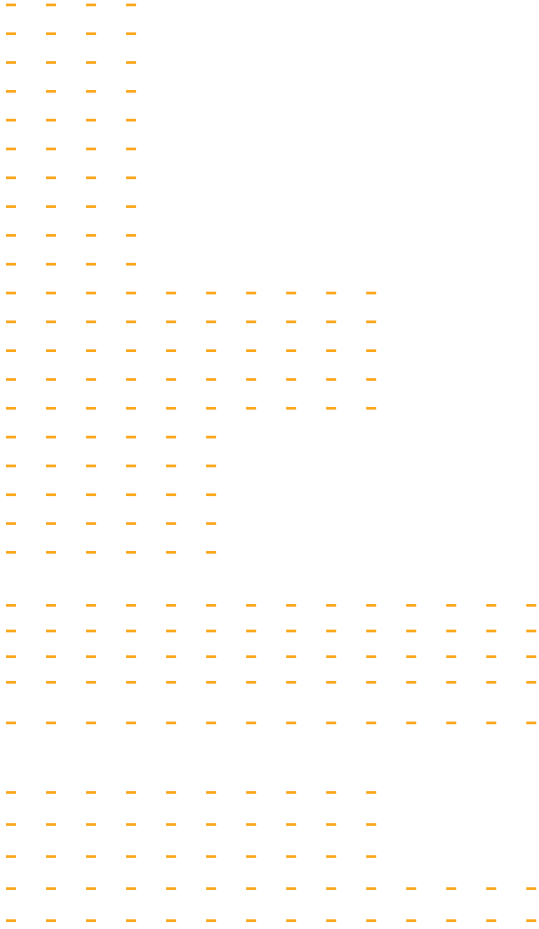


 Banca Popolare  
FriulAdria



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We look afar.



Banca Popolare FriulAdria s.p.a. Piazza XX Settembre, 2 - 33170 Pordenone  
Pordenone Company Register and Fiscal Code 01369030935  
Share Capital: Euro 101,975,060  
The Company is a bank of Gruppo Intesa and it is subjected to its management and coordination.

## Board of Directors, Board of Statutory Auditors and General Management

Honorary President	Angelo Scotti
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### Board of Directors

Chairman	Angelo Sette*
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Deputy Chairman	Alfonso Desiata*
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Managing Director	Luigi De Puppi*
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Directors	Paolo Baessato* Gianpietro Benedetti Renzo Bit Mario Calamati* Giuseppe Campeis Piero Cattaruzzi* Francesco Stanislao Parisi Gemma Luisa Ravizza Giovanni Sandrin* Emilio Sgarlata
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\*Members of Executive Committee

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### Board of Statutory Auditors

Chairman	Pietro Martini
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Statutory Auditors	Aldo Boschi Giampaolo Scaramelli
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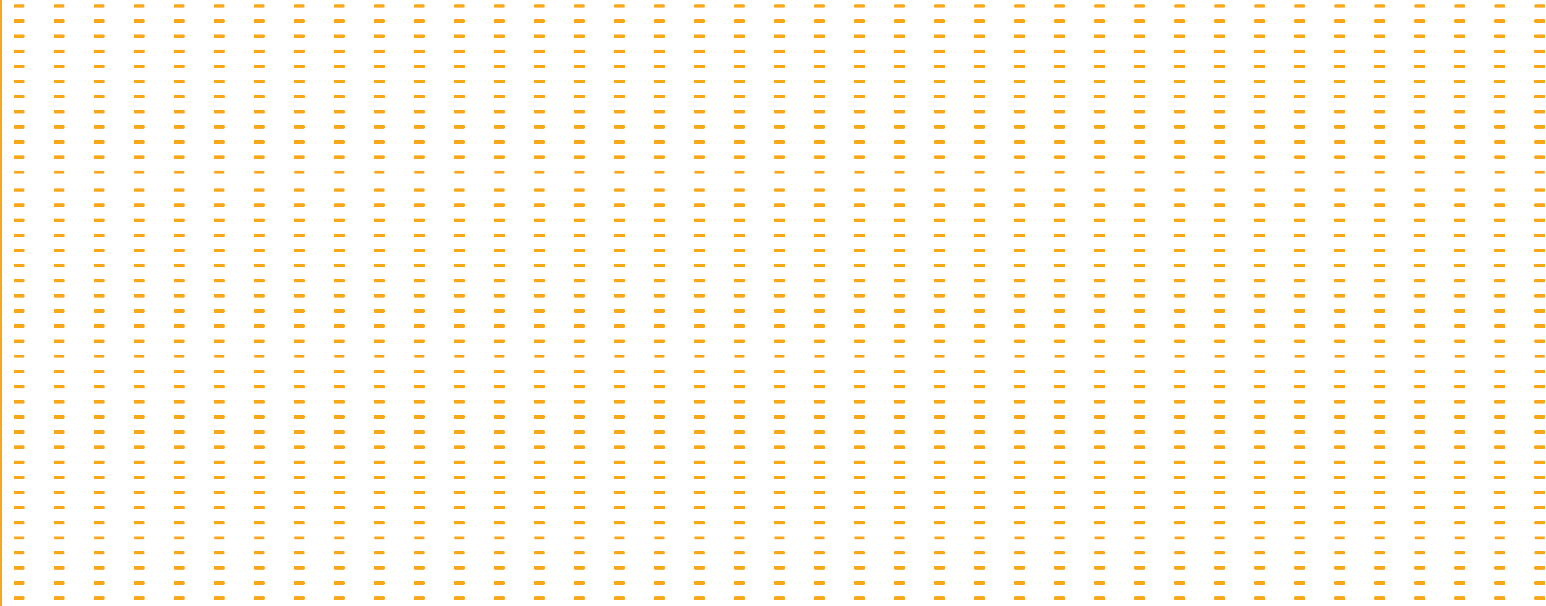
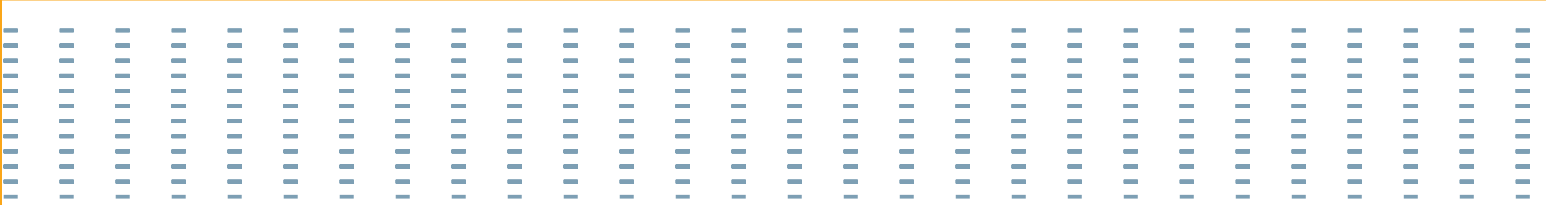
Substitute Auditors	Giulio Castelli Antonio Rosso
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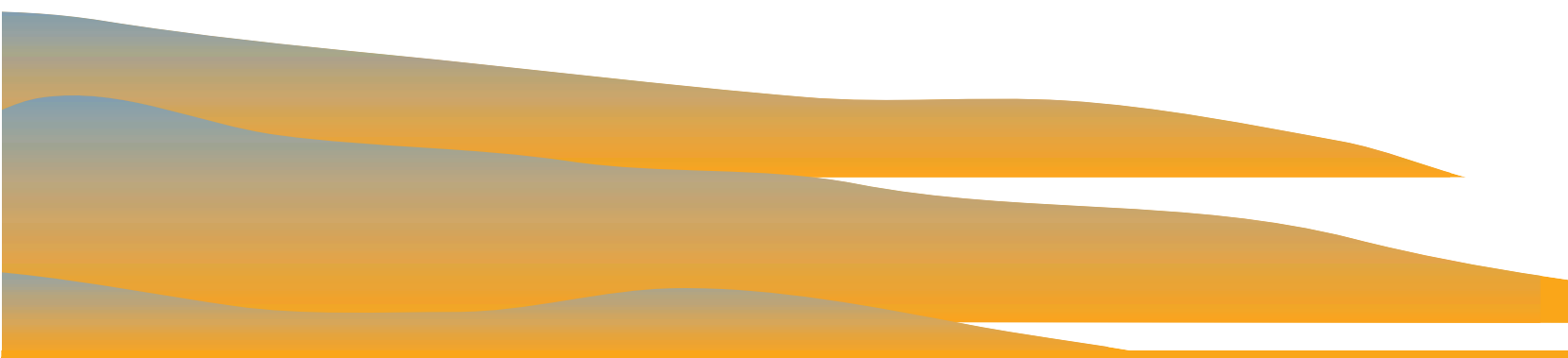
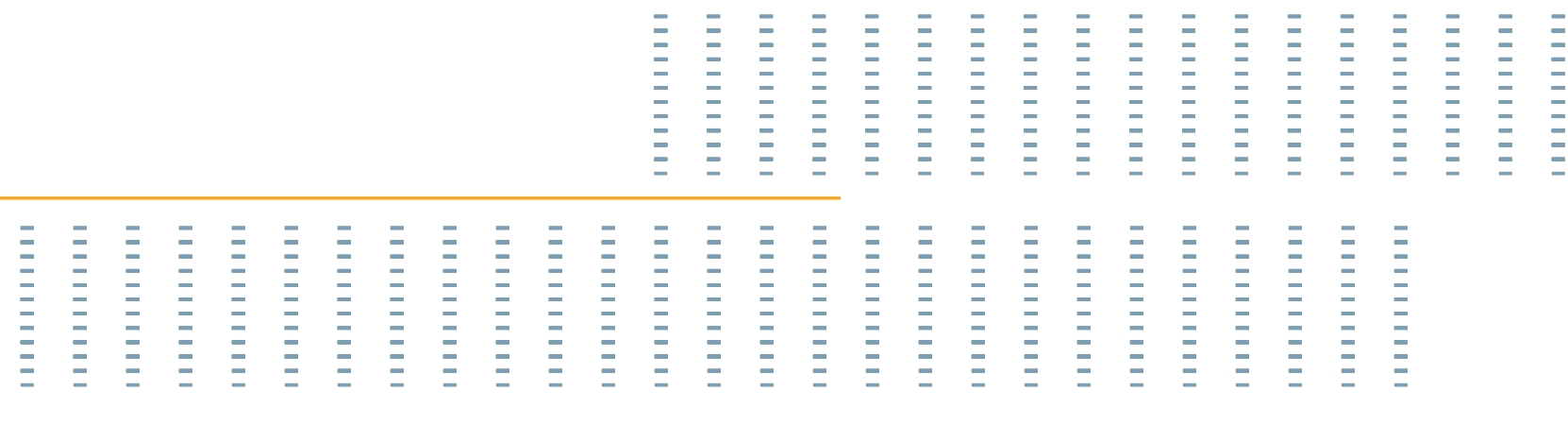
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### General Management

General Manager	Luigi De Puppi
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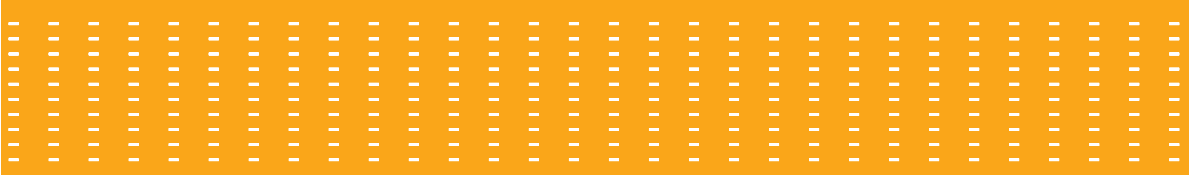
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Management report  
as at December 31, 2003

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## Company Lines of Development

Dear Shareholders,

before illustrating the activity carried out by the Bank in 2003, it is important to recall certain events that occurred at management company levels.

On 30 April 2003 the General Manager, Antonio Scardaccio, ended his working relationship with the company and retired; while the Vice General Manager, Massimo Mariani, left to take up another position within the Group context. The Board of Directors, as of 1st May, nominated as Managing Director and General Manager, Luigi De Puppi, who already occupied a position as a Director within the Bank.

In addition, Augusto Antonucci tendered his resignation as Director and Vice Chairman of the Bank, effective as of 24 June, following new institutional commitments as the Regional Councillor of Friuli-Venezia Giulia.

The Board of Directors, in July, therefore undertook to nominate as Vice Chairman, Alfonso Desiata, and as new Director, Giuseppe Campeis.

At the end of the year the Vice General Manager, Mauro Boscolo, concluded his period of secondment with our Bank, returning to Banca Intesa.

### The strategies

The company strategy has confirmed its fundamental objective to be that of consolidating and reinforcing market share and the presence of FriulAdria as a reference Bank for the regional territories in which it operates, emphasizing its ability and willingness to be a Bank not just for the territory but also throughout Italy, contributing, with public institutions and with the support of Banca Intesa, to the realisation of those major projects that are essential in improving the quality of the social and economic fabric of our operations.

FriulAdria, together with Banca Intesa, has collaborated with Trieste Expo Challenge (the company which is organising the city's candidature for the said thematic exhibition in 2008), supporting its nomination on the part of the Bureau International des Expositions (BIE). The Expo initiative constitutes an extraordinary propulsive motor for economic growth within the territory, including within a Euro-Region perspective. In virtue of the agreement FriulAdria, together with Banca Intesa, has strengthened its commitment regarding the said candidature and has demonstrated its willingness to intervene in support of the realisation of infrastructural works, including by way of project financing.

A new strategic objective has been added: that of accompanying our economic operators in the development of relations with other countries in Eastern Europe.

Some initiatives are taking definite shape to achieve a significant presence for the Bank in Slovenia, a nation which, as of next 1st May, will join the European Union. There has also been the launch of close collaboration with associated banks within Gruppo Intesa, Privredna Banka in Zagreb, C.I.B. from Budapest and V.U.B. Banka of Bratislava.

The Bank is keen to intensify economic relations with operators in these countries, which will very soon enter the Euro area.

### Commercial activity

More specifically, and moving on to ongoing actions, the company's commercial activity has been marked by a customer-orientation approach:

- through a management model based on specific customer requirements and expectations,
- through the development of an offer in line with market evolution and in accordance with best practices,
- aiming at guaranteeing Customers the level of service they expect through all contact points, both "traditional" at counters level and telematic "innovative".

From the point of view of loan issue, collaboration continued with industry associations, loans guarantee consortiums and Chambers of Commerce, with which numerous projects have been achieved and new agreements signed.

Mention should be made of the new current account called *Conto per chi FA Impresa*, aimed at small and medium sized commercial, artisan and service companies, involving a structured packet of banking and financial services which can also be combined with extra-banking services.

Within the context of the project aimed at encouraging female entrepreneurs, the contents of the initiatives *Prima Impresa* and *Donna Impresa* have been updated. For import-export operators, the *FA Estero* project has been activated: together with a pool of highly qualified partners, FriulAdria has formed a permanent working group, able to provide companies with all the assistance required to facilitate commercial trading to and from foreign markets and to support any settlement project, including the more complex types involving delocalisation or establishing mixed capital companies.

There has also been considerable development of interventions in favour of the farming sector, thanks also to various plafonds made available for both ordinary management and the purchase of machinery, the realisation of infrastructures and vineyard and orchard facilities. Other loans, with facilitated conditions, have been made available to farmers damaged by violent hailstorms which occurred in May,

and the persistent drought, particularly financing companies that needed to provide themselves with irrigation and anti-hailstorm facilities.

Following the flood which struck several communities in Alto Friuli, Valcanale-Canal del Ferro, the Bank intervened with facilitated financing in regard to both damaged companies and private individuals.

On the said occasion, FriulAdria subscribed to the appeal made in favour of the flood victims, promoted by a regional newspaper, with a contribution of twenty five thousand Euro, while also making all counters available for the collection of sums donated by customers, as well as assigning a building unit which it owns in free commodatum.

The Bank has also made some innovative products available, such as cover for interest and exchange rate risks which can occur in operations involving derivatives, covering the most complex requirements of major companies and public entities, without neglecting risks associated with housing mortgages for private individuals. To this end, *Finance Lab* has been created, a specific structure dedicated to the Business, Companies and Entities market with the aim of developing and managing non speculative derivatives that protect customers against interest/exchange rate risks.

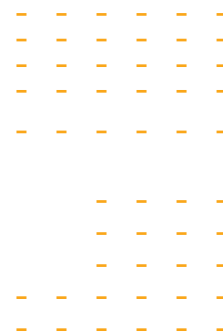
A high profile has been assigned to services provided by the "Impresa e Finanza" merchant banking division, a vehicle by means of which the Bank offers companies consultancy as regards company evaluations, dealing in the acquisition or assignment of companies or business activities, assistance in anticipating possible crises, as well as in tackling problems related to dimensional development.

As also pointed out during a recent convention, the Bank, enjoying excellent equity resources, is able to ensure, including within the prospect of more restrictive regulations (Basel 2), adequate credit support for companies that display a serious and correct approach.

To further explore subjects related to the economic situation, various meetings were promoted with economic operators who were able to exchange ideas and opinions with expert economists in the Banca Intesa Studies and Research service.

As regards private customers, products and services have been updated, to bring them closer into line with the various customer requirements.

In particular, the product dedicated to youngsters from 0 to 26 years of age, *Formula Jeans*, has been revised. Similarly, specific financing has been conceived for those who go to universities and attend masters courses in sustaining their registration and living expenses, together with the payment of fees and the purchasing of textbooks.



The packet of services, *Vivipensione*, has been improved and a new low cost current account has been proposed, *Controcorrente*, in direct competition with the low cost products present on the market.

There has also been a continuation of the company's policy in supporting the purchase and restructuring of housing, with an increase registered in housing mortgages of almost 17% with respect to the previous year. In this sector collaborations have also been launched with Associazione Vicini di Casa Onlus in Udine and Caritas in Pordenone to help the immigrant population which is experiencing difficult accommodation problems.

Moving on to deposits, there has been a positive trend in net deposits regarding managed savings: guaranteed and protected capital investment instruments, combined with a new range of direct issue bonds, have characterised a range of solutions that are suitable for preserving the value of investments over time.

The Bank has also taken a step forward in an area that is still unusual for the credit system - that of an interest in maintaining physical efficiency and eliminating psycho-physical stress, launching the Project, *Salute&Benessere*, which involves a series of initiatives that range from insurance products (health policies) to the provision of assistance and medical consultancy, through to the care of well-being by means of privileged access to thermal cures and fitness centres etc.

In June a new range of funds was placed with ethical goals. This involves socially responsible investments that combine financial objectives with a commitment with respect to social questions such as justice, economic development, peace or environmental equilibrium.

In addition, a hundred or so treasury services have been offered and maintained for public authorities conventioned with the Bank, albeit in the presence of a reduction in the numbers of operators as a result of mergers/aggregations.

### Socio-cultural initiatives

FriulAdria has also carried out, as always, an intense promotional and cultural action aimed at offering space to the sensitivity and interest of the society within which it operates, particularly as regards its attention dedicated to initiatives concerning youngsters.

As regards sport, FriulAdria therefore supported the organisation of the Winter University Sports Games, which were held in Friuli-Venezia Giulia in January 2003. A partnership was launched with the Regional Committee of Coni for the realisation

of projects aimed at preventing doping, the training of sports managers and the valorisation of athletic talent.

As regards publishing activities, the second volume of the catalogue for the Udine Municipal Museums Ancient Art Gallery has been produced, which is part of a series of scientific catalogues on the main museum collections in the region.

A photographic volume has also been realised on mural paintings in Friuli-Venezia Giulia, of considerable interest both because many of the frescoes photographed were destroyed by the earthquake in 1976 and because the volume illustrates an architectonic context that has been definitively modified.

With reference to art exhibitions, a collection of fifteenth century wooden panels was exhibited, which also became part of our Bank's collection, entitled "Women, knights, arms and love".

In the music sector, the Bank has supported a series of events which included the exhibition of the Solisti Veneti in Udine, the cycle of concerts for Estate Musicale in Portogruaro, the lyric competition, "Cossutta", in Trieste, and the two musical events - Udine Jazz and Onde Mediterranee.

Moving on to theatre and cinema events, we should mention collaborations with the Pordenone Associazione per la Prosa, the Latisana Centro Iniziative Culturali, Oder di Oderzo, Cinemazero and "Le Giornate del Cinema Muto".

The Bank, in addition to providing its support for the development of the territory, as carried out with the above-mentioned initiative, Trieste Expo 2008, has also offered, as it customarily does, extensive support for numerous solidarity initiatives which characterise the life of the territory's communities.

### The organisation structure

Some interventions were carried out on the Management Structures, with the aim of achieving greater operational effectiveness and rendering decision-making processes leaner and faster. With regard to Marketing, the organisation of the Service has been structured by market segments and product typology, so as to specialise the structure on the basis of the needs of customers and increase the efficacy of commercial actions.

The Network Management has also been created in order to monitor, coordinate and support the commercial network in achieving its budget objectives, maintaining close coordination with the other Management Services, which carry out commercial and technical support as well as consultancy and control activities.

With reference to the Organisation, work went ahead with the rationalisation of processes within the context of logistics and general services, outsourcing some activities and assimilating some carried out within the company.

With regard to Human Resources, new methodologies and instruments were introduced, in some cases already used by the Parent Company, in order to render resources selection activities more efficient, together with those of professional evaluation in order to optimise their application. Administration and Control has assimilated the legal and fiscal consultancy activities and those of the general secretariat, as well as centralising the reporting activities in order to optimise the management control and support function for General Management. At the start of the current year the new Financial Support function was also identified which monitors all activities carried out in investment services by means of separate management structures.

There was also the launch of a process of building property rationalisation in order to achieve greater efficiency and better valorisation of building structures.

The launch of the new company structure has required, and continues to require, continual review activity with regard to organisational processes and, in some cases, the adoption of new procedures in order to permit the Bank to adapt to changes in its own business operations and new regulations that govern its operational activity.

### New regulatory context

Numerous new regulatory provisions were introduced in 2003 which particularly concern the year underway. They include regulations on transparency, new company law, renewed discipline on privacy, reform of the fiscal system, employment market reform, international accounting principles, the Patti Chiari Project. Considerable efforts and investments have been required of banks to adapt to such a significant level of change in the regulatory context. It was therefore necessary to get ready ahead of time and already initiate an analysis of the changes as of 2003.

With the decision of the Interministerial Committee for Credit and Savings as of 4 March 2003, new regulations have been dictated as regards the transparency of operations and banking and finance services, in relation to both the evolution registered in the offer of new products and services and the ever more refined techniques with which relationships with customers are initiated and managed. The banks have thus had to review all their contracts and update, by the end of 2003, their informatics procedures and communication modalities with customers.

On 1st January 2004 Legislative Decree 17 of January 2003, no. 6, came into force, regarding the organic reform of regulations concerning capital and cooperative companies. The new regulatory structure contains rules of extensive significance, involving banks with regard to both the adaptation of their articles of association and in relation to changed company structures within customer businesses.

In this regard, the Bank is carrying out, in coordination with the Parent Company, and in line with the indications of the Bank of Italy, all necessary analyses in order to propose the most appropriate statutory modifications during 2004.

On 1st January 2004 the new "Code regarding the protection of personal data" also came into force, issued with Legislative Decree 30 June 2003, no. 196. The new regulations are intended to guarantee a higher level of protection, simplifying some performances on the part of the owners of the processing. In this regard, it should be pointed out that the drafting of the Programmatic Document is underway relative to the minimum security measures which will be completed by 31 March in the current year, as set out by the law.

The important new features regarding the tax regime of companies, such as the institution of IRES, and the entrance within the regulatory structure of new tax institutes, such as participation exemption and fiscal consolidation, have in addition made it opportune to carry out a systematic review of the banks' fiscal planning.

The employment market reform law, introduced with Legislative Decree 10 September 2003, no. 276 and named after Marco Biagi, embodies very innovative features within a context of redefinition of the rules in employment relations, with implications also for the banking system.

The European Union has launched a process of accounting harmonisation on a community level that will involve, starting from 2005, all listed companies and banks having to apply international accounting principles (IAS/IFRS) when drafting their financial statements. The differences between the international standards and national accounting principles used to date are significant, since the new valuation criteria will also have a major impact on the assets and liabilities of banks, as well as on their relative income statements. In order to better govern the administrative, organisational and technological changes that derive from the adoption of the international principles, the Bank already launched a specific project some time ago, in close collaboration with the Parent Company, to guarantee assimilation of the regulations as of the next financial statements.

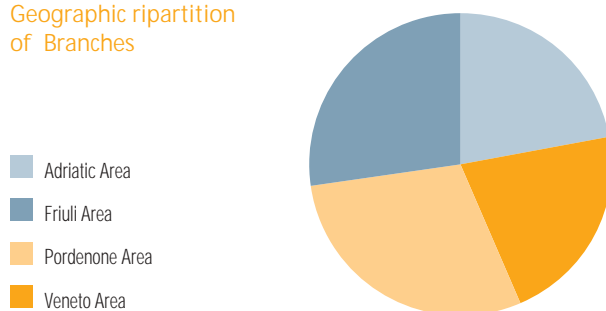
Associazione Bancaria Italiana, with the aim of rewriting, on a new and positive basis, the system of relations between the banks and companies, launched on 15 October 2003 its Patti Chiari Project, to which FriulAdria also adheres.

The project involves the launch of eight initiatives aimed at ensuring clients enjoy greater transparency, comprehension and comparability of savings products, credit and services.

### The distribution channels

Rationalisation continued of the branches network, unifying subsidiary offices located a short distance from one another in the communes of Codroipo, Latisana and Fagagna. As at 31 December 2003 the Bank's network comprised 154 subsidiary offices with respect to the 157 as at the end of 2002, in addition to 4 Business Nuclei and 3 Private Nuclei.

Geographic ripartition of Branches



The Bank's growth strategy on the market assigns, however, an important role to the development of multichannels i.e. the diversification of the distribution channels through which it can reinforce or initiate relations with current and potential customers.

With regard to its contact structures with customers, there are 186 ATMs in support of the branch activities, of which 26 are located outside the branches.

The functions available on the said equipment include the *BancoTim* service, which offers the possibility of carrying out telephone recharging (increasing during the year from 38,191 to 90,272), as well as RAI subscription payment (which registered a doubling in the number of operations carried out).

In the second part of the year an awards competition was launched related to the PagoBancomat service with the twofold objective of encouraging further use of this service with customers already enabled to do so and promoting the diffusion of new cards for the said function. Three months after the launch of the initiative, analysis of the data has demonstrated an increase of 16% in the number of operations, 13% in amounts and 5% in the number of customers with respect to the same period in 2002.



Within the context of debit and credit cards, FriulAdria and Privredna Banka Zagreb, which also belongs to Gruppo Intesa, last summer launched the *Croatia Holiday Card*, a pre-paid card, in "disposable" format, with Croat currency, to carry out withdrawals of cash and facilitate payments made by tourists in relation to the most common operations.

The internet banking service for families has also enjoyed considerable development: the number of customers increased from 23,933 in 2002 to 29,652 at the end of 2003, representing an increase of 23.9%. The volumes of trading operations on securities (the most significant part of disposition operations) reached 46 million Euro, representing an increase of 61.9% with respect to the previous year. There was also a significant increase of 42.5% in Bank transfer operations, rising from 11,358 to 16,190, together with the number of telephone re-chargings, increasing by 44.5%.

In relation to companies, alongside the traditional remote banking service, the new *IN-Biz* service was offered which makes it possible for customers to connect directly with the Bank via internet and exploit in real time an extensive series of information functions offered on an exclusive basis.

### Personnel and training

To compete in a market that is increasingly more competitive, the Bank must at the same time be both global and local, with personnel provided with high levels of ability and professionalism, which can also be further improved through training.

During the course of 2003, some 4,664 man-days of training were provided with interventions aimed at improving managerial skills and techniques for the various professional roles, valorising the abilities of those who manage groups of collaborators or carry out financial consulting, as well as those who issue loans or perform specialist functions in the sector.

In March 2003, within the context of a constructive comparison with trade union representatives on important company matters, an agreement was reached by means of which it was possible to define and conclude, in compliance with the Programme Agreement stipulated on 5 December 2002 by the Parent Company, the procedures as set out in Law 223/1991 (regulation regarding personnel transfers and reductions), as well as those provided for access to the Solidarity fund ex Ministerial Decree 158/2000.

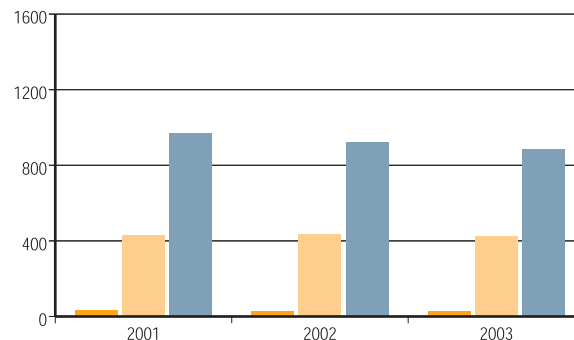
The objectives were therefore set regarding containment of the costs of work and contractual institutes were defined through which it is possible to operate in order to achieve the same.

The agreement has also, among other things, confirmed the exit of 33 collaborators at the end of last June, to which will be added another 6 at the start of April in the current year, the majority of whom have already acquired the right to receive their pension.

In overall terms, the workforce fell from 1,380 units as at 31 December 2002 to 1,326 units at the end of 2003.

Personnel composition by level

Senior Managers  
Middle Managers  
Professional Areas



Other trade union agreements have involved employment relations and part time work, with the provision of new flexibility, and the updating of hierarchy positions for branch managers and operations managers.

### Risk management

The system of risk control is based on the principles laid down by the Basel Committee for banking supervision and is aimed at guaranteeing an intelligent equilibrium between profitability and risks assumed.

With reference to the credit risk, in relation to the new provisions of the Basel Committee, the "Electronic Credit Line Procedure" has been improved, an evaluation model which, through an examination by typology of applicant and various areas of analysis, elaborates an assessment with reference to the risk profile of the counterpart.

With regard to market risks related to the financial activities, in its operations FriulAdria above all avails itself of instruments made available by companies in Gruppo Intesa which permit the containment of risks.

With reference to interest rate risk and liquidity risk, specific analyses are periodically elaborated, which have made it possible to verify absolutely tranquil positions for the Bank.

As regards operational risks, monitoring which was activated with the “ indicators and loss data management” process has continued, aimed at the adoption of an advanced methodology of analysis and measurement of risks relative to the quantitative and qualitative standards set out in the new Basel agreement.

### Social Report

Fully aware that achieving profit can be combined with the pursuit of ethical goals and responsible behaviour in relation to the market and the environment, the Bank has published its second social report.

The document has sought to highlight how credit activity is an essential link in the virtuous chain that is created between savings, credit and investments. On this subject, the Bank organised, in collaboration with the Pordenone Chamber of Commerce, the convention, “ Company social responsibility: ethics and market” , with interventions by university lecturers and other figures.

### Relations with Group companies and correlated parties

With reference to the provisions of Consob and what is set out in accounting principle IAS 24 which regulates the information report on operations with correlated parties, including therein operations between subjects belonging to the same group, relations with correlated parties refer to the normal activity of financial dealing and the supply of services. The said relations have also been evaluated from the point of view of any potential conflict of interest and are informed by those conditions normally practised in the market.

Relations with Group companies are referred to in the explanatory notes as well as in the specific annex.



## Operating results

### Loans

Moving on to the main financial statement aggregates, there has been a significant growth in loans, with a total at the end of the year equal to 2,876 million Euro, representing an increase of 12.2% with respect to the previous year.

This increase was stimulated by both the medium-long term segment, with a growth of 204 million Euro, equal to an increase of +14.8%, and by the short-term segment, with an increase of 108 million Euro (+9.1%) with respect to the same period in the previous year.

The average rate of interest of loans with customers stands at 4.66%.

The Bank, in line with the containment and risk fractioning objectives assumed, has focused particular attention on the reduction of the concentration of loans, with preference given to small and medium size customers with respect to major companies and the requalification of technical forms of issue, diversifying the number of clients and the sectors of economic activity.

Taken overall, at the end of the year gross exposure regarding problematic loans was equal to 83,4 million Euro, with a decrease of 2,7 million Euro with respect to the figure for the end of December 2002 (-3%). Within the context of this aggregate, the various components have moved in different ways: while gross non-performing loans increased from 24 to 38 million Euro, due to insolvency situations which emerged on the part of some companies of significant dimensions, with a consequent need to allocate appropriate provisions, on the other hand, there was a reduction of 18 million Euro in the gross exposure of problem loans, falling from 62 to 44 million Euro.

### Deposits

Direct deposits at the end of the year reached an overall sum of 2,658 million Euro, a slight increase with respect to the previous year.

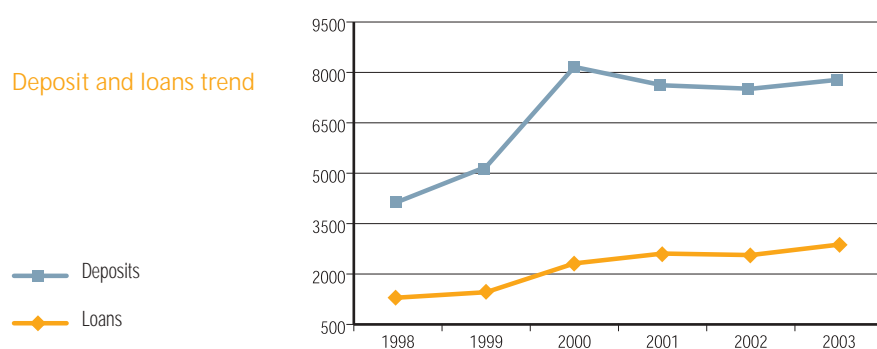
Among the various components, the increase of deposits in current accounts (+1.8%) and bonds (+6.5%) has continued. The interest demonstrated in the latter form of savings can be seen in the fact that bonds placed by the Bank in 2003, in regard to both renewals of expired positions and initiatives related to new deposits, were equal to 481 million Euro.

Repurchase agreements were in decline with ordinary customers (-6.1%) as were deposit certificates (-19.2%), which were also less than attractive due to their fiscal regime. The average interest rate for deposits with customers stands at 1.32%.

At the end of 2003 the value for global indirect deposits, at market values, stands at 5,126 million Euro registering an increase of 5.4% with respect to the figure for the end of 2002.

Administered indirect deposits, which constitute 43% of the aggregate, were in decline (-2.3%), mainly due to the switch of volumes towards the managed segment. In managed indirect deposits, equal to 2,940 million Euro (+11.9%), there was a growing trend in relation to common funds (+28.8%), with a decline in managed funds (-5.6%).

The increase in subscription continued as regards insurance products, whose value climbed from 399 million in 2002 to 523 million in 2003.




## Securities and shareholdings

At the end of the year, securities owned by the Bank came to 459 million Euro, a reduction of 11.6% with respect to the 519 million Euro at the end of 2002. The portfolio comprises 290 million Euro in Banca Intesa bonds, 102 million Euro in capitalisation certificates, with the remaining 67 million Euro in the so-called trading portfolio.

The main variations in the shareholdings item concerned:

- the assignment of shares in Banca Popolare di Lodi, Banca Popolare della Provincia di Belluno, Banca Popolare di Cividale and Banca Popolare di Vicenza acquired by FriulAdria in the past in relation to its original activity within the savings banks sector;
- the acquisition and subsequent assignment of shares in Roncadin Spa, a shareholding acquired within the context of a debt restructuring operation;
- the acquisition of 22,000 shares, equal to 1.25% of company capital, in Slovenska Zadružna Kmetijska Banka, an operation that is part of the overall development project regarding the presence of our Bank in Slovenia.



The Bank also subscribed to an increase in the corporate capital of Modulblok Spa, a shareholding assumed within the context of its merchant banking activity.

In December a commitment was taken regarding the acquisition of a share of 2.47% of the capital of SAF, which will be concluded subsequent to obtaining authorisation to proceed from the Antitrust Authority.

In addition, FriulAdria has taken the decision to acquire 75% of Amex D.o.o., a financial company that represents the operational "vehicle" of American Express business in Slovenia, in terms of both the issue and management of cards and as regards the acquisition of conventioned activities, an operation that will be formalised during the first months of the year.

Other variations of smaller entity have involved the assignment to the parent company of the shareholding of 3% in Intesa Formazione Scrl and the assumption of a small capital share in Consorzio Pordenone Energia, a consortium company promoted by the Employers' Association for the Province of Pordenone which focuses on energy supplies.

## Equity

The net equity of the company, comprising company capital, issue plus-prices and reserves net of the operating profit for the year, increased from 403,6 million Euro to 406,7 million Euro, due to the effect of provisions deliberated in regard to the distribution of net profits.

The supervision/weighted risk activity equity ratio i.e. the coefficient of solvency laid down by the Supervisory Authorities, stands at 14,7%, well above the 7% minimum ratio specified by the regulations.

As at 31 December 2003 the Bank did not hold in its portfolio either treasury shares or those of the controlling company.

## Economic results

The interest income was equal to 116,3 million Euro, with a downturn of 4% with respect to the previous year, attributable to a decline in interest rates. The reduction of rates has led to a closure of the spread which has only in part been compensated by the positive development in average cash holdings as regards deposits and loans.

The margin from services increased from 86,3 million Euro in the year 2002 to 92,8 million Euro in 2003, registering an increase of 7.6%.

The trend in commissions receivable was particularly positive, standing at 75,8 million Euro, with a growth of 5%, as was that for profits from financial operations, equal to 11,2 million Euro.

The contribution of the services margin on the dealing margin was equal to 44.4% with respect to 41.6% in the previous year, confirming a reduction in the significance of traditional dealing as a percentage of the total results.

Interest and other banking income came to 209,2 million Euro, increasing by 0.8% with respect to the 207,5 million Euro at the end of 2002.

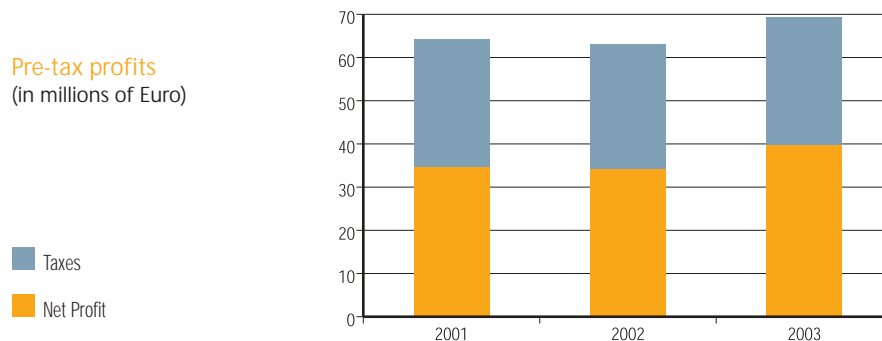
Operating expenses, equal to 125,1 million Euro, decreased by 6.4% with respect to 2002. In detail, personnel costs fell from 75,4 million Euro to 71,8 million Euro, while other administration costs, at 47,7 million Euro, fell by 7.6%.

The gross operating result therefore stands at 84 million Euro, representing a positive result with respect to the same period in the previous year of 10,3 million Euro (+13.9%).

The total for provisions and value adjustments/write-backs led to an allocation to the income statement of 10,7 million Euro in the face of 6,8 million last year, due to the effect of greater value adjustments on credits for 1,5 million Euro and reduced value write-backs for 2,6 million Euro.

The profit from ordinary activities therefore stands at 73,3 million Euro, representing a positive variation with respect to the same period in the previous year of 6,3 million Euro (+9.4%).

Profits, net of extraordinary income and expenses for -4,1 million Euro and income taxes equal to 29,5 million Euro, came to a total of 39,6 million Euro, representing an increase of 16% with respect to the previous year.



## Significant events after the end of the financial year and foreseeable management developments

No significant events have occurred subsequent to the closure of the financial statements such as to modify the content of the financial statements submitted for approval.

For the current year, we expect growth in overall loans at a more modest level than that for 2003, as a result of a slowdown in the medium-long term component and a simultaneous moderate recovery in the demand for financing over the short term, in line with expectations of a gradual acceleration in economic activity. The development of credit should also be helped by an interest rates profile that is essentially stable with respect to the current situation, including in real terms.

With regard to our operations area, we expect a further recession phase for the company, with the emergence of some critical situations.

Overall steady dynamics expected as regards interest rates should also contribute to ensuring, for some time in the future, that holding liquid assets remains an interesting option. An increase in growth rates relative deposits appears, in fact, unlikely due to both a declining trend regarding propensity to save indicators on the part Italian families and – quite apart from the negative repercussions of recent company scandals – a reduced level of uncertainty on financial markets, destined to consolidate signals of a renewed interest in financial instruments with a higher risk/yield profile.

Within this scenario, the profitability of the Italian banking system is increasing with respect to 2003: the pursuit of a process of costs containment and the recovery of income from services should, indeed, be translated into a further improvement in ordinary management results.

As regards our Bank, as we await real and effective recovery in the economic cycle, constant attention continues in relation to controlling costs and assets quality, with significant efforts initiated to acquire new market shares. The prospects of qualitative and quantitative improvement in commercial management make it possible to forecast adequate and growing profitability levels.



## Proposed distribution of profits

Dear Shareholders,

we submit the Financial Statements as at 31 December 2003 for your approval, comprising the Balance Sheet and the Income Statement, together with the present Management Report.

We propose attributing a unit dividend of 1.70 Euro to each share enjoying full rights.

We therefore propose that you approve the following distribution of net profits for the year:

	Euro
To the Legal Reserve 5%	1,981,475.60
To Shareholders for a dividend of 1.70 Euro on no. 20,395,012 shares with due date as of 01.01.03	34,671,520.40
To the Extraordinary Reserve	2,476,516.00
To the Charities Reserve	500,000.00
Total Profits for the year	39,629,512.00

We propose detaching the dividend on 26 April with payment of the same starting from 29 April.

In concluding this report we would like above all to express our sincere thanks to the Shareholders, for the loyalty they have displayed, and we are also grateful to our customers for their faith and the preference they have accorded to us, recognising that our Bank has a propulsive role which we carry out in favour of the reference territory.

We would also like to express our thanks to the Board of Statutory Auditors, which has meticulously taken part in the meetings of the Board, providing its highly professional contribution and correctly and rigorously carrying out its sensitive functions.

Our heartfelt and special thanks go to our personnel, a fundamental source of our strength and an essential factor for the future success of our company.

Our thanks also go to the Supervisory Authority, and especially to the Director of the Branch of the Bank of Italy in Pordenone and his collaborators, for the professional attention which they have focused on our operations.

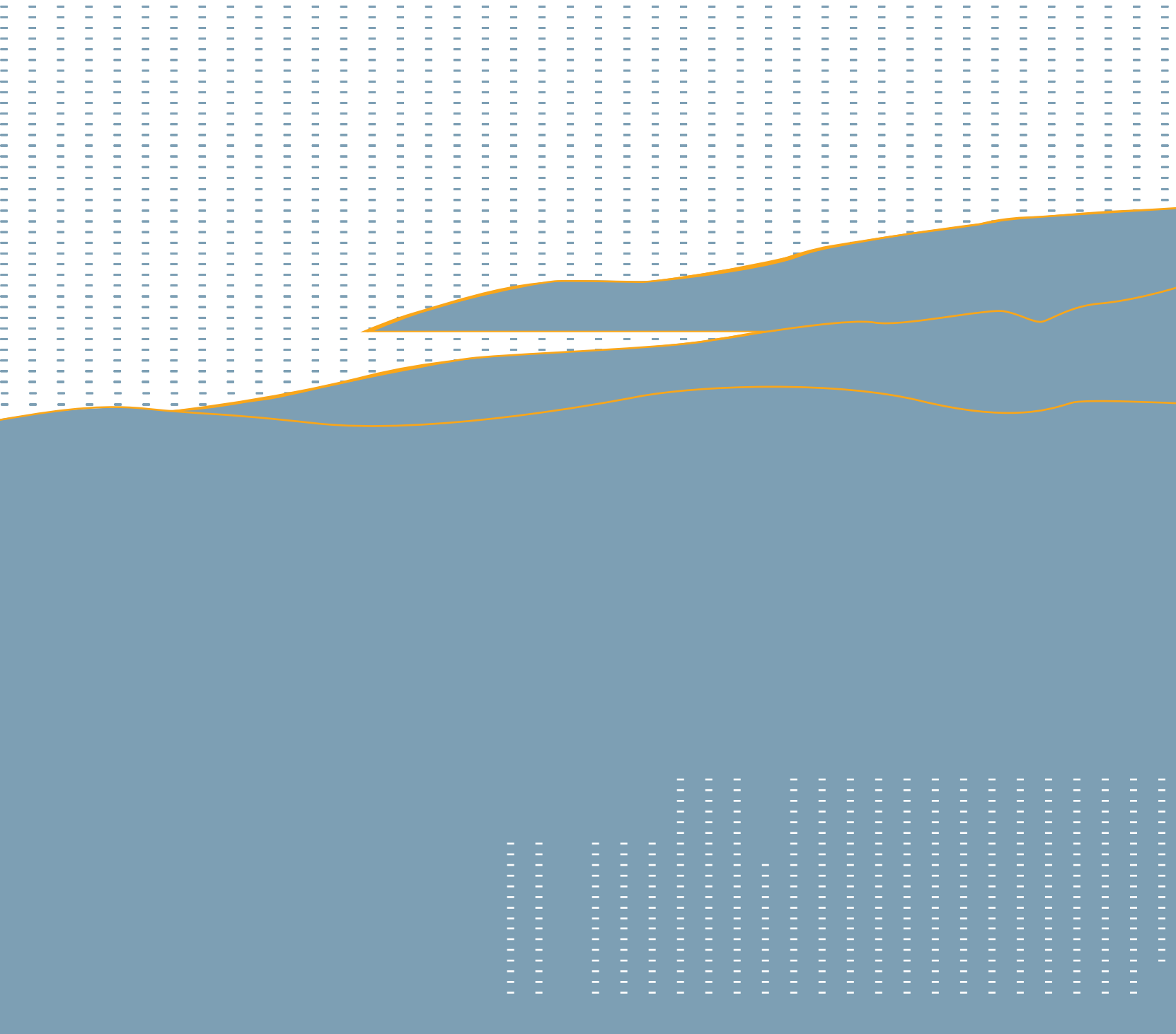
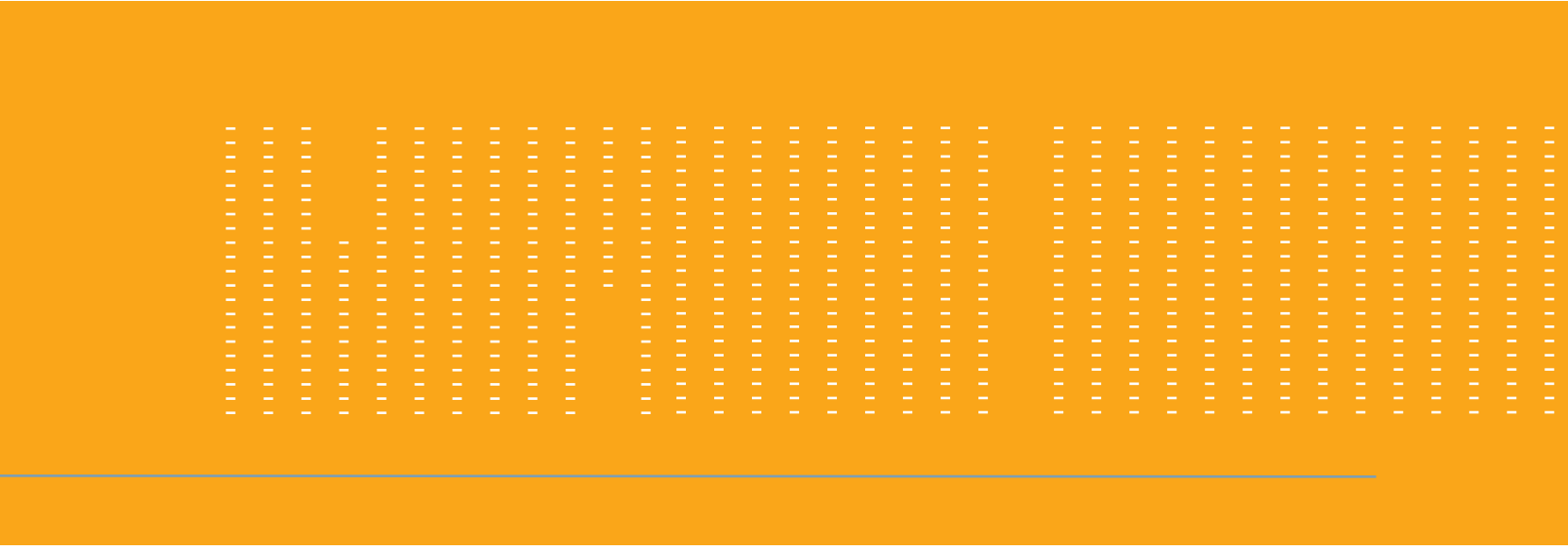
Our cordial salute and sincere thanks also go to those members of the company who left the Bank in 2003, for their rigorous guidance and vital professional contribution.

Finally, we would like to thank all those in Gruppo Intesa who have provided us with their collaboration, enabling us to achieve the targets we set ourselves.

Pordenone, 27 February 2004

for the Board of Directors  
The Chairman  
Angelo Sette







## BALANCE SHEET

Assets			Variations	
	31.12.2003	31.12.2002	absolute	%
10. Cash and deposits with central banks and post offices	31,655,481	45,386,546	-13,731,065	-30.25
20. Treasury bills and similar bills eligible for refinancing with central banks	1,491,481	458,042	1,033,439	225.62
30. Due from banks:	238,361,887	218,694,337	19,667,550	8.99
a) repayable on demand	31,936,716	66,402,382		
b) other	206,425,171	152,291,955		
40. Loans to customers of which:	2,875,615,913	2,563,754,304	311,861,609	12.16
- with public funds under administration	6,102,346	5,914,188		
50. Bonds and other debt securities:	457,164,853	518,464,776	-61,299,923	-11.82
a) public entities	6,712,111	7,353,843		
b) banks of which:	330,589,210	398,915,992		
- own shares	4,860,759	5,229,883		
c) of financial institutions	117,454,573	109,032,700		
d) of other issuers	2,408,959	3,162,241		
60. Shares, quotas and other forms of capital	190,714	218,813	-28,099	-12.84
70. Equity investments	10,245,701	10,124,166	121,535	1.20
80. Investments in Group companies	-	16,299	-16,299	-100.00
90. Intangibles of which:	2,012,149	2,719,785	-707,636	-26.02
- goodwill	638,837	1,277,673		
100. Fixed assets	58,491,338	60,700,002	-2,208,664	-3.64
130. Other assets	103,761,557	86,100,396	17,661,161	20.51
140. Accrued income and prepaid expenses:	22,620,980	25,448,551	-2,827,571	-11.11
a) accrued income	18,630,661	21,835,520		
b) prepaid expenses	3,990,319	3,613,031		
<b>TOTAL ASSETS</b>	<b>3,801,612,054</b>	<b>3,532,086,017</b>	<b>269,526,037</b>	<b>7.63</b>



Liabilities and shareholders' equity	31.12.2003		31.12.2002		Variations	
					absolute	%
10. Due to banks:		409,498,479		160,616,082	248,882,397	154.95
a) repayable on demand	128,910,825		44,930,152			
b) time deposits or with notice period	280,587,654		115,685,930			
20. Due to customers:		2,057,513,286		2,048,285,043	9,228,243	0.45
a) repayable on demand	1,955,042,299		1,939,358,556			
b) time deposits or with notice period	102,470,987		108,926,487			
30. Securities issued:		600,471,778		598,933,834	1,537,944	0.26
a) bonds	480,908,889		451,589,108			
b) certificates of deposit	99,568,597		123,247,314			
c) other securities	19,994,292		24,097,412			
40. Public funds under administration		6,127,980		5,934,540	193,440	3.26
50. Other liabilities		140,392,672		141,574,831	-1,182,159	-0.84
60. Accrued expenses and deferred income:		25,622,888		20,612,679	5,010,209	24.31
a) accrued expenses	18,522,522		16,432,941			
b) deferred income	7,100,366		4,179,738			
70. Allowances for employee termination indemnities		24,658,093		26,786,604	-2,128,511	-7.95
80. Allowance for risks and charges:		36,984,150		37,230,163	-246,013	-0.66
b) provisions for taxation	30,868,054		30,386,686			
c) other allowances	6,116,096		6,843,477			
90. Allowances for possible loans losses		-		307,970	-307,970	-100.00
110. Subordinated liabilities		54,000,000		54,000,000	-	0.00
120. Share capital		101,975,060		101,975,060	-	0.00
130. Share premium reserve		286,914,348		286,914,348	-	0.00
140. Reserves:		17,823,808		14,740,471	3,083,337	20.92
a) legal reserve	6,251,219		4,542,499			
c) statutory reserves	6,362,694		4,988,077			
d) other reserves	5,209,895		5,209,895			
170. Net income of the year		39,629,512		34,174,392	5,455,120	15.96
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,801,612,054		3,532,086,017	269,526,037	7.63
Guarantees and commitments						
10. Guarantees given of which:		269,724,457		278,295,030	-8,570,573	-3.08
- acceptances	3,054,077		2,917,223			
- other guarantees	266,670,380		275,377,807			
20. Commitments		41,121,588		63,218,122	-22,096,534	-34.95

## INCOME STATEMENT

Items	31.12.2003	31.12.2002	Variations	
			absolute	%
10. Interest income and similar revenues	161,486,392	179,915,555	-18,429,163	-10.24
of which:				
- on loans to customers	145,824,780	154,002,993		
- on debt securities	11,186,591	17,275,138		
20. Interest expense and similar charges	-48,366,097	-59,850,095	11,483,998	-19.19
of which:				
- on deposits from customers	-17,521,810	-27,671,427		
- on securities issued	-21,840,052	-24,395,849		
30. Dividends and other revenues:	3,219,792	1,107,274	2,112,518	190.79
a) from shares, quotas and other forms of capital	2,450,722	137,820		
b) from equity investments	769,070	969,454		
40. Commission income	75,758,774	72,154,407	3,604,367	5.00
50. Commission expense	-3,649,106	-3,257,274	-391,832	12.03
60. Profits on financial transactions	11,240,128	7,494,632	3,745,496	49.98
70. Other operating income	9,498,974	10,332,260	-833,286	-8.06
80. Administrative costs:	-119,569,333	-127,037,631	7,468,298	-5.88
a) payroll	-71,839,449	-75,396,902		
of which:				
- wages and salaries	-50,762,762	-53,552,315		
- social security charges	-14,162,724	-14,895,084		
- termination indemnities	-2,365,174	-2,513,707		
- pensions	-2,648,493	-2,644,073		
b) other administrative costs	-47,729,884	-51,640,729		
90. Adjustments to fixed assets and intangibles	-5,549,467	-6,645,306	1,095,839	-16.49
100. Provisions for risks and charges	-20,000	-124,531	104,531	-83.94
110. Other operating expenses	-28,060	-444,975	416,915	-93.69



Items	31.12.2003	31.12.2002	Variations	
			absolute	%
120. Adjustments to loans and provisions for guarantees and commitments	-12,456,886	-10,950,507	-1,506,379	13.76
130. Write-back of adjustments to loans and provisions for guarantees and commitments	1,739,218	4,353,724	-2,614,506	-60.05
150. Adjustments to financial fixed assets	-	-43,604	43,604	-100.00
170. Income from operating activities	73,304,329	67,003,929	6,300,400	9.40
180. Extraordinary income	1,971,346	3,596,157	-1,624,811	-45.18
190. Extraordinary charges	-6,110,384	-7,600,369	1,489,985	-19.60
200. Extraordinary income (loss)	-4,139,038	-4,004,212	-134,826	3.37
220. Income taxes	-29,535,779	-28,825,325	-710,454	2.46
230. Net income for the year	39,629,512	34,174,392	5,455,120	15.96

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