

Social Report 2004

The recent market trends and related crisis affecting confidence within the financial institutions and the global economy have made the concepts of Corporate Social Responsibility even more central to the corporate regulations, focusing on a “classic” subject: the relationship between the business and stakeholders other than shareholders. A subject which without doubt involves the legal scope of right protection, but which first and foremost is of a cultural nature.

Rather than adopting a legislative approach, the European Commission - which for years now has played a major role in defining Corporate Social Responsibility - tends to encourage, on a cultural level, the companies’ spontaneous endorsement of sustainable development EC policies. Each business can move freely using the most suitable tools for the achievement of its purpose, yet appropriate for its identity.

Here, in my opinion, is the central theme and the true innovation of Corporate Social Responsibility: a renewed tension towards a strong identity, built on Principles and Values which the companies undertake to commit to, also requesting their Employees and Collaborators to accept them, observe them and apply them. The company mission to create value is not questioned, but it is placed within the context of greater attention which public opinion now pays to the ethical conduct adopted by companies and, in particular, by Banks. The Customer himself has become increasingly exacting, rightly heedful of the observance of his legitimate expectations, just as the public and private institutions have shown the desire to compete only with efficient organizations whose conduct is consistent with the ethical criteria of the reference scenario. This is even more valid for those organizations which – like BPU – arise from the merger of businesses which differ in relation to their history, culture and geographic location and which, in order to respect and turn to account the wealth repre-

mented by these differences, need to operate with common and shared aims.

For this reason, I find that it is particularly significant that this Social Report may help to share with all our stakeholders the results of a route for the formalization of “The values which guide us”, intended as a priority instrument for the setup of a federal model by all the Group Companies’ Senior Management, gathered together in Bellagio in June 2003 on the eve of the Group’s establishment: the new Charter of Values of the BPU Group represents the thread of the entire document and recalls a style which respects the specific territorial peculiarities and the business vocations of the individual Network Banks and Companies and which marks each one of them with a “quality trademark” being the expression of consistency towards the most profound values expressed by the Group as a whole; a style which respects all of our internal and external stakeholders seeing in each one of them, first and foremost, an individual bearing values and legitimate expectations.

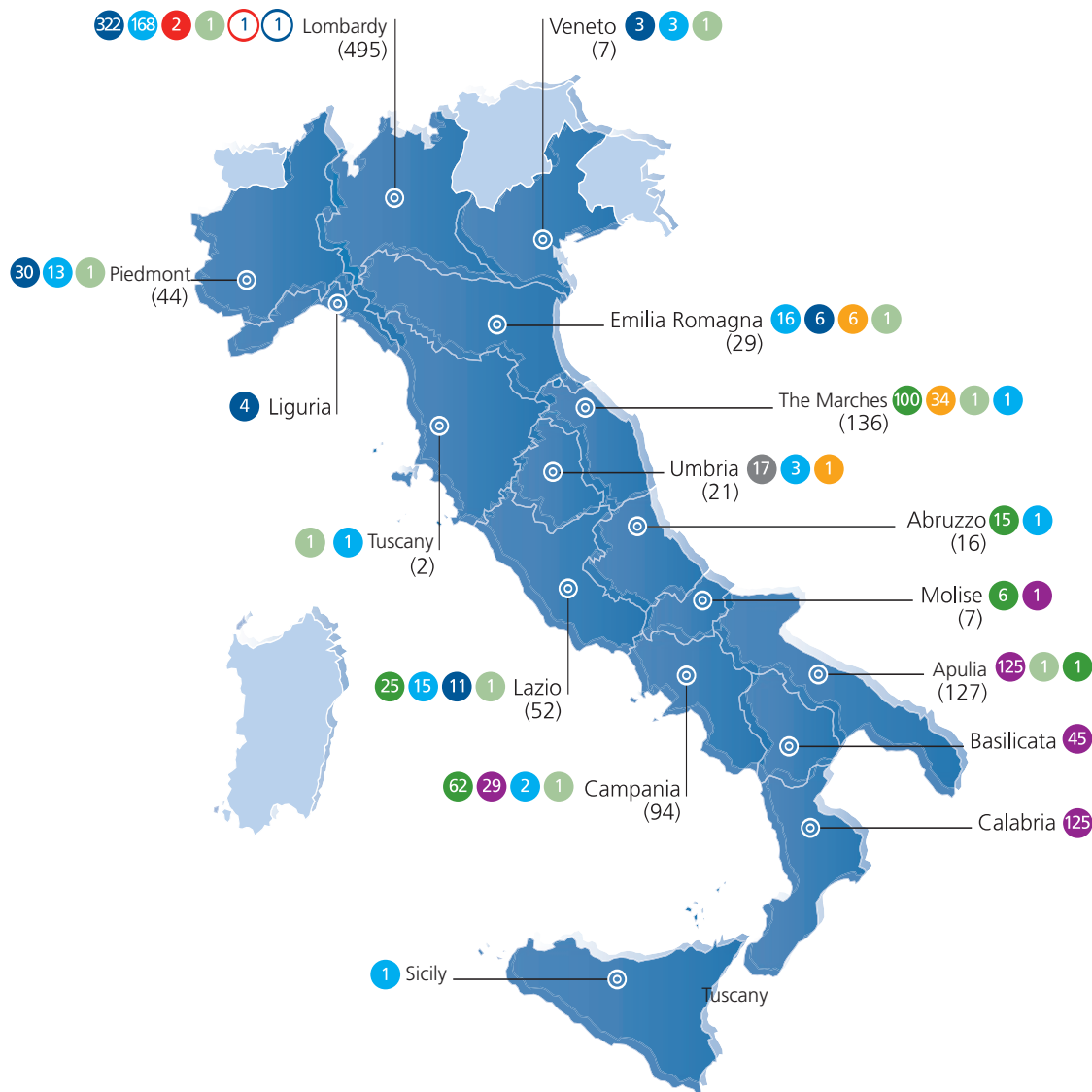
And I feel it is important that from this year the Group’s Social Report represents an ideal preamble and a sort of summary for the documents which the leading Network Banks will publish, with a view to look in-depth at local roots and turn them to account.

Hopefully, the work carried out – partly thanks to the valuable suggestions drawn from collaboration with the Department of Business Economics at Bergamo University – complies with the expectations of those who seek the spirit of the company in the Social Report, in order to evaluate the value prospects in light of the identity expressed in its management decisions from an economic, social and environmental perspective.

Emilio Zanetti
Presidente BPU Banca



An alliance of Banks deeply rooted throughout the territory



GRUPPO BPU <> banca

Italian Branches

1.205

● BPU Banca Scrl	2	● Banca Popolare di Todi Spa	17
● Banca Popolare di Bergamo Spa	376	● Banca Carime Spa	325
● Banca Popolare Commercio e Industria Spa	224	● Centrobanca Spa	9
● Banca Popolare di Ancona Spa	209	○ B@nca 24-7 Spa	1
● Cassa di Risparmio di Fano Spa	41	○ IW Bank Spa	1

Updated as of March 23, 2005

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Group Profile

The BPU Group was established on 1 July 2003 after the merger of the Banca Popolare di Bergamo-Credito Varesino and Banca Popolare Commercio e Industria Groups: two bodies who have contributed towards the economic and social growth of many regions in Italy, today joined together in the sixth leading Italian Banking Group in terms of branches, seventh with regards to funding and number of employees, first among the credit societies and potential pole of attraction for other banking concerns.

It is a multifunctional banking group, with special skills in various sectors: from investment banking to asset management, insurance, leasing, consumer credit, banking and online trading. The branch network, which covers nearly the whole of Italy, is headed up by banks deeply rooted in the reference territories, committed to serving families and small-to-medium size businesses.

In order to combine the various corporate histories and cultures joined together in the new group, we have chosen a federal organizational model, which ensures equal dignity to all the members – legally and operationally independent – in accordance with the principle of complementarity.

Each company gives up a little independence in order to gain more force, stability and security: the network banks can count on “factories” capable of providing - on an on-going basis - innovative and quality products and services operating all round on the various markets, whilst in turn the “factories” benefit from the commercial force of the banking network and their ability to detect and transmit the effective needs of the individuals and the businesses. In this manner, we tackle the challenge of combining two objectives which appear to be in contrast: the deeply-rooted territorial presence, a strong point of the credit societies, and the ability to access the global market, a prerequisite for acting as leading players within the current economic scenario.

Main areas of activities of the Group

	Network Banks (they form the core perimeter together with the Parent Company)				
BANKS	BANCA POPOLARE DI BERGAMO Spa (BPB)	BANCA POPOLARE COMMERCIO E INDUSTRIA Spa (BPCI)	BANCA POPOLARE DI ANCONA Spa (BPA)	CASSA DI RISPARMIO DI FANO Spa (CARIFANO)	BANCA POPOLARE DI TODI Spa (BPT)
	100%	83,36%	94,68%	99,92%	98,09%
	BANCA CARIME Spa	BANQUE DE DEPOTS ET DE GESTION Sa (Svizzera)	BPU BANCA INTERNATIONAL Sa (Lussemburgo)	B@NCA 24-7 Spa	IW BANK Spa
	60,67%	100%	100%	100%	51%
NETWORK OF FINANCIAL ADVISORS	BPU Sim Spa				
	100%				
INVESTMENT BANKING	CENTROBANCA Spa	CENTROBANCA SVILUPPO IMPRESA SGR Spa	CENTROBANCA STUDIO FINANZIARIO Spa	INVESTIMENTI PICCOLE IMPRESE Spa	
	93,88%	65,75%	100%	99,96%	
ASSET MANAGEMENT	BPU PRAMERICA SGR Spa				
	65%				
INSURANCE AND BROKERAGE	BPU ASSICURAZIONI Spa (ramo danni)	BPU ASSICURAZIONI VITA Spa	AVIVA VITA Spa	BPU MEDIAZIONI ASSICURATIVE Srl	
	100%	100%	50%	88%	
LEASING	BPU LEASING Spa	ESALEASING Spa			
	100%	99,80%			
INSTRUMENTAL ACTIVITIES AND SERVICES	MERCATO IMPRESA Spa (Coralis)	BERGAMO ESATTORIE Spa	ANCONA TRIBUTI Spa	PLURIFID Spa	
	100%	100%	100%	100%	
REAL ESTATE PROPERTY	BPB IMMOBILIARE Srl	IMMOBILIARE SERICO Srl			
	100%	100%			
HOLDING COMPANIES	BPU TRUST COMPANY Ltd (Jersey)				
	99,998%				

In relation to the agreement reached with a number of partners who had contested the resolutions in 1995 relating to the acquisition of BPA by the then BPB-CV, during 2005 BPA will sell its equity investment in Carifano. BPU will launch a public take-over bid on the residual capital of BPA. In order to maintain and consolidate the Group's coverage in the Adriatic area, BPA will open 20 new branches in the municipalities of the Marches and Romagna coastal area featuring the most potential and appeal.

The values

BPU Banca was formed in order to create a great alliance of banks under the banner of continuity: continuity of values and continuity of the mission.

During 2004, the first full accounting period in the Group's history, just as we dedicated enormous commitment and energy to the completion of the organizational integration process and to the adaptation of the business plan to the changed economic conditions, we endeavoured to gain full awareness of the values which are the common wealth of our organization.

We have gathered the executives from all the Group's business units in a think tank which, starting off from a proposal made by top management, has allowed us to identify the cornerstone principles of our daily behaviour and to give shape to them through the Group's Charter

of Values. This document, approved by the Parent Bank's Board of Directors on 15 March 2005, becomes valid for the entire Group by means of adoption by the Boards' of Directors of all the other companies.

Despite maintaining the general reference towards the universal principles of the Global Compact[•] and the Charter of Corporate Values, we introduced the Charter of Values as our ethical ID card, a primary source of all individual and corporate conduct regulations.

It is a new and important step towards the creation of the social responsibility path, around which we wish to consolidate strong sharing of goals: with other collaborators via training and internal communication, with our customers through a communications campaign at our Bank branches, with all our stakeholders by means of the pages of this social report.



"All the units, both central and network, will act so as to guarantee, both at Banking Company and Group level, unity of vision and strategic and operative approach in the development of business and production activities, constantly sharing and following the system of ethical values decreed".

(From the General Corporate Regulations of BPU Banca)



The values which guide us

We have made a commitment. Written on paper.

We have devised a **Charter of Values** which establishes the principles that guide us in the important choices as well as in our daily work.

Vision

We want to be **leading players** on the Italian banking market involving tangible and pro-active participation which stands out due to its efficiency and ability to create value over time. We want **to grow** by turning to account our intellectual capital, in observance of the ethical principles which from time immemorial characterize our individuals and give value to their daily work.

Mission

Our mission is to be a 'Popular Bank' considerably taking part in the economic and social life of the territory, involved in promoting **armonious and long-lasting growth**. To establish an Alliance of Banks rich in history, united by a **federal model** which is integrated and multifunctional, founded on shared values and with a great wealth of individuals, means and relationships.

The mission

With a new and far-reaching approach, our mission expresses and achieves the original co-operative aim of the credit societies and for this purpose requires a great ability to understand the individual local entities, to act in tune with them and to communicate. It is a mission of historic continuity, which reaffirms itself in the objectives of the alliance and in the choices which have inspired the Group model:

- "upgrade and develop the business areas of the Banks participating in the aggregation and identify new ones, safeguarding the identity of the trademarks and the operating independence of the individual Banks which stand out for their territorial presence as well as their historic, cultural and business identity;
- pursue, also by means of the creation of the new Parent Bank, the matching of all Companies' results to the best standards of the sector, with the ultimate aim of generating value for all the stakeholders." "

Due to the common vocation of the original organizations which have joined the Group - "banks of the territory and for the territory" - the mission opens up to the interest for art, culture, conservation of the artistic wealth and for the support of ventures targeted at social and scientific progress.

" From the Regulations of the BPU Banca Group

Economic activities >< Social activities

Responsibly serve the families, with products and services in keeping with their savings and spending capacities and their need for protection from risks; effectively nourish healthy and balanced growth of the companies, choosing the ideas and projects worthy of support.

Understand and support the positive forces which feed the communities in which we operate, directing our resources towards the initiatives which we consider to be the most worthy also in terms of efficacy and sustainability.

The social dimension

As a service company, the Bank is a social system which experiences a complex network of relationships throughout the territory and is therefore sounder and more profitable the more stable and profound these relationships are. Business, featuring a strong intellectual work component, is mainly generated as the exchange value takes place with the customer and determines – but is at the same time determined by – the quality of the relationship.

We are first and foremost “our individuals”: human resources, partners and shareholders, customers, suppliers. Our important business has an impact on the economic and social reference context because it gathers many individuals around its business project, an expression of many local communities.

The staff Wealth of values, skills and knowledge

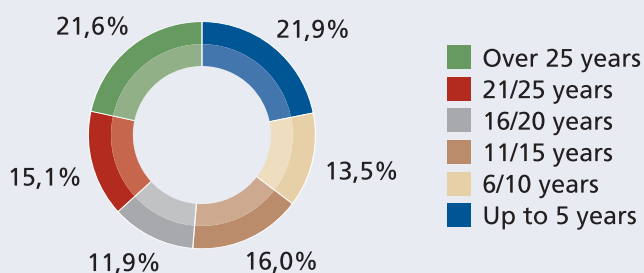
Over 15,000 individuals work every day as a single and enormous team in the branches and in the head offices of the Banks and the “factories” belonging to the Group. The 14,580 employees on the workforce at the end of 2004 have been joined in fact by 806 temporary staff, 633 of which replace staff involved in the operational centralization plan of Banca Popolare Commercio e Industria and Banca Carime, 26 external collaborators and 33 work experience students.

In the balance of the staff composition between the various age and length-of-service categories, we seek the best combination of experience and enthusiasm, consolidated skills and new professionalism.

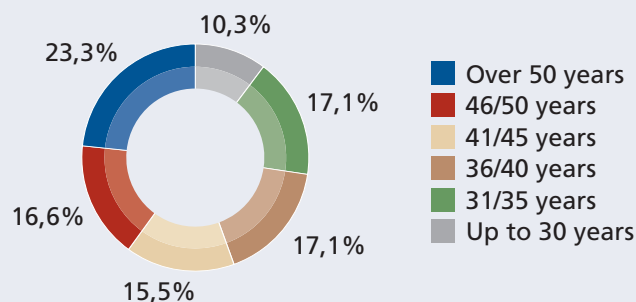
The workforce

	BPU Banca	Gruppo*
Executives	105 (9.5% women)	287 (7.0% women)
Middle management	701 (23.0% women)	5,202 (16.8% women)
Office workers in professional divisions	1,154 (35.7% women)	9,074 (39.7% women)
Women:	29.7%	30.9% (30.2% in 2003)
University graduates	26.2%	23.1% (22.6% in 2003)
High School graduates	55.2%	65.4% (67.7% in 2003)
Average age:	41 years and 5 months	41 years and 10 months
Average length of service:	14 years and 7 months	15 years and 4 months

Staff by length of service



Staff by age



*Excluding ABF Leasing 50% owned

The majority of the staff is concentrated in Lombardy, within the BPB and BPCI branches, in the governance and support departments of the Parent Bank and in the Group "factories"; an important contribution towards local employment is also found in the Marche, Calabria and Apulia.

More than 9,000 individuals are employed daily throughout the territory "on the front-line" at the Bank branches serving our customers.

The partners and other shareholders Primary supporters of our business project

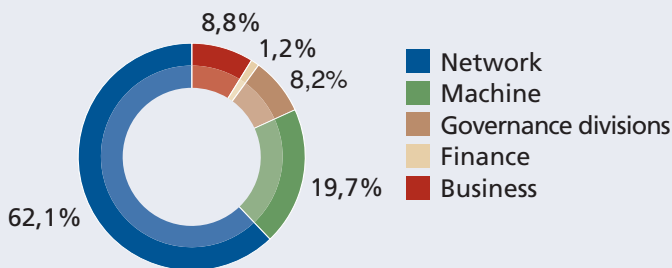
On the basis of the dividend payment requests, we constantly update the composition of our shareholding base: we now have more than 166,000 shareholders, over 76,000 of which are also partners. In 2004, 448 shareholders chose to create a stronger bond with

BPU Banca, thereby joining the shareholding structure.

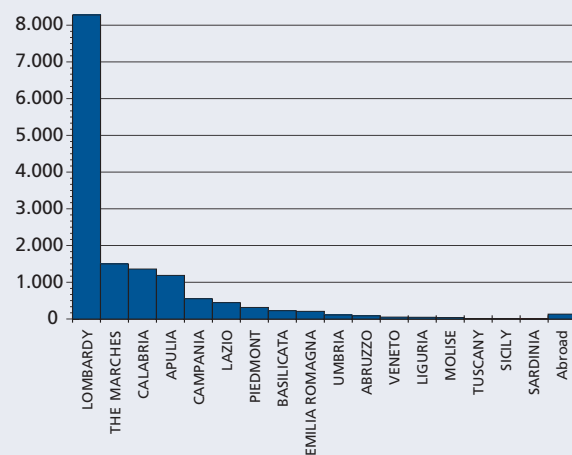
Ours is a body of shareholders made up above all of individuals (99.3% of the partners and 98.1% of other shareholders), 76.4% of which hold less than 1,000 shares each, involving an average investment of under Euro 5,000. In terms of capital, the contribution from institutional investors is significant (30.1%): more than 700 equally divided between Italians and foreigners. The partners, with less than 1,000 shares each, represent a diffuse shareholding base, which guarantees stability and absence of conditioning when the strategic and operational choices of the Parent Bank and the Group in its entirety are being made.

People of all ages invest in our stock but, especially with regards to partners, there is a net predominance of older people. The partners are mainly concentrated in Lombardy (91.9%), while the distribution of other shareholders, despite presenting a maximum concentration in Lombardy as well, is more varied.

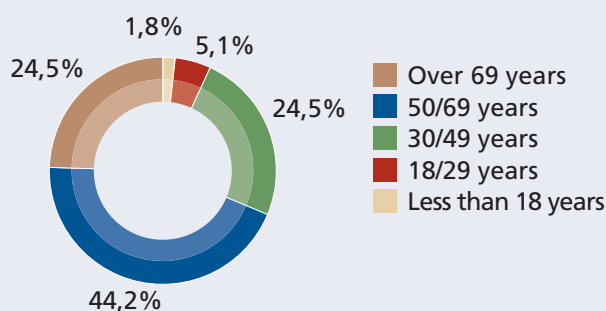
Staff by area of employment



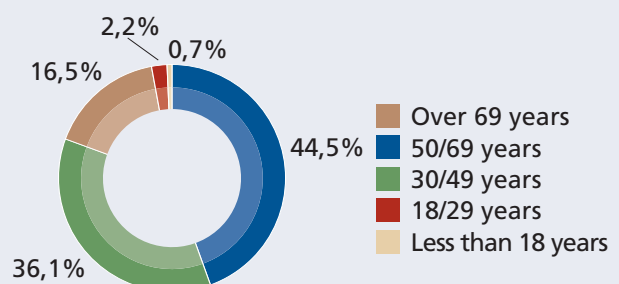
Geographic distribution of staff



Partners by age



Other shareholders by age



The customers Valuable wealth of relationships

With nearly 2.9 million customers – 97.9% families and small businesses – we have the figures of a large national bank. We have chosen to safeguard and enhance this precious wealth of relationships, maintaining the strength of our identity and the role of our local banks.

Throughout the entire peninsula, our banks have developed a network of stable and permanent relationships which create value throughout the territory. One person in seven in Lombardy and in Basilicata, one in five in the Marches and in Calabria works for, is financed by or invests with one of our banks, appreciates the value of our work and encourages us to improve continually.

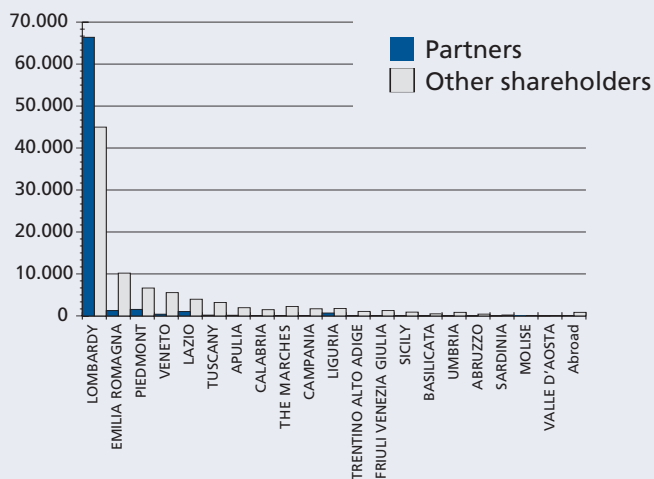
All the efforts we are making in order to improve

the quality of our service and our products, are directed towards these individuals. The bringing onto stream, during the first quarter of the year, of the commercial platform for the analysis of the customer (Customer Insight), together with the creation of a single ample and detailed Group data base, will permit us new and more in-depth qualification of our wealth of relationships

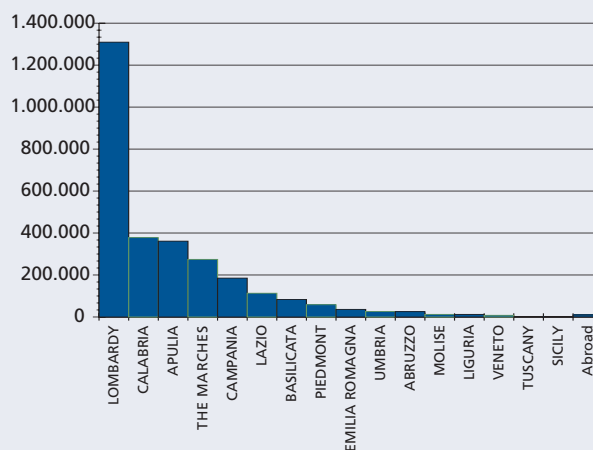
The suppliers Quality and efficiency contribution

With regards to financial brokerage activities, which represent the main elements of the banking activities, purchasing goods and services on the market marginally concerns the business process itself, implemented primarily by means of the raising and deployment of financial resources with the customers. In our case, then, via the Group structures we have created strong vertical integration with regards

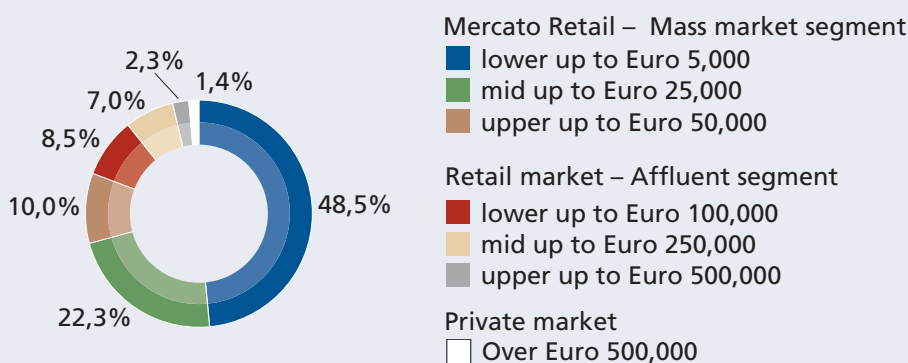
Geographic distribution of partners and other shareholders



Geographic distribution of customers



Private customers by segment

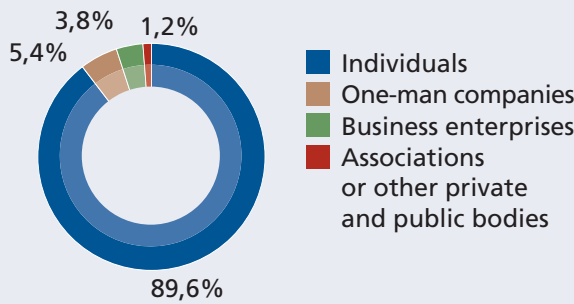


to the processes and products for the majority of non-lending services. Outsourcing is therefore essentially limited to the administrative and structure maintenance processes, with particular regard to the IT systems and the management of the real estate property where the business activities are carried out.

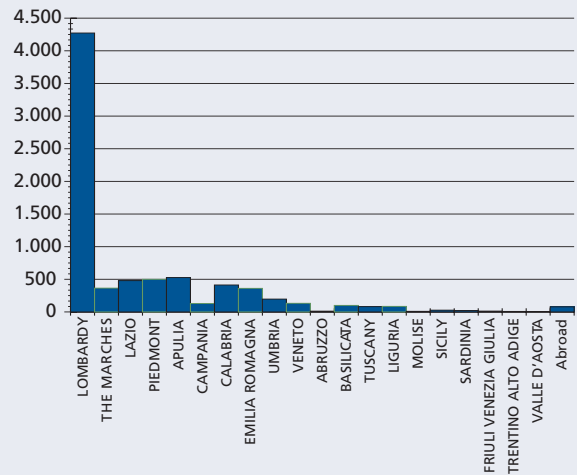
plies of goods and services for daily activities, but each relationship is handled by carefully choosing the specific supplier in accordance with efficiency and valid quality criteria for the entire Group.

We are talking about nearly 8,000 relationships, which throughout the territory generate a significant side-line that in 2004 touched the Euro 600 million mark. The single entity of the purchases is very varied, from large investments to small sup-

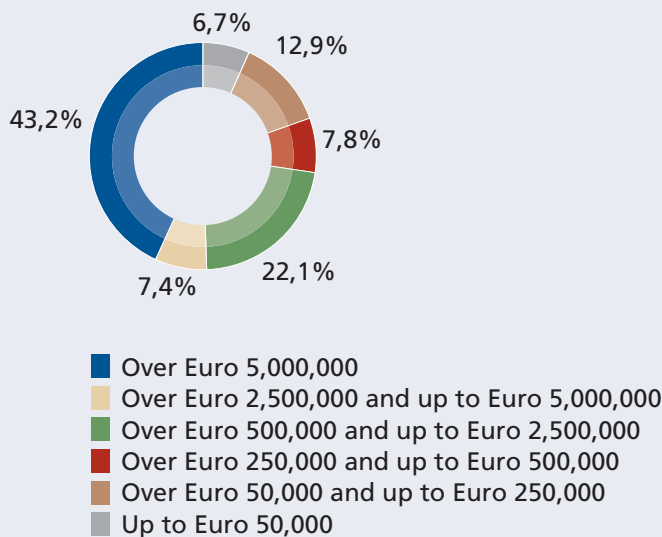
Clients by legal status



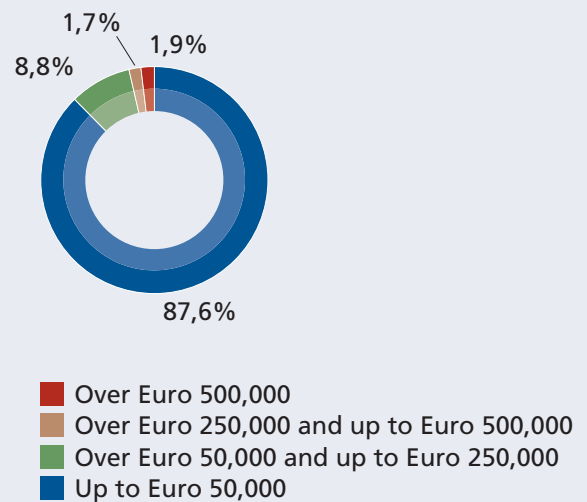
Geographic distribution of suppliers



Purchases by import category



Suppliers by import category



The economic dimension

Each bank reaps the confidence of its customers (current and deposit account holders, savers and investors), its partners and shareholders and transforms it into the lines of credit which it grants to other customers (families, business, public and private bodies). It is the balances of the funding, lending and shareholders' equity which gives a sense of importance and intensity to the relationships with the territory.

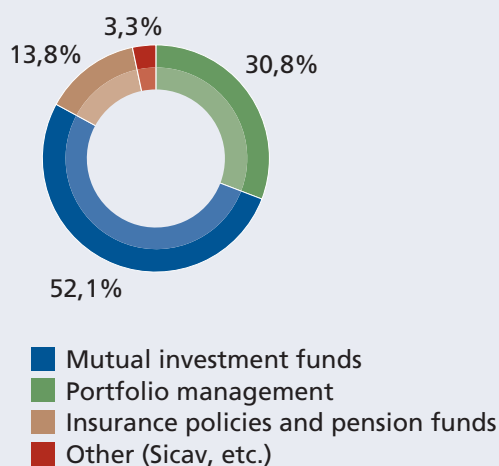
Funding Our customers' confidence

Total deposits received from Group customers amounted to Euro 97.9 billion, up by 3.3% when compared with 2003: Euro 6.6 million per employee (+ 5.27%). Fifty-percent is represented by direct deposits, and the other fifty by indirect deposits (23.6% administered deposits and 26.3% managed savings). The managed savings element is the growth engine of indirect deposits, reaching the threshold of Euro 25.8 billion, involving an increase of 10.3% when compared with 2003. In terms of direct deposits, we

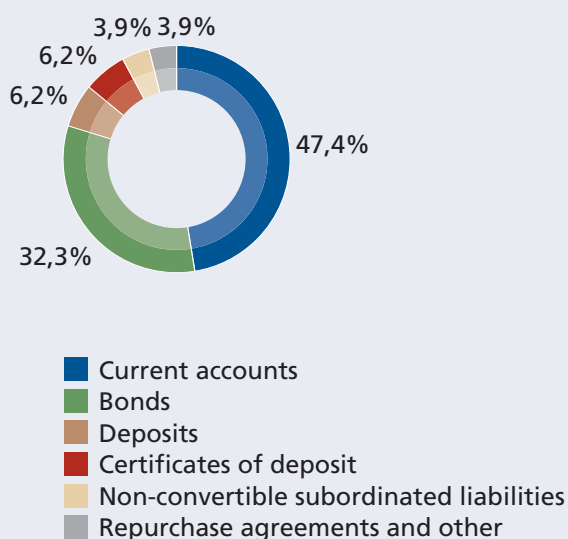
Administered assets

In millions of Euro	2004
Direct customer deposits	49.072,1
Due to banks	4.755,2
Shareholders' equity before allocation of net profit	4.026,6
TOTAL	57.853,9

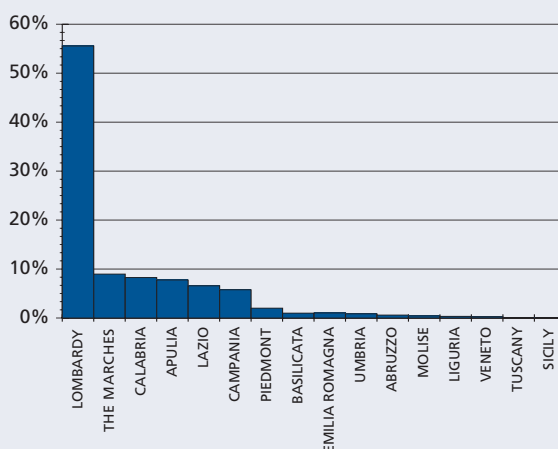
Managed savings



Direct deposits



Geographic breakdown of direct deposits



rank 7th among Italian banking groups, (8th with regards to managed savings). At national level, we have a market share of 4.4%, the result of a number of extremely important positions such as 9.1% in Lombardy, 15.9% in the Marches and 25.9% in Calabria (figures as of 30 September 2004).

strengthen its equity. At the end of 2004, the shareholders' equity, including the net profit for the year, amounted to Euro 4.0 billion and represented 4.1% of total deposits (8.2% of the direct figure) and 9.2% of loans.

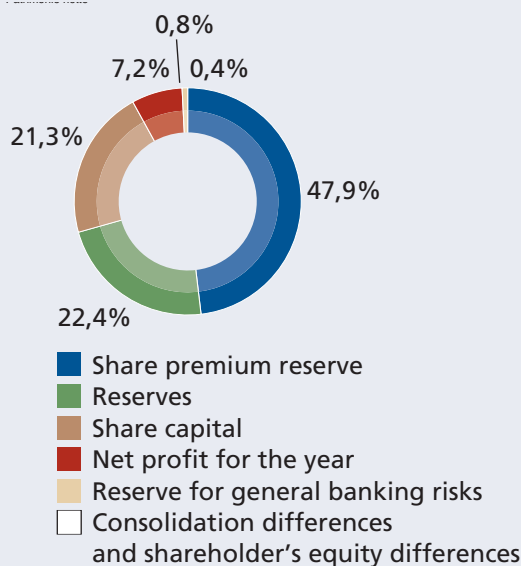
Shareholders' equity Our shareholders' confidence

The shareholders' equity represents the sum of the resources made available by our partners and shareholders, in the form of share capital and share premiums, increased over the years by the portion of the profits which the Bank has allocated to

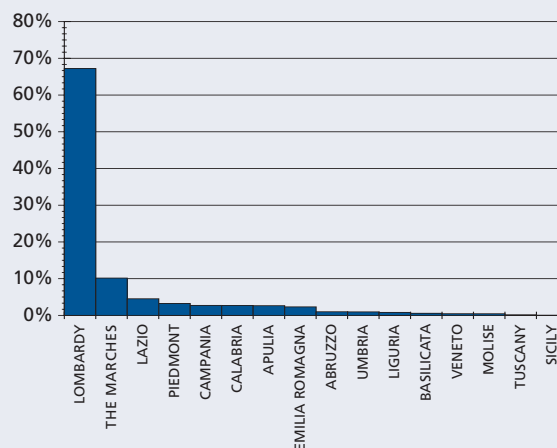
Lending Confidence to families and businesses

At the end of 2004, we had granted loans to our customers for a total of Euro 44.0 billion net of writedowns, involving an increase of 2.2% when compared with 2003: Euro 3.0 million per employee (+ 2.2%) More than Euro 10 billion finances the life projects of families, while Euro 25

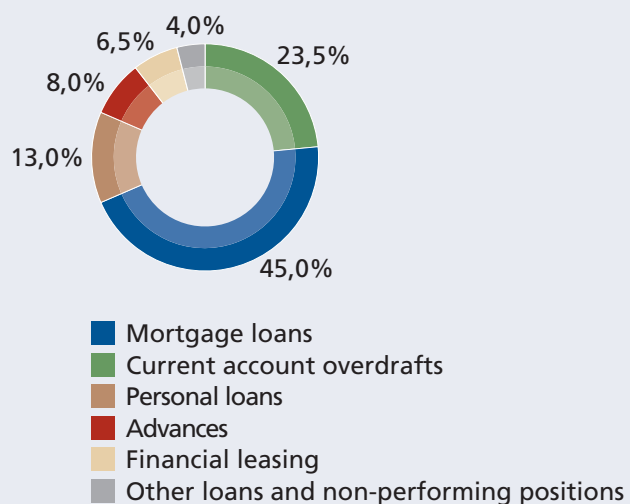
Shareholders' equity



Geographic breakdown of loans



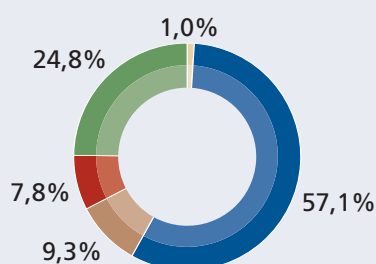
Loan by technical form



billion directly finances the activities and the growth projects of businesses.

Also in relation to lending, we rank 7th among Italian banking groups, with a market share of 3.8%. The market shares are considerably more important in our regions of origin: 7.4% in Lombardy, 14.8% in the Marche, and 15.3% in Calabria (figures as of 30 September 2004).

Loan by type of beneficiary



- Non-financial businesses
- Family businesses
- Financial companies
- Families and others
- Government and other public bodies

Responsibility



Seek the consensus of the market via competitiveness directed at the creation of value.

Aim towards team and personal successes, in the awareness that the evidence of the results and the endeavour will be acknowledged.

Seize every opportunity in order to increase the sense of responsibility. Translate the skills acquired from training into action.

Corporate governance”

BPU Banca is a limited liability co-operative company and is typical of a public company”, with a widespread body of shareholders and no controlling partners. There are no shareholders’ agreements.

A company listed on the Milan Stock Exchange, the Bank is subject to the regulations issued by the Consob (National Commission for Listed Companies and the Stock Exchange) and by Borsa Italiana (Italian Stock Exchange Authority), as well as the provisions of the Italian Civil Code, special laws concerning banking and the Supervisory Instructions of Banca d’Italia. Its governance structure is constantly aligned with the market’s best practices - in particular the **Code of Self-governance for Listed Companies”** and the **Code of Internal Dealing”** issued by Borsa Italiana spa – a condition also acknowledged for 2004 by the European Agency of Investment Standard Ethics”.

The Board of Directors”

The Board represents the heart of the Parent Bank’s and Group’s governance, with ordinary and extraor-

dinary powers of business. With the exception of the Managing Director, all the Directors are independent and • non-executive, by way of ensuring the pre-eminence of the overall interests of the company with regards to every decision. The quality of the activities carried out by the Board is guaranteed by the requisites of repute and professionalism which all directors must comply with. The different professional origins ensure multidisciplinary skills on the Board.

The Executive Committee”

It has a central role with regards to the co-ordination and supervision of matters of particular strategic-management importance at corporate and Group level. It submits proposals to the Board, especially with regards to the business plan and the organizational set-up, it also has decision-making powers, in particular with regards to loans granted to customers pertaining to the Parent Bank.

The Managing Director

The managing director oversees the operations of the Bank and the Group, carrying out co-ordination and control functions and formulating the policies for current activities. He reports at each meeting to the

European Agency of Investment Standard Ethics*
Rating of listed banking companies as of December 2004*

		Banks of the S&P-Mib segment	
EXCELLENCE	EEE		None
	EEE-		None
	EE+	1 bank	Banca Popolare di Verona e Novara
AVERAGE	EE	3 banks	Banca Popolare di Milano / BANCHE POPOLARI UNITE
	EE-	6 banks	Antonveneta / Montepaschi (-) / Unicredito (-)
Italian Banking System	E+	6 banks	San Paolo IMI (-)
	E	12 banks	Banca Fideuram (-) Banca Intesa (-) BNL (-) Capitalia (-) Mediobanca
	E-	5 banks	Mediolanum

(-) = Negative Outlook

* In the update dated 28 April 2005, our Bank had a positive outlook, Montepaschi and Unicredito had a stable outlook, while Antonveneta, SanPaolo IMI, Banca Intesa, BNL and Capitalia had been suspended.

Board of Directors and the Executive Committee on the performance of the Bank's and Group's activities.

Other Boards and Committees

As recommended by the Code of Self-governance for Listed Companies, some particularly delicate subjects are entrusted to specific committees within the Board, so as to oversee the correctness and the transparency of the adoption of the related decisions.

The **Appointments Committee*** identifies the candidates for the office of Director and Statutory Auditor of the Parent Bank and the Subsidiary companies. Its prior definition represents the necessary basis for the related resolutions of the Board.

The **Remuneration Committee*** presents the proposals to the Board which are necessary but not binding for the resolutions concerning the remunerations of the Managing Director, the Directors who cover specific offices and the Senior management of the Parent Bank and the Subsidiary companies.

The **Internal Auditing Committee*** assists the Board in the performance of its tasks as head of internal auditing; it assesses the proposals put forward by the independent auditing firm for the entrusting of the auditing appoint-

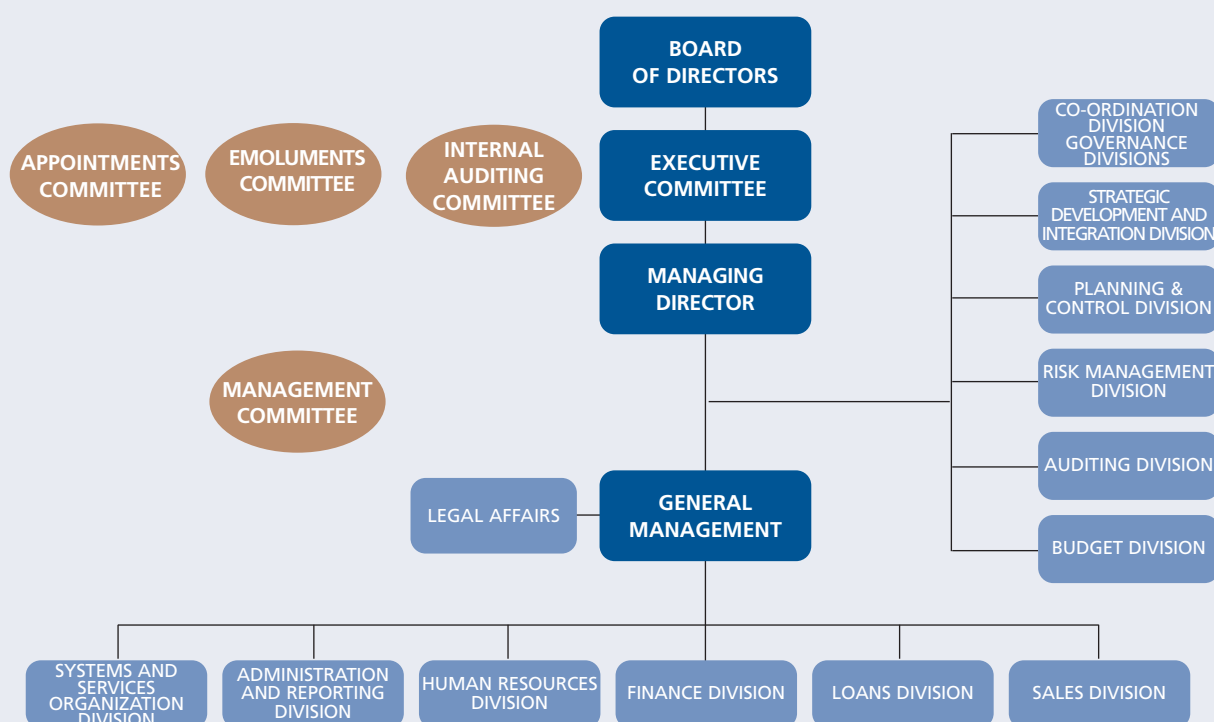
ment, the auditing plan and its results; together with the appointed auditors and the administrative managers of the bank, it assesses the adequacy of the accounting standards adopted and their consistency at Group level.

At Group level, we govern the complex organizational structure by means of a "process-based" vision, with the Parent Bank BPU Banca in the role of head or point of contact in relation to the specific level of decision-making and operational centralization defined for each individual area of operations: strategic, compliance-related, commercial, lending, financial, and resource-related.

General Management

General Management is made up of the General Manager and six deputy General Managers among the Area Managers. It is the responsibility of General Management to further every initiative suitable for enhancing the corporate ethics as the fundamental value of the conduct inside and outside the Bank. The General Manager is the head of personnel; he sees to the handling of the current business affairs and the execution of the resolutions of the Board of Directors, the Executive Committee and the Managing Director and oversees the organization and the running of the Bank; he works in close contact with the Managing Director, together with

Governance Structure



whom he reports to the Board of Directors, taking part by means of advisory vote during meetings. Again in collaboration with the Managing Director, he maintains relations with the financial community.

Management Committee

The management committee supports top management by means of policy, co-ordination and supervisory action on specific matters of strategic importance or of significant impact for the Bank and the Group. As a rule it meets monthly and the attendees include the Managing Director, the General Manager, the members of General Management and the head of the co-ordination department for the governance divisions. Its composition may vary in relation to the matters to be discussed, adopting different configurations: Group, Commercial, Loans, Finance and Operating Risks related.

Divisions

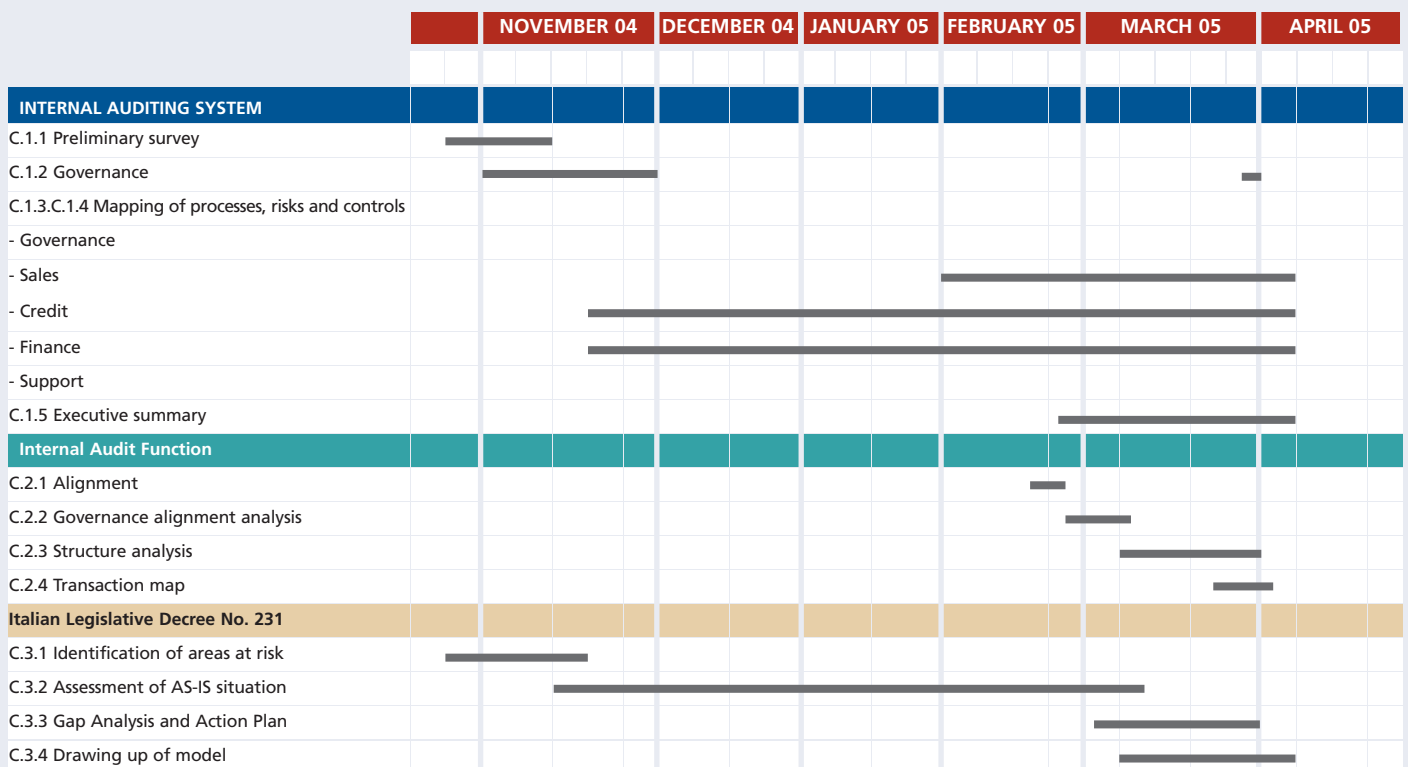
The overall governance of the Group is ensured by 12 staff and line divisions, managers or points of contact – in relation to the differing degree of decision-making and operational centralization –

of the various management processes. The 6 divisions on the staff of the Managing Director contribute towards the governance of the Group by means of tasks mainly of a specialist advisory nature as well as direction and co-ordination of the Group companies. The 6 line divisions report to the General Management and oversee the support activities (development and maintenance of the corporate and Group “operating machine”) and business activities (financial, lending and commercial processes) also ensuring the consistency of the ventures undertaken by the individual corporate members.

The sense of responsibility which guides all the governance action is expressed in a number of particularly significant choices:

- the creation of the Risk Management Division to supervise the correct identification and handling of the risks and the Strategic growth and integration Division whose mission is to guarantee the Group innovative ability and the capacity to create synergies;
- tapping the best professional skills on the market, by way of supporting the most significant project activities;
- the particular attention dedicated to the

Corporate governance projects



Internal Auditing System and the Internal Auditing department, key elements for the quality of the governance system.

In 2004, we undertook several important ventures:

- the establishment of a direct functional report of the Auditing division to the Board of Directors, via the Internal Auditing Committee;
- the entrusting of two appointments to a leading firm of consultants for the independent and objective assessment of the Internal Auditing Division and the Internal Auditing System;
- the entrusting of an appointment to the same firm of consultants for an independent inspection of our organizational model with respect to the provisions of Italian Legislative Decree No. 231/01 (administrative liability of bodies for offences committed by their representatives).

The three projects for the assessment of our organizational model and the related internal auditing system are closely linked and take as reference the best practices recognized at international level and in particular the indications drawn up by the Committee of Sponsoring Organizations of the Treadway Commission.”



Confidence

To lend our experience and professionalism with spirit of service, strengthened by a deep rooted **confidence in ourselves**, in our colleagues and in the bank.

Show courage and constructive willingness vis-à-vis the individuals and the events, by means of interpersonal relationships marked with fairness and transparency.

The Corporate Governance criteria

Transparency Clarity of the governance and control mechanisms by means of the overall comprehensibility of the methods and the routes for adopting the strategic and management choices and the operating decisions.

Functionality Aptitude of the bodies and the governance regulations with regards to ensuring that the management and control activities progress in an aware and adequate manner for the pursuit of the corporate objectives.

Reliability Ability to guarantee over time the quality of the management and control activities in relation to the various types of internal and external risks which can affect the same, in observance of the highest national and international standards.

Compliance Guarantee that the methods and the effects of the management comply not only with the legal and statutory norms established by the public and private authorities which oversee the market, but also the rules of conduct voluntarily adopted by the company in relation to its ethical stance.

The Parent Bank

BPU Banca is the strategic merging body, which guarantees the cohesion of the Group continually ensuring and safeguarding the preservation of the values and the cultures of the individual businesses therein.

It arose from the merger of three co-operative banks: Banca Popolare di Bergamo-Credito Varesino, Banca Popolare Commercio e Industria and Banca Popolare di Luino e Varese, after the conferral of the respective branch networks to the new specifically formed joint-stock companies. With registered offices and administrative headquarters in Bergamo, the Parent Bank is also a merchant bank through the two branches in Bergamo and Milan specifically dedicated to corporate customers.

Its workforce numbers 1,960 employees, who represent 13.4% of the Group's human resources.

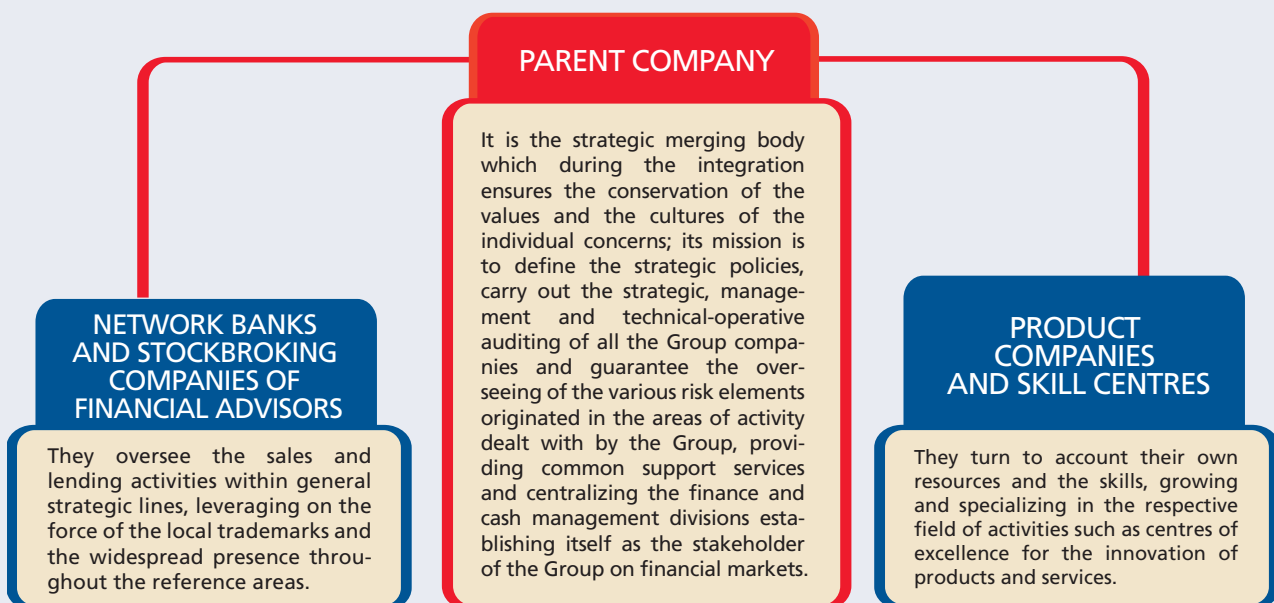
In its role as Parent Bank, it pursues a threefold mission:

- **policy, co-ordination and control** – it defines and

monitors the corporate growth strategies and the strategic objectives of each Group company in observance of the decision-making and operating autonomies established; it oversees the various risk components originated in the Group's areas of activities;

- **supervision of the business divisions** – via the Market Departments of the Commercial Division, it guarantees the consistency of the business ventures and oversees the development and management of the commercial policies and the range of products offered and handles the Customer Relationship Management” instruments; via the Finance Division, it carries out the centralized management of the Group's finance; via the Loans Division, it oversees the lending policies in a unitary manner;
- **supply of support services** – 5 territorial units (Bergamo, Milan, Varese, Jesi and Cosenza) are dedicated to the divisions of service support provided to the Group, mainly in the areas of organization, IT information systems, back office, logistics and purchasing, increasing operating cost efficiency and aligning the service level to the best sector standards.

The federal organization model



Network Banks and the stockbroking company of financial advisors

The role of the sales networks is emphasised within the Group banks: their primary objective is the enhancement of the territorial ties developed over time, safeguarding the traditional relationships between bank and customers. We are present in each region by means of banks who were founded there and which have grown by progressively opening new branches or merging other local concerns until they achieve, in the provinces of origin, particularly important branch shares.

Our branches are not concentrated in just a few large city centres, but are widespread throughout the territory in more or less 800 municipalities, involving a total of more than 22 million inhabitants. These are mainly small towns where, with an average of one branch for every 5,000 inhabitants, we are often the reference bank for the local community.

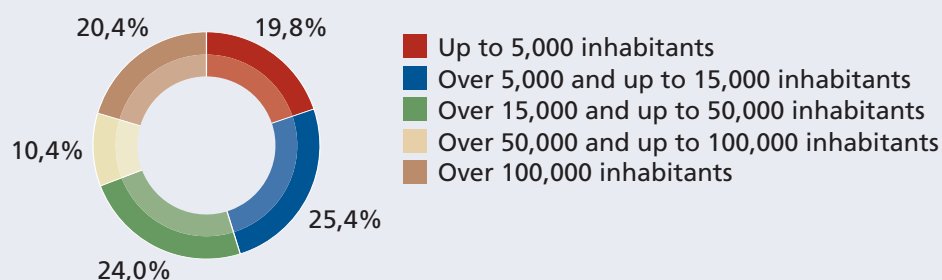
On a consistent basis with our mission of territorial rooting, we do not so much anticipate expanding our presence into new areas – where we can rely on other “light” Group structures such as the offices of financial advisors or the agencies of insurance companies and our commercial partners – but rather intend to proceed with the “tight-knit” coverage of our reference territories, with a significant presence backed by a strong identity and by high quality standards.

A strong Lombard unit, with important market shares in the provinces of Varese and Bergamo

Banca Popolare di Bergamo

The new joint-stock company – wholly-owned by the Parent Bank – was created on 1 July 2003 and gathers together the heritage and the network of branches of the co-operative bank Banca Popolare di Bergamo-Credito Varesino. A historic bank which, formed in 1869 as Banca Mutua Popolare di Bergamo, in 1992 took on this corporate name by means of the merger with Credito Varesino (bank founded in 1898) and became the first credit society listed on the main index of the Milan Stock Exchange. Its history is one of successes, growth and expansion without respite. A history which also saw it anticipate market trends, as occurred in the period between the 1980s and 1990s by accessing the insurance sector via BPB Assicurazioni and BPB Assicurazioni Vita and the leasing sector with BPB Leasing (today BPU Leasing). Through the acquisition of Banca Popolare di Ancona e Banca Brignone (subsequently merged) the Banca Popolare di Bergamo-CV Group was formed in 1996, a multifunctional group whose business divisions range from private banking with the Swiss Banque de Dépôts et de Gestion (1994) to corporate finance with Centrobanca (2000), advisory services and financial brokerage with BPB SIM (now BPU SIM), and asset management with BPB Prumerica Global Investments SGR (now BPU Pramerica SGR) formed under joint

Distribution of the branches by size bracket of the municipalities



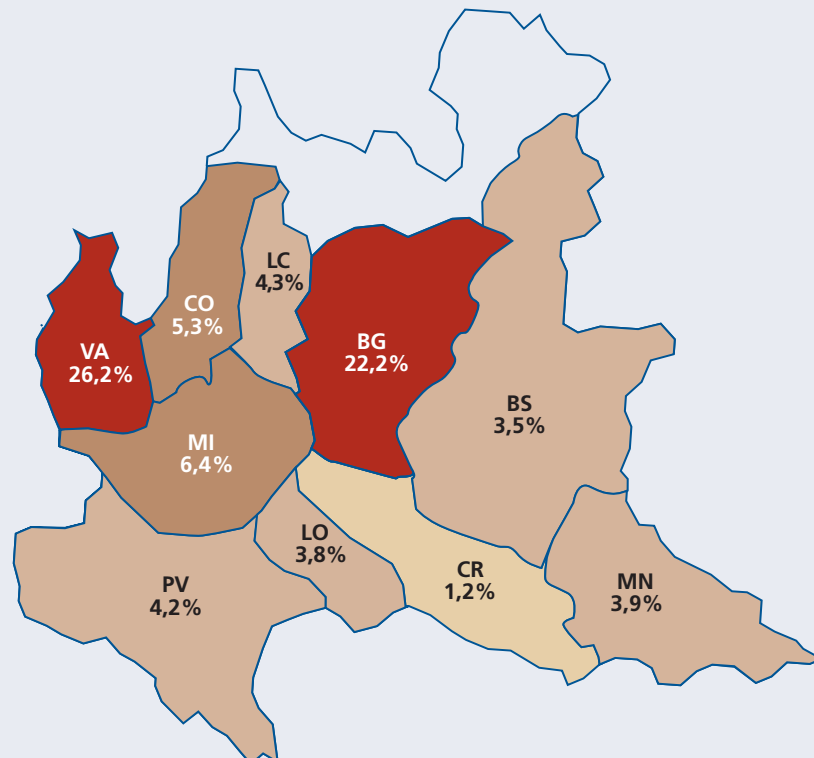
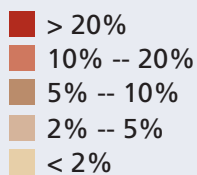
venture with the US financial giant Prudential International Investments Corporation.

Banca Popolare Commercio e Industria

Formed on 1 July 2003 and 83.36% owned by BPU Banca, while the remaining interest is held by Commercial Union Vita, the bank renews the tradition of two co-operative societies: Banca Popolare Commercio e Industria and Banca Popolare di Luino e Varese (important local business founded in 1885) who transferred their branch networks thereto. Milanese, 1888 contingent, Banca Popolare Commercio e Industria was set up as the brainchild of 77 industrialists and traders in the silk industry, under the name of Società Anonima Cooperativa per la Stagionatura e l'Assaggio delle Sete e Affini, in order to provide services relating to the marketing of silk.

Subsequently, it extended its original activities with new products of a financial nature and in 1941 to all intents and purposes became an ordinary lending institute operating in the short-term area by joining the co-operative movement of credit societies which contributed greatly to the economic and social growth of the industrious local businesses. As from 1951, the year in which it adopted its current name, the bank started a history of acquisitions and mergers which led to the formation of the Banca Popolare Commercio e Industria Banking Group, which took place in 1996 by means of acquisition of control over Banca Popolare di Luino e Varese. In 1998, the Group enhanced its corporate finance and international private banking activities with the establishment of Banca Popolare Commercio e Industria International in Luxembourg. The acquisition of the controlling interest in Banca Carime in 2001 represented a decisive leap with regards to size and territorial expansion.

Branch market shares as of 30 September 2004



BANCA POPOLARE DI BERGAMO

GRUPPO BPU <> banca

- 3,782 employees
- 1.1 million customers
- Euro 18.2 billion in deposits
- Euro 17.8 billion in loans

e.i. Banca Popolare Commercio e Industria

GRUPPO BPU <> banca

- 2,252 employees
- 380,800 customers
- Euro 6.9 billion in deposits
- 8.2 billion in loans

An important presence along the entire Adriatic ridge and in the province of Naples

Banca Popolare di Ancona

Founded in 1891 under the name of Banca Cooperativa di Jesi upon the initiative of 32 citizens belonging to the most varied professional categories, in the commerce and cottage industry sector, at first it accompanied the flourishing "small Milan of the Marches" and subsequently grew over time, ever faithful to its mission of supporting the growth of the local economies, by means of the merger or absorption of many other credit societies and co-operative banks in the Marches and Campania areas. In 1995, anticipating the period of aggregation of the banking system, it changed into a joint-stock company and joined the Banca Popolare di Bergamo-CV Group. Thus

it was able to avail of considerable resources necessary for efficiently continuing with the growth policy in Central and Southern Italy, combining the deep-rooted territorial presence with the opportunities offered by the Group's resources. Subsequently, it acquired control of Banca Popolare di Todi and Cassa di Risparmio di Fano. The last undertaking of its expansion was the purchase of 10 branches in the province of Naples from San Paolo IMI in 2002. Currently, it is 94.68% owned by the Parent Bank, while the remaining interest is held by local shareholders.

Cassa di risparmio di Fano

The bank was established in 1843 by 62 citizens upon the exhortation of the Gonfalonier of the Municipality of Fano and with the sovereign approval of the regulations by Pope Gregory the XVIth. Undergoing conti-

Branch market shares as of 30 September 2004



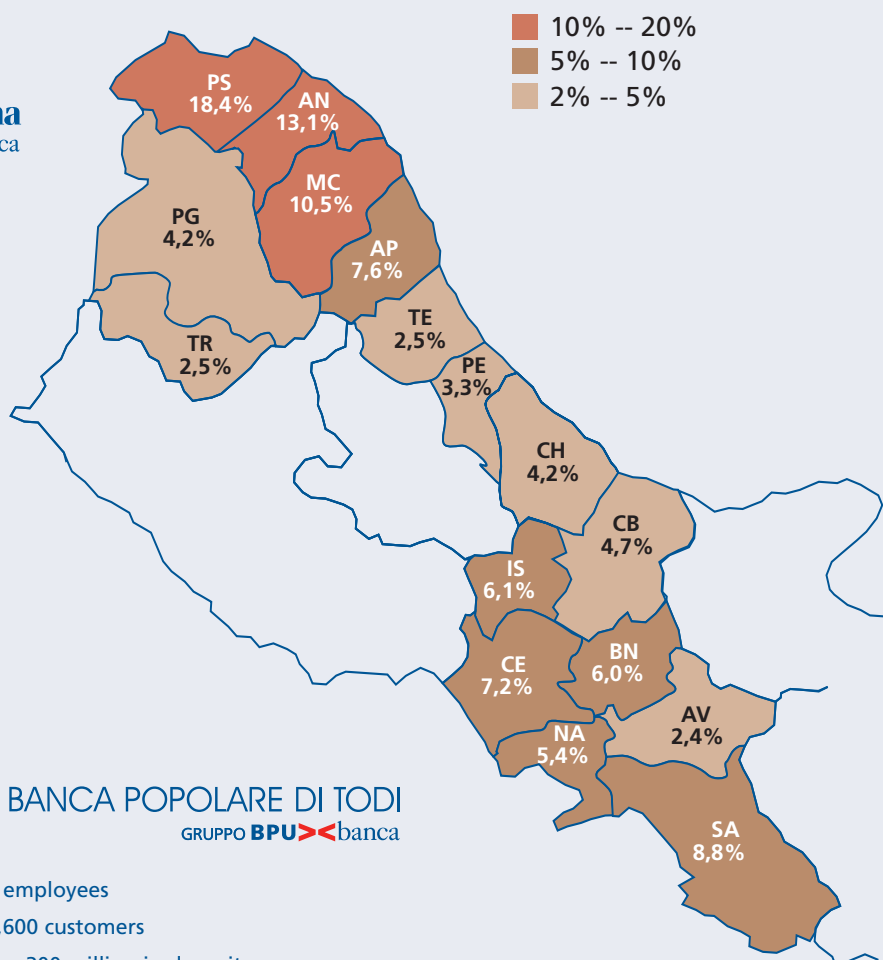
- 1,696 employees
- 437,900 customers
- Euro 5.7 billion in deposits
- Euro 5.5 billion in loans



- 327 employees
- 68,600 customers
- Euro 1 billion in deposits
- Euro 1 billion in loans



- 84 employees
- 21,600 customers
- Euro 300 million in deposits
- Euro 295 million in loans



nual and rapid expansion, in accordance with the Amato Law it gave rise to two separate organizations in 1992: the Cassa di Risparmio di Fano Foundation, which proposes public interest and social utility ends and Carifano spa, which the foundation was originally the sole shareholder of. The bank soon embarked upon a privatization course and in 1997 was acquired by Banca Popolare di Ancona (who currently holds a 99.92% interest therein), with whom it shares the mission of deep-rooted presence pertaining to the Banca Popolare di Bergamo-CV Group in Central Italy.

Banca Popolare di Todi

From 1882 on, the year it was founded, it experienced constant growth in tune with its reference territory in the provinces of Umbria, continually renewing itself until its transformation into a joint-stock company in 1996 to then join the Banca Popolare di Bergamo-CV Group under the control

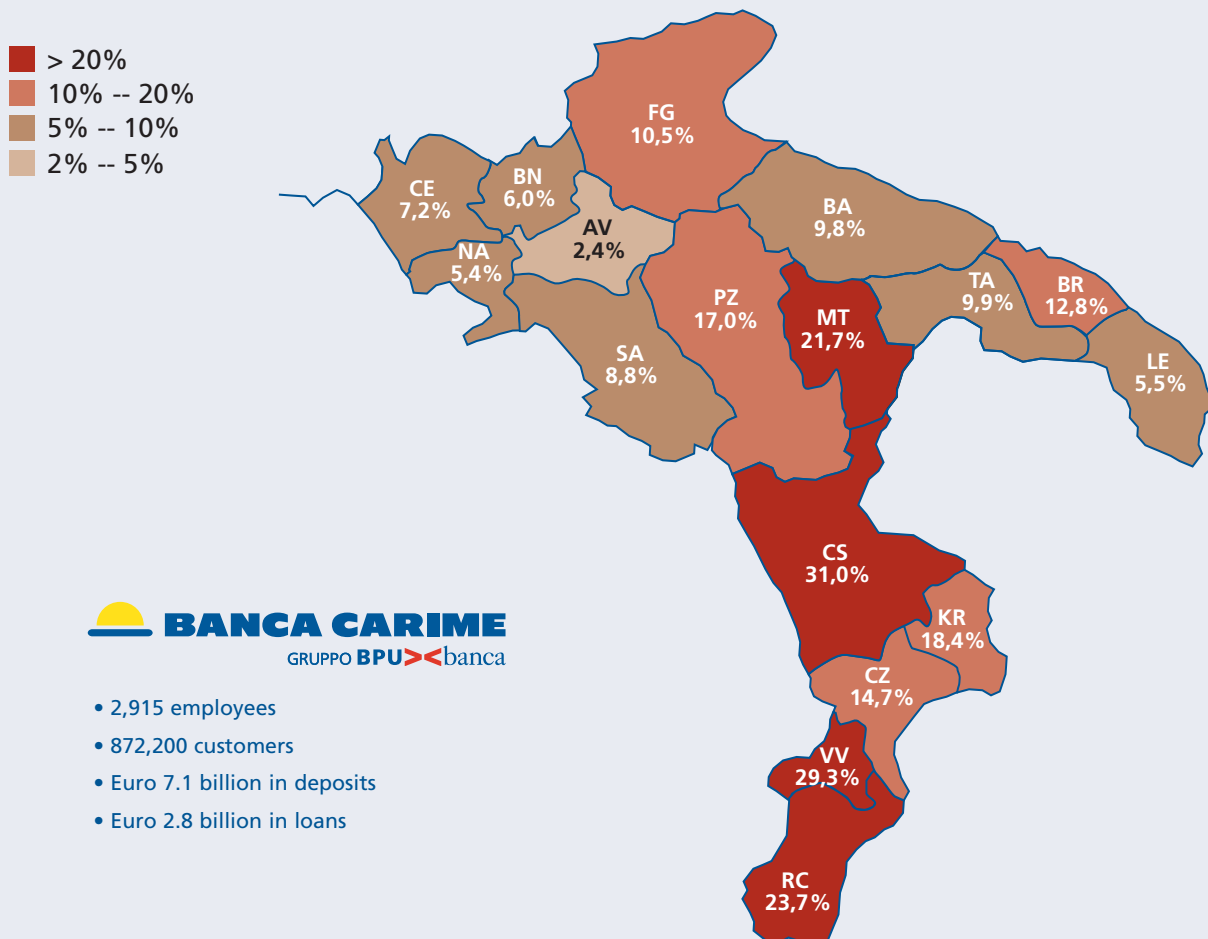
of Banca Popolare di Ancona (who currently holds an interest of 98.09% in it). The decision resolved in the best possible way the need to combine local policies and efficiency, so as to keep its role of key benchmark in the economic and social fabric of the area.

A widespread presence in the South

Banca Carime

Its roots are sunk in the history of the Unification of Italy: it arose from the merger of three banks - Cassa di Risparmio di Calabria e Lucania (Carical) founded in Cosenza in 1861, Cassa di Risparmio di Puglia founded in Bari in 1949 and Cassa di Risparmio Salernitana founded in Salerno in 1956 - belonging to the Cariplo Group and subsequently converging in

Branch market shares as of 30 September 2004



the Intesa Group; it underwent important phases of integration and reorganization until its entry within the BPCI Group in 2001 and from here in the new BPU Group, 60.67% owned by the Parent Bank, 25.12% by Deutsche Bank (with usufruct in favour of Banca Intesa), 14.15% by Commercial Union Vita, with the remaining interest held by 299 private shareholders. Today, it is the network bank expected to oversee the South of Italy by means of a constant process for the growth and consolidation of its positions. The South is an extremely varied socio-economic set-up and Carime, present in areas which are structurally different and enhanced by an important presence in many provinces, is ready to seize and encourage the specific growth potential of each area, selectively increasing the loans of the group and spreading the assisted lending instruments provided for by the State and by the European Community.

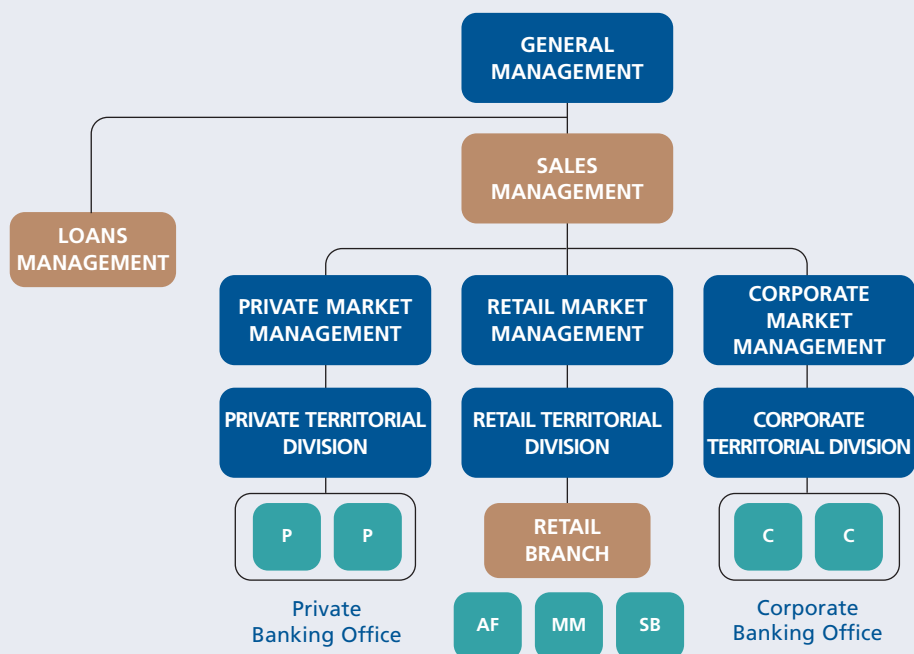
The new distribution set-up

The new distribution set-up is a strategic project combined with the Master programme (*Migliorare l'Approccio, gli Skill, le Tecnologie, le Esperienze e le Relazioni* – Improve the Approach, the Skills, the Technologies, the Experiences and the Relationships), a course for the development of the management potential of the relationships linking our Network banks aimed at improving customer satisfaction by means of an increasingly more targeted and qualified service.

It consists of the segmentation of the clientele into three macro-segments (Retail*, Private* and Corporate*) and of the consistent re-organization of the commercial structure of the Network banks into the same number of divisions (markets). Each market avails of its own physical network structure split up into territorial areas.

The mainstay of the new distribution set-up are the branches, which serve the Retail market and repre-

Distribution structure of the network banks



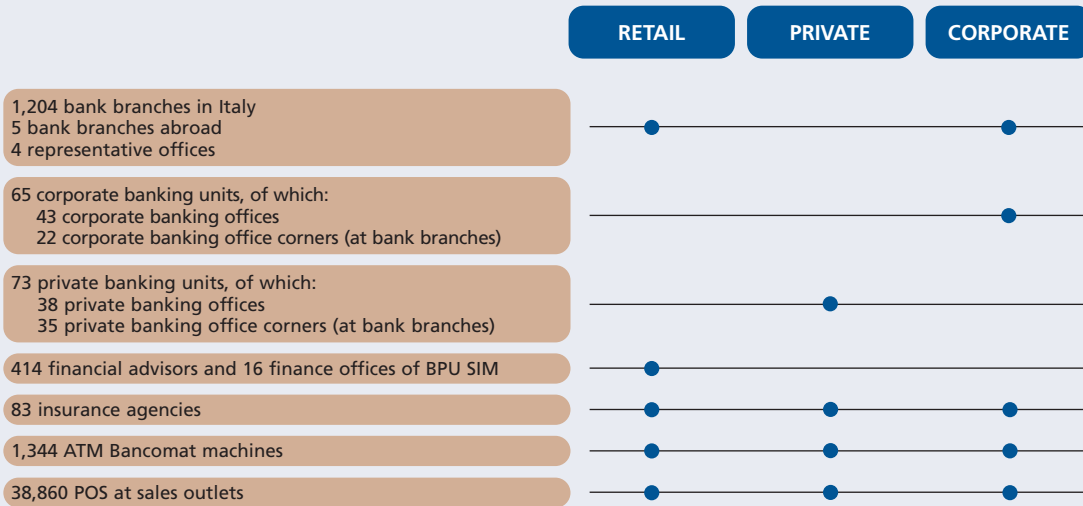
- P = private managers
- AF = Affluent managers
- MM = Mass Market managers
- SB = Small Business managers
- C = Corporate managers

sent the main points of contact with the clientele, mirroring the importance, expansion and widespread nature of the Bank's territorial presence. The branches provide operational support to all the Bank's customers and also house, in specific corners, part of the offices of the Private (Private Banking Office) and

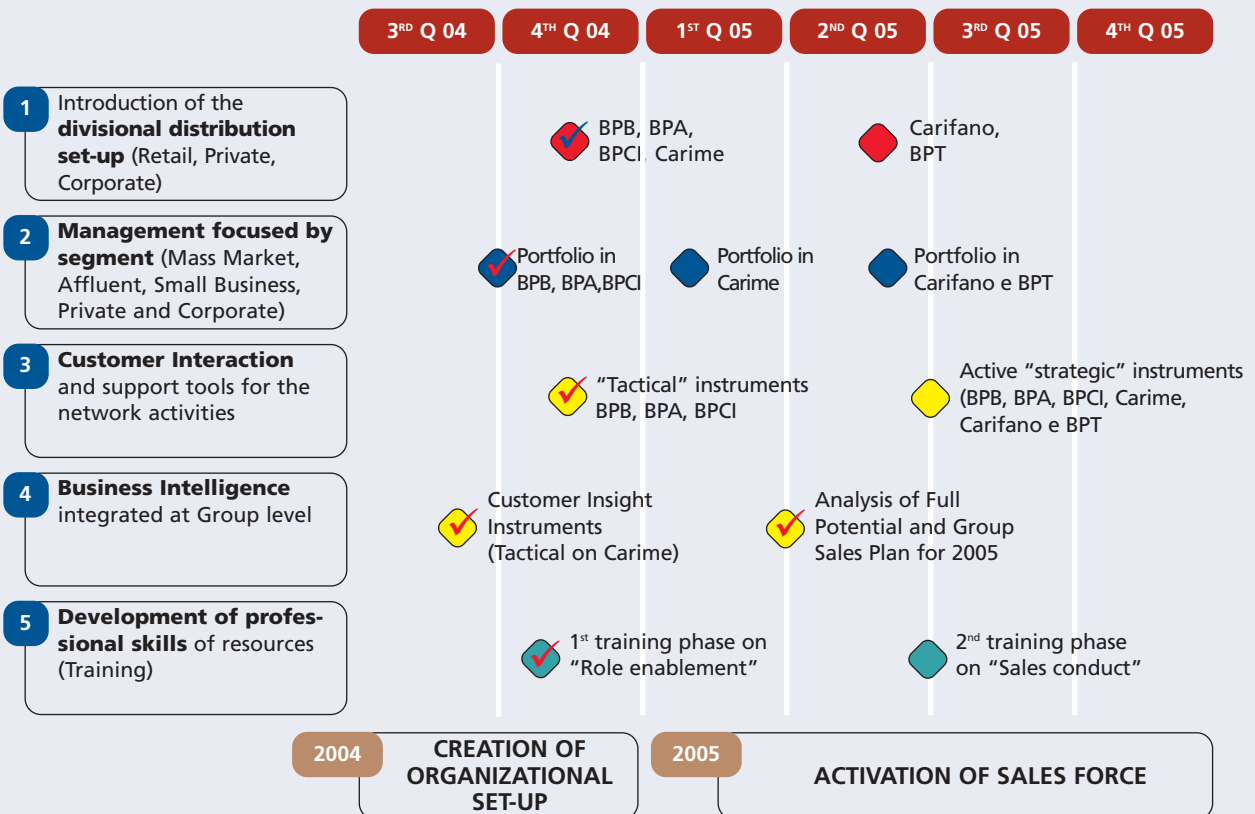
Corporate operators (Corporate Banking Office), as well as part of the BPU SIM's financial advisors.

Within each market, the clientele is further divided up into segments as similar as possible with regards to behaviour and economic-financial needs, with univocal

Network Bank presence throughout the territory



Creation timescale of the new distribution set-up



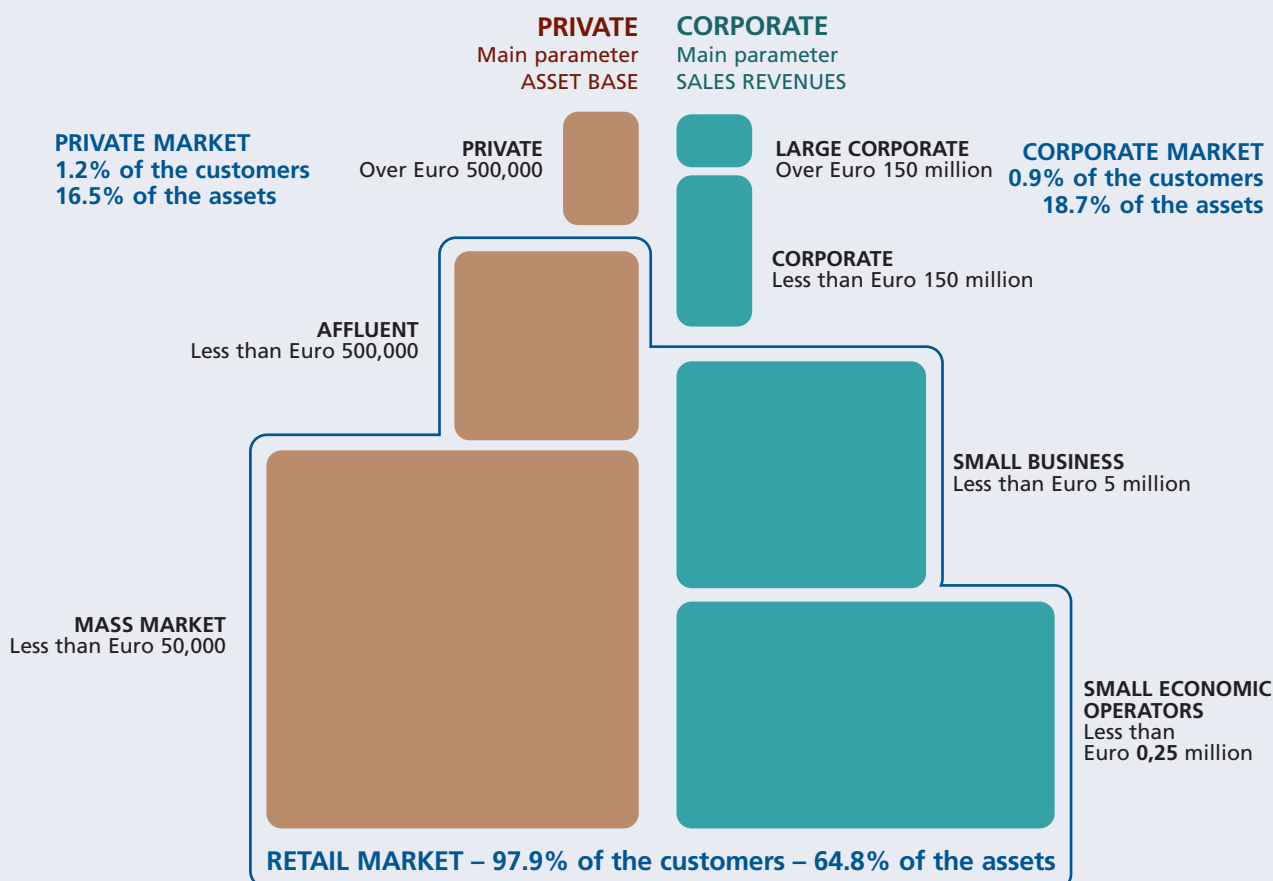
criteria for all the Group banks. The customers belonging to different segments are included in the portfolio assigned to the dedicated operators. The latter, by means of specific roles identified at Territorial Area (Co-ordinators*) and Market Division (Supervisors*) levels:

- acknowledge the commercial initiatives from the

Parent Bank and receive qualified assistance and support for the placement of new products or more complex products;

- convey information on the progress of the initiatives and carry forward the needs expressed by the clientele.

Market composition



The 5 mainstays of the Master programme

Customer segmentation	>	Uniformity of sales and growth policies by customer segment
Distribution set-up by segment	>	Focused distribution structures and specialization of sales action on the reference segment
Distinctive skills	>	Professional growth and vocational training programmes consistent with the professional development path chosen
CRM instrument platform	>	Support instruments for the analysis of the characteristics of the customer and for the identification of the appropriate supply offer
Supply model	>	Processes for the development of the products and the classification of the risk, co-ordinated and "certified" at Group level

The integration of financial advisors

BPU SIM

BPU SIM is our financial advisors' network, working in close synergy with the networks of the bank branches. A young and dynamic company, it was established in 2000 as part of the former Banca Popolare di Bergamo-CV Group in order to increase its commercial potential, today wholly-owned by the Parent Bank. Its activities for the placement of banking, finance, insurance and welfare products has risen exponentially over the years, despite the difficult conditions which have characterized the economic scenario and the financial markets. Today, BPU SIM's advisors receive the clientele in dedicated areas at the Group's branches, the usual settings for the relationship between bank and customer. This integration, which represents an innovation within the Italian financial panorama, adds new value to this relation-

ship: the financial advisor at the branch enhances the relationship based on trust between the customer and his bank, in the external activities he adds the value of convenience and flexibility to the relationship, offering new opportunities for meeting also outside normal working hours and premises.

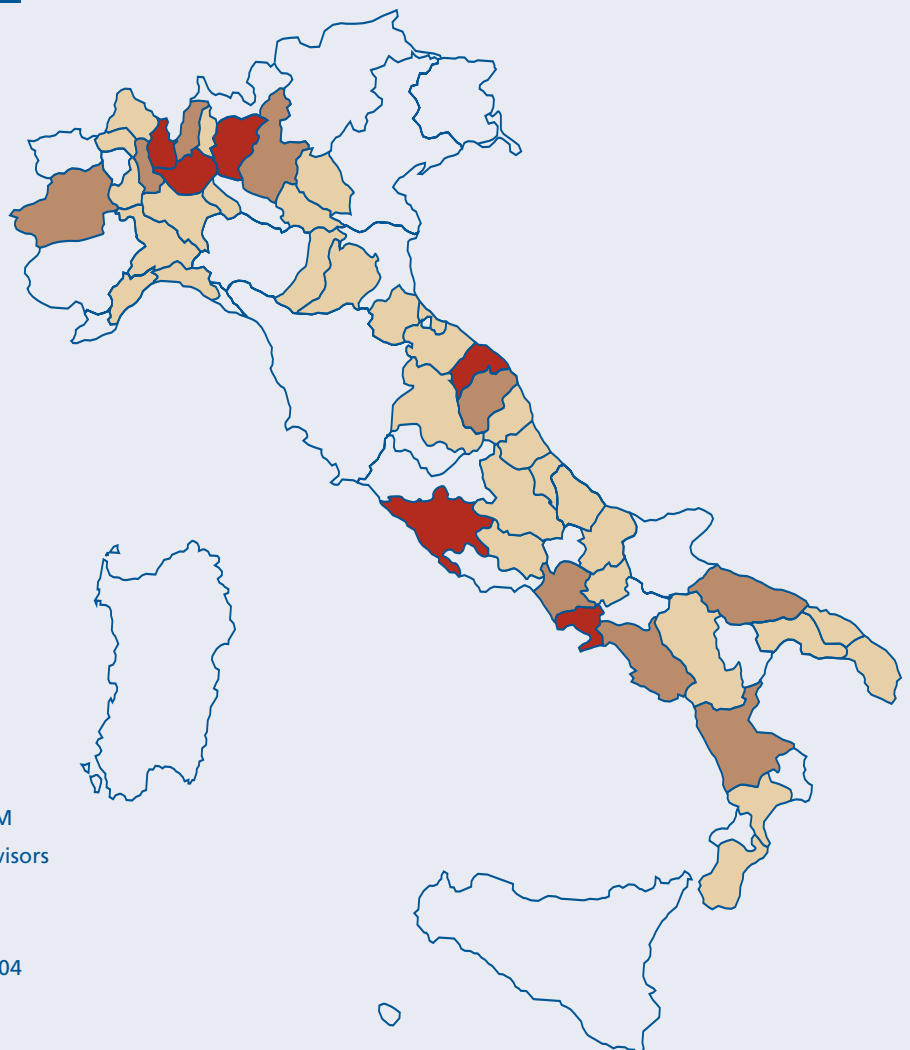
The integration of direct channels

The territorial network of banks and the stockbroking company of advisors are supported by a network of direct points of contact which exploits new technologies to eliminate all space and time barriers, and allows our customers to "enter the bank" at any time wherever they are, with a great reciprocal advantage in terms of efficiency and inexpensiveness of the transactions.

The services, which the banks of the two original groups have already offered for some time, have

Distribution of the financial advisors

- Over 20
- From 6 to 20
- From 1 to 5



BPU <sim
BANCHE POPOLARI UNITE

- 40 employees
- 414 financial advisors of which:
 - 47 in branches of the Banks
 - 197 in finance offices of BPU SIM
 - 170 in finance offices of the advisors
- 30,000 customers
- Euro 1 billion in assets managed
- Euro 388.5 million of net deposits in 2004

been integrated and standardized following the unification of the Group's computerized information system, thus enhancing the overall supply and ranking us as a genuine multi-channel bank.

Home banking”

Customers who chose Lineattiva Calling in order to communicate with their bank with a simple telephone call, topped the 130,000 mark (+ 12% compared to the end of 2003): using the automatic answering systems and the assistance of qualified operators on our free-phone number, is a safe and cost-effective way of obtaining information on personal dealings with the bank, on stockmarket prices and on the products and services offered by the bank, but also for carrying out payment instructions, telephone recharges and the purchase/sale of securities.

Instruction-related activities are by contrast increa-

singly more directed towards the Internet channel. With more than 81,500 users (+ 16.1% compared to 2003), **Lineattiva Banking** is increasingly gaining popularity; this service allows to receive qualified information on the financial markets, to arrange payment and securities trading transactions and to obtain position statements directly to the personal computer. Those who do not have a computer or need initial assistance when using the procedures, can use **Lineattiva ATM Web** public access points for home banking installed in some of the main branches which can be utilized autonomously or under the guidance of trained staff.

Corporate banking”

Designed for corporate clientele, **Remote Banking”** and **Internet Banking Levis** are screen-based instruments of the CBI” Multibanca (Corporate Banking Interbancario) system which enables the

“Lineattiva Calling” – the numbers

- 416,600 individuals accessing the automatic answering service (+ 24.1% compared to 2003)
- 117,600 telephone calls to operators (- 18.33% compared to 2003)

Due to simplicity and immediacy of use, automated systems and information services are most preferred

“Lineattiva Banking” – the numbers

- 3.4 million accesses (+ 30.8% compared to 2003)
- 7.6 million statements of account (+ 26.1% compared to 2003)
- 334,500 instruction-related transactions for cash transfers and payments (+ 66.1% compared to 2003)

remote handling of dealings with all of its banks both for information and instruction-related purposes. These services offer considerable benefits in terms of timely information on collections and payments, involving consequent improvements in the management of cash resources, as well as potential recoveries of internal administrative efficiency, thanks to the integrability between the internal systems and the interbanking systems. At the end of 2004, the number of contracts stipulated for the two channels came to more than 18,800 (+ 19% compared with the end of 2003) for a total of approximately 60 thousand client companies of the BPU Group using the CBI Multibanca services.

The Internet portal of the Group www.bpubanca.it

Not only our customers, but anyone interested in getting to know our Group can access our new portal: the website offers financial statements, official presentations, press releases, information on the BPU stock, analyses on the structure, the strategy and the social commitments of the Group. From here, the sites of the individual Banks can also be accessed, with plenty of information on their products and services for private individuals and for businesses and on their social commitment in favour of the area.

It is a sign of attention towards the "virtual community", even more useful for the surfers who decide to register themselves free-of-charge (cur-

rently 5,200). The Xplane financial disclosures, created by Sole24ore for our portal, is at their disposal with:

- data and information on shares and indexes, both Italian and foreign;
- funds, fixed income, exchange rates and valuations (minimum delay of 20 minutes);
- economic and financial news;
- technical analysis;
- customised list;
- portfolio simulations and others.

"Corporate Banking" - the numbers

More than 65% of the collections made by the client companies of the Group have been carried out via CBI:

- 4.6 million payments (+ 22.2% with respect to 2003) for Euro 26.7 billion (+ 30.9%)
- 19.3 million collections (+ 10.5% with respect to 2003) for Euro 24.6 billion (+ 5.2% with respect to 2003)

N.B.

The BPCI and CARIME figures only concern the period subsequent to the migration to the Group's computerized information system.

"Internet portal" – the numbers

- 1 million visitors
- 5.5 million pages consulted

Specialist Banks and financial “Factories”

Our distribution networks can consistently rely on the smooth support of specialist banking and non banking companies which guarantee a wide and innovative commercial offer. As a result, we can limit services provided by external suppliers, to the complete advantage of the Group’s profit margins.

Centrobanca The business bank

The macroeconomic and historic scenario which Centrobanca originates involves post-second world war in-depth transformations concerning industrial credit, on the basis of the principle of specialization. Established in Milan on 28 May 1946 on the initiative of several credit societies, its mission was to provide financial assistance to small and medium-sized industrial companies and, subsequently, also commercial business, thereby offering complete support for the growth of the country’s productivity. As from 1983, it opened branches in the main Italian cities and in 2000 became part of the former Banca Popolare di Bergamo-CV Group. At present – 93.88% owned by the Group while the remaining investment is held by other credit societies – it pursues its mission of “business bank”, as a point of reference for our network banks in order to satisfy the requirements of the medium and large-sized companies who exceed

current operations. Through its four divisions - Corporate Finance, Private Equity, Industrial Credit and Financial Markets – it supports its historic medium/long-term industrial credit activities with structured finance measures, assisted finance and participation in risk capital, it organizes and defines securitization transactions and is able to offer services and assistance with regards to industrial strategy, merger and acquisition transactions, and operative agreements between companies.

IW Bank The online bank

It was set up in 1999 by Banca IMI as a stock-broking company destined to offer retail customers disclosure services and services for accessing markets, with the support of an abundant wealth of studies and analysis. In 2001, it changed into a bank, adopting the corporate name of IMIWeb Bank, and offered all the “traditional bank” services with the comfort, security and convenience of remote access via Internet or telephone. Acquired in 2002 by Centrobanca who holds a 51% interest therein, it focuses on the Heavy Trader segment involving the issue of advanced services; in 2003, it adopted its current name and acquired the online trading* services business segment marketed under the Eptatrading name from Epta Consors (San Paolo IMI Group). Thus it managed to rank among the first positions in the Assosim classification on the Italian brokers performance and today it is the Italian bank with the greatest number of

CENTROBANCA

la Banca per l'Impresa

GRUPPO **BPU**><banca

- 250 employees
- 14,000 customers
- Euro 5.1 billion in loans
- Euro 4.4 billion in deposits
- 16 private equity/M&A transactions

IWBank

BANKING & TRADING



- 151 employees
- 50,000 customers
- 3rd absolute ranking in the Assosim classification on share transactions (January 2005)
- Italian leader for value of transactions in online trading (source: Kpmg, September 2004)

funds and Sicavs (more than a thousand). It has a flexible and efficient structure, which constantly develops the operating platforms thereby ensuring the reliability and safety of proprietary IT systems which offer direct access in real time to the main share, bond and derivative markets worldwide, around the clock, also from mobile devices. And, together with its financial advisors, it offers its customers assistance with their investment choices. It has now extended its activities to all the bank and savings services, becoming the one and only online bank on the Italian banking scene.

B@nca 24-7 Consumer credit

Established in Bergamo in 2001 as part of the BPB-CV Group, B@nca 24-7 developed IT and screen-based instruments suitable for the management of highly standardizable and computerizable services, involving considerable advantages such as reduction of costs and transaction execution times. In the new Group, it is wholly-owned by the Parent Bank and has the task of developing the consumer credit areas – a form of finance widespread throughout other European countries and today increasingly popular with Italian families as well – and home mortgage loans. With regards to consumer credit, it is providing a strong boost to the distribution of traditional and revolving credit cards, as the sole issuer for the entire Group with a standardized and reco-

gnizable brand, personalized for each network bank. In the home mortgage loans sector, it will enhance the activities, already operative as from 2002, by means of specialist channels and direct agreements with leading real estate property operators.

BPU Pramerica SGR Managed Savings

BPU Pramerica is our managed savings company, stemmed from an agreement with Prudential International Investments Corporation, one of the largest US financial institutions in the sector of managed savings throughout the world. Our Group holds a 65% interest and the remaining 35% is held by the US Finance group. Three years from its foundation, it is in a position to offer a wide range of products, split up into 28 mutual investment funds, 11 individual asset management lines in mutual funds and 6 in securities, as well as personalized portfolio management schemes for high-income customers and products intended for the corporate clientele. Many investment solutions aimed at offering each customer the best combination of protection and profitability on the investment, in relation to the personal propensity towards risk. BPU Pramerica reaps the best results of globalization, being able to select the best investment opportunities at global level, thanks to a team of operators specialized on the world markets.

B@NCA 24-7

- 37 employees
- 3,300 mortgage loans granted in 2004 for Euro 385 million
- 17,500 personal loans granted in 2004 for Euro 172 million
- 88,400 active cards

BPU Pramerica

- 85 employees
- Euro 18.1 billion in managed savings
- In 2004, it ranks first for net deposits in the Assogestioni classification with Euro 2.9 billion

BPB Assicurazioni BPB Assicurazioni Vita Aviva Vita Bank Insurance

BPB Assicurazioni (100% owned by Bpu Banca), has its registered offices in Milan and through the Banks' branches and its own agencies, it offers the Group's customers and the market in general a complete range of insurance products in the non-life segment (motor vehicle, home, personal and business). BPB Assicurazioni Vita (100% owned by BPU Banca) and Aviva Vita (50% owned by BPU Banca), both with registered offices in Milan, by contrast operate in the life sector with traditional human life insurance products, financial-content policies (linked to funds, indexes or other reference values), capitalization policies and pension funds. As in the managed savings area, in the insurance sector with Aviva Vita, which is 50% owned by Commercial Union, we have chosen a partner of international standing in order to share the value of global experience with our customers.

BPU leasing ed Esaleasing Leasing

BPU Leasing in Bergamo and Esaleasing in Ancona are the Group companies (investments held 100% and 99.8% respectively) specialized in leasing for businesses and private individuals, with a wide and structured range which spans from real estate property and industrial leasing— also with easy terms —

to motor vehicle and marine vessel leasing. They co-ordinate the range offered to the private clientele and directly handle the most important and complex transactions requested by the companies. Specifically, Esaleasing is leader in its target region, the Marche, where one businessman out of four depends on it in order to programme their investments, and it is acquiring significant market shares in other central regions as well, where Banca Popolare di Ancona and its two subsidiaries operate. In 2004, ABF Leasing also formed part of the Group, 50% owned by BPU Banca, and sold as of 18 March 2005.

Mercato Impresa E-commerce

Electronic commerce is an opportunity for businesses, in order to find new growth and development routes through the Internet's potential, and it is an additional opportunity for the bank to propose innovative services with high added value. For ourselves and for our customers, since 2002 this opportunity is called Coralis, the portal (www.coralis.it) created by our subsidiary Mercato Impresa by implementing the skills gained in the use of IT technologies. By means of Coralis, reaching new markets, finding new customers or new suppliers, increasing sales and making savings on costs, is easier and more economic also for the smaller companies, thanks to the general or sector-based market-places•, activated



AVIVA

Vita

- 208 employees
- Euro 1 billion in gross life business premiums in 2004
- Euro 242 million in gross non-life business premiums in 2004

BPU ><leasing

Esaleasing

- 96 employees
- 4,996 vehicle and vessel agreements for a total of Euro 177.3 million in 2004
- 3,443 capital goods agreements for a total of Euro 292.7 million in 2004
- 496 real estate property agreements for a total of Euro 464.7 million in 2004

also with the collaboration of districts and trade associations, the private market-places, which put each company on the Web with customers and suppliers, and the auctions of the purchasing groups with leading sector operators. As from the second half of 2004, Mercato Impresa provided the main non-financial services included in Utilio, the Group's "package" current account for businessmen and professionals.

The Group's integration course

The actual creation of the federal Group model and the deployment of all its potential have been accomplished through the Integration Master Plan, a massive project effort aimed at achieving all the Group's potential synergies by the end of 2006. Forty-seven projects grouped together in seven "work sites", each with their own strategic-organizational guidelines, detailed economic-financial objectives and operative intervention plans.

If 2003 was the year of planning and first installations, 2004 was the year of integration and convergence with the complete integration of the Areas of Governance, Finance, Loans and Human Resources, the migration of the IT systems, the specialization of the back-office logistic poles and the extension of the main strategic and partnership agreements exi-

mercato **IMPRESA**

CORALIS

- 65 employees
- 4,200 companies subscribing (15% extra Group)
- 2,200 purchase transactions for Euro 17 million
- 20 purchase auctions for Euro 15 million
- 1 horizontal Market (Omnia)
- 5 vertical markets (Focus Meccanica, Tessile, Ospitalità, Informatica, Edilizia)
- Expo, gallery with more than 3,000 company sites

15-16 May 2004 (6 months early) MIGRATION OF BANCA CARIME

- 3,500** Linux workstations (2,700 in branches and 800 at Head Office)
- 8,000** man days of activities for the migration of data
- 11,000** classroom training days
- 4,000** work experience training days at banks
- 22,000** days of job shadowing

27-28 November 2004 (over 6 months early) MIGRATION OF BANCA POPOLARE COMMERCIO E INDUSTRIA

- 2,500** Linux workstations (2,000 in branches and 500 at Head Office)
- 7,500** man days of activities for the migration of data
- 7,600** classroom training days
- 3,500** work experience training days at banks
- 19,500** days of job shadowing

sting with the two original groups. At year-end, we had concluded 44% of the projects, which represent 72% of all the activities.

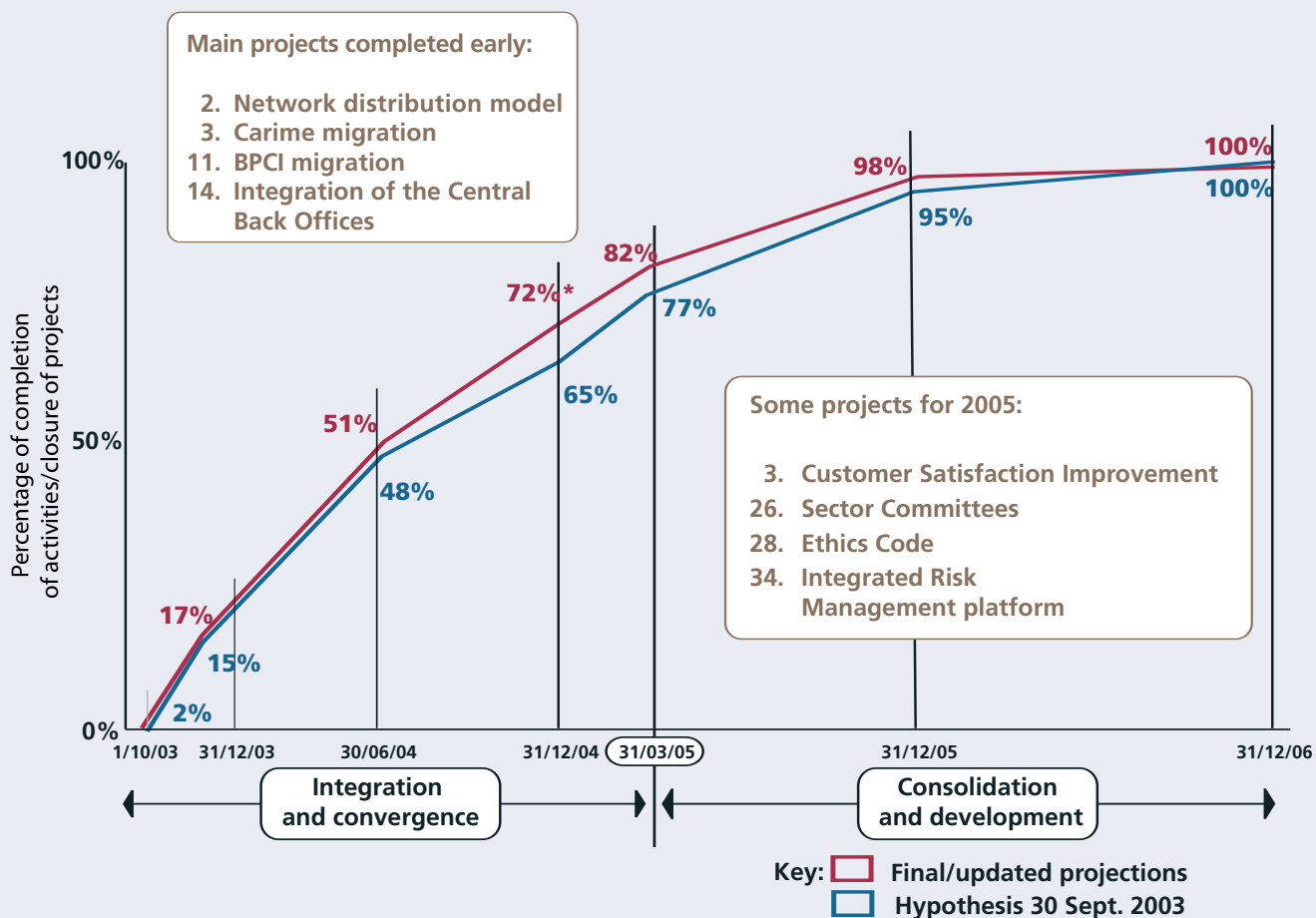
We brought forward the timescales on the most important projects for the achievement of revenue and cost synergies: this is the case, for example, of the creation of the consolidated Group IT system, complete with the migration of Banca Carime and Banca Popolare Commercio e Industria's data processing systems.

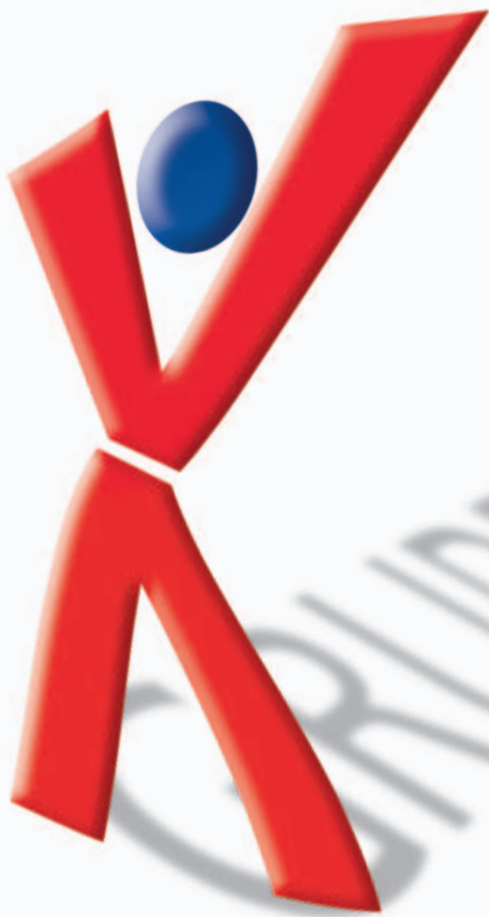
The latter are two fundamental changeovers, through which all the Group branches use the same instruments and converse in the same way with the customers and with the internal governance and auditing instruments. Two changeovers which were the necessary condition for the realization of other projects of great strategic importance, such as the creation of the new divisional distribution set-up by market segments, the development of a new Group

management control system, the concentration within specific units of the back-office activities previously performed by the two original banking groups or the evolution of the same IT system, in order to improve and integrate the procedures fully benefiting quality and the customer response times.

2005 will be the year of consolidation and growth, with the almost entire (98%) completion of the measures planned until 2006.

The Group's integration course





Identity

Feel the responsibility of building an excellent organization day-by-day, tackling one's work with commitment and passion.

Act with creativity and innovative spirit in accordance with one's identity, history and tradition.

Encourage individual and team conduct which does not express hostility or abuse of office.

I valori che ci guidano

The source of Added Value[»]

Added Value represents the Group's ability to create wealth. It stems from the reclassification of the profit & loss account, as the difference between the production and the consumption of goods and services, and can be gauged at various levels.

Conforming with both the indications of the ABI (Italian Bankers' Association) model for the drawing up of the Social Report for the lending sector and with current practices, we refer to the notion of Total Gross Added Value, which excludes the extraordinary items and includes amortization/depreciation.

In 2004, the Added Value produced by the Group increased 22.0% and touched the Euro 2 billion mark. It is a rewarding result, which arises from revenues and cost synergies anticipated by the industrial plan through:

- the quality of the action of the Network banks;
 - interest margin + 3.1%;
- the innovation of the financial "Factories"
 - net commission + 5.4% (+ 30% on portfolio management, + 56% on insurance products);
- the acceleration of the integration process;
 - administrative expenses -3.4% (excluding payroll).

The result achieved is also attributable to the lesser need for value adjustments (- 55.8%), after the extraordinary entries made in 2003 (write-downs of the Parmalat and Parmatour Groups and alignment of Centrobanca to the accounting policies of the Group's lending risk).

Main income ratios of the Group

	31/12/2004	31/12/2003	variaz.
Interest margin / net interest and other banking income	61,46%	60,54%	+1,53%
Cost / income ¹	65,62%	66,73%	-1,66%
ROE ²	7,76%	5,65%	+37,35%

¹ Administrative expenses and value adjustments to tangible and intangible fixed assets (net of adjustments on positive consolidation differences and shareholders' equity) / net interest and other banking income

² Net profit for the year / shareholders' equity excluding net profit

Calculation of the Added Value

In millions of Euro	BPU BANCA GROUP Consolidated financial statements			PARENT BANK Financial statements		
	31 Dec. 2004	31 Dec. 2003	Change	31 Dec. 2004	31 Dec. 2003	Change
Interest income and similar revenues	2.445,59	2.541,99	-3,8%	400,18	1.032,93	-61,3%
Interest income and similar revenues	920,55	855,51	+7,6%	10,42	232,66	-95,5%
Other revenues:	222,61	252,79	-11,9%	676,83	426,66	+58,6%
• dividends and other income	10,48	17,67	-40,7%	358,38	167,61	+113,8%
• profits on financial transactions	92,80	103,56	-10,4%	20,72	62,19	-66,7%
• other operating income	106,09	141,57	-25,1%	297,73	196,86	+51,2%
Income from investments carried at equity	13,24	0,00				
TOTAL REVENUES	3.588,75	3.660,29	-2,0%	1.087,43	1.692,25	-35,7%
Interest expense and similar charges	(928,96)	(1.056,11)	-12,0%	(444,23)	(641,75)	-30,8%
Commission expense	(132,00)	(107,55)	+22,7%	(15,11)	(37,34)	-59,5%
Other operating expense	(21,72)	(19,49)	+11,4%	(1,34)	(7,48)	-82,1%
Other administrative expenses*	(359,99)	(364,26)	-1,2%	(108,37)	(138,63)	-21,8%
Net value adjustments to loans and provisions for guarantees and commitments	(203,34)	(459,61)	-55,8%	(0,62)	(67,87)	-99,1%
Provisions for risks and charges	(74,99)	(74,23)	+1,0%	(17,52)	(15,93)	+10,0%
Provisions for possible loan losses	0,00	(0,45)	-100,0%	0,00	(0,78)	-100,0%
Loss on investments carried at equity	0,00	(10,10)	-100%			
TOTAL CONSUMPTION	(1.721,00)	(2.091,70)	-17,7%	(587,18)	(909,78)	-35,5%
ADDED VALUE OF CORE BUSINESS ACTIVITIES	1.867,75	1.568,59	+19,1%	500,24	782,47	-36,1%
Extraordinary income (loss)	97,54	42,10	+131,7%	59,72	(5,80)	
TOTAL GROSS ADDED VALUE	1.965,28	1.610,69	+22,0%	559,96	776,67	-27,9%
Amortization and depreciation	(324,53)	(304,09)	+6,7%	(110,92)	(107,81)	+2,9%
TOTAL NET ADDED VALUE	1.640,75	1.306,60	+25,6%	449,04	668,86	-32,9%
Payroll and related costs	(987,24)	(996,16)	-0,9%	(176,29)	(359,71)	-51,0%
Donations, gifts and sponsorships for social initiatives	(4,18)	(5,03)	-16,9%	(0,40)	(1,25)	-67,6%
Indirect and capital taxes	(68,64)	(79,35)	-13,5%	(33,86)	(64,58)	-47,6%
PRE-TAX RESULT	580,70	226,06	+156,9%	238,48	243,32	-2,0%
Change in reserve for general banking risks	0,00	118,85	-100,0%	0,00	120,00	-100,0%
Income taxes for the year	(262,55)	(140,54)	+86,8%	48,45	(72,30)	
Net profit pertaining to minority shareholders	(28,02)	(4,30)	+551,7			
NET PROFIT FOR THE YEAR	290,12	200,07	+45,0%	286,94	291,02	-1,4%

* The following has been deducted from other administrative expenses (item 80b):

- indirect and capital taxes and non-deductible VAT on purchases, included in the appropriate item;
- donations, gifts and sponsorships for social initiatives, included in the appropriate item.



The values which guide us

Complementarity

Give value to the differences.

Interpret complementarity as a growth and competitive factor, favouring a healthy comparison which is the ground of cultural and professional growth.

Integrate localism within the global picture, drawing enrichment from the manifold experiences present within the Group.

The distribution of Added Value

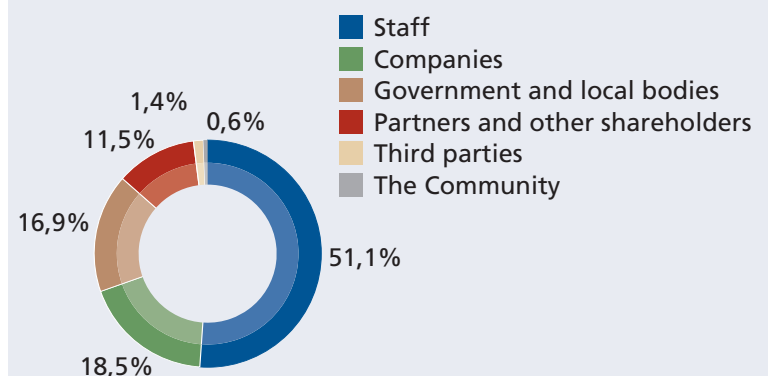
Benefiting from the growth in Added Value is first and foremost the Group itself, which retained Euro 364.1 million compared with Euro 159.4 million in 2003, equating to a share of 18.5% (10.1% in 2003). The share pertaining to minority interests (1.4%) represents the part of the profits produced by the subsidiary companies and distributed to the relevant minority shareholders.

Among the stakeholders, the portion intended for the staff is confirmed as predominant (51.1%), equating to Euro 1,004.7 million. In 2003, the figure came to Euro 1,008.5 million, which represented a share of 62.6%. The lower costs incurred in relation to the staff efficiency plan have offset the rises in the costs linked to the evolution of remuneration (promotion rises, automatic wage adjustments, seniority rises...), to the in-house agreements and to the renewal of the CCNL (national collective labour agreement), as well as the increase of Euro 5 million in the portions of profit intended for social security and welfare benefits.

As a result of the taxation applied to gross profit which has more than doubled (Euro 680.7 million compared with Euro 328.7 million in 2003), the portion due to the State and to the local authorities grew from 13.7% to 16.9% (from Euro 219.9 million to Euro 331.2 million), whilst the confirmation of the dividend payment of Euro 0.67 per share slightly affected the portion distributed to partners and other shareholders (from 13.3% to 11.5%), although it rose in absolute terms from Euro 213.6 million to Euro 225.9 million (+ 5.8%).

The portion of Added Value intended for the general public remained unchanged in percentage terms, and in absolute terms rose from Euro 10.3 million to Euro 11.4 million.

Group added value breakdown



Added Value Breakdown

In millions of Euro	BPU BANCA GROUP Consolidated financial statements			PARENT BANK Financial statements		
	31 Dec. 2004	31 Dec. 2003	Change	31 Dec. 2004	31 Dec. 2003	Change
Gross production (revenues)	3.588,75	3.660,30	-2,0%	1.087,43	1.692,25	-35,7%
Consumption	(1.721,00)	(2.091,71)	-17,7%	(587,18)	(909,78)	-35,5%
Net extraordinary items	97,54	42,10	+131,7%	59,72	(5,80)	
TOTAL GROSS ADDED VALUE	1.965,28	1.610,69	+22,0%	559,96	776,67	-27,9%
PROFIT OF SUBSIDIARY COMPANIES PERTAINING TO MINORITY SHAREHOLDERS	28,02	(4,30)				
ADDED VALUE WITHHELD BY THE COMPANY	364,14	162,80	+123,7%	159,43	53,42	+198,5%
Amortization and depreciation	324,53	304,09	+6,7%	110,92	107,81	+2,9%
Reserves	39,61	(22,44)		48,51	65,61	-26,1%
Change in the reserve for general banking risks	0,00	(118,85)	-100,0%	0,00	(120,00)	-100,0%
ADDED VALUE ALLOCATED TO THE STAKEHOLDERS	1.601,14	1.447,89	+10,6%	400,53	723,25	-44,6%
PARTNERS AND OTHER SHAREHOLDERS	225,92	213,58	+5,8%	225,92	213,58	+5,8%
Dividends paid	225,92	213,58	+5,8%	225,92	213,58	+5,8%
HUMAN RESOURCES	1.004,66	1.008,47	-0,4%	185,23	368,16	-49,7%
Payroll and related costs	987,24	996,16	-0,9%	176,29	359,71	-51,0%
Portion of profit for welfare and pensions in favour of staff	15,04	10,06	+49,5%	6,55	6,20	+5,7%
Portion of profit allocated to Board of Directors	2,38	2,25	+5,9%	2,38	2,25	+5,9%
GOVERNMENT AND LOCAL BODIES	331,19	219,89	+50,6%	(14,59)	136,88	
Indirect and capital taxes	68,64	79,35	-13,5%	33,86	64,58	-47,6%
Income taxes for the year	262,55	140,54	+86,8%	(48,45)	72,30	
THE COMMUNITY	11,36	10,25	+10,8%	3,98	4,63	-14,1%
Donations, gifts and sponsorships for social initiatives	4,18	5,03	-16,9%	0,40	1,25	-67,6%
Profit available to the BoD for educational, cultural, benefit and social purposes	7,18	5,22	+37,5%	3,57	3,38	+5,7%
TOTAL GROSS ADDED VALUE	1.965,28	1.610,69	+22,0%	559,96	776,67	-27,9%

The “co-operative profit” – Added Value distributed to the stakeholders – becomes “economic-social profit” for the community by means of the daily commitment to combine the concern for the business-related social and environmental issues in the management of the affairs. It has the value of the stability and the intensity of the overall contribution which the Group offers to the territory and to the sustainability of its growth model.

Relations with the staff

We know that we can count on a team of capable and skilled individuals, and we want to provide them with motivation, serenity and professional growth prospects. We wish to encourage a positive growth climate, which provokes a sense of belonging and commitment to working together for the achievement of Group objectives and for the satisfaction of other stakeholders.

The process for the integration of the Group brought about considerable organizational changes, for the achievement of important efficiency and profitability goals, which also led to an opportunity to rationalize the workforce managed within the framework of specific trade union agreements (12 August 2003 and 3 March 2005). By means of these agreements, the Banks pledged to transform the changes into occasions for growth and valorization of the individuals, so that the rationalization could take place as far as possible without negative socio-economic consequences. This involves a project for the re-qualification and re-positioning of the staff and for generational change, which pursues efficiency objectives via a redundancy incentive plan and at the same time creates new opportunities for the economic-social fabric concerned by means of an employment plan.

In the framework of the 2003-2006 business plan, we have implemented a **redundancy incentive plan**, which resulted in Group employees falling in 2004 from 15,182 to 14,580.

Additional 664 redundancies are anticipated by the end of 2007 as a result of the review of the business plan, drawn up in relation to the deterioration of the economy's growth forecasts and the competitive

positioning needs of our Group. All the redundancies will still take place on an exclusively voluntary basis, by means of compliance with the "Solidarity Fund for Income Support" set up by I.N.P.S. (national social security institute) for workers with less than 5 years before they accrue their pension rights and with the redundancy incentive for workers who have already accrued this right. Access to the "Solidarity Fund" guarantees, up until pensionable age, income equating to 80% of the gross annual remuneration received when in service. The general public is not burdened with the fund's costs which are the entire responsibility of the banks adhering to the scheme.

In relation to the 664 anticipated redundancies, the Parent Bank and the Group network banks have pledged to create around 1,000 layoffs with incentives in the period 2005/2007. The difference falls within an **employment plan** which in total involves around 700 young high-school certificate and university graduates, to be inserted permanently within the workforce in order to encourage the generational change. In detail, this involves:

- confirming/employing on a full-time basis 368 permanent contracts anticipated within the companies concerned as of 30 June 2005;
- replacing the resources provided with redundancy incentives to a greater extent than the dimension needs.

We introduce new workers – with particular attention to those who already work or have worked last year on a temporary basis with the Group – on which to make long-term investments.

The plan includes two projects already realized in 2004 in order to encourage employment in the southern regions:

- **Financial Advisors Project** - 100 junior advisors in the Carime area (we completed the project in

New recruits

	2004
Temporary staff	566
Permanent staff	142
TOTAL	708

Leavers

	2004
Voluntary resignations	248
Retirements	584
Expiry of temporary contract	437
Other	41
TOTAL	1.310

Temporary contracts have been used in order to deal with extraordinary requirements associated with the operations of the Group integration plan.

January 2005, after having examined the 1,000 applications received and launched the first 3 training courses for 61 participants in 2004);

- **Branch Support Project** - 177 youngsters employed on a temporary basis within Carime in 2004, of which 30 re-employed on a permanent basis in January 2005.

The planned sale of Carifano in 2005 involves the exit from the Group of 327 individuals (of which 84 under General Management), while the consequent opening of 20 new branches by Banca Popolare di Ancona requires 78 new recruits.

The value of professional growth

The satisfaction and motivation of the staff is fundamental for the achievement of the Group's exacting goals and depends on the overall value of the employment relationship, which is measured not only in economic terms (Euro 1,004.7 million Added Value), but also in terms of time and work space quality. Equity and transparency of the management systems, professional growth opportunities, health and safety in the workplace, tranquillity in day to day living are all elements of value which we have always dedicated attention and resources to.

2004 was a year of great organizational changes, with the unification of the data processing systems and the creation of the Master programme linked to the introduction of the new distribution set-up, two fundamental changeovers along the road for the harmonization of the policies and the commercial offer of the Group. These changes have led to the debut of new roles and the introduction of new technologies and new management and operating procedures, which in turn require the tuning of both professional skills and manage-

ment systems. The introduction within all the Group banks of the same instruments for the management and growth of professional skills also complies with the need to gain in-depth knowledge of each individual in order to direct, develop and turn to account their skills and abilities in the most appropriate role.

Management and incentive systems

The **detection of skills** is an instrument aimed at enhancing individual skills, already underway for some time within some of the Group banks, which each year anticipates the comparison between the ideal and the effective skills of each individual in relation to the role covered, through detection by the manager and self-evaluation by each worker. Its value comprises the possibility of identifying the skill shortfalls at individual level and of intervening with a targeted and efficient training programme, but also of building over time a vocabulary of the skills present in the various Companies, a sort of "knowledge inventory" which characterizes our Group.

The **performance assessment** is a professional improvement instrument, which requires each employee to work towards objectives and to measure themselves with regards to the ability to achieve them. The performance assessment is not conceived as a simple evaluation at year-end with respect to the performance provided, but implements a continuous assessment process, in which the assessor and the assessed party work together, within a context of strong interaction, in order to establish objectives, ascertain progress and check the results. This makes it possible to lay down the Group and corporate objectives along the entire organizational chain, from the Parent Bank divisions to all the workers at any level. Both the instruments, handled via the corporate

Promotions to new grades

	Women	Men	Total
From non-managerial staff to middle management	73	237	310
From middle management to executive	3	21	24
TOTAL	76	258	334

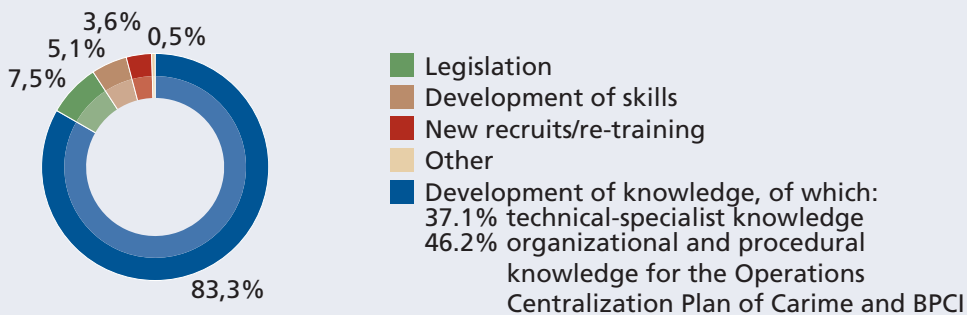
Intranet”, create an on-going improvement process, through the involvement and accountability of both management and all the workers within a management model which takes into account the expectations and personal motivations. During 2004, their application affected around half the Group’s human resources. All network banks will be involved in 2005, and later all the main companies.

The correct and constant use of the management systems will allow us to draw up career paths which are more in keeping with the expectations and potential of the individuals, in observance of merit-based

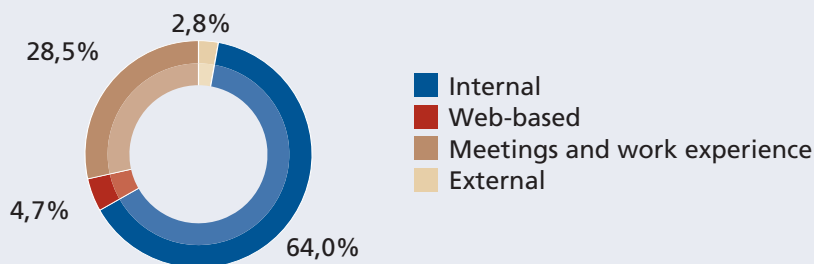
criteria. In 2004, many individuals benefited from new professional opportunities, which also turned into career advancements with access to higher grades.

Harmonization efforts currently involve not only management instruments but also remuneration and incentive systems throughout the entire Group. In this way, achieving consistency in the economic and legislative treatment will act as an effective support for the motivation of the human resources and the Group identity. During 2004, we introduced an incentive system based on a single model for all the Group’s network banks, which emphasises team play

Training by content matter



Training by methods



as a fundamental value for our approach to work. The bonus is allocated in relation to the contribution of the individual towards the achievement of the objectives and bonus disbursement depends on the achievement of three main objectives:

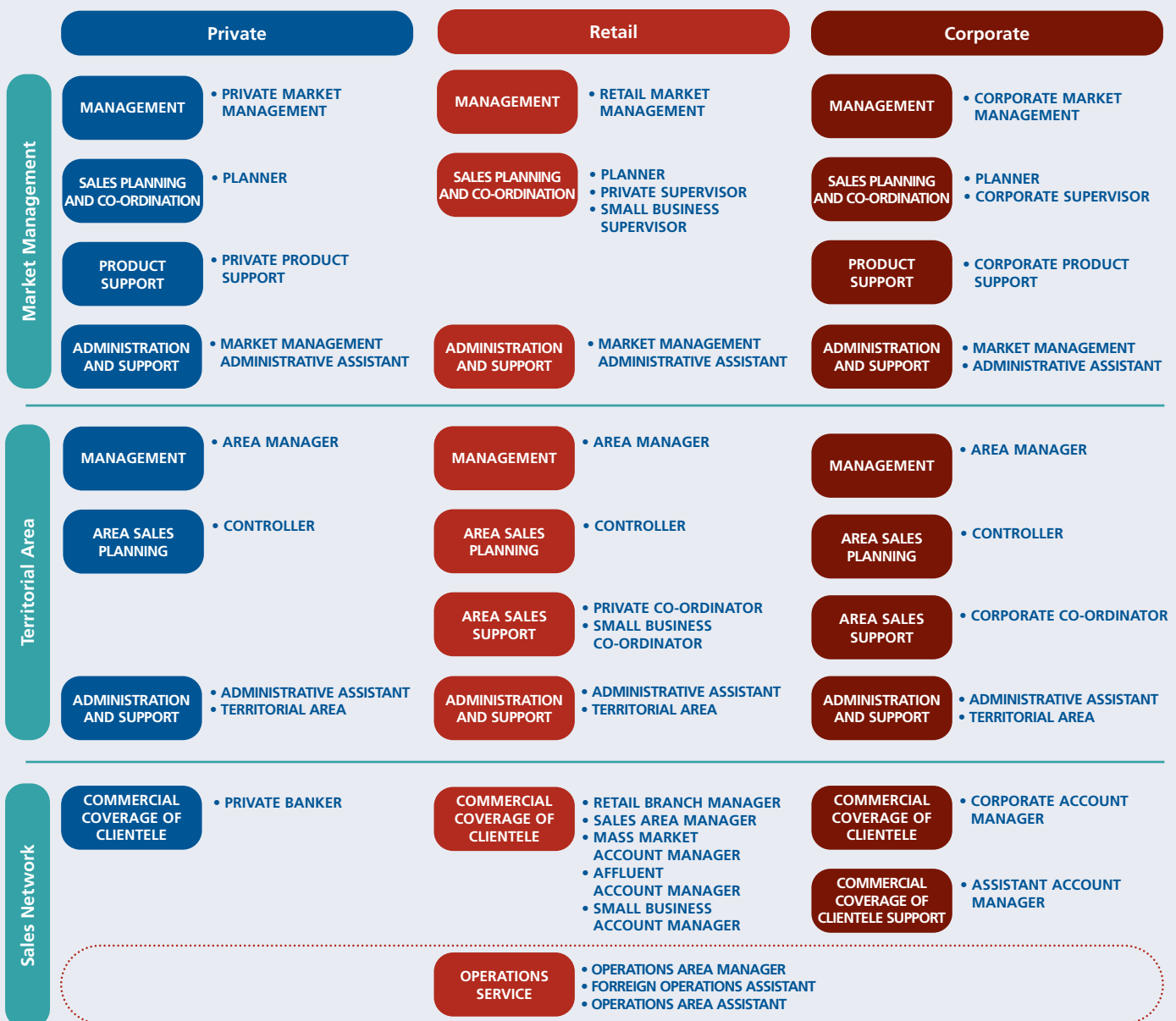
- **results of the Operating Unit** the individual belongs to (commercial targets for the sales network and integration and efficiency targets for the other organizational units);
- **income results of the Company** he individual belongs to;
- **overall Group income results** (profit from operations).

Training

Training activities are strictly complementary and in synergy with the assessment processes and must therefore be handled with sole logics at Group level. Since 2004, all the training activities have been coordinated by the Human Resources–Training and Internal Communications Division of the Parent Bank, with scheduling based on three main lines of intervention:

- **qualification for the role** – direct training to enable the resources for the roles anticipated by the new distribution set-up;

Roles anticipated on the individual markets



- **development of the technical skills** – in order to consolidate and increase the skills linked to specific roles;
- **development of the relational and managerial abilities** – in order to support the professional growth of the individuals with the improvement of behavioural aspects.

Overall, during 2004 we invested 60,443 man days in training, 39.4% more than in 2003, involving more than 44,000 attendees. During 2003, the formation and start-up of the new group had considerably conditioned training programmes. Last year, as can be seen, we restored intense activities, addressing above all the sales network staff (80% of the training days) in relation to the extraordinary commitment required for the Group's large integration projects and for the implementation of the new distribution set-up of the Network banks: with just under 28,000 days, the migration of Banca Carime and Banca Popolare Commercio e Industria towards the target data processing system absorbed nearly half of all the training activities.

By means of 3,400 man days, during 2004 we supported the launch of the Master programme in an initial phase of "organizational qualification" (illu-

stration of the new structures and the new roles), which was completed at the start of 2005. A second and more exacting phase of "role qualification" for all the network figures now follows. The new distribution set-up introduced new professional roles, focused on various customer segments, which require the development of distinctive skills and specific and differentiated career paths. The Master programme complies with these requirements by means of targeted training activities, aimed at increasing commercial conduct, technical knowledge and relational abilities over the average term.

During 2004, the Teaching School was resumed, a training project for enhancing the individual training aptitude of the teaching colleagues of the banks and the other Group companies, by means of two paths:

- **classroom qualification** - in order to train future teaching staff on adult learning processes and on classroom handling techniques (2 editions for a total of 9 days and 31 colleagues involved, originating from all the Network banks);
- **teachers' Wednesdays** - cultural days on specific matters addressing colleagues who already carry out teaching activities (44 colleagues involved in 3 one-day editions).

The aim of the Teaching School is to make a tea-

The 5 mainstays of the Master programme

Customer segmentation	>	Uniformity of sales and growth policies by customer segment
Distribution set-up by segment	>	Focused distribution structures and specialization of sales action on the reference segment
Distinctive skills	>	Professional growth and vocational training programmes consistent with the professional development path chosen
CRM instrument platform	>	Support instruments for the analysis of the characteristics of the customer and for the identification of the appropriate supply offer
Supply model	>	Processes for the development of the products and the classification of the risk, co-ordinated and "certified" at Group level

ching staff available to the Group capable of supporting the managers and the operators concerned with the retail market in relation to full and in-depth awareness and knowledge on the products and services intended for their customers.

Equal opportunities

When managing and developing our resources, we guarantee equal dignity and equal professional opportunities for all workers, without any distinction to gender, race, faith or orientation. Professional growth and career advancement depend exclusively on the skills and the growth potential of each individual.

We contribute towards the employment of disabled individuals in relation to the possibility of offering tasks suitable to the individual circumstances. At the end of 2004, disabled individuals represented 6.6% of the Bank's workforce.

In addition to legal obligations, we are also committed to help individuals reconcile (sometimes just in particular moments in their lives) their personal and family needs with work requirements, by means of

part-time and leave of absence. The 727 part-time contracts (719 in 2003) represent 4.9% of the Group's overall workforce and mainly concern (94.8%) female staff. Leave of absence increased by 7.1% and exceeded 62,000 days.

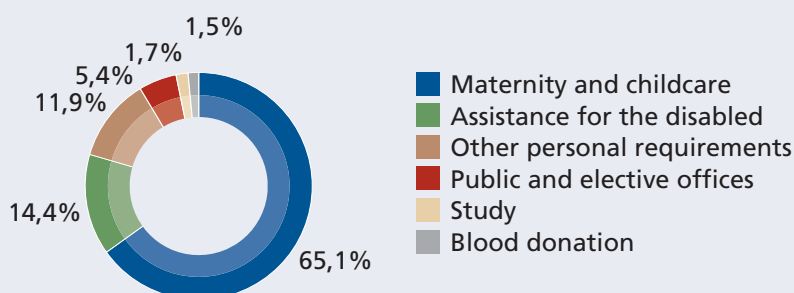
The value of security and serenity

Individuals spend the majority of their life in the workplace. Guaranteeing them health and safety is a social responsibility duty for the Bank well before it being a legal obligation.

Health and safety in the workplace

During 2004, we started up the operations of the Work Health and Safety Committee, made up of the heads of the Systems and Services Organization, Human Resources, Auditing, and Organization and Logistics divisions. The Committee guarantees the application and observance of legislation concerning the health and safety of the workers of the Parent Bank and issues policies on the subject to all

Leaves of absence



Absences due to accident and illness*

	2004 days	2003 days
Illness	92.215	90.914
Accidents at and on the way to work	3.933	3.098
TOTAL	96.148	94.012

Thefts and robberies

	Num. 2004	Out of 100 branches
Thefts	10	0,9
Robberies	120	10,2

* Figures referring to the Parent Company and the Network Banks

the Group companies. In 2004, the committee met 4 times dealing with more than 30 matters of interest to the Parent Bank and the entire Group.

The aspects of physical safety (Security) – as the definition of the security systems of the Group companies, the approval of the physical safety measures to be adopted on the premises or the management of the centralized alarm systems – fall under the responsibility of the Security Service, which also takes steps to organize the Prevention and Protection Service.

The Prevention and Protection Service co-ordinates with the Qualified Health Professional and with the Workers' Safety Representatives for the activities concerning the detection of dangers, the assessment of risks, and the development and control of the prevention systems. During 2004, the Service monitored all the processes deriving from the legislative fulfilments concerning health and safety and embarked upon important initiatives such as:

- the drawing up of a standardized structure of the **Risk evaluation document**, in order to guarantee greater efficiency of the management policies for Group safety;
- the implementation of the **Computerized safety system** on a new IT platform (in order to optimize the management of all the activities deriving from the legal fulfilments such as personnel management, health supervision, training activities, etc.);
- the realization of an adequate **System for monitoring risk prevention and protection measures**;
- the preparation of a **Safety manual** which comprises all the regulations and the behavioural aspects to be spread throughout the Group;
- the preparation of the **Emergency Plans** of the main Group premises (for example at the larger structures – in Bergamo – 215 emergency personnel have been identified within the various offices,

building their role on the experience of colleagues who are members of the Italian Red Cross or the Peacetime Emergency Management Agency) and the **performance of evacuation drills** (e.g. at Head Offices in Bergamo on 26 February, at the Service Centre and Varese Headquarters on 12 and 19 July);

- the continuation of **medical visits**, which from as early as 2003 had already involved 500 employees qualified as "video terminal operators".

By means of a commitment of 14,500 hours provided in 2004 in collaboration with the Internal Communication and Training Department, training was confirmed as a relevant, strategic and non-residual element of the process for preventing accidents and injuries. Our objective is to spread a "safety culture" which becomes an attitude widespread throughout the employees in their own interests, those of the Bank and of all the individuals who share the work place and instruments on a daily basis.

In order to combat the phenomenon of robberies, which represent an unquestionable threat to the safety of the staff at the branches, we are experimenting with new anti-robbery systems - such as single-person access turnstiles, metal detection devices, biometric detectors for incoming customers, systems for reducing accessibility to cash in safes - in line with other banks and with the Memorandums of Understanding entered into by A.B.I. (Italian Bankers' Association), the banks and the various Prefects' Offices in the Italian provinces.

Services and concessions

Conceived and created on the basis of a federal mode, our Group derives from a process invol-

Health & Safety*

	euro 2004
Investments	3.894.760
Current costs	8.285.210
TOTAL	12.179.970

* Figures referring to the Parent Company and the Network Banks

ving the merger of banking companies with different traditions, which also take shape within a plurality of services and concessions.

Supplementary Welfare benefits (Euro 27.1 million): all the Group network banks ensure their employees a form of supplementary welfare aimed at supplementing the basic pension pay; some have set up a company fund which can be subscribed only by their employees, others subscribe to intercompany funds; each employee can supplement the payment made by the company and can choose from among several investment lines characterized by various levels of risk.

Insurance policies (Euro 7.6 million): all the employees of the Group's network banks benefit from a health assurance policy, which in some cases is also extended to family members with a contribution paid by the worker; some Group companies have also stipulated coverage against the risk of decease, accident and injury for their staff.

Study awards and other grants for families (Euro 3.2 million): albeit by means of varying formalities and instruments, all the Group network banks disburse awards both to students who are the offspring of employees and to the employees themselves who are involved on a study course;

some banks also pay out donations in order to draw attention to important events such as marriages, births or adoptions.

Concessions on bank products and services: all the Group employees can access to loans at soft rates for the purchase of their first home and, at some Banks, also a second home; in some cases, they are granted automatic soft lines of credit (in line with the best conditions applied to customers) and favourable conditions on bank transactions.

The value of dialogue

Institutionalized in trade union relations or resulting from the parties' free initiative, dialogue is a reciprocal enrichment and valuable route for achieving a common way of listening and acting, based on the identity of the values and on the sharing of the projects.

From as early as the foundation of BPU Banca, relations with trade union parties have focused on the commitment of all the Group banks to achieve the business plan as a Group also integrated in the management of human resources, capable of pursuing the economic-financial objectives constantly creating new personal and professional growth occasions and guaranteeing

CLEMATIS ONLUS™ : The value of solidarity

Upon the initiative of several employees and former employees with disabled children who are not self-sufficient, in 2002 Banca Popolare di Bergamo-Credito Varesino set up an association in order to guarantee support for said offspring in the event of the demise of one or both parents. Today, Clematis (the name symbolically recalls a beautiful climbing flower which needs support in order to grow) develops its activities and its "solidarity network" thanks to the financial support of all the main Group companies and colleagues sensitive to these problems. Since 2003, the Association has stipulated an insurance agreement with BPB Assicurazioni Vita, which guarantees an annuity of Euro 12,000, which 43 families have adhered to (16 relating to retired employees) involving a total of 45 insured disabled children. In 2004, the Association's Board of Governors resolved the formation of a "Training Fund", in order to contribute towards the costs for the purchases of audio-visual and computer media and towards other expenses, which are not otherwise reimbursed by public or private structures, for the training of the member parents and for the "rehabilitative training" of the disabled children who are not self-sufficient.

equity with regards to treatment and regulations of the individual corporate bodies. The new memorandum of understanding signed in March 2005 – associated with the review of the business plan – confirms and reinforces that commitment and the framework of tutelage within which it was included, with specific reference to training and professional changeover, the creation of new employment within a context of generational change, and the possibilities of resorting to part-time employment.

The path towards our Charter of Values represented an important moment for participation in the building of a Group identity, which involved many people. By means of important communications activities, in 2005 we wish to develop cohesion and a sense of belonging of all the staff around the Charter of Values.

Trade Union relations

There are 9 Trade Union Organizations present within the Group, with 79% staff membership. We have reached important agreements with the trade union delegations for the integration of the Group and in order to guarantee the achievement of our efficiency and profitability objectives.

In August 2003, we signed **the Memorandum of Understanding for the merger plan of the new BPU Banking Group**, and the **Agreement for access to the Solidarity Fund**

for Income Support which paved the way for the merger transaction.

During 2004, within the space of 29 days of meetings at group level, we discussed projects of great significance:

- **the changeover of Banca Carime and Banca Popolare Commercio e Industria to the Group computerized information system** laid the economic and legislative bases for two important projects, which involved more than 2,400 individuals in training and support activities;
- **the launch of the Master Programme**, a project of great ethical value, for qualifying our commercial presence with an approach truly oriented towards the customer, in which the professional assessment is centred on the aspects of the skills and the qualitative elements of the work performance.

All the negotiations, even the most exacting, have always taken place in a climate of great attention, underlined by frequent bulletins from the trade union delegations, in the tension towards the search for solutions to all the problems. The three strikes organized in 2004 were all associated with circumstances of a national proclivity.

Specific encounters, under the guise of “joint observatories”, have been dedicated to the analysis and confrontation for the search of solutions on specific matters such as training, the progress of the Group integration plan, supplementary welfare benefits.

Trade Union protocol on sustainable growth

During 2004 in Rome, the ABI (Italian Bankers' Association) and the leading Trade Union Organizations of the sector (FALCRI, CISL, CGIL, UIL) reached an agreement on the “sustainable and compatible growth of the banking sector”, within the sphere of which commitments were made to set up a national joint Observatory on the subject. The agreement confirms the central roles of the human resources and the mutual objective of their valorization as an indispensable and strategic element for the growth of the company; it reaffirms the fundamental ethical values which must inspire all those who work in the companies and it stresses that the action of the companies and the workers must aim at sustainable and compatible growth, by means of constant attention to the social and environmental impacts of the activities; it anticipates that the staff involved in the sales activities network must be provided with clear and thorough information and rules on the conduct to follow in their dealings with the customers, also in relation to the evaluation of the “propensity towards risk” of the customer with respect to the product features.

Internal Communications

We entrust internal communication initiatives with the task of forming and promoting the Group's corporate culture, creating involvement and exciting compliance with its values and projects.

Since the Group's foundation, we have offered all the staff a two monthly information and corporate culture publication, "written by colleagues for colleagues". This publication is entitled Bpiù and each issue offers 52 pages of news on the Group companies, in-depth analysis on the most important projects and cultural, sporting and events columns. Among the many subjects dealt with in the six issues published in 2004, the Master project took on particular importance, and was dedicated the entire July/August edition.

At certain times it is also important to get together, in order to provide new impetus and enthusiasm to our activities by means of the sharing of projects and objectives. During the last year, the main occasions for encounter involved thousands of colleagues from all the Group companies in seminars on "technical" matters, such as the impact of the new IAS/IFRS accounting standards, and during institutional conventions held in association with the main events in the Group's life, such as the launch of the New Distribution Model or the review of the Business Plan.

Bpiù's main subjects

- PAO Carime
- BPU General Shareholders' Meeting
- Guidelines of the BPU Programme
- Master Programme
- IAS
- Value Project
- Teaching School
- PattiChiari
- News and presentations from the banks and from other Group companies
- Presentation of products/projects

The values which guide us



Team play

Support integration by intensifying the sharing of common values.

Work with enthusiasm and method in order to obtain team successes which draw their force from active feedback and from reciprocal collaboration.

Get involved with open and generous attitudes, willing to learn from others' successes.

Relations with partners and other shareholders

We work everyday in order to achieve the values and expectations of our partners and shareholders by means of an increasingly sounder and more remunerative bank project, efficient and socially responsible, capable of having a positive effect within the various local situations in which we operate; on this project, we build a prospect of lasting value for their investment.

Bpu Banca is a limited liability co-operative company, whose share capital is represented by shares. Shares are listed on the Milan Stock Exchange in the Blue Chip™ segment of the Screen-based Share Market, which comprises the securities of companies with capitalization of over Euro 800 million; they are listed on the S&Pmib™ index of the 40 companies with greatest liquidity and valorization of the stock, and on the MSCI Italia index™.

The listing is a guarantee of the realization of the investment at a price which forms transparently on the market, while the presence of the indexes confers liquidity to our stock, which is getting more easily included in a wide number of portfolios and is under constant observation by a greater number of Italian and foreign cor-

porate investors. During 2004, 247.6 million shares were traded on the stock market, representing nearly 75% of the share capital, made up as of 31 December 2004 of 342,451,374 shares.

The value of the investment

All the Bank's shareholders have the equal right to take a share in the profits, in proportion to the number of shares held, by means of the payment of a dividend. Once again this year, we proposed to the general meeting of the shareholders a dividend of Euro 0.67, the minimum objective for the future as well, forecasted for the 2005-2007 three-year business plan. By means of the payment of the dividend, we are proud to offer all our shareholders a return which is not only theoretical but also effective, amongst the best on the market, and at the same time we comply with our policy of constant equity enhancement.

Profitability prospects and equity consistency are two fundamental elements for the determination of the Bank's worth, a value which for a listed company is reflected, subject to particular conditions, in the market value of its shares. And the market has understood and rewarded our business project: at the end of 2004, within

BPU Banca in the ethical indexes

BPU Banca is included in the "Ethical Index Euro" and "Ethical Index €", two indexes made up of shares selected according to the Ethical Selection Method of E.Capital Partners™. The first includes 150 securities chosen from amongst the leading companies in the countries of the Euro area (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain) plus the UK, Sweden, Norway, Denmark, Switzerland; the second comprises securities from just the Euro-area countries.

The Ethical Index Euro is replicated by an ETF™ (B1 – Ethical Index Euro), the first ethical ETF promoted by an Italian SGR (managed savings undertaking).

Share indicators

	31/12/2004	31-12-2003
Book shareholders' equity after allocation of net profit (€/1,000)	3.788.177	3.537.638
Number of shares in circulation at year end, of which:	342.451.374	318.775.785
regular dividend rights 1 January	337.189.127	318.775.785
differentiated dividend rights 1 July 2004	1.122	
differentiated dividend rights 1 January 2005	5.261.125	
Book shareholders' equity per share (Book value)	11,06	11,10
Consolidated net profit (€/1,000)	290.123	200.070
Net profit for the year of the Parent Company (€/1,000)	286.937	291.019
Dividend per share resolved for the year	0,67	0,67
Total dividends €/1,000)	225.917	213.580
Profit per share (EPS)¹	0,85	0,63
Total dividends / profit for the year of the Parent Company (Payout)	78,73%	73,39%
Last official price for the year	14,949	14,395
Maximum official price for the year	14,965	15,206
Minimum official price for the year	12,883	12,614
Average official price for the year	13,910	13,466
Return (Dividend Yield)²	4,82%	4,98%
Price on profit per share (Price earning)³	16,42	21,46
Stockmarket capitalization at year end (in millions of Euro)⁴	5.116	4.589
Equity multiple (Price / Book value)⁵	1,35	1,21

¹ Consolidated profit / number of shares in circulation at year end

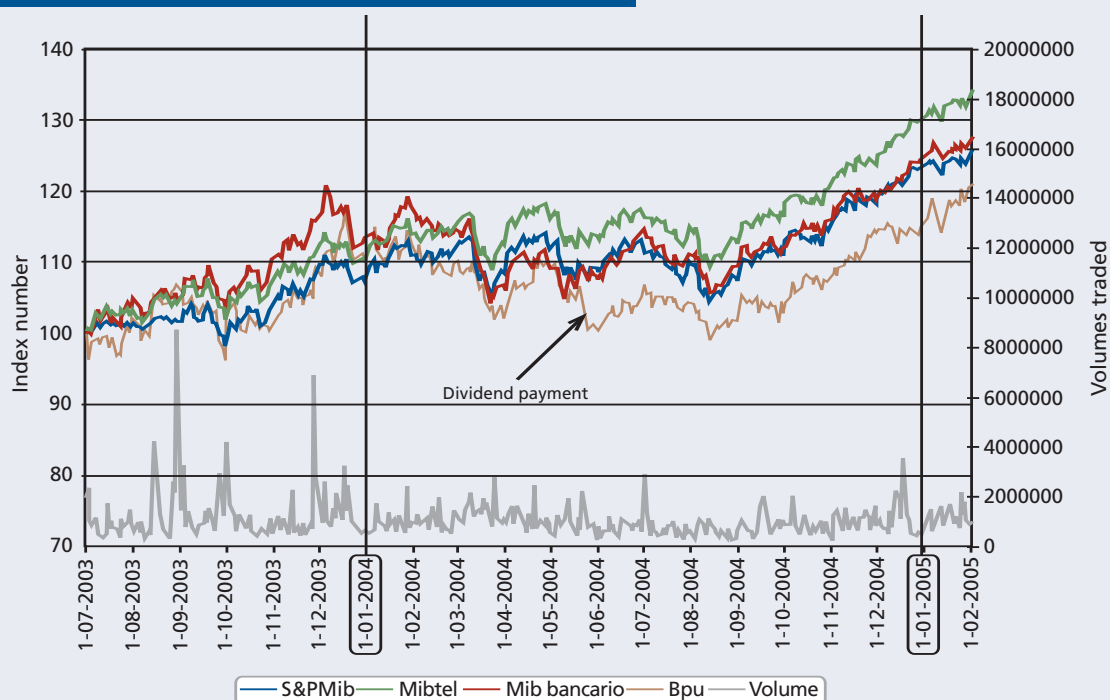
² Dividend per share / average official price for the year

³ Average official price for the year / consolidated profit per share

⁴ Calculated taking into account the official price of the securities with differentiated dividend enjoyment rights as of 1 January 2005

⁵ Average official price for the year / Book shareholders' equity per share

Performance of the stock with respect to the main indexes



written application made by the party concerned, who must possess at least 250 shares.

Attendance of the general meetings is a prerogative of the shareholder-partner; it is a valuable occasion to get together and exchange ideas, but it is above all else a time when each shareholder-partner has an effect on the Bank's life by means of debate and vote for the appointment of the directors, the approval of the financial statements and other decisions of an ordinary and extraordinary nature which the law and the Articles of Association reserve for the general meeting.

In BPU Banca – a co-operative concern – the equity investment has greater value, because all the shareholder-partners have equal dignity and importance: each shareholder-partner can express just one vote irrespective of the number of shares held. In order to ensure all the shareholder-partners the effective and correct exercise of their rights pertaining to meetings – in the first place the right to take the floor on the matters set on the agenda for discussion – the orderly and functional course of the ordinary and extraordinary general meetings is disciplined by General Meeting Regulations. Drawn up in accordance with the format proposed by the ABI (Italian

Value Project

Banking Services >< Insurance Services

GPF Asset Management Objective of BPU Pramerica

- 25% reduction on annual management fee

Home mortgage loans

- Exemption from the preliminary document costs on mortgage loans for the purchase, construction and restructuring of first home

Personal Loans

- Exemption from the preliminary document costs
- Loan of up to Euro 2,600 at a soft rate for the education of children between the ages of 14 and 18 (enrolment on courses, purchase of text books, teaching material, computer, etc....)

Family Civil Liability Policy

- Up to Euro 100,000 for damages involuntarily caused to third parties, objects and animals by subscriber or family members

Accident & Injury Policy

- In the event of death or permanent invalidity from accident, compensation equating to the equivalent value of the BPU shares (maximum 6,000) held at the time of the insured event

Daily Hospital Allowance

- Allowance of Euro 25 for a maximum of 30 days in the event of hospitalization, caused by accident, for a duration of more than 3 days

Safe Withdrawal Policy

- Compensation of up to Euro 1,033 for the loss of valuables following theft or robbery suffered when paying in or withdrawing

Bankers' Association) and Assonime, the Regulations were approved by the General Shareholders' Meeting held on 24 April 2004 and their application is supported by one of the most advanced computerized systems for the management of such meetings currently available on the market.

In tune with the co-operative spirit which gives life to the Bank, we have created the **Value Project** for our shareholder-partners, a series of free banking concessions and insurance coverage. The banking concessions are reserved for the shareholder-partners who have a current account and have deposited their shares with a Group bank, while the insurance policies are available to all the shareholder-partners.

The value of dialogue

As issuers of listed securities, in our dealings with our partners and shareholders we are obliged to fully observe the regulations which compel us to communicate with all the market players correctly, with clarity and equal access to information. We comply with these principles by means of the activities of the Shareholders' Department and the Investor Relations Department.

The Shareholders' Department sees to ensuring the partners/shareholders updated information on the operations and new ventures of the Group an important aspect of corporate participation also by

means of the sections dedicated to the Internet portal www.bpubanca.it, the free-phone number 800.012811 and the "Shareholders' Letter". The Shareholders' Department is also responsible for the instruction of the admission applications, the updating of the Shareholders' Register and the proposal and co-ordination of all the initiatives dedicated to the partners/shareholders.

Investor Relations, in its role of support for the Managing Director and the General Manager in dealings with markets and corporate investors, guarantees clear, timely and complete disclosure also by means of the issue of press releases and the constant updating of the Investor Relations section on the website. This section contains the publication – in accordance with the dictates of Borsa Italiana S.p.A. – of the Articles of Association, the statutory and consolidated financial statements, the interim and quarterly reports, the information communicated to the market as well as, at the latest on conclusion of the meetings with market operators, the documentation distributed on such occasions.

In 2004, we continued with the intense dealings with the investors and the analysts with whom we took our first steps as a Group:

- 18 **conference-call** presentations in order to illustrate the periodic figures, the review of the business plan, and other ventures relevant to our Group;
- 5 **road show** in the main European financial market places of Great Britain, Holland and

Attendance of the ordinary shareholders' meeting held on 24 April 2004

	Number
Shareholders present personally	1.750
Shareholders present via proxy	403
TOTAL	2.153

Belgium, meeting with hundreds of investors including prominent names on the investment fund, hedge fund” and merchant bank scene;

- numerous **individual encounters**, during which we met with more than a hundred operators, analysts and corporate investors;
- conferences and corporate meetings promoted by leading Italian and foreign brokers, which we attended in our capacity as speaker; these included:
 - Rome, 6 February – UBS – “The Italian Financial Services Conference 2004-Growth after restructuring”;
 - Florence, 2 April – Morgan Stanley – “Southern European Banking Conference”;
 - Milan, 27 September - Kepler Equities “The Italian Financial CEO Conference”;
 - Pollenzo-Bra, 23 November – Banca Leonardo – “Italian Banks: recipes for a gourmet winter”.

The values which guide us



Innovation

Cause a stir constantly and consider innovation with a proposal-based spirit.

Encourage the transmission of the necessary information so that everyone has up-to-date knowledge for achieving common objectives.

Achieve an on-going learning cycle in order to improve one’s skills and stimulate oneself and others towards novelty.

Contacts

Shareholders' Office



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Relations with customers

Customer satisfaction drives our commitment to improve continually. We wish to achieve lasting relationships trusting that our commercial activities respect and will always respect the ethical principles declared in our Charter of Values.

The extensive investments made and anticipated in organization, technologies, training and communications are all targeted at improving our ability to create value for our customers, by means of the quality of the relations and the on-going innovation of our products and services. The new Market distribution set-up of the Network Banks has revolutionised our way of working.

Behind each individual relationship, there is great team work. The Parent Bank's specialists continually work on the knowledge acquired by the banking networks and return their targeted commercial strategies. Within the Network banks, the operator* who talks with the customer, the co-ordinator of the pertinent territorial Division and the supervisor of the Market Department, who launches commercial initiatives, continually exchange an intense information flow. Each one gathers information, results and suggestions from the

others and contributes towards proposing useful and innovative solutions via the contribution of the financial "Factories". The latter guarantee the quality and the constant innovation of the products.

This team work rests on the five mainstays of the Master project, whose core is the new **Customer Relationship Management**™ data processing platform: a series of innovative instruments dedicated to the collation and analysis of information on current and potential customers and the streamlining of the processes of interaction with the same.

The value of service

Our work tallies with the aim of social interest, hinged on the transformation of the saving into investments, by means of lending and borrowing activities with families and businesses. Its value is not found in the simple sale of one or more products, but in the continuity of a service capable of satisfying a plurality of needs undergoing continual evolution. Each customer perceives and evaluates the value of our service differently, in relation to their expectations, and contributes towards the formation of that degree of overall customer satisfaction which is detected by the Customer Satisfaction Surveys™ carried out by the ABI (Italian

The 5 mainstays of the Master programme

Customer segmentation	>	Uniformity of sales and growth policies by customer segment
Distribution set-up by segment	>	Focused distribution structures and specialization of sales action on the reference segment
Distinctive skills	>	Professional growth and vocational training programmes consistent with the professional development path chosen
CRM instrument platform	>	Support instruments for the analysis of the characteristics of the customer and for the identification of the appropriate supply offer
Supply model	>	Processes for the development of the products and the classification of the risk, co-ordinated and "certified" at Group level

Banker's Association).

The two-yearly ABI survey (2002-2003 last edition for the retail market, 2004-2005 last edition for the corporate market), under nearly all the profiles, returns an image of our banks on average higher than of the other 25 banks taking part. Families have expressed extremely positive opinions especially on our ability to convey a sense of confidence and on the consistency to the correct handling of the relations. Above all else, businesses acknowledge us correctness, transparency and efficiency. The orientation towards the customers and the quality of the service emerge from the data on the level of satisfaction, with strong points regarding the quality of the branch staff in general and the figure of the operator specifically, acknowledged both by private individuals and businesses. A gap needs to be bridged among the Group banks and there are margins of improvement, in particular from the standpoint of the costs/benefits ratio of the service provided by the Bank and its social and supporting role for the area's economy.

Important signs also arrive from the analysis of the complaints, which each Bank carefully uses in order to improve the quality of the relations. In 2004, complaints rose from 2,669 to 5,742, but nearly half of these (46.1%) were linked to the recent sentence of the Supreme Court (No. 21095 dated 2004) which,

overthrowing the stance adopted up until 1999, declared as invalid the clauses for calculating interest expense on a quarterly basis on current accounts (so-called compound interest*) contained in contracts stipulated with customers before 2000. With regard to the unexpected change in the Supreme Court's point of view, moreover involving asserted retroactive force, doubts were expressed on its compatibility with constitutional principles, due to the removal of an instrument applied in good faith for decades with the endorsement of the Court of Cassation itself, and because it is in contrast with the principles of lending and free provision of services on which the EU law system is based. On the above bases, we share the position adopted on this issue by the banking system and believe we will be able to sustain the good faith and correctness of our actions.

In order to consolidate the positive results, bridge the gaps and achieve margins of improvement, we have two important ventures underway:

- the creation of our **Group Loyalty-Satisfaction model***, initially within Banca Popolare di Bergamo and by the end of 2006 within the other Network banks, which will merge within the Customer Relationship Management platform already up and running; the model, once on stream, will create an on-going action and analysis survey process on various customer segments, in order to continually

Customer Relationship Management

Awareness  Interaction

Better results with lower costs

By means of the **Customer Insight*** instruments, we seek to gain increasingly improved awareness of the characteristics and conduct of our customers, in order to develop a consistent supply of products and services and in order to target the sales activities with greater success.

Solid and long-lasting relations

By means of the **Customer Interaction*** instruments, we turn every moment of contact into an occasion for commercial growth, seeking to seize the emerging needs in the various customer segments and monitoring the levels of appreciation of the proposals.

adapt the corporate conduct to the expectations and perception of the customers;

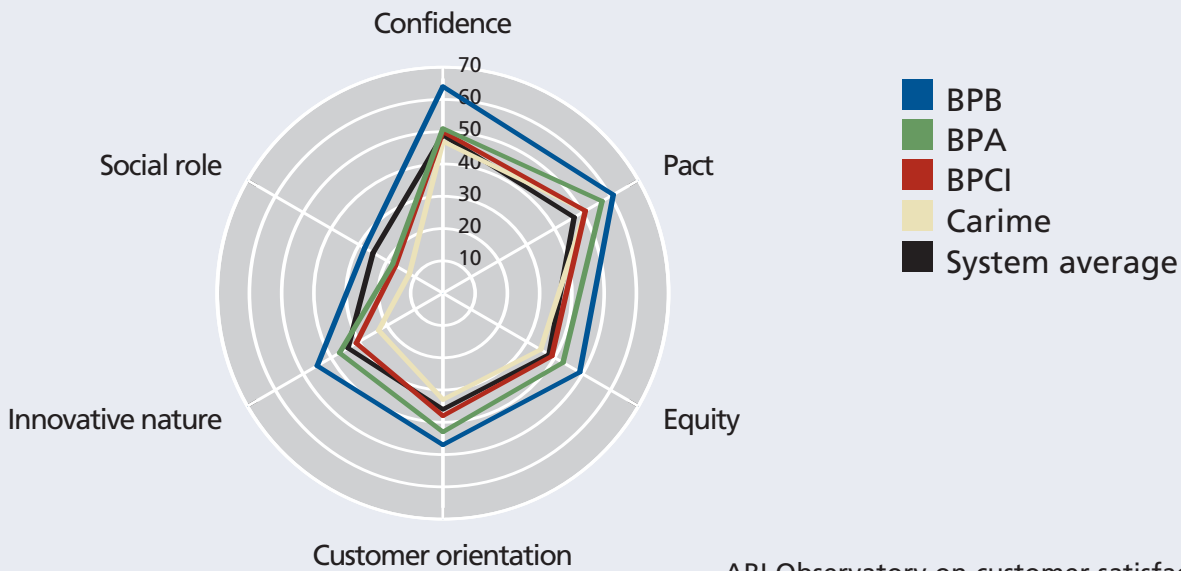
- the establishment within the Parent Bank of a Complaints Commission, chaired by the General Manager and comprising representatives from various corporate Divisions, whose task is to assess and propose solutions to possible problems – organizational, procedural, legislative, behavioural – which emerge as the basis of the customer complaints. The Board, formed towards the end of 2004, is not entrusted with the task of handling individual complaints, which will continue to be the responsibility of the individual Group companies where the related customers dealings have taken place.

Serving families

Definite and transparent costs, simplicity and comprehensibility of the banking and insurance products, protection of the capital of the investments and flexibility in the mortgages loan and consumer lending products are the elements on which we focus for the entire range of our proposal, based on specific modular packages for the various customer segments, in particular concerning the retail market. The modular nature and integration of services which are not strictly bank-related, are the features of the two most representative products:

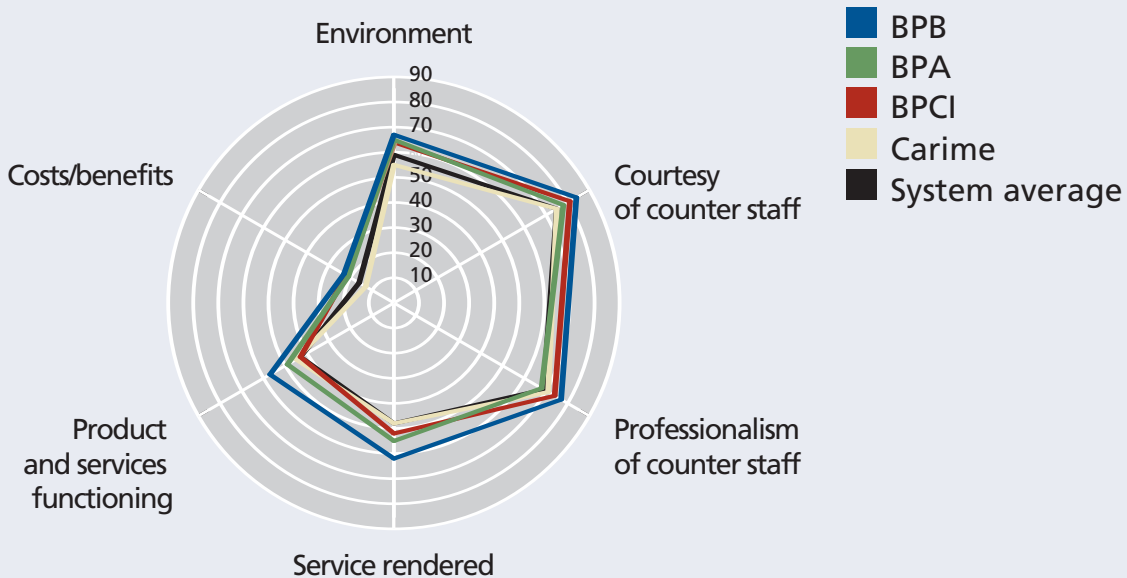
- the **Duetto** current account package, which in its

Trademark image perceived by private customers



ABI Observatory on customer satisfaction in the retail segment (2002/2003 edition)

Private customer satisfaction



4 versions, all with a fixed fee, offers banking and insurance services, as well as privileges, discounts and information for leisure time and professionals;

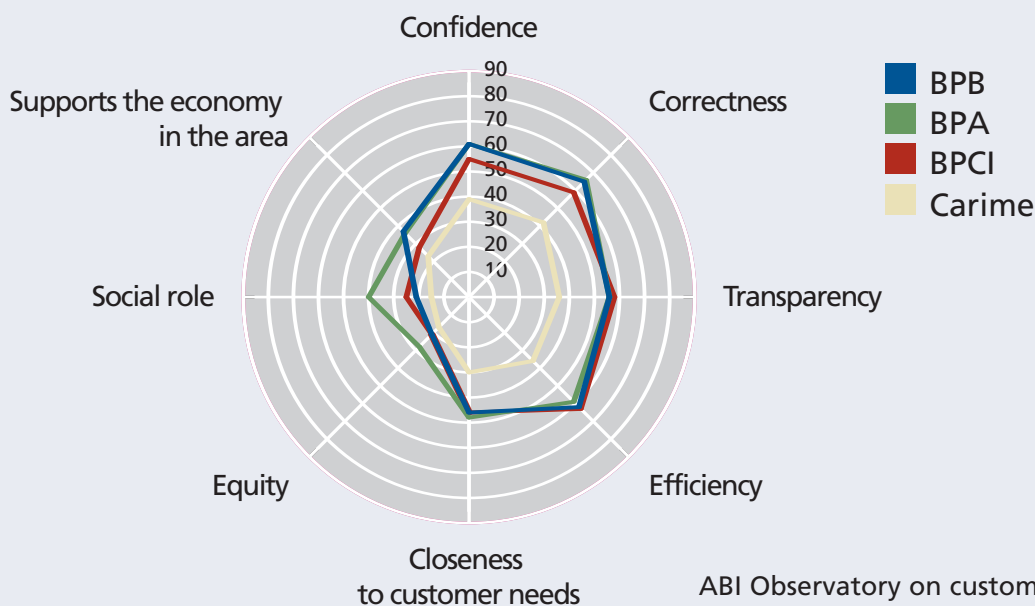
- the **Libra**, **Libra Extra** and **Libra Gold** cards – credit and multi-functional (Bancomat and pagoBancomat) cards, with payment of balance or revolving facilities” – issued by Banca 24-7 on MasterCard or Visa circuits, with options which make it possible to use the spending availability on the card in order to avail of a current account loan and, in the Gold version, with a series of free insurance coverage.

Over the last few years, two subjects of great social

relevance for the banks’ public have broken through: the social inclusion of the weaker categories – in particular those of the immigrants, who by now represent 1 in every 22 inhabitants according to the 2004 Caritas/Migrantes dossier – and the relationship with savings activities, following the confidence crisis further to recent financial scandals.

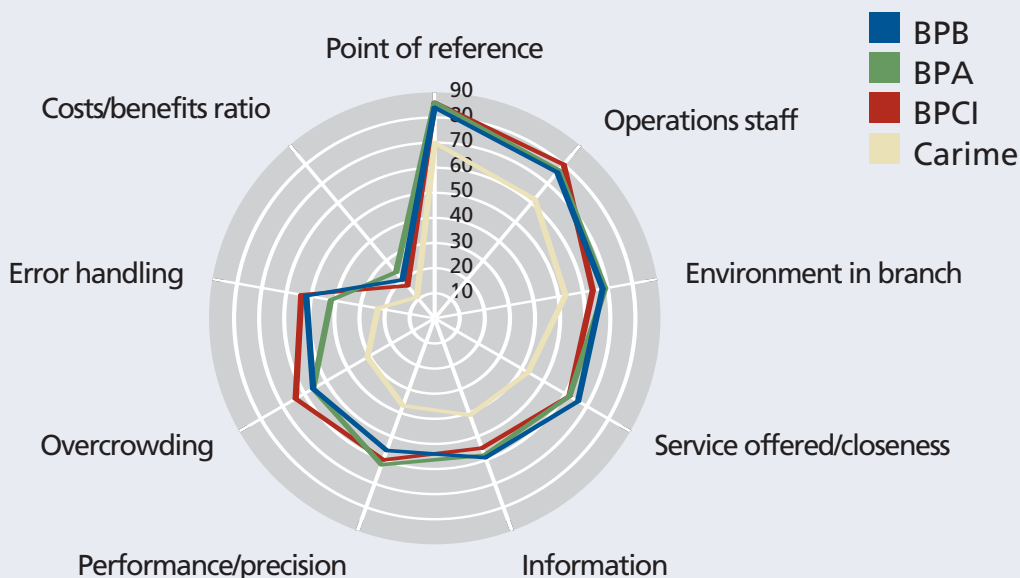
With regards to social inclusion, we are working on the extension of the **Welcome Project**, launched on an experimental basis in 2003 by Banca Popolare di Bergamo and now enhanced by means of the **Welcome Account**, a current account which does not anticipate the granting of

Trademark image perceived by the companies



ABI Observatory on customer satisfaction: the needs and the expectations of small businesses in Italy (2004/2005 edition)

Companies' satisfaction



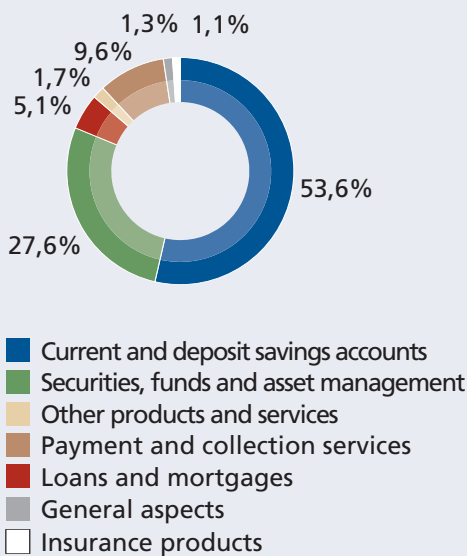
credit or payment cards, but offers a forfeit of 100 transactions at a fixed cost of Euro 20 a year.

The Welcome Project forms part of a line of "ethical" products – deposit and loan products, banking and insurance services – dedicated to non-EEC immigrant citizens and in general the weaker categories of the population and to Voluntary Service Associations, as well as to the immediate response to local and international emergency situations. In particular, micro-lending initiatives, for socio-welfare purposes and for the support of business ventures and study and vocational re-training courses for non-EEC immigrant citizens, anticipate the involvement of Trade Associations and Bodies with the twofold task of indicating cases worthy of attention and guaran-

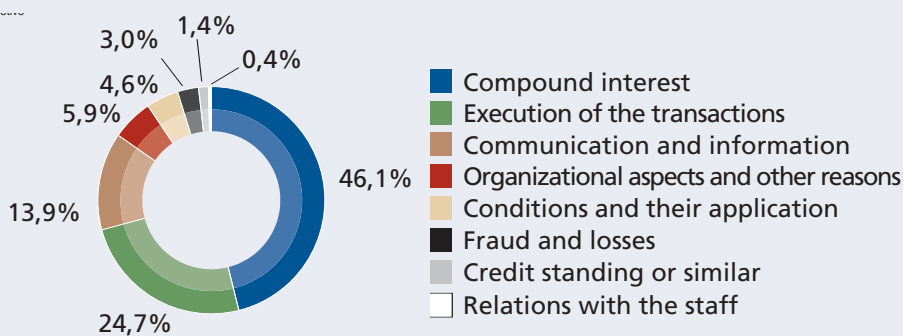
teeing the effective allocation of the funding.

With regards to the subject of savings activities, for years we have been directing our customers towards either our direct deposit products – such as bonds issued by the Parent Company – or towards the professional management arrangements under mutual funds and SGRs (savings management). We have successfully distributed ARCA products, before forming our company – BPU Pramerica – the result of collaboration with one of the leading financial groups in the world. Today, managed savings activities represent a quarter of all our deposits and exceeds, albeit by little, administered savings, or rather that portion of funding made up of investments made autonomously by customers via our banks.

Object of the complaints



Reasons for the complaints



Financial Market Focus

Objectives:

- to foster an information culture within the structure, which distinguishes us in terms of completeness and adequacy with regards to the customer profile;
- to encourage within the clientele a new approach towards investment, which exalts the autonomous responsibility towards the comprehension of the various risk-return profiles;
- to facilitate the network staff with regards to the customer service, without reducing the degree of sensitivity and in fact enhancing the sense of responsibility for one's work.

Many savers, choosing to abandon Government securities in search of better returns on share and corporate bond markets, have exposed themselves to risks in many cases not correctly evaluated. This problem has also touched, albeit to a marginal extent, our Banks, which raise more than Euro 23 billion under the administered savings system. While confirming that the commercial structures of the Network banks must not perform consulting activities – in the sense of not providing advice and/or personal suggestions on financial instruments, except for specific Private market agreements – we have chosen to offer them the maximum data processing support possible, so that they can encourage customers to make responsible independent choices.

We have set up the **Financial Market Focus** operating unit within the Finance Division, whose mission is to provide the Group structures with general information on the macroeconomic scenario in which they operate and on the performance of the financial markets, information on debt securities and equities and on derivatives traded on organized markets, as well as specific support upon request. Financial Market Focus prepares and distributes a series of periodic publications, entitled **BPU Selezione fmf**, referring to a basket of securities in the G7 currencies and in Swiss francs, distinguished by elevated credit worthiness, liquidity guarantees by listing on organized markets or by leading international brokers, availability within the sphere of the Organized Trading System, con-

Duetto package contents

BANK	DUETTO.MINI Euro 6 a month	DUETTO.MIO Euro 8 a month	DUETTO.NOI Euro 10 a month	DUETTO.MAXI Euro 15 a month
unlimited transactions, no account closure costs, payment of bills, monthly statement of account, cheque books*	●	●	●	●
Lineattiva, in order to manage your current account around the clock via Internet and telephone	●	●	●	●
maximum credit limit on account	5.000 euro	5.000 euro	5.000 euro	10.000 euro
payment cards	Cash withdrawal card	Credit card	Credit card (2 cards for jointly held accounts)	
securities portfolio				●
50% discount on safety deposit box				●
30% discount on home mortgage preliminary documentation costs		●	●	●
INSURANCE				
15% discount on Car Insurance policies for fire and theft coverage, special events and accessory coverage	●	●	●	●
15% discount on Home Insurance policies of at least Euro 150	●	●	●	●
15% discount on the non-life insurance coverage of a Dolcevita policy with total premium of at least Euro 200	●	●	●	●
Accident and Injury policy	●	●	●	●
Family Civil Liability policy			●	●
Prelievo Sicuro policy - Safe Withdrawal	●	●	●	●
Duetto Salute - Health	●	●	●	●
Duetto Pronto Intervento – Prompt intervention		●	●	●
Duetto Viaggio Sicuro – Safe travel				●
DUETTOCLUB. A world of privileges, discounts and information. Here are a few examples:				
discounts on fuel, travel, camper hire		●	●	●
discounts on tyres, subscriptions to publications and in thousands of partnered stores	●	●	●	●
theme park entrance discounts			●	●
information and veterinary advice services	●	●	●	●
discounts and concessions package for Leisure time or Professionals	●	●	●	●

* The monthly cost does not include cash withdrawal commission for withdrawals made at ATMs of other banks and the stamp duty provided for by law.

tained minimum denominations and numerous combinations concerning rates, return and maturity. Our branch operators are able to provide customers with complete and thorough information on these securities, which also comprises elements of fundamental analysis or ratings, the evaluation of the risk/return ratio of the investments and the possible opinion of independent analysts.

We introduce ourselves as reference bank with **BPU Private Bank** brand services and 190 dedicated operators to the 30,000 plus private market customers (of which 2,000 in the highest bracket), with greater financial disposable income and more complex needs. With over Euro 19 bil-

lion managed, we are the fourth leading Italian operator in the sector. Our specializations include both the creation of trust* and consultancy for the management and enhancement of artistic heritage, including restorations, as well as the **Active Wealth Advisory (A.W.A.)** service, intended for customers in the Upper Private segment. The private bankers handle the relationships with the help of an internal group of specialists. The latter, also availing themselves of the global strategies of BPU Pramerica, constantly monitor the overall position of the customer and propose corrective measures for significant events. The service is based on a number of intense values:

- **trust and confidentiality** during the analysis

BPU "ethical line" products out soon

FUNDING		OBJECTIVE
Initial aid bond issues		Immediate response to local and international emergencies (accommodation of immigrants and the destitute)
Sustainable growth bond issues		For financing immigrant business ventures (micro-loans)
Mutual investment funds		Investment range with ethical scopes, not exclusively linked to the maximization of the expected return
LENDING		OBJECTIVE
Micro-loans for socio-welfare purposes		Financial support for subjects undergoing difficulties who live in social situations of effective need
Micro-loans for business ventures		Support for businesses run by immigrant businessmen and financing of immigrant workers for vocational re-training courses
First home mortgages for immigrants and the needy		Concessions for access to decent housing both for immigrants and Italians in need and underprivileged

of all the aspects of the customer profile (personal, family, corporate-related, from a financial, real estate property, welfare, and tax standpoint, in relation to the ethical and alternative investments orientation);

- **professionalism and competence**, in order to acquire an overall view of the assets and seize the best opportunities offered by the world market trends;
- **independence and innovation**, in order to place professional cutting-edge technologies at the service of the customers, aimed at the development and search for the best instruments present on the market.

Serving businesses

Within an increasingly more globalized context, which forces small and medium sized businesses as well to compare themselves with international-standard competition, financial support for growth and development requires specialist skills, market knowledge and innovative ability regarding the products and services. The approaching application of the new Basle 2* agreement on the capital requirements of banks, focusing attention on the risk nature of lending, will also require specialist skills and in-depth and updated information on the individual companies and on the markets they operate in, for the purpose of the application of advanced rating methods for the assessment of credit standing.

BPU "ethical line" products out soon

BANKING AND INSURANCE PRODUCTS

OBJECTIVE

Credit cards

Affinity: cards in partnership with individual humanitarian associations and bodies
Traditional: support of associations and bodies via mechanisms linked to customers' card use conduct

Current accounts for immigrants

Response to the primary banking services need of immigrants in Italy

Service and staff dedicated to immigrants

Welcome project: desk with multi-lingual staff, manual of banking services in four foreign languages (English, Spanish, French and Arabian) and range targeted at foreign citizens

Insurance policies

For immigrants: range for non-EEC citizens of four cautionary policies and temporary health insurance required for the issue of the "temporary stay permit"
For Voluntary Service Associations: insurance, with concessionary conditions, for accident, injury and other risks for the Onlus (non-profit making organizations for community work) operators and voluntary workers

With regards to skills, we have entrusted the leasing companies and especially **Centrobanca** with the mission to flank our Network banks supporting the growth of the business, by means of structured finance measures, assisted finance and participation in risk capital. A special role is carried out by assisted and arranged finance measures as a result of their contribution towards the innovation process and recovery of competitiveness which our companies are dealing with, with the support of the general public and of the Trade Associations.

We currently have underway more than 300 **agree-**

ments with Trade Associations and **Guarantee Bodies** (Industrial union, Artigiancredit, Confapi, Federfidi, Unionfidi), aimed at disbursing ordinary loans (Euro 500 million disbursed in 2004: +19.3% on 2003) and special loans for the competitive growth of small and medium-sized companies: research and technological innovation, capital enhancement also with a view to Basle 2, support of the "made in Italy" phenomenon and tourism are the main areas of intervention, with amounts set aside, for the medium/long-term component alone, of more than Euro 300 million of financial resources of our banks. Another Euro 300 million has been set aside for the

Main agreements entered into during 2004

Unione Industriali e Confidi Bergamo	->	Euro 20 million for research and technological innovation
Artigiancredit Lombardia, Unione Industriali e Confidi Varese, Assoconfidi Brescia	->	Euro 50 million for equity enhancement
Inland Revenue	->	Rotating ceiling of Euro 300 million for the advancing of VAT credits

Main brokerage transactions at the end of 2004

EIB (European Investment Bank)	->	Euro 150 million to be used for the assisted financing and leasing requirements for SMEs
Artigiancassa	->	319 transactions for Euro 23 million to cottage industries for investment projects
Lombardy and Piedmont Regional Laws	->	117 transactions for Euro 12 million to industrial and service companies for investment projects
Law 662/96 Guarantee Fund for the SMEs	->	155 transactions for approximately Euro 96 million
Law 598/94 Apulia and Calabria	->	19 transactions for Euro 7 million
Law 36/2001 Calabria	->	7 transactions for Euro 4.5 million

agreement signed with the Inland Revenue, in order to allow businesses to free-up their VAT credits.

We have developed specific skills with regards to the **intermediation of assisted public loans**, associated with EC, national and regional territorial development measures. In particular, with Banca Carime we contribute towards the development of the economies in the South of Italy – in some ways currently the most dynamic in the national panorama – as part of the territorial arrangement action via which government agencies, social forces, private individuals and the banking system have entered into a reciprocal collaboration agreement.

The Bank holds interests in the capital of numerous service companies, required to handle public financial resources and offer financial and organizational support to small and medium sized cottage industries, agricultural and tourist businesses. By means of the contribution of regional funds and funds made available by Carime, the PIC-PMI Basilicata closed-end fund was set up, which can count on a capital of Euro 2.5 million for the purchase of minority interests in the share capital of small and medium-sized businesses in the area.

In order to direct our resources towards the business concerns with the best success prospects, we not only

Utilio package contents

	Utilio.mix Euro 30 a month	Utilio.web Euro 52 a month	Utilio.maxi Euro 60 a month
Banking			
Current account: annual number of transactions included.	200	200	500
Libra Business corporate credit card.	●	●	●
Discount on fee from Internet Banking Pos. service price list.	30%	30%	50%
Discount on leasing preliminary procedure commission and medium/long-term mortgage loans.	30%	30%	50%
Exemption from custody fees and administrative costs on securities' deposits.			●
Free fee for 6 months for the opening of a Duetto personal current account.	●	●	●
Insurance and Welfare			
Insurance against accident & injury for one-man businesses and for partnerships (pro quota) in the event of death or permanent invalidity equal or greater than 60%.	●	●	●
Vehicle policy: 15% discount on premium for fire and theft coverage, accessory fire and theft, accessory Civil Liability, special events.	●	●	●
Personalized and flexible multi-risk policies for coverage relating to typical risks associated with activities: 15% discount on premium on signature.	●	●	●
Policy for damages to machinery and electronic equipment.			●
Driving licence suspension/confiscation insurance			●
Utilio Viaggio Sicuro – Safe travel			●
Utilio Pronto Intervento – Prompt intervention			●
Reimbursement of Arca open-ended pension fund subscription costs	●	●	●
Savings arrangements			
Discounted tariffs on fixed and mobile telephone with leading operators.		●	●
Savings on fixed telephone with telephonic router.	●	●	●
Fuel discounts with Q8 petrol stations.		●	with additional fee of Euro 6 per month
Fuel discounts with Erg petrol stations.	●	●	●
Savings on cheque control, satellite locators, subscriptions to periodicals, leisure time.	●	●	●
Savings on commercial searches, express couriers, staff recruitment.		●	●
E-Commerce			
On-line showcase.		●	with additional fee of Euro 20 per month
Purchasing groups.	●	●	with additional fee of Euro 7 per month
Information (legal, tax, employment-related, etc.)	●	●	●

work on awareness of the individual companies by means of the CRM platform instruments, but also on the in-depth awareness of the specific markets on which the businesses operate, by means of:

- an organization of the Lending Divisions of the Parent Bank and the Network banks which recognizes and encourages the development of the skills in various commodities sectors;
- the set-up of Sector Committees.

Sector-based specialization of the Loan Divisions

aims at enhancing the basic skills of the lending analysts (the so-called field supervisors) with specific skills relating to the individual commodities sectors (competitive dynamics, growth rates, etc.) and the main operators active therein. We analyze the system data relating to the individual segments (micro-sectors) which make up each sector, in order to define lending policies which are consistent with the growth expectations of the loans and the variation expectations concerning the risk involved.

The sector committees offer the opportunity to meet with representatives of the local business area, already tried and tested with success by Banca Popolare Commercio e Industria, in order to discuss the characteristics, the dynamics and the prospects of the main sector segments. From these meetings, which normally

take place on a six-month basis – subject to extraordinary convocations in the presence of particularly significant events – we obtain evaluational elements and essential starting points for reflection so as to be more efficient with regards to lending and commercial activities. By improving our ability to “forestall the market” and to appreciate the credit worthiness of the individual business projects, we can better serve the growth and the development of the local economic systems and the businesses who operate therein.

With reference to Basle 2, we are currently applying our internal rating system which, by means of the enforcement of the agreement, will permit us to optimize the capital absorption of our loans and to further develop the financial support to the businesses under conditions linked to the effective riskiness of the investment, with benefits for the more virtuous companies. From the logic of the short-term ceiling, we will pass on to an industrial logic, based on the company, on its business plan and on the creation of value deriving from the individual projects. This is a cultural change expected to create a closer and more transparent relationship between bank and customer, based not only on lending but also on a wide range of products and services. The dimension and organization of the Group allows us to continue to innovate our offer with the formu-

The Group's sector committees

COMMODITIES SECTORS	BPB	BPCI	BPA	CARIME
Building (66 – Building; 54 – Construction materials)	●	●	●	●
Fashion (62 – Textiles, Clothing, Footwear)	●	●	●	
Home (59 – Electrical Household Appliances, Electronics, 65 – Kitchens, Furnishings)		●	●	
Mechanics (57 – Industrial and agricultural machinery; 53 – Metallurgy)	●	●	●	
Chemicals (55 – Pharmachemicals; 64 – Rubber and Plastics)	●	●		

The sectors are grouped together on the basis of the type of budget (industry, services, commerce/distribution, building, agriculture) and the structural features of the commodities, in compliance with the classification models utilized by the CE.BI. For the sectors thus identified, we have anticipated the creation, within the Corporate Loans structures of the individual Banks, of operating units (“Sectors”) made up of one or more analysts with specific commodities skills (“account executives”).

“Sectors” are not provided for in the event that the concentration of the loans on the commodities segment has already led to the formation of skills concentrated within the Parent Company (large infrastructures, energy, shipping, communications, finance).

lation of modular packages, which go beyond the mere banking service, in order to support the businessman with regards to all the personal and busi-

ness problems associated with his activities. By means of the contribution of BPB Assicurazioni and Mercato Impresa (Coralis), in 2004 we launched

Patti Chiari

BANKING SERVICES

F.A.R.O. – ATM Performance Online Detection	Improvement of the quality of the bancomat service and reduction of malfunctions	Activated and certified
Current accounts compared	Comparability of the offers of the various banks in order to help customer choose	April 2005
Basic banking services	Basic service for non-account holders: low-income families, weaker categories, immigrants	February 2005
Certainty on a date at which deposits of cheques become available	Transparency	April 2005

LENDING

The criteria for accessing loan applications	Clarity and transparency for improving the dialogue with the companies on the plans and the investment choices	Activated and certified
Average response on SME credit applications	Information on the average decision timescales of the banks, by region and amount category	February 2005

SAVINGS

Low-risk, low return bonds	List of the most simple and reliable bonds	Activated and certified
Clear information on structured and subordinated bank bonds	Information for the understanding of complex securities and for the comprehension of their risk profile	Activated and certified

Utilio, a current account package which makes the following available to the businessman: banking services, insurance and welfare coverage, savings opportunities on important cost items (telephone, fuel, consumable materials for office use, etc.), e-commerce services, disclosure services and legal, tax and employment advice; all of which with the transparency and clarity of a fixed fee. The management of the integration of the services also features the new credit cards **Libra Business** for small companies and professional freelancers and **Libra Corporate** for large companies, which the Group issues for the MasterCard and Visa circuits via Banca 24-7: the cards also incorporate insurance coverage of reservations and assistance services for travel purposes.

The value of professional ethics

In our activities it is important to keep focused on ethically correct conduct. We have always pursued a serious and transparent route, which has led us to scrupulously observe the norms on the transparency of the transactions and the banking services, to adhere to the Codes of Conduct proposed by the ABI (**Code of Conduct for the Banking and Finance Sector** dated 1996 and **Code of Conduct for the Mortgage Lending Sector** dated 2002) and more recently to participate in the consortium of banks which have entered into the Patti Chiari project established by the ABI.

Patti Chiari is the trademark which represents a series of initiatives for improving the dialogue between bank and customer by means of the transparency, clarity, comprehensibility and comparability of the products and services offered and by means of communications and financial education

plans targeted at the general public. The correct accomplishment of the initiatives is guaranteed by the trademark issued following certification by independent bodies, to be obtained within 18 months of the implementation of the individual initiatives. On 21 January we obtained certification of the four initiatives started up in 2003 from Certiquality; we expect to take part in the other four initiatives within the first six months of the current year. In order to monitor the perception of Patti Chiari and the related initiatives, we have launched a survey on a significant sample of customers: in a number of branches, for five consecutive days, we proposed a questionnaire in strictly anonymous form to the first ten customers who we came into contact with.

For the products created by the Group's financial "factories" to be always compliant with the rules of our professional ethics, as part of the Master programme we have adopted a supply model based on a "certified" development process, founded on the prior approval of the Parent Bank's **Products Committee** and on adequate IT support to the distribution network. The Managing Director and the heads of the Sales Division, the Finance Division and the Legal Advisory Service participate in the committee. The financial products, in particular, are carefully evaluated from several points of view, so as to guarantee their compliance with the reference legislation, the alignment with the market conditions and the intrinsic quality in terms of ratios between riskiness and ability/probability to achieve market returns. During 2004, the committee met 13 times and monthly meetings are anticipated for the current year.

The value of dialogue

Price Block

In 2004, we launched the "price block" initiative, by means of which we are committed – at least until January 2006 - to not increasing the monthly fee of Duetto and Utilio, the products on which we focus particularly for the service provided to families and businesses.

On-going communication, which is clear and reliable is fundamental for keeping alive over time the relationship of trust which forms the basis of stable and long-lasting relations. This is created by means of the compulsory communication of the analytical information sheets, displayed in all the branches, and the statements of account sent to customers' homes, but above all else by means of the skill and relational ability of our branch staff and the Telephone Bank operators. We have set up free-phone numbers dedicated to consumer lending and the multi-service current account Duetto and we have enhanced the Group's Internet portal, also including specific e-mail addresses for each area of interest.

On the individual local markets, where we wish to increase our presence through the rapidity, efficiency and interaction proper of an area bank, communication activities alone are not sufficient. This framework pulls together the Master programme, the loyalty-satisfaction model which envisages the creation of sample discussion groups made up of customers, sector committees and territorial committees: channels of dialogue for the on-going improvement of our listening and feedback ability.

On 15 July 2004, we established the **Committee for the Varese Area**, which represents an important on-going link with the area and an instrument for monitoring the local transformation dynamics via the exchange of instances, information and expectations. The committee witnesses the participation of representatives from business and professional categories, from local university circles and, for the Group, representatives of Banca Popolare di Bergamo and Banca Popolare Commercio e Industria who due to origin and culture are particularly aware of local problems. On the basis of the experience of this first committee, we expect to set up some more in the main provinces of interest for our

No to arms

From as early as its establishment, the BPU Banca Group has chosen to refrain "definitively from the provision of all banking and financial services directly referring to transactions associated with the export, import and transit of arms materials".

Bar

The values which guide us



Customer satisfaction

Be open to dialogue, by turning to account the commercial relationship as the fundamental point of reference for improving the quality of products and services.

Make each encounter **exceptional**, helping our stakeholders to more clearly identify their expectations.

Obtain results by means of customer satisfaction.

Relations with the community

In keeping with tradition, according to which our Banks are deeply rooted on the territory due to both history and mission, we have always and continually borne witness to our active presence in the local context. By means of economic support and direct intervention in ventures and projects of common interest, we look beyond the horizon of our partners and shareholders, our staff and our customers, in order to contribute towards improving the quality of life of the entire community.

The Group banks move freely throughout the territory, whose social, cultural, scientific, solidarity and environmental interests are intimately known on a par with economic interests. Depending on its sensitivity, each one shows preference for the spheres of intervention which appear to be the most significant for the area of operation.

The tight weft of measures which the banks in their entirety put together includes the wider ranging ventures of the Parent Bank and its Foundations. The long-established **Banca Popolare di Bergamo Onlus Foundation** has the task of contributing towards the recovery of the artistic and architectural heritage of the Bergamo area, supporting bodies and ventures for artistic and cultural promotion and pursuing social-welfare-related ends. The **Banche Popolari Unite per Varese Foundation**, establi-

shed on 15 July 2004, was designed to more fully grasp the needs of an area and a community where we have a good 115 branches. It is currently awaiting legal status so as to be able to start its activities, for which we have set aside capital of Euro 5 million which BPU Banca will pledge over 5 years.

The value of participation in the life of the area

Each Bank of the group, due to the provisions of the Articles of Association, allocates a part of the profits towards social, cultural, scientific, solidarity-related or sporting activities; by choice, it promotes its image by combining its name with associations and parties from voluntary service, cultural and sporting circles, which represent positive examples for our communities.

The information collated by the Network banks for 2004 provide us with a framework of more than 2,200 measures for a total of Euro 8.3 million. These are mainly small measures (more than 3/4ths are for a unit amount of less than Euro 2,000), which by means of the sensitivity of our branches contribute towards the lives of hundreds of lay and sectarian bodies and associations scattered throughout the area, encouraging intense activities, which are important for the local set-ups. Hereafter we mention a few, in order to provide a glimpse into our commitment in the various areas of intervention.

THE "BOARD FUND": STATUTORY RESERVE AVAILABLE TO THE BOARD OF DIRECTORS FOR SOCIAL ENDS

	Portion of net annual profit	Provisions from 2004 financial statements
Banche Popolari Unite S.c.r.l.	1,5%	3.573.650
Banca Popolare di Bergamo S.p.A.	1% max	1.458.058
Banca Popolare Commercio e Industria S.p.A.	1% max	602.004
Banca Carime S.p.A.	3% max	250.000
Banca Popolare di Ancona S.p.A.	4% max	1.000.000
Cassa di Risparmio di Fano S.p.A.	4% max	193.091
Banca Popolare di Todi S.p.A.	4% max	100.000

Recovery of the artistic and architectural heritage

Our country is rich in precious artistic and architectural masterpieces, which often lie abandoned and forgotten for a long time. We are proud of contributing towards the restoration to the community of the use and enjoyment of many beautiful places, whose tourist appeal can also contribute towards the growth of the local economies.

During 2004, **Banca Carime** financially supported the **Pietro Bernini Project – Restoration and recovery of the Shrine of Colloredo**: work for diagnostic surveys and restoration of the famous shrine, the work of the outstanding sculptor at the start of the 1600s, father and first master of Gian Lorenzo. The venture has the cultural merit of focusing attention on the presence in Calabria of masterpieces attributed to Pietro Bernini: twelve verified works, located in the churches of Saracena (CS), Amantea (CS) and Polistena (RC), as well as in Morano, where eight have been identified.

Once again, **Banca Carime** has backed the **Restoration of the Chapel of the Santi Martiri in the crypt of the San Matteo Cathedral in Salerno**. The altar, an artistic gem in white, yellow and antique green marble, donated in 1753 by the Almo Collegio Salernitano to the Cathedral, was found in a state of enormous decay due to neglect and pilfering which had taken place over the years. Now it has been returned to its ancient splendour.

Banca Popolare di Ancona donated to the **Pinacoteca Civica di Jesi** the painting *Praying Virgin – Mater Amabilis*, painted by the well-known Marches artist in the 1600s, Giovanni Battista Salvi, known as *Sassoferrato* after the name of his birthplace, universally acknowledged as the leading figure of Sacred Iconography of the Virgin.

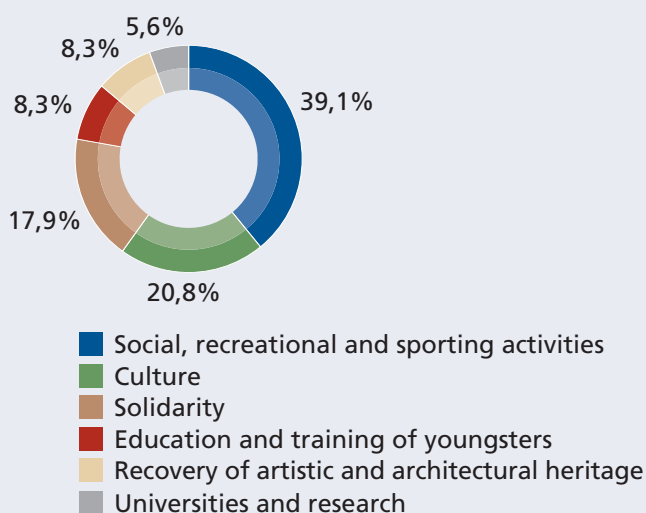
By means of the hefty contribution of the **Banca Popolare di Bergamo Foundation** (Euro 2.6 million, of which the last Euro 200 thousand were disbursed in 2004), the **University of Bergamo** acquired new areas in the prestigious **historic complex of St. Augustine**. The former monastery, skilfully restored, presently houses the Faculty of Literature and Philosophy and the library of Languages and Literature. Small areas and collections, for refined didactics in an environment which witnesses the enhancement of its delicate architectural balance.

Culture

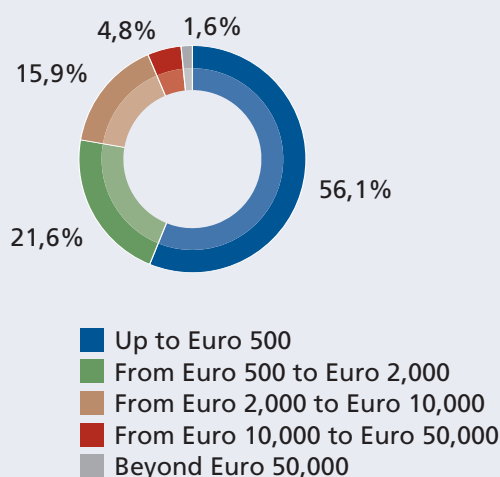
Culture is the love of beauty, the recovery of our roots in history, creative thought for a better future. Together with the recovery of the artistic and architectural heritage, interest for culture and art fall within the tradition of neo-patronage which sees in banks the greatest supporters of the large and small events which enrich the lives of our cities.

On 13 November 2004, the exhibition **Lo sguardo sulla realtà**, opened in Bergamo, organized by the

Areas of intervention during 2004



Distribution of measures carried out by amount



Adriano Bernareggi Museum with **BPU Banca** as the official sponsor. Dedicated to painter Giovan Battista Moroni, one of the most representative figures of the artistic scene in the 1500's, the exhibition is characterized by rational as much as surprising research into his sacred iconography, albeit with an authoritative presence of the portrait painting which the most accredited critics have confirmed universally as excellent. Its public success bears witness to the value of the cultural proposal which not only reaffirms the undisputed portraitist worth of Moroni, but emphasises an aspect of his art as extended as it is vital, less known to the general public.

Banca Carime boasts a collection of important paintings, rich in canvases from the 1600s and 1700s, including prominent works from the Caravaggio school and important Neapolitan artists. The Bank willingly offers these works for public enjoyment: last year as well it drew an exhibition from its collection, , a show of antique and modern paintings deeply rooted in the area organized in collaboration with the **Fine Arts Office of Matera** and with the patronage of local authorities

(Regional, Provincial and Municipal). The show was housed from 18 November 2004 until late April 2005 at the national Museum of Mediaeval and Modern Art of Basilicata, at Palazzo Lanfranchi.

Federico II, born in Jesi, determined the archetype of the European citizen, with an impact which involved the majority of the areas where **Banca Popolare di Ancona** is active today. For this reason, our network bank has supported and shared with the Cultural Department of Jesi Town Council, the **exhibition on Federico II**, set up in the La Salara room in Palazzo della Signoria with the works of artist Floriano Ippoliti.

The association **"Amici del Sacro Monte"** – a non-profit making association made up of more than 400 voluntary members – has the objective of enhancing and raising awareness of the Sacro Monte di Varese, declared by UNESCO as heritage of human kind. For the 400th anniversary celebrating the construction of Viale del Rosario (cobblestoned footpath with 14 artistic chapels and more than 300 statutes of natural magnitude, which leads from the Shrine of the Madonna del Monte

The Athletic Code



- The Athletic Code recognizes sport as a socio-cultural activity which enriches society and increases friendship between nations, on condition that it is played fairly.
- The Athletic Code draws inspiration from the values expressed by the Charter of Fair Play, published by Panathlon International (attached), as the expression of the true nature of sport and its function of moral growth for society.
- The fundamental principle of the Code is that the values expressed in the Charter of Fair Play are not optional elements, but something essential to all sporting activities, at all levels of ability and commitment: from recreational to competitive sport.

Code of conduct:

1. I accept and recognize the universal principles expressed in the Charter of Fair Play, my entire conduct when playing sport being inspired by these principles.
2. I also undertake to divulge and disclose these values to other athletes, also opponents, trainers, pupils, referees/race judges, the representatives of sporting federations, journalists, fans and the public in general.
3. I acknowledge the right of each person to play a sport and draw satisfaction wherefrom.
4. I commit myself to the fight for fair play: against the artifices at the limit of the regulations, doping, violence (both physical and verbal), the exploitation, unequal opportunities, excessive commercialization and corruption.
5. I recognize the value of winning as the result of training, commitment and sacrifice, not as the crushing and annihilation of the opponent.
6. I respect the rules as a necessary instrument for experiencing sport and sharing the game with others, in respect of each individual.
7. I undertake to declare my compliance with the Code, affixing the Athletic logo to the official sports kit, and to divulge the values also outside the sport.
8. I am aware that the Athletic Code is an initiative of Banca Popolare di Ancona, aimed at fostering ethics in sport, and by means of my compliance I contribute to further extend the disclosure and awareness thereof.

built in 968), **BPU Banca** sponsored two important initiatives:

- the publication of a guide, a complete instrument for consultation for the thousands of worshipers and visitors who visit the sacred place each year;
- an exhibition featuring the display of a model of the mountain (3 metres high and 4 metres long), which accurately reproduces the route of the Viale.

For the last nineteen years in Milan, the **Eleonora Duse prize** has been awarded, established and sponsored by **Banca Popolare Commercio e Industria**. The prize is awarded to an actress who has distinguished herself particularly during the prose season in Italy or abroad. The 2004 event was held on 18 October at the Manzoni theatre and the prize was awarded to winning actress Maddalena Crippa. The history of the prize has become the subject of a book, presented during the evening – “The Duse Prize, from an idea conceived twenty years ago ...” – published by the Bank and created for the occasion. .

Banca Popolare Commercio e Industria sponsored the “**Le Vie dell’Oriente**” event, organized by the Italian Chamber of Commerce in India, Hong Kong, Singapore and Thailand in order to create moments of encounter and awareness among cultures which are very different, in support of the reciprocal economic trading and the internationalization of our companies. The Bank, specifically, set up its

Cortile della Seta in ethnic style in order to house “Dimensione Asia”, a space dedicated to the manifold economic and cultural aspects of Asia.

In 2004, the “**Arte a Bergamo**” exhibition, sponsored by **Banca Popolare di Bergamo** reached its third and conclusive stage, with the period 1970-1981. The entire cycle embraced the seasons of cultural and artistic ferment which involved every sphere of Bergamo society, touching events and artists who do not remain closed within the close local sphere, but who confer our area with significant prestige nationally and beyond. Within the circle of the various initiatives, which marked those times indelibly, there was also an editorial initiative of said Bank, which towards the middle of the 1970s printed the first volumes of the collection “The Bergamo Painters”, a work appreciated by many important museums and art galleries worldwide.

Sport

Due to its intrinsic positive values, sport takes on a particularly important educational role for the younger generations and represents an effective discipline. Our banks have sponsored numerous sporting associations and events for many years, with particular attention paid to events where sport also becomes an occasion for solidarity. We encourage “fair” sport, sport practised by the

Charter of Fair Play – Panathlon International

Whatever my role in sport is, also as spectator, I undertake to:

- make each sporting event a privileged moment, a sort of party, irrespective of the prize offered or the relevance of the event;
- comply with the rules and the spirit of the sport played;
- respect my opponents as I do myself;
- accept the decisions of the referees and the sporting judges, aware that like myself they have the right to make mistakes, but do all they can not to make them;
- avoid malice in my action and words, either spoken or written;
- not to use artifice or deceit in order to obtain success;
- to be worthy in victory, as well as in defeat;
- help each individual, with my presence, my experience and my comprehension;
- assist any injured sportsman/woman, or any sportsman/woman whose life is in danger;
- be a true ambassador of sport, helping the principles declared herein be observed within my sphere.

By honouring this commitment, I will be a true sportsman/woman.

many “minor” disciplines and the youth teams, moved by passion more than economic interest.

Also in line with this spirit are the sponsorships of important events, such as the **Tre Valli Varesine**, which has seen the greatest cycling champions of all time perform and which has been in existence for more than thirty years with the support of **Banca Popolare di Bergamo**, or the **San Patrignano International Horse Competition – Vincenzo Muccioli Challenge**, which is by now one of the most important dates in international equestrian circles, or the **Banca Popolare Commercio e Industria A.Ce.S.M. Golf Trophy** for fund raising in favour of the Amici Centro per la Sclerosi Multipla Association at the Scientific Institute San Raffaele Hospital Onlus.

This year however we wish to give particular emphasis to the initiative put together by **Banca Popolare di Ancona** in order to spread and consolidate sporting ethics. Taking its inspiration from the Charter of Fair Play, published by Panathlon International, the Bank has drawn up the **Athletic Code**, a document which sets forth the main ethics which must be followed by the executives and the athletes of the sporting associations sponsored. On 26 January 2004, with the participation of the first 12 sporting associations, the Athletic Code was presented officially to the press, with the attendance of top endorsers such as **Stefano Cerioni**, **Roberto Mancini** and **Valentina Vezzali**: athletes who during their careers have taken sporting values to maximum Olympic levels. By signing the Athletic Code and getting all their executives, trainers and athletes to sign it, the sports association sponsored by the Bank declare their full agreements with the regulations contained therein and undertake to observe them and further them externally as well. A moral commitment, which is openly declared also by means of the affixing of the Athletic logo on the official sports kit.

Education and training

Through our banks we collaborate with many schools and university institutions, lay and sectarian,

as we believe the plurality of the training offered is a treasure to be turned to account. We offer work experience occasions, scholarships, honour loans, and grants for the realization of specific projects.

Relationships which are by now consolidated tie **Banca Popolare di Bergamo** to the **University of Bergamo**, partly by means of the support of the Pro Universitate Bergomensis Association, while **Banca Carime** collaborates with the **University of Calabria** via the Calabria Scienza Oggi Foundation and with the University of Bari, and **Banca Popolare di Ancona** has close dealings with the University of Ancona. Since each area deserves to allow its youngsters grow with a view to human and professional achievement, we are currently dedicating particular attention to the southern regions within the range of training and vocational experience. The **Vivaio Project** is just one example, which reserves 60% of the 130 work experience ventures expected for Banca Carime’s areas of interest, by means of agreements with local universities.

Other examples of thriving collaboration with schools come from **Banca Popolare di Bergamo** with **I.T.I.S. Paleocapa** and **Natta** in Bergamo and with the **Istituto Professionale per l’Agricoltura Giordano Dell’Amore** in Minoprio (CO), from **Cassa di Risparmio di Fano** with the local **Istituto Tecnico Commerciale Cesare Battisti**, from **Banca Popolare Commercio e Industria** with the highly regarded music school **Accademia Pianistica “Incontri col Maestro”** in Imola and with the **Parents’ Association of Catholic Schools in Milan**.

Among the initiatives linked to the offer of scholarships, mention is made of a few which are particularly important due to the reasons for which they were set up:

- the fostering of equal opportunities inspires the two scholarships dedicated to **Lucia Coppi**, the first woman executive of **Banca Popolare di Bergamo**, addressing young female university or post-graduate students who intend to follow further studies in economic/legal fields, with par-

ticular reference to banking and finance;

- in order to offer youngsters the opportunity to grow comparing themselves with different cultures and life styles, **Bpu Banca** offers three scholarships for an academic year studying abroad with **Intercultura** (a non-profit making association which operates in more than 60 countries in collaboration with families and scholastic institutions);
- the same intention of BPU Banca encourages **Banca Carime's** initiative, which offers a scholarship supporting the academic careers of young students, as part of didactic-training exchange projects with foreign universities.

The training of the youngsters is not only scholastic and university training, but first and foremost the building of a civil sense and a sense of respect for oneself and for others. The **Strade a Colori project** falls within this context – disclosed in the 2003 Social Report – the first part of the three-year social inclusion programme for teenagers of the San Paolo-Stanic suburbs district in Bari. The project – with **Banca Carime** in the role of financial backer – is run by the **Giovanni Paolo II Foundation** along two guidelines: one aimed at making the “street” an area for educational encounter, the other targeted at setting up training and professional orientation workshops. In this first year, the street activities involved 30 youngsters, with a mobile computerized station linked to the Internet, which became a logistics-organization support for the educationalists.

Research and innovation

The current economic situation, which sees our country's manufacturing sector hardly keeping up with the pace of technological innovation of the other European and non-European countries, requires a mutual effort from all the institutions. BPU's participation in this endeavour involves its institutional activities as well as direct support for research. On 20, 21 and 22 September, the **XXI world conference of science and technology parks** fostered by Servitec was held at the New Exhibition centre in Bergamo; Servitec is an organization which associates 500 science and technology parks of 64 different countries on all continents.

The event, which Bpu Banca did not wish to miss and which saw the attendance of more than 450 congress attendees, represented a point of encounter and confrontation amongst those who, within the science parks, the universities, Governments and firms, form and utilize the chain of scientific and technological knowledge.

Many forms of collaboration are instead directed at research as a means for improving the quality of life; indeed, over the years our banks have catered for the needs for public and private nursing homes, and associations and research institutions, which sometimes have reached levels of excellence recognized at national and international level. This is the case of the **Mario Negri Pharmacological Research Institute**, which has been active since 1961 in the field of biomedical research, in particular into cancer, nervous and mental illnesses, heart and blood vessel disease. In 2004, **Banca Popolare di Todi** financed a scholarship for the vocational training of laboratory technicians and graduate researchers, while the **solidarity section of the CRAL (recreational and social association) for BPU and BPB staff** handed over a grant received annually from the two banks, the result of the waiver by all the employees of the traditional Easter dove cake.

Banca Popolare di Ancona contributed towards the realization of the second phase of the research project into the use of educational robotics as an aid for rehabilitation therapies, fostered by **A.I.A.S. “Peppino Scoppa” Onlus** and by the **Centro Medico riabilitativo** in Angri (SA) in collaboration with the Faculty of Psychology II at Naples University and with the Department of Communications at the University of Siena.

Solidarity

Solidarity knows no boundaries. In small and great calamities, in situations of hardship, in the many conditions of suffering which derive from illness, wars and poverty, it brings faith, dignity and hope to people. Our banks and the employees contribute towards the activities of many associations involved in Italy and worldwide.

Thanks to the contribution of the colleagues, **the BPU and BPB staff recreational and social association (CRAL)** manages a **distance adoption** programme which to-date has involved 350 children in Malawi, Peru, Eritrea and Brazil. The activities of the **Comunità Don Lorenzo Milani Community Centre** of Don Fausto Resmini in Sorisole (BG) are also dedicated to the more unfortunate children, a centre which is involved in the recovery and social rehabilitation of minors subjects to criminal measures or taken in from the street: partly thanks to the contribution of **BPU Banca**, Don Resmini is currently putting together a project for the recovery and adaptation of multi-functional workshops, serving the educational projects of the community.

We can sometimes provide solidarity by means of banking activities as well. In order to help less well-off families face housing problems, by means of an

assisted mortgage loan of Euro 900,000, **Banca Popolare di Todi** has supported a unique initiative which is one of a kind (certainly the first in Umbria): a self-construction programme based on the work of the same future owners who, by means of the guidance of sector experts, the support of local authorities and the lending concessions offered by the Bank, can cut the production costs down by up to 70% of current market values. This project has involved 13 self-builders, who have already started to build together their own home.

Banca Popolare di Bergamo is in the front line, along with others, with regards to charitable initiatives in the health field. The grants in favour of the labour ward at the **Alzano Lombardo Hospital**, the **Alzheimer Unit of the Ugnano Hospital Complex**, the **Raphael Social Co-operative** in Clusane (BS) outpatient and home assistance unit for

Change card, change the world

With regards to the institutional activities for promoting our image and our products, we also create occasions for the support of solidarity projects. We have just launched the "Change card, change the world" campaign in favour of four humanitarian projects of the CESVI" in order to encourage the issue of our Lybra Mastercard credit cards.

For each card issued by Banca 24-7 upon issue/conversion request made by the clientele, BPU Banca will donate Euro 3 (involving a maximum of Euro 300,000) to one of the four CESVI humanitarian projects chosen by the customer:

- Health – Takunda Fund for the fight against AIDS in Africa
- Emergency and Development – distance adoption of children who escaped the Indian tidal wave
- Eco-development: community development and environmental conservation in Zimbabwe
- Micro-credit: support for small companies in Uruguay

the terminally ill, **Associazione Cure Palliative** in Bergamo dedicated to cancer sufferers, are all examples of the spirit of solidarity which embodies the Bank.

Culture as a vehicle of solidarity is the driving force of many events, promoted by **Banca Popolare Commercio e Industria** availing of the large exhibition area of the Cortile della Seta. The 25th editions of the **National Poetry and Narrative Prize**, participated in by more than 1,600 authors, besides raising awareness of new talent, is an occasion for solidarity with the activities of the **"Libro parlato" Association** in favour of the blind. The proceeds of one of the many personal and collective exhibitions dedicated to modern and contemporary art were donated towards the renovation of the **Casa di Accoglienza Beatrice Vitello** – a structure for patients undergoing therapy at the Ospedale Maggiore Hospital in Milan.

The value of attention towards the environment

The environmental impacts of the banking activities are without doubt more limited with respect to those of other industrial companies, but no less important however along the route which we all – companies, families, Government and authorities – must travel in order to leave our children a better world. For this reason we are committed to exercising our role as economic player at national level with awareness and a sense of responsibility, respecting the environmental wealth of the individual areas in which we operate. We fight all forms of wastage and actively promote – in relation to the best technologies available and with a view to the optimization of the costs/benefits ratio – initiatives aimed at energy savings, the conservation of natural resources and the recovery/recycling of waste.

Consorzio Abi Energia

Objectives

- Reduction of energy consumption
- Reduction of the energy procurement costs
- Reduction of the operating risk associated with the use of energy
- Reduction of the environmental impact of the energy consumption

Initiatives launched

- Work group with the purpose of standardizing the electronic reporting by the suppliers
- Stipulation of new electricity contracts with savings of around 10% expected
- Analysis of new technologies with technological partners (e.g. co-generation and micro-power stations for the calculation centres)
- Preparation of a manual of conduct

Qualifying research and training activities

- Definition of the general criteria for the maintenance and running of the plants
- Definition and diffusion of auditing and energy consumption methods
- Creation of benchmarks on consumption and costs of the energy at system level and creation of an energy data base
- Research and development of the technologies supporting the energy management and on renewable sources
- Training and information for banks for the rational handling of energy

Initiatives launched

- Feasibility analysis of ABI Energy certification
- Courses and seminars
- Information on the Group website

Our environmental management is overseen by the Logistics Division and the Purchasing Division, within the sphere of the respective responsibilities. On the energy front, we pursue the reduction of consumption, which also translates into a considerable saving in costs while with regards to purchases of equipment and consumable materials for the offices, we prefer products with a low environment impact (e.g. paper processed without chlorine, re-usable envelopes for internal use made of recycled paper, recyclable toner cartridges).

As early as the end of 2003, we set up, together with another 19 banks, the ABI Energia consortium, a non-profit making body for the provision of services within the sphere of the energy sector. The consortium presents itself as a "research and training hub", for all the activities associated with the optimization of energy use, and as a "purchasing group", for obtaining advantageous conditions both on the national and international market, showing preference for renewable channels of energy.

The most important decision in 2004 was the recruitment of a Group Energy Manager, who was entrusted with the policies and the procedures concerning the conservation and rational use of energy, procurement from renewable energy sources and utilization of equipment with high energy efficiency. The first measures concern the standardization of all management and control procedures for energy consumption and the drawing up of the energy budgets for all the Group banks. The primary objective is the reduction of consumption and costs by means of a centralized monitoring of the consumption, combined with the use of high efficiency systems and equipment and building shells which improve the energy performances of the premises.

We have taken an important step by signing a collaboration agreement with Mitsubishi Electric for the installation of an air-conditioning system equipped with a system for the monitoring and dynamic control of the energy consumption. The system makes it possible to obtain greater comfort and minor consumption at the same time, thanks to the centralized management of the installations scattered throughout the area. The agreement came about following the analysis on the consumption of the systems already installed at the time of restructuring work, which highlighted a saving of more than 15%.

Analysis of the consumption and the emissions

During 2004, throughout the entire Group we consumed 279,000 cubic metres of water equating to 19.4 cubic metres per head, which refers almost entirely to hygiene-sanitary uses. In total, we used 2.1 million kg of paper and 32,600 kg of toner for the photocopiers and the printers in the offices, for the disclosure documents sent to customers and for internal communication flows. The system of separately collected fractions of waste, active within all the offices and branches, during 2004 permitted us to send 99.98% of the paper and 100% of the used toner cartridges for recycling.

The objectives of the Kyoto protocol for the reduction of CO₂ emissions require a firm commitment from the companies as well. Our activities generate emissions indirectly, via the consumption of electricity for air-conditioning and illumination of the premises and for the running of the work stations, methane gas and fuel oil for the heating of the premises and fuel for motor pro-

CO₂ emissions*

	Tons	Incidence	Reporting perimeter
Electricity	47.487	91,7%	Core perimeter and BPU Sim
Methane gas	9.009	17,4%	Core perimeter excluding BPA
Fuel oil	1.442	2,8%	Core perimeter excluding BPA
Fuels	1.312	2,5%	Core perimeter and BPU Sim
Total emissions	51.773	100,0%	

* The emissions are estimated on the basis of specific factors for each energy source. For electricity, which represents nearly all the emissions, we have used the factor of 0.55 kgCO₂/kwh, supplied to us by the wholesaler from whom we purchase for nearly all of the Group.

pulsion. For the first time we carried out a gauging of these emissions and we highlighted considerable margins of improvement, to be pursued by means of an even more incisive energy saving policy and showing preference for the use of electricity produced by renewable sources.

The value of dialogue

The close relationship which ties the Group banks to the reference community derives from the widespread presence of our branches and the social commitment of a great many colleagues and the same representatives from senior management. Non-institutionalized dialogue arises from this relationship, which on one hand makes it possible to acknowledge the requirements most worthy of attention and the most reliable initiatives of the bodies and the associations active throughout the area, and on the other allows "to gauge" the level of satisfaction in some way. Nevertheless, the creation of value for the area also requires forms and moments of institutionalized dialogue, with the involvement of qualified representatives of the community.

In order to achieve the measures of greatest importance, we have created the Foundations, onto whose Boards of Governors we have called individuals representative of the reference community, and we have built strong relations with important associative bodies, such as the CESVI of Bergamo, with whom during 2002 we were the finalists for the Sodalitas Social Award with the project "Hunger is afraid of us".

The initiative of Banca Popolare di Ancona derives from the desire to achieve an overall assessment of how the Bank's social activities are perceived within the area, and has led to the launch of a qualitative survey into the collaboration with LABIS (Laboratorio Banca Impresa e Sviluppo) of the Department of Economics, Faculty of Business Studies "G.Fuà" at the University Polytechnic of the Marches. The survey involved a sample of 11

Municipalities of old and new settlement and a number of Trade Associations, with specific questionnaires aimed at assessing:

- the contribution of BPA to local economic growth, by means of an opinion on the products and services offered to families and businesses;
- the contribution of BPA to social development, by means of an opinion on the commitment to themes such as the growth of young entrepreneurs and in general the new entrepreneurial class or the social integration of immigrants;
- the contribution of BPA to the growth of culture and socio-environmental protection, by means of an opinion on its contribution towards social, recreational, and sporting activities, the recovery of local artistic and cultural heritage, etc.;
- the ability of the Bank to interpret the reference area, by means of the evaluation of the consistency between the initiatives undertaken and the real vocation of the area;
- the temporality of the economic and social benefits contributed by the Bank, as they are destined to dry up in the short-term or last over time;
- possible areas of improvement in the Bank's social and institutional activities, in the various areas of intervention.

We also assign particular importance to the relationship with the national and international, regional and local media, in order to ensure a permanent flow of information and documentation to the markets and in general to public opinion. Relations with the press agencies – newspapers, periodicals, radio and television – are traditionally characterized by maximum completeness, truthfulness and transparency, both with regards to the disclosure of the management results, and the announcement of the main innovations regarding the products and services or the specifications and responses to the requests of the operators. Besides sticking to the lines of conduct laid down by the Consob and Borsa Italiana, we scrupulously observe the ethical regulations of corporate communication.

Drawing up the social report is an ongoing commitment towards improvement, both with regards to the performance and the reporting of the socially responsible management. With a view to this, for 2005 we have identified several particularly significant objectives for the enhancement of the corporate identity, for the handling of the relations with the stakeholders and for the quality of the social report.

Objectives for management activities

Enhancement of the corporate identity

- information and training activities on the Group's Charter of Values, directed both internally and externally;
- drawing up and publication of the Group's Ethical Code.

Relations with partners and other shareholders

- implementation of the programmes anticipated by the business plan, with important objectives in terms of productivity and profitability.

Relations with the staff

- extension of the systems for detecting the skills and evaluations of the performances to all the network banks and to the main Group companies;
- intensification of the internal training and communication activities;
- realization of a climate survey..

Relations with customers

- complete valorization of the Master Programme, with the start-up of additional "customer care" activities, or rather attention towards the customer in order to detect and satisfy requirements by means of an increasingly more in-depth awareness of the features and the conduct;
- setting up of the Claims Commission and the internal loyalty-satisfaction model in order to detect the degree of satisfaction and the expectations.

Relations with suppliers

- full implementation of the Suppliers' Register, with a connection to the private market-place of the Group for the optimization of the dialogue with individual suppliers.

Relations with the community

- start-up of the operations of the Banche Popolari Unite per Varese Onlus Foundation and formation of a Foundation for the Marches region;
- improvement of the environmental impact findings, in order to pinpoint any possible intervention measures.

Objectives for the social report

Process • improvement of the drafting process, by means of increasingly greater integration within the Bank's management processes.

Document • improvement of the document in terms of:

- evidence of the consistency of the management policies vis-à-vis the various stakeholders with the values, the mission and the strategic choices of the bank;
- enhancement and in-depth analysis of the economic, social and environmental performance indicators;
- completion of the disclosure value of the indicators, with the consideration of the time-related profile (change with respect to the previous accounting period);
- extension of the reporting – currently limited to the most important stakeholders – to the other stakeholders (suppliers, central government and local government agencies).

Method note

The social report of the BPU Banca Group has been drawn up on the basis of the results emerging from the Consolidated financial statements. It shares with the latter the general principles of clarity, true and fair information, prudence and competence, with a view to the Bank as a going-concern. It also finds its basis within a body of specific presentation criteria, recognized by the best national and international practices, also adopted by the ABI (Italian Bankers' Association) model, to which we make reference. Unless otherwise indicated, the scope of the reporting refers to all the Group companies.

With regard to the stakeholders dealt with in the social report, we hereby state the following:

- the information on the staff headcount, unless otherwise specified, concerns the entire workforce of the Group;
- the shareholders – partners and non-partners – are those of the Parent Bank; the partners are recorded in the Shareholders' Register while the other shareholders are registered on the basis of the last payment of dividends; in the Statement of the distribution of the Added Value, we have separately considered the portions of profit produced by the Group companies pertaining to the respective minority, allocating them to a specific item;
- the customers to which we make reference are the customers of the Parent Bank and the Network banks; in reality some product companies (e.g. insurance section) have their own customers, but their number is residual with respect to the aggregate;
- by community we mean all the individuals, bodies and associations towards which the social activities of the Parent Bank and the Network banks are directed; unless otherwise indicated, the surveys of the environmental impacts also refer to the Parent Bank and the Network banks.

Basis of presentation

Responsibility

By means of the categories identified in the Social Report, account for the effects of our decisions to all the internal and external stakeholders, with particular regard to the reconciliation of their legitimate interests.

Identification – Consistency

Provide third parties with the clearest perception of the mission which the company pursues with the ownership and governance set-up made clear, as well as of the consistency of the policies and intervention choices of management with the declared values.

Utility – Significance – Relevance

Include all the information considered to be useful for satisfying the wish of the general public to be informed, in a reliable and complete manner, on the action which has produced an effective and significant impact on the surrounding environment.

Transparency – Auditability

Show preference for the inclusion of quantitative information or in any event that which can be verified in the corporate documentation, also of a non-accounting nature, in order to permit all the beneficiaries of the social report to comprehend the logical formation procedure and the discretionary choices made.

The Global Compact Principles

In the field of human rights

Businesses should:

1. support and respect the protection of the internationally proclaimed human rights;
2. make sure that they are not complicit in human rights abuses.

Safeguarding employment

Businesses should uphold:

3. the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour;
6. the elimination of discrimination in respect of employment and occupation.

In favour of the environment

Businesses should:

7. support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility;
9. encourage the development and diffusion of environmentally friendly technologies.

Against corruption (approved in 2004)

10. Businesses should work against all forms of corruption, including extortion and bribery.

The Charter of Corporate Values*

1. Centrality of the individual, respect for their physical and cultural integrity and respect of their interrelational values with others;
2. Enhancement of the human resources by means of professional development courses and participation in the Bank's objectives;
3. Respect and safeguarding of the environment;
4. Attention to the needs and the legitimate expectations of the internal and external stakeholders in order to improve the sense of belonging and the degree of satisfaction;
5. Reliability of the systems and the management procedures for the maximum safety of the workers, the community and the environment;
6. Efficiency, effectiveness and inexpensiveness of the management systems for constantly increasing the levels of profitability and competitiveness of the Bank;
7. Constant commitment with regards to research and development, in all areas of intervention for encouraging and covering – in the pursuit of the strategic plan – the maximum degree of innovation;
8. Uprightness and transparency of the management systems in compliance with the norms and the current agreements, with regards to the components inside and outside the Bank;
9. Interrelation with the community and with its representative members, proactive exchange and social enhancement dialogue, aimed at improving the quality of life.

* *The Charter of Corporate Values of the European Institute for the Social Report derives from the charter of human values of Nova Spes implemented by the UN in 1989.*

Composition and activities of the Board of Directors

Office	Members	Profession	Non-executive	Independent	No. of offices in other companies
Chairman	Zanetti Emilio	Businessman	•	•	2
Managing Director	Auletta Armenise Giampiero	Banker			0
Director	Vigorelli Giuseppe	Banker	•	•	0
Director	Bulgheroni Antonio	Businessman	•	•	2
Director	Calvi Giuseppe	Lawyer	•	•	2
Director	Boselli Mario	Businessman	•	•	5
Director	Berlanda Enzo	Business accountant	•	•	3
Director	Cattaneo Gaudenzio	Banker	•	•	1
Director	Drago Roberto	Businessman	•	•	7
Director	Fontana Loris	Businessman	•	•	2
Director	Frigeri Giorgio	Banker	•	•	0
Director	Lucchini Italo	Business Accountant	•	•	4
Director	Mazzoleni Mario	Businessman	•	•	1
Director	Musmeci Toti S.	Lawyer	•	•	1
Director	Orlandi Sergio	Businessman	•	•	1
Director	Pedersoli Alessandro	Lawyer	•	•	5
Director	Perolari Giorgio	Businessman	•	•	2
Director	Pesenti Carlo	Businessman	•	•	6
Director	Porcari Carlo	Banker	•	•	4
Director	Riva Emilio	Businessman	•	•	3
Director	Sestini Roberto	Businessman	•	•	1

The Board of Directors met 15 times during 2004 with an average presence of 90% of the Directors.

Composition and activities of the advisory committees

Office	Members	Committees			
		Executive	Internal Auditing	Emoluments	Appointments
Chairman	Zanetti Emilio	•			•
Managing Director	Auletta Armenise Giampiero	•			
Director	Vigorelli Giuseppe	•			
Director	Bulgheroni Antonio		•		
Director	Calvi Giuseppe	•			•
Director	Boselli Mario	•		•	•
Director	Berlanda Enzo		•		
Director	Cattaneo Gaudenzio				
Director	Drago Roberto				•
Director	Fontana Loris	•			
Director	Frigeri Giorgio	•	•		
Director	Lucchini Italo		•		
Director	Mazzoleni Mario	•			
Director	Musmeci Toti S.		•	•	
Director	Orlandi Sergio			•	
Director	Pedersoli Alessandro	•		•	•
Director	Perolari Giorgio			•	
Director	Pesenti Carlo				
Director	Porcari Carlo				
Director	Riva Emilio				
Director	Sestini Roberto				
Number of meetings in 2004		12	8	4	8

Reclassified balance sheet

BPU BANCA GROUP
Consolidated financial
statementsPARENT BANK
Financial
statements

In thousands of Euro	31 Dec. 2004	31 Dec. 2003	Change	31 Dec. 2004	31 Dec. 2003	Change
ASSETS						
Cash and deposits with central banks and post offices	341.600	339.497	+0,6%	57	57	0,0%
Unrestricted securities and own shares	8.033.065	7.452.486	+7,8%	4.616.101	5.653.326	-18,3%
Due from banks	3.916.208	3.031.729	+29,2%	8.318.849	5.344.742	+55,6%
Due from customers	43.974.684	43.045.343	+2,2%	1.515.579	1.830.049	-17,2%
Fixed assets	3.420.642	5.352.850	-36,1%	7.530.999	8.560.419	-12,0%
securities	644.097	2.499.293	-74,2%	1.639.699	2.356.415	-30,4%
equity investments	333.545	334.640	-0,3%	5.205.697	5.552.214	-6,2%
positive consolidation differences and shareholders' equity	316.847	374.015	-15,3%			
intangible fixed assets	984.328	981.200	+0,3%	149.531	111.531	+34,1%
tangible fixed assets	1.141.825	1.163.702	-1,9%	536.072	540.259	-0,8%
Other assets, accrued income and prepaid expenses	4.198.569	3.771.785	+11,3%	1.773.507	1.786.159	-0,7%
Total assets	63.884.768	62.993.690	+1,4%	23.755.092	23.174.752	+2,5%
LIABILITIES						
Due to customers and securities issued	49.072.091	48.693.055	+0,8%	6.251.499	5.204.791	+20,1%
Due to banks	4.755.250	5.157.702	-7,8%	12.051.782	12.951.030	-6,9%
Other liabilities, accrued expenses and deferred income	4.205.628	3.380.609	+24,4%	1.206.315	806.989	+49,5%
Provisions	1.212.789	1.313.007	-7,6%	192.217	276.428	-30,5%
employee leaving indemnities	374.661	388.537	-3,6%	54.530	57.717	-5,5%
pensions and similar commitments	171.269	261.262	-34,4%			
taxation	372.739	436.674	-14,6%	87.614	194.541	-55,0%
sundry risks and charges	292.945	224.011	+30,8%	50.073	24.170	+107,2%
possible loan losses	1.175	2.523	-53,4%			
Convertible subordinated liabilities		172.472			172.472	-100,0%
Shareholders' equity pertaining to minority shareholders	612.408	536.529	+14,1%			
Shareholders' equity	4.026.602	3.740.316	+7,7%	4.053.279	3.763.042	+7,7%
share capital, reserves and other items	3.736.479	3.540.246	+5,5%	3.766.342	3.472.023	+8,5%
net profit	290.123	200.070	+45,0%	286.937	291.019	-1,4%
Total liabilities	63.884.768	62.993.690	+1,4%	23.755.092	23.174.752	+2,5%
Total guarantees and commitments	9.731.645	8.783.436	+10,8%	1.059.028	899.887	+17,7%

Reclassified income statement

BPU BANCA GROUP
Consolidated financial
statementsPARENT BANK
Financial
statements

In thousands of Euro	31 Dec. 2004	31 Dec. 2003	Change	31 Dec. 2004	31 Dec. 2003
Net interest	1.516.628	1.485.881	+2,1%	-44.047	391.173
Dividends and other revenues	10.482	17.674	-40,7%	358.377	167.613
Profit (loss) on investments carried at equity	13.241	-10.006			
Interest margin	1.540.351	1.493.549	+3,1%	314.330	558.786-
Net commission	788.547	747.960	+5,4%	-4.692	195.323
Profits on financial transactions	92.795	103.566	-10,4%	20.724	62.185
Other operating income and expense	84.371	122.085	-30,9%	296.392	202.477
Margin from services	965.713	973.611	-0,8%	312.424	459.985
Net interest and other banking income	2.506.064	2.467.160	+1,6%	626.754	1.018.771
Administrative expenses	-1.420.049	-1.444.807	-1,7%	-318.928	-577.257
a) payroll and related costs	-982.342	-991.525	-0,9%	-172.808	-357.605
b) other administrative expenses	-437.707	-453.282	-3,4%	-146.120	-219.652
Operating result	1.086.015	1.022.353	+6,2%	307.826	441.514
Provisions for risks and charges	-74.989	-74.229	+1,0%	-17.524	-15.928
Value adjustments to tangible and intangible fixed assets	-224.504	-201.469	+11,4%	-110.923	-107.810
Value adjustments to loans and provisions for guarantees and commitments net of writebacks and provisions for possible loan losses	-203.337	-460.060	-55,8%	-618	-68.655
Profit from operations	583.185	286.595	+103,5%	178.761	249.121
Extraordinary profit (loss)	97.537	42.096	+131,7%	59.720	-5.802
Pre-tax profit	680.722	328.691	+107,1%	238.481	243.319
Change in reserve for general banking risks		118.850	-100,0%		120.000
Income taxes	-262.551	-140.543	+86,8%	48.456	-72.300
Group and minority shareholders' net profit for the year	418.171	306.998	+36,2%		
Minority shareholders' net profit	-28.022	-4.304			
Net profit for the year before the amortization of goodwill	390.149	302.694	+28,9%		
Value adjustments on positive consolidation and equity differences	-100.026	-102.624	-2,5%		
Net profit for the year	290.123	200.070	+45,0%	286.937	291.019

Glossary

Added value

Wealth produced by the company during the accounting period, calculated as the difference between gross production and the consumption of goods and services.

Affluent

Literally "rich" – identifies a private customer category with considerable capital.

Asset Management

Activities for the management of investments, normally referring to financial investments.

Banking Ombudsman

Collective body promoted by the ABI (Italian Bankers' Association) set up in 1993 with the task of settling, by resorting to determinate conditions, the disputes between banks and customers, of a value of up to Euro 10,000 (Euro 50,000 for cross-border cash transfers), not settled by the banks' claims departments.

Basel2

This is the new international agreement on the capital requirements of banks, which introduces more precise and discriminating criteria for the definition of the capital which the Bank must possess in relation to the risks undertaken, in particular deriving from lending transactions.

Blue Chip

Shares of companies listed on the Stock Exchange with capitalization of more than Euro 800 million.

Bond

Debt securities issued by private or public issuers.

CBI

Corporate Interbank Banking – conceived in 1995, it is a remote banking service (see item) which allows the companies to work directly, via their own computer, with all the banks with whom they have dealings.

Code of Self-governance of Listed Companies

Otherwise known as the Preda Code, drawn up in 1999 upon the initiative of Borsa Italiana Spa, it contains a series of standards relating to the best

corporate governance practices which listed companies adhere to exclusively on a voluntary basis.

Compound interest

This is the capitalization of interest on principal in order to render it in turn productive of other interest, or more simply it is the calculation of the interest on interest; the quarterly capitalization of interest income with regards to customers has been recognized within the procedures of the banks, against the annual capitalization of interest expense.

Conference Call

Within the context of the dealings with investors, this indicates the telephone conference during which the management of a company illustrates the operating results at the time of the quarterly reports or the annual financial statements.

Consumer Finance

Financing products and services targeted at private customers.

Co-ordinator

Term used by BPU Banca in order to indicate, in the framework of the new distribution set-up, the individual tasked with the implementation of the commercial initiatives on the network; the co-ordinator provides the operators with specialist support for the sale and placement of new products.

Corporate banking

Screen-based connection via Internet, through which the companies can impart instructions and receive information relating to their banking relationships.

Corporate Governance

An array of processes and instruments for the governance of a company.

Corporate Market

Market relating to medium to large size companies.

COSO (Committee of Sponsoring Organizations of the Treadway Commission)

Independent organization, set up in 1985 in the USA, whose purpose is the improvement of the quality of the financial information, by means of business ethics, efficiency of the internal controls and corporate governance.

CRM (Customer Relationship Management)

Management model for commercial relations aimed at creating value for the customers and for companies based on in-depth knowledge of each customer.

Customer Insight

An array of instruments and activities which, based on an extensive and detailed data base, make it possible to enable an in-depth comprehension of the preferences, requirements and needs of the customers, in order to identify growth opportunities and commercial initiatives to be proposed to the distribution networks.

Customer Interaction

An array of instruments and activities which allow the distribution networks to plan and manage the relationships, appreciate the commercial results and at the same time contribute towards enhancing the wealth of information which can be accessed by Customer Insight.

Customer Satisfaction

Quality-focused behaviour implemented by means of an array of techniques and parameters aimed at ascertaining the degree of customer satisfaction, concerning the individual products and services and the relationship in its entirety.

E.Capital Partners

An independent Italian consulting firm, leader in the formulation of selection methods for the companies to be included within the ethical indexes.

ETF (Exchange Traded Fund)

Financial product representative of a share portfolio, designed so as to follow the trend of a global or sector-based reference index; it is similar to the mutual investment funds, except for the fact that it is listed on the stockmarkets and therefore can be purchased or sold in real time.

Ethical Code

Charter of the rights and the fundamental moral duties by which the company defines and publicly commits to observing its own corporate and ethical responsibilities vis-à-vis the various stakeholders.

Euro Ethical Index

This is an index made up of around 150 selected shares, according to the Ethical Selection method

of E. Capital Partners SpA, one of the leading companies in the Euro area countries (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Holland, Portugal, Spain) plus the UK, Sweden, Norway, Denmark and Switzerland.

€ Ethical Index

It is an index selected according to the above method, but exclusively includes shares listed in Euro area countries.

European Agency of Investment Standard Ethics

Independent agency, with registered offices in Brussels, which assesses nations and listed companies in relation to the ethical principles furthered by the large international organizations (UN, OECD and the EU).

Global Compact

Voluntary initiative launched in 2000 by the United Nations, which requires the companies to commit themselves to fostering the observance, as part of their activities, of the ten universal principles in the field of human rights, workers rights, the protection of the environment and against corruption.

Hedge Fund

Funds governed by specific laws, not subject to restrictions concerning the subject matter of the investment; they can depart from the restrictions of a general nature and from the prudent norms fixed for the other funds and they therefore feature an elevated risk-return profile; the minimum initial subscription must be no less than Euro 500,000 and the offer of the units cannot be subject to investment solicitation.

Home Banking

Screen-based connection, set up via Internet, by means of which private customers can give instructions and avail of information relating to their banking dealings.

Independent Director

A non-executive director who satisfies the following requirements:

- does not have economic dealings with the Bank, its subsidiary companies, or with the executive directors, of such a significance that they would influence the independence of judgement;

- is not the holder of equity investments of such a size that they would permit the control of, or significant influence over, the Bank;
- is not a close family relation of the Bank's executive directors.

Internal Dealing

Purchase and sale transactions on listed securities of the company, carried out by its directors, statutory auditors or other "significant individuals", or by individuals who in relation to their role have access to privileged information.

Internal Dealing Code

The Code is intended to discipline the disclosure obligations concerning transactions carried out for any purposes by the significant individuals of a company (directors, statutory auditors, general managers, as well as any other party who has access, by virtue of the office covered, to significant information) on listed financial instruments issued by said company or by its subsidiaries.

Intranet

Internet network with access reserved for the company's staff.

Investment Banking

Banking activities carried out mainly in the area of pure brokerage (organization of security placements, search for lending counterparts, portfolio management for end, private and institutional investors) and advisory services for businesses (merger and acquisition transactions).

Loyalty

Within the commercial sphere, the term indicates the loyalty of the customer.

Manager

Term used by BPU Banca in order to indicate, in the framework of the new distribution set-up, the party in charge of the development of the relationship with the customers and the acquisition of new customers, in agreement with the objectives defined by the new distribution set-up and in tune with the policies of the branch manager.

Market-Place

The "virtual" market, created by means of a technological infrastructure which permits the various operators to interact via Internet.

Mass

Within the sphere of the retail market (see item), it identifies the category of the most numerous private customers of a Bank.

MSCI Italia

Index representative of the trend of a portfolio made up of the leading shares quoted on the Italian market; the weight of the securities is calculated on the basis of the respective correct capitalization for the stocks on the market; the index is calculated by Morgan Stanley Capital International Inc.

Non-executive director

A Director lacking powers of attorney granted on a permanent basis by the Board, i.e. without management functions within the Bank.

Nova Spes

International foundation which for over twenty years has operated for the promotion of the overall growth of the individual and the business.

Onlus

Non-profit making organization for community/social work.

Panathlon International

Non-profit making association, which pursues the affirmation of the sporting ideal and its moral values as a means of solidarity between men and the people; for this purpose, it fosters friendship among those who operate in sporting circles, boosting the awareness, study and disclosure of sporting problems.

POE

Market segment of small businesses: cottage industries, traders and professionals.

Private Equity

Investment activities in the risk capital of unlisted companies, typically small and medium sized.

Private Market

Market made up of private customers with important capital.

Public Company

Joint-stock companies listed on the stock market, characterized by a diffuse shareholding structure and the absence of controlling bodies capable of

exercising a dominant influence over it.

Rating

Valuation of the credit worthiness of a counterpart granted credit or to be granted credit lines, carried out by the company granting the credit or by independent specialized companies, by means of the quantification of the default risk.

Remote Banking

Screen-based connection, set up via Internet, by means of which companies can give instructions and avail of information relating to their banking dealings.

Retail Market

It identifies the majority of the families and small businesses.

Revolving Card

A credit card which makes a sum available to the customer, equivalent to the line of credit agreed, which can be used on one or more occasions, and whose availability is re-established automatically as a result of the sum total of the repayments made.

Roadshow

Series of encounters with institutional investors, which take place in international financial markets.

ROE

Return on Equity – balance sheet ratios which express the relationship between the net profit for the year and the shareholders' equity and is therefore used in order to evaluate the profitability of a business for its shareholders.

S&P Mib

Share index representative of the Italian market; it does not have a fixed number of components and the securities which make it up are selected on the basis of three criteria: stock on the market, liquidity and representation of the main market sectors; the index is developed, calculated, managed and distributed by Standard & Poor's Inc.

Small Business

Market segment represented by small companies.

Social Responsibility

In reference to a company, it is the voluntary integration of the social and ecological concerns pertai-

ning to commercial transactions and relations with stakeholders (see item).

Structured Bonds

The term indicates products which are the sum total of several financial instruments sold together; they reach considerable levels of complexity and can therefore be difficult for the general public to comprehend.

Stakeholder

Individuals or groups, bearers of specific interest with regards to a company or because they depend on the latter for the achievement of their objectives or because they suffer the external positive and negative effects of its activities in a significant manner for their well-being.

Supervisor

Term used by BPU Banca in order to indicate, within the framework of the new distribution set-up, the party tasked with the activation of the commercial action throughout the area where the Bank operates.

Trading On Line

Securities purchase/sale activities via Internet on organized markets.

Trust

"Safe" company, replenished by means of the conferral by a party of their assets, so that they are managed under trust for the benefit of other parties indicated by the grantor.

We value our customers' opinions on this document
and would welcome any suggestions, comments, criticism or appreciation.

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