

Social Report 2003

In 2003 we saw the emergence in our country of situations which have their roots in the weakness or absence of moral principles on the part of some business men and managers.

We have seen that at times the duties and inspections that listed companies are required to perform can be insufficient in an increasingly globalised economic context characterised by increasingly more complex financial systems.

The importance of recovering a strong sense of moral ethics as a basis for business activity therefore emerges.

I find very relevant the exhortation by Cardinal Tettamanzi to *“transform financial activity from simple economic exchange designed to increase short term profits to the maximum into a network of relationships designed for humankind, in which financial exchange is just a means”*.

I firmly believe this exhortation is worth to be followed, with a daily effort to build with every interlocutor a long-lasting relationship based on shared ethical values.

In this perspective the social report also becomes an important instrument to affirm the values that guide our business mission and to understand how it is interpreted in making management decisions.

A report that speaks to society as well as to shareholders. A moment for examination and reflection in order to continue to improve.

Emilio Zanetti
Chairman BPU Banca



CORPORATE IDENTITY

The BPU Banca Group	6
History	9
Values and mission	12
Heritage of people, resources and relations	14
The integration industrial plan	20
The branch network	26
The financial product companies	30

FINANCIAL REPORT

The balance sheet	34
The profit and loss account	36
Value added	38

STAKEHOLDERS' REPORT

The staff	42
The registered shareholders and other shareholders	50
The customers	55
Society	60

ANNEXES

Methodological note	68
Glossary	69

C O R P O R A T E I D E N T I T Y

We are a new alliance of banks | rich in
history and rooted in the community | with a
mission based on shared values | and a great
heritage of people, resources and relations. |

We are implementing a model for the group
which develops complementary relations and
synergies between | branch networks
focused on market segments | and financial
product companies which specialise in specific
sectors.

We are a new alliance of banks...

The Italian banking world has experienced an important phase of reorganisation in recent years, characterised by mergers and acquisitions in search of the increased size that will allow operators to attain strong competitive and sustainable positions not just in Italy but also to stand up to the increasingly sharp competition from businesses in the European market.

Size is not an objective in itself but, combined with efficient models of organisation, it is a means of favouring the formation of enterprises that are: sounder because they can diversify risks; more efficient because of the economies of scale that they can generate working with larger business volumes; and more effective because they can profit from technological developments and financial innovation.

The merger between the Banca Popolare di Bergamo - Credito Varesino Group and the Banca Popolare e Industria Group was the last large operation performed in Italy in 2003. It created a group of significant dimensions on the domestic banking scene, the sixth largest group in terms of branches and the seventh largest in terms of deposits and

numbers of employees, the largest of the 'popular' banks capable of acting as a pole of attraction for other banking realities.

Global thinking  **Local action**

With our size as a group and the integration of companies specialising in different business areas, we have the resources and the skills to operate effectively on all markets and to offer you a full range of excellent products and services in terms of quality and price.

Our banks have acquired a deep knowledge of the local areas in which they work thanks to their heritage of business relations constructed over the years and an uncommon capacity to understand, act and communicate. They are therefore able to offer families and businesses those Group products and services best suited to meet their specific requirements.

BPU >< banca
BANCHE POPOLARI UNITE

 **Banca Popolare Commercio e Industria**

BANCA POPOLARE DI BERGAMO

 **BANCA CARIME**

 **Banca Popolare di Ancona**

 **CARIFANO**

 **BANCA POPOLARE DI TODI**

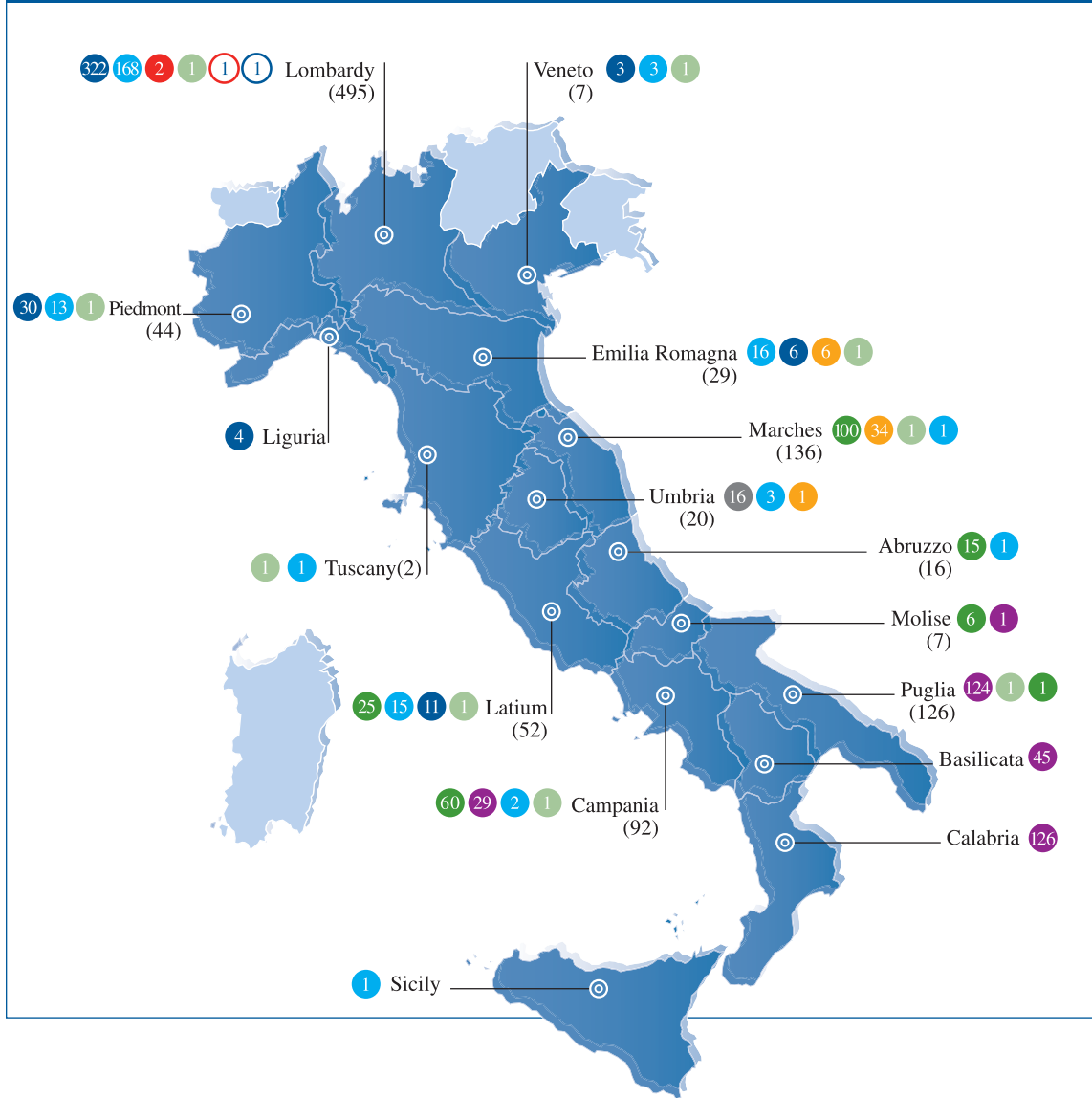
The principal companies in the Group

Network banks and Financial Advisers Staff 13,608 Financial advisers 388 Customers 2.6 m Current accounts 1.8 m Savings deposit acct. 1.1 m	Banche Popolari Unite Srl (Parent Bank)	Banca Popolare di Bergamo Spa (100%)	Banca Popolare Commercio e Industria Spa (100%)
	Banca Carime Spa (68.54%)	Banca Popolare di Ancona Spa (94.68%)	Cassa di Risparmio di Fano Spa (99.92%)
	Banca Popolare di Todi Spa (98.09%)	BPU Sim Spa (100%)	
Investment Banking Staff 341 17 private equity operations in 2003 € 89.8 m Assisted loans negotiated in 2003 € 589 m	Centrobanca Spa (93.87%) (*)	Finanzattiva Sim Spa (100%) (**)	Centrobanca Sviluppo Impresa Sgr Spa (100%)
	Centrobanca Studio Finanziario Spa (100%)	Investimenti Piccole Imprese Spa (97.06%) (*)	
Asset Management Staff 74 Funds/Portfolio lines/Funds of funds 23/12/11 Assets under management € 13.2 b Group assets under management € 23.5 b	BPU Prumerica Sgr Spa (65%) (*)		
Insurance and Brokerage Staff 357 Gross premiums in life sector 2003 € 750 m Gross premiums non life sector 2003 € 221 m	BPB Assicurazioni Spa (non life) (100%)	BPB Assicurazioni Vita Spa (100%)	Aviva Vita Spa (50%)
	Assifit Spa (90.025%) (*)	BPU Mediazioni Assicurative Srl (88%)	
Leasing Staff 113 700 property contracts in 2003 € 642 m 5,291 automobile contracts in 2003 € 181 m 3,339 plant and equipment contracts in 2003 € 289 m	BPU Leasing Spa (100%)	Esaleasing Spa (99.80%) (*)	ABF Leasing Spa (50%)
Consumer Finance Staff 30 4,277 mortgage loans in 2003 € 450 m 6,086 personal loans in 2003 € 79 m	B@nca 24-7 Spa (100%)		
Services Staff 363 Coralix Customers 4,800 Local tax collection Contracts 827 Trustee mandates 1,829	Mercato Impresa Spa (Coralix) (100%)	Bergamo Esattorie Spa (100%)	Ancona Tributi Spa (100%) (*)
	Plurifid Spa (100%)		
Real estate Staff 41 Book value € 1,051 m	BPB Immobiliare Srl (100%)	Immobiliare Serico Srl (100%)	
Other banks and Finance companies Staff 271	Banque de Dépôts et de Gestion Sa (100%) Switzerland	BPU Banca International Sa (100%) (*) Luxembourg	
	BPU International Finance PLC (100%) Ireland	BPU Trust Company Ltd (99.998%) Jersey	

(*) Total Group interest held.

(**) Amalgamated into Centrobanca in 2004.

Geographical presence of the Group



GRUPPO BPU <banca

Branches in Italy	1,202
BPU Banca Scrl	2
Banca Popolare di Bergamo Spa	376
Banca Popolare Commercio e Industria Spa	224
Banca Popolare di Ancona Spa	207
Cassa di Risparmio di Fano Spa	41
Banca Popolare di Todì Spa	16
Banca Carime Spa	325
Centrobanca Spa	9
B@nca 24-7 Spa	1
IW Bank Spa	1

Branches abroad 5

- Banca Popolare di Bergamo Spa**
Munich (Germany)
- Banque de Dépôts et de Gestion Sa (Switzerland)**
Lausanne, Lugano, Neuchâtel, Mendrisio

International presence

- BPU International Finance Plc**
Dublin (Ireland)
- BPU Banca International Sa**
Luxembourg
- BPU Trust Co. Ltd**
Jersey

Representative offices

- Singapore, Hong Kong, Sao Paolo (Brasil), London

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rich in history and rooted in the community...

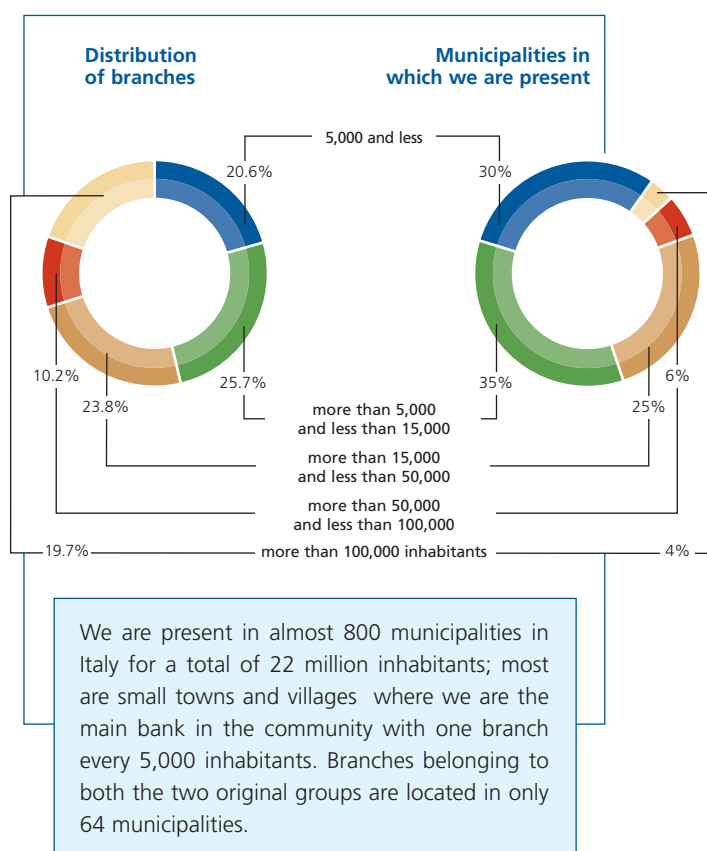
The two original banking groups played very complementary roles in the country as a whole and were therefore able to combine their forces and create maximum value from their assets of professionalism and the business relations of each individual branch and the existing complementary roles. The branches of the new group are evenly distributed between northern and southern Italy, with a strong concentration in Lombardy and particularly large market quotas in Varese and Bergamo and a strong presence down the Adriatic.

We are present in all regions with banks that were born there and which have developed by either gradually opening new branches or merging with other local banks: Banca Popolare Commercio e Industria and Banca Popolare di Bergamo are concentrated above all in Lombardy; Banca Popolare di Ancona and its subsidiary undertakings, Cassa di Risparmio di Fano and Banca Popolare di Todi are located mainly in the Marches region along the Adriatic and in Naples; Banca Carime is located in Calabria, Puglia, Basilicata and the Salerno area. We have achieved a high market quota in our provinces of origin and such a numerous presence that even the smallest communities can count on our services.

Our roots

	NUMBER OF BRANCHES	MARKET SHARE	POPULATION RATIO*
NORTH	579	3.3%	22.5
- Milan	150	6.4%	40.3
- Bergamo	142	22.5%	143.9
- Varese	115	26.9%	140.4
- Turin	15	1.4%	6.9
CENTRE	210	3.1%	17.1
- Pesaro	52	18.9%	146.5
- Ancona	43	13.5%	95.1
- Perugia	17	4.2%	27.7
SOUTH	413	6.8%	21.4
- Cosenza	58	30.9%	79.1
- Bari	57	10.1%	36.4
- Naples	42	5.4%	13.7
- Salerno	30	8.9%	27.9

* Number of Group branches per million inhabitants
(Source: ISTAT resident population at 31.12.2002)



BANCA POPOLARE DI BERGAMO

GRUPPO BPU <banca

This new joint stock company inherited the heritage and branch network of the co-operative bank Banca Popolare di Bergamo-Credito Varesino which was founded in 1869 as Banca Mutua Popolare della Città e Provincia di Bergamo. It changed its name in 1992 when it amalgamated Credito Varesino (founded in 1898) and became the largest 'popular' bank listed on the main market of the Milan stock exchange. Its history is one of successes, growth and uninterrupted expansion in which it has anticipated market trends, as in the late 1980's early 1990's when it entered the insurance sector with BPB Assicurazioni and BPB Assicurazioni Vita and the leasing sector with BPB Leasing (now BPU Leasing). The Banca Popolare di Bergamo-CV Group was formed in 1996 with the acquisition of Banca Popolare di Ancona and Banca Brignone (subsequently

amalgamated). This was a multifunctional group operating in a broad range of areas: private banking with the Swiss Banque de Dépôts et de Gestion (1994); corporate finance with Centrobanca (2000); e-banking with B@nca 24-7; financial advisory and trading services with BPB SIM (now BPU SIM) and Finanzattiva SIM (2000); asset management with Finanzattiva SGR (2000), which became BPB Prumerica Global Investments SGR (now BPU Prumerica SGR) in 2002 with the entrance of the US financial giant Prudential International Investments Corporation as a partner.

c.B.I. Banca Popolare Commercio e Industria
GRUPPO BPU ><banca

Also formed on 1st July 2003, it gives new vitality to the tradition of two co-operative banks, the Banca Popolare di Luino e Varese, an important local bank formed in 1885 and the Banca Popolare Commercio e Industria, which transferred their networks of branches to it. A Milanese bank founded in 1888, Banca Popolare Commercio e Industria was formed as the result of the initiative of 77 businessmen and shopkeepers operating in the silk industry with the name *Società Anonima Cooperativa per la Stagionatura e l'Assaggio delle Sete e Affini* (Co-operative partnership for the silk industry) to provide services for the marketing of silk. Later it broadened its original activities with new products of a financial character and in 1941 it became to all effects and purposes a credit institution providing short term loans as part of the 'popular' co-operative banking movement which contributes so much to the social and economic development of hard working local communities. It changed its name to that of today in 1951 and a history of acquisitions and amalgamations began which led to the birth of the Banca Popolare Commercio e Industria Banking Group in 1996 when it gained control of Banca Popolare di Luino e Varese. The Group strengthened its corporate finance and international private banking in 1998 by forming Banca Popolare Commercio e Industria International in

Luxembourg. The purchase of a controlling interest in Banca Carime in 2001 was a decisive leap in terms of growth in size and geographical expansion.



Banca Carime has its roots deep in the history of the unification of Italy: it was formed from the merger of three banks: Cassa di Risparmio di Calabria e Lucania (Carical) founded at Cosenza in 1861, Cassa di Risparmio di Puglia founded in Bari in 1949 and Cassa di Risparmio Salernitana founded in Salerno in 1956, all of which belonged to the Cariplo Group which then became part of the Intesa Group. It experienced a number of important mergers and reorganisations before it became a member of the BPCI Group in 2001 from which it then entered the BPU Group. Today it is a network bank which covers southern Italy through a constant process of growth and consolidation of its positions. The south is a very varied socio-economic reality and Carime is in a strong position there because it was formed by a merger of three banks with roots in structurally different areas with a substantial presence in many provinces. It is therefore ready to grasp and stimulate specific growth potential in each area by selectively increasing Group lending and by encouraging the take up of subsidised loans provided by the Government and the European Community.



It was founded in 1891 under the name Banca Cooperativa di Jesi by 32 citizens from various walks of life, shopkeepers and tradesmen. It flourished initially as part of the "little Milan of the Marches" and grew over the years, always faithful to its mission of supporting the growth of local economies, and amalgamated numerous other 'popular' banks and co-operatives from the

Marches and Campania regions. Its last expansion operation consisted of the purchase of 10 branches in the province of Naples from San Paolo IMI in 2002. In 1995, it anticipated the era of mergers in the Italian banking system and transformed itself into a joint stock company to become part of the Banca Popolare di Bergamo-CV Group together with its subsidiary undertakings, Banca Popolare di Todi and Cassa di Risparmio di Fano. It was therefore able to gain access to the huge resources required to continue its policy of growth in central and southern Italy combining its deep roots in local communities with the opportunities offered by the resources of the Group.



This bank was founded in 1843 by 62 citizens at the exhortation of the Gonfaloniere (standard bearer) of the Community of Fano and with the sovereign approval of the regulations by Pope Gregory XVI. In continuous and rapid expansion, in 1992 it implemented the Amato Law and gave rise to two distinct entities: the Fondazione Cassa di Risparmio di Fano which pursues public interest and socially useful objectives and Carifano S.p.A., which initially had the foundation as its only shareholder. The Bank soon privatised and in 1997 was acquired by the Banca Popolare di Ancona, with which it shared the mission of deepening the roots of the Banca Popolare di Bergamo-CV in central Italy.



This bank has enjoyed constant growth in harmony with the local area in which it is set in the provinces of Umbria as far back as 1882, the year in which it was founded. Its constant renewal led to its transformation into a joint stock company in 1996 when it became a member of the

Banca Popolare di Bergamo-CV Group under the control of the Banca Popolare di Ancona. This decision provided the best possible solution to its need to combine a local community policy with efficiency to continue to provide one of the most valid points of reference in the social and economic fabric of the region.



As part of its process of diversifying its channels of contact with customers, in 1997 the BPB-CV Group added a network of financial advisers to its distribution network. They are experienced professionals that specialise in the sale of financial products at the service of customers. Their work takes them outside the physical premises of branches and outside normal opening hours. And that is how BPB SIM was born, which then changed its name to BPU SIM. It has almost 400 financial advisers which work in conjunction with the network banks to distribute the asset management and insurance and pension financial products and services supplied by the Group's financial product companies.



Carifano sponsors an important event in local folklore: the carnival.

with a mission based on shared values...

We formed the BPU Banca Group in order to develop the potential and growth prospects of the two groups from which it was created. With the dimensions we have attained, we are more competitive in the areas in which we operate and we are better able to create value from the complementary relationship between the network banks and the financial product and services companies.

Our mission, which has been pursued by all our banks in the course of their history, is renewed in the new group with greater impetus and resources. Being a 'popular bank' means being closely integrated in the social and economic life of the community and working hard to encourage and sustain its development. Each of our banks has developed deep roots in the community over the years, banks that know local realities well and that are well known in them. They are therefore able, in the business world, to improve the many economies present in each individual area and help solve diseconomies, while in the social sphere they are able to understand and support the positive forces that make the communities in which they live grow. Mutual knowledge gives rise

to a climate of respect and trust which encourages stable and lasting relationships.

In order to achieve our mission, we have to be efficient and able to create long term value. We must meet the rightful expectations of all those "parties interested" in and by our activities, our stakeholders, and maintain a strong sense of responsibility for the role we are called upon to play in society as financial intermediaries. It is a difficult role that can either bring important benefits to the community or do serious harm, depending on the behaviour of those persons who manage and work in businesses.

Each person throughout the BPU Banca Group is always required to act above all on the basis of solid moral values and principles of behaviour; universal values and principles which we recognise in the Nova Spes Charter of Values and in the principles of the Global Compact and which emerge from both the Charter of Values of the ex BPB-CV Group and the Ethical Code of the ex BPCI Group as a common denominator of the various histories and cultures currently being integrated.

Serve families responsibly Nourish the growth of enterprises effectively

It is the task of our banks, teams of financial advisers and companies that specialise in asset management, consumer credit and insurance, to provide individuals and families with products and services appropriate to their effective ability to save and to spend or need to invest and to protect against risks.

We select ideas and projects deserving of support and we help enterprises in the areas in which we operate to grow in a healthy and balanced manner; the services of our companies operating in leasing, financial advice, investment, online distribution and electronic commerce are also committed to this task.

Our professional ethics are based on these values and principles and we are formulating rules of behaviour which go beyond mere observance of the law and codes of conduct that we have signed. This planning activity had already started at top management level when the merger operation was being hammered out and is now seeping further and further down to involve the whole group. It started with the executive officers of the Parent Bank and of its subsidiary undertakings and will result in a Charter of Values for the BPU Banca Group which is a true expression of the corporate culture of the new group, a necessary condition for the quality and the effectiveness of the industrial merger plan itself.

Global Compact Principles

In the human rights field

1. support and respect human rights in their sphere of influence
2. make sure that you are not complicit in human rights abuses

Labour Standards

3. uphold the freedom of association and the effective recognition of the right to collective bargaining
4. ensure they do not use forced and compulsory labour
5. do not employ child labour
6. eliminate all forms of discrimination in respect of employment and occupation policies

In favour of the environment

7. a precautionary approach to environmental challenges
8. undertake initiatives to promote greater environmental responsibility
9. encourage the development and diffusion of environmentally friendly technologies that do not damage the environment

The Nova Spes Charter of Values for Enterprises

1. **centrality of the person**, respect of his/her physical and cultural integrity and respect of values in relations with others
2. **the value of human resources** through professional career paths and participation in the objectives of the enterprise
3. **respect and conservation of the environment**
4. **attention to the needs and legitimate expectations of internal and outside associates** to improve the sense of belonging and the degree of satisfaction
5. **reliability of management systems and procedures** for maximum safety of workers, the community and the environment
6. **efficiency, effectiveness and economy in management systems** to constantly increase profitability and competitiveness of the enterprise
7. **constant commitment to research and development** in all areas to favour and pursue – in the pursuit of strategic plans – the maximum degree of innovation
8. **correctness and transparency in management systems** in compliance with rules and regulations in force with regard to figures within and outside the enterprise
9. **relations with society** and its representatives for participatory dialogue to exchange information and enrich society with the aim of improving the quality of life

No to arms

In observance of the ethical principles declared, we have adopted for ourselves the choice of the ex BPB-CV Group which resolved in 2002 to abstain “once and for all from the provision of all banking and financial services relating directly to operations connected with the export, import and transit of armament materials”.

and a great heritage of people, resources and relations.

The staff: heritage of values, skills and knowledge

With the merger of the Banca Popolare di Bergamo-CV and Banca Popolare Commercio e Industria, BPU Banca became a large reality which relies on the daily work of more than 15,000 people. Part of the group integration process involves gradual staff reductions of 993 employees with an early retirement incentive scheme coupled with initiatives for employing new young people.

As the old generation gives way to the new and with the great organisational changes of group integration underway, we are committed to preserving the heritage of values, skills and knowledge present in individual banks, but at the same time we want to construct a sense of belonging which goes beyond individual boundaries and create a single corporate culture in the new group which produces behaviour that is always consistent with our common heritage of values at all levels and in all contexts.

Staff by category

	WOMEN	MEN	GROUP TOTAL	PARENT BANK	NETWORK BANKS*
Senior executives	20	249	269	96	114
Management	857	4,430	5,287	708	4,152
Professional areas	3,710	5,932	9,642	1,182	7,356
TOTALE STAFF	4,587	10,611	15,198	1,986	11,622

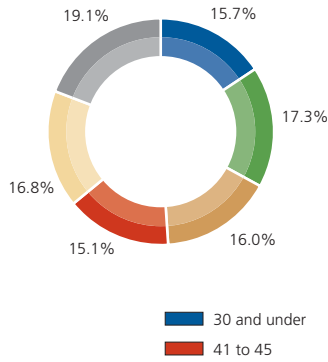
* including BPU SIM employees

BPU Banca Group provides work for a total of almost 15,800 people, including the financial advisers of BPU SIM (388), temporary staff to support extraordinary activities to centralise operations (103), person involved in on-the-job training schemes "in the field" (25) and outside consultants to cover temporary specialist needs (39).

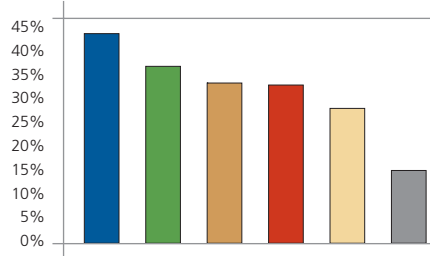


The Todi Art Festival is an example of the lively cultural activity which enhances life in small ancient towns. The Banca Popolare di Todi has supported this event for many years.

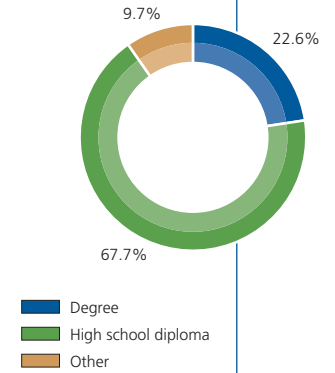
Distribution of staff by age



The female component



Composition by educational qualification

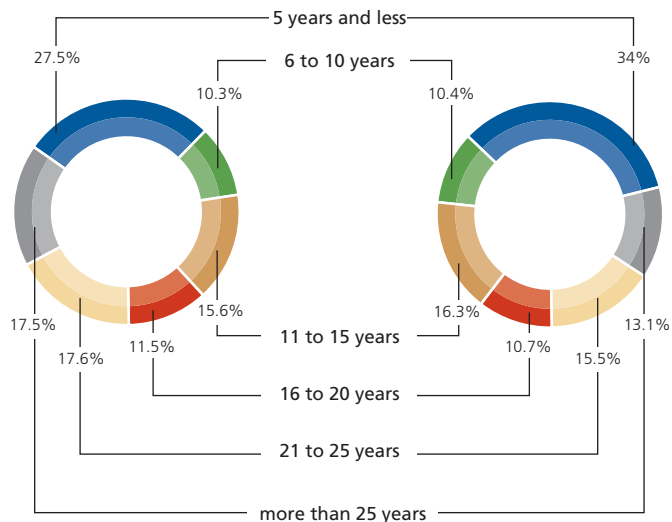


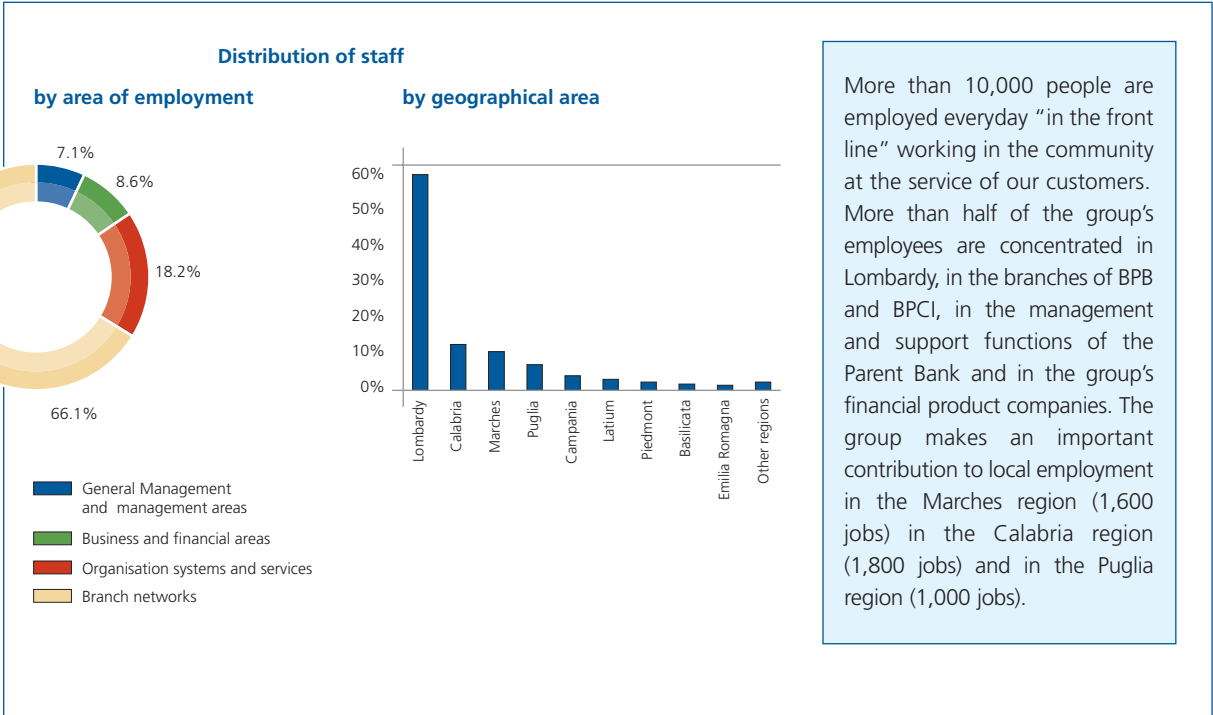
The balance in the composition of staff in terms of age groups ensures the best combination of experience and enthusiasm, consolidated experience and new professional skills. The average age is lower in the northern banks (39 at BPB and BPCI), while it is close to 48 at Carime.

The female presence is greater among younger staff even at the highest levels (11 executives out of 4 are women in the 31 to 35 age group) and for those with degrees (29% of women have a degree compared to 20% of men).

With an average length of service of 10 years BPCI is the bank with the highest turnover of staff. At the opposite extreme we find Carime with an average length of service of almost 22 years. Length of service among women is lower than for men (only 13% of women have been with the bank for more than 25 years compared to 19% for men), while for the shortest length of service women account for 34% of recent appointments (compared to 25% for men).

Distribution of staff by length of service





The registered shareholders and other shareholders: the primary supporters of our business plan

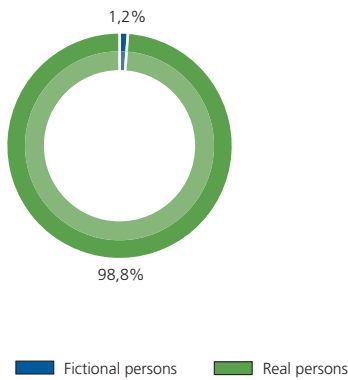
More than 152,000 shareholders, 75,000 of which are registered shareholders (members), support BPU Banca with their investment. The very large majority are individual retail investors, although the presence of institutional investors is growing. Together they hold 318.8 thousand shares accounting for share capital of 637.6 million euro, to which reserves of 2,834.4 million euro are to be added to give shareholders' funds of 3,472.0 million euro (not including profit for the year).

It is our commitment for the future to broaden our membership base so that we are better represented in all the geographical areas in which we operate with our banks, and to increase the proportion of institutional investors that believe in our development plans and invest in our bank with a medium to long term view.

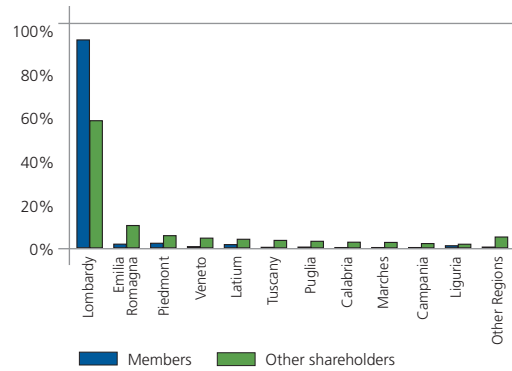


The Courtyard of Silk, a symbol of the historical identity of the Banca Popolare Commercio e Industria, is host to numerous events open to the public during each year.

Members by juridical status

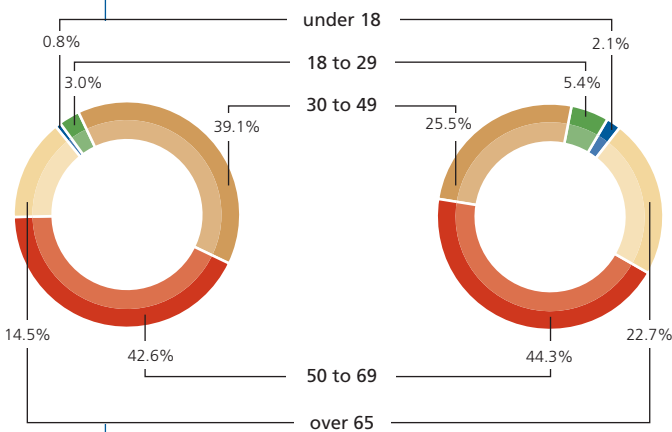


Geographical distribution of members and other shareholders

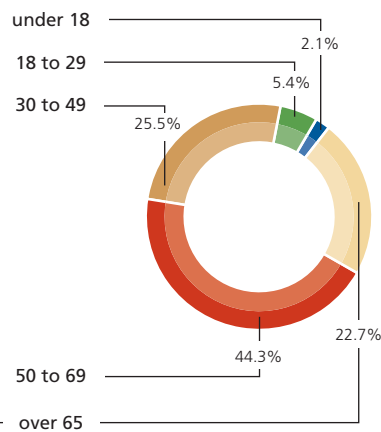


Ninety nine percent of our members and shareholders are individuals. Co-operative members are heavily concentrated in Lombardy (92%) while the overall distribution of shareholders is more varied (25% are resident in other regions of Italy). A significant number of our shares, close to 15%, are held abroad.

Shareholders by age



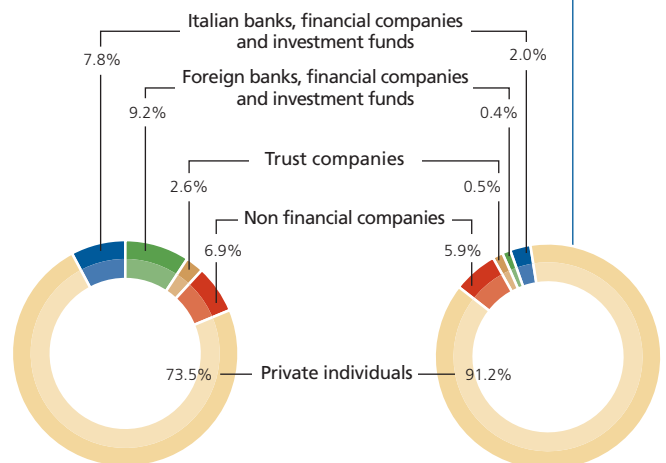
Members by age



People of all ages invest in our shares. More than half the shareholders and almost 70% of the members are more than 50 years of age. The large majority of these members are bearers of the value of long lasting relationships with the co-operatives Banca Popolare di Bergamo-CV, Banca Popolare Commercio e Industria and Banca Popolare di Luino e Varese in BPU Banca.

The composition of the share capital

total of members



Most of our members (75%) are small investors with less than 1,000 shares each, with an average investment of 4,500 euro. Institutional investors make a significant contribution to the share capital: 17% of the shares are held by more than 400 financial institutions, and 54% of these are foreign.

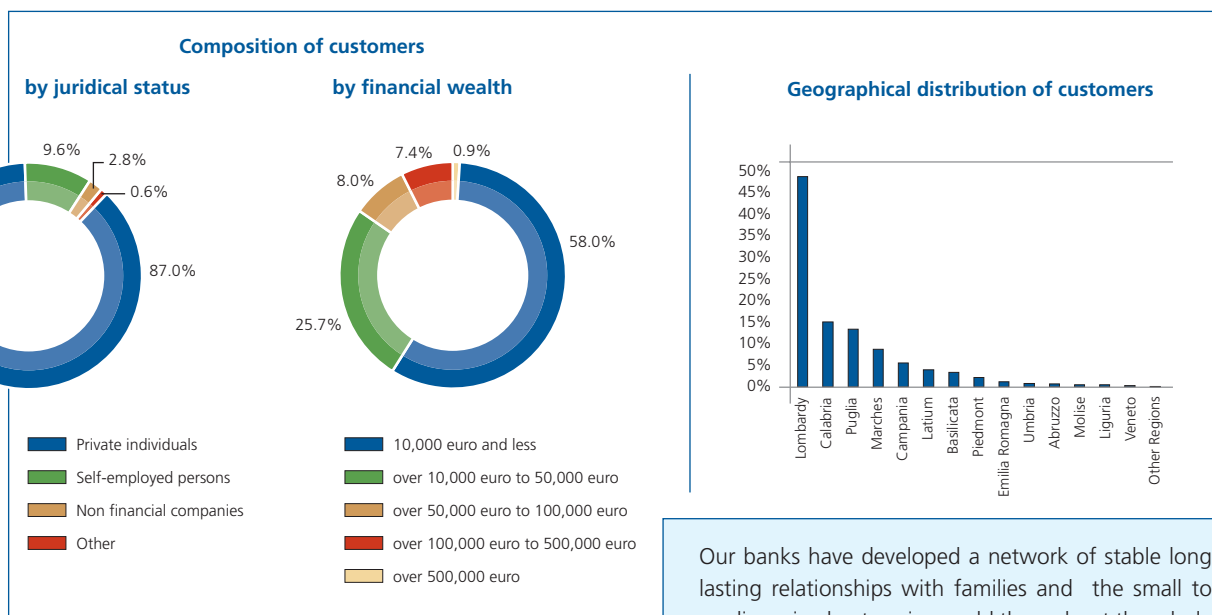
Our customers: heritage of relationships

According to the last ISTAT (Italian national statistics office) census, 5% of the population of Italy, from the newly born to those over one hundred years old, have business dealings with the Group.

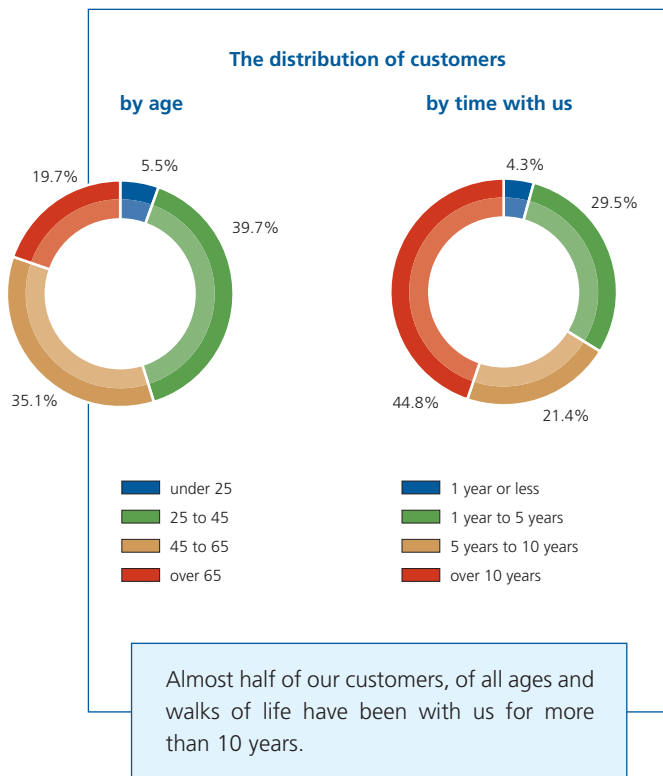
One person in 7 in the Lombardy, Marches and Basilicata regions, one in 6 in Calabria, the regions in which we originated, works for, borrows from or invests in our banks, appreciates the value of our

work and stimulates us to constantly improve.

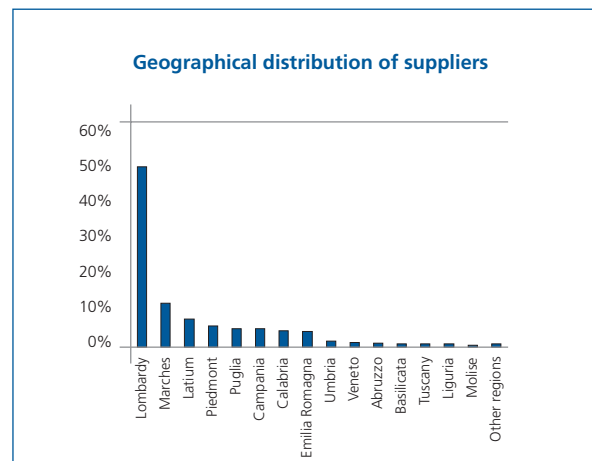
With 2.6 million customers and 15 thousand suppliers, we have the numbers of a large national bank but we have chosen to conserve and value this heritage of relationships keeping the strong identity and role of our local banks, with a federal scheme and a co-operative parent bank which gives the advantages of both the small and local and of large scale dimensions.



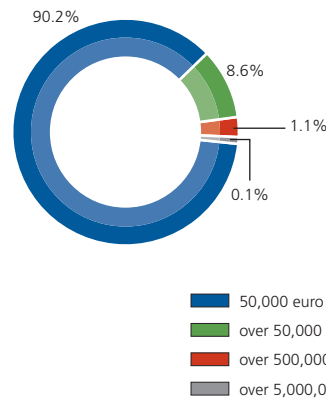
Exhibitions open to the public are often put on in the Cloisters of Santa Maria, the architectural heart of the headquarters of Banca Popolare di Bergamo.



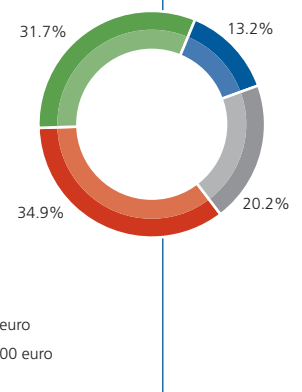
Careful selection of reliable suppliers who guarantee constant quality and efficiency is therefore fundamental to ensuring the high standards of operations throughout the group.



Distribution of suppliers by volume of purchases



Composition of purchases by amount



The amount of individual purchases varies greatly from large investments for millions of euros to small supplies of goods and services for daily business activities. We have selected our suppliers carefully giving priority, where possible, to local suppliers that operate in the communities where our banks are located.

Our Suppliers: they contribute quality and efficiency

In the financial intermediary industry which constitutes the main component of banking business, customers play a dual role of those who supply funds (deposits or funding) and those who use them (lending) and the supplier cannot be identified separately. In our case then, and also for all other services, we have achieved strong vertical integration of processes and products through the structure of the group.

As a consequence, recourse to the purchase of goods and services on the market is limited to administrative processes and maintenance of structures. We are talking, nevertheless, about 15,000 suppliers which generate a far from negligible amount of business, a volume of purchases which touched 500 million euro in 2003 for current expenses and 68 million euro in investments.

We are implementing a model for the group which develops complementary relations and synergies...

For us, the social responsibility of a company lies above all in knowing how to deal with the complex operational problems of business activity skilfully, effectively and with determination. That is why we have dedicated considerable time and effort to drawing up the industrial plan of the new group.

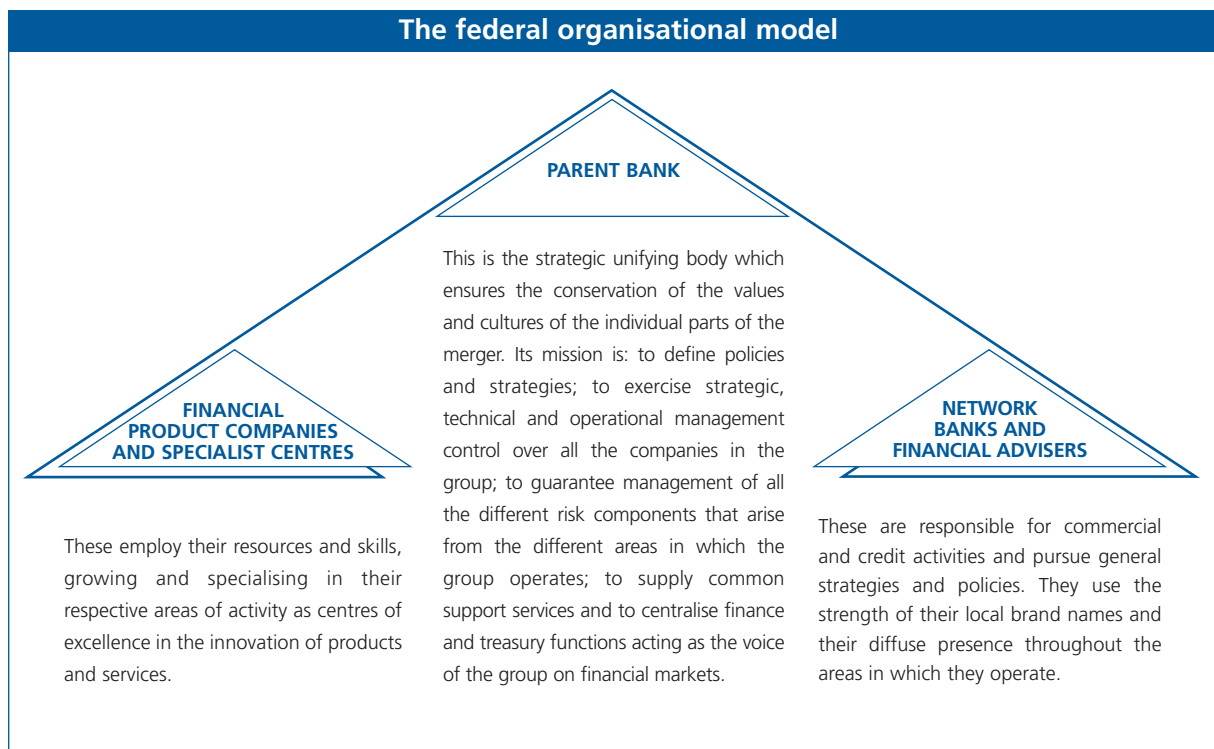
In the three months from December 2002 to February 2003, the top management of the three banks involved in the merger, BPB-CV, BPCI and BPLV, drew up an initial Integration Industrial Plan for the merger between the BPB-CV and the BPCI groups to provide their respective members and shareholders, investors and supervisory bodies with clear and exhaustive information on the objectives, timing and method of the operation and the expected results.

These initial indications were then confirmed, amplified and ironed out in detail in the **Industrial**

Integration Plan 2003-2006, approved by the Board of Directors of BPU Banca in September 2003. This defines the mission and main strategic objectives, the corporate and organisational structure and the policy, management and control mechanisms, forecasts the results achievable and the costs of integration and identifies the path to integration taken by the new group.

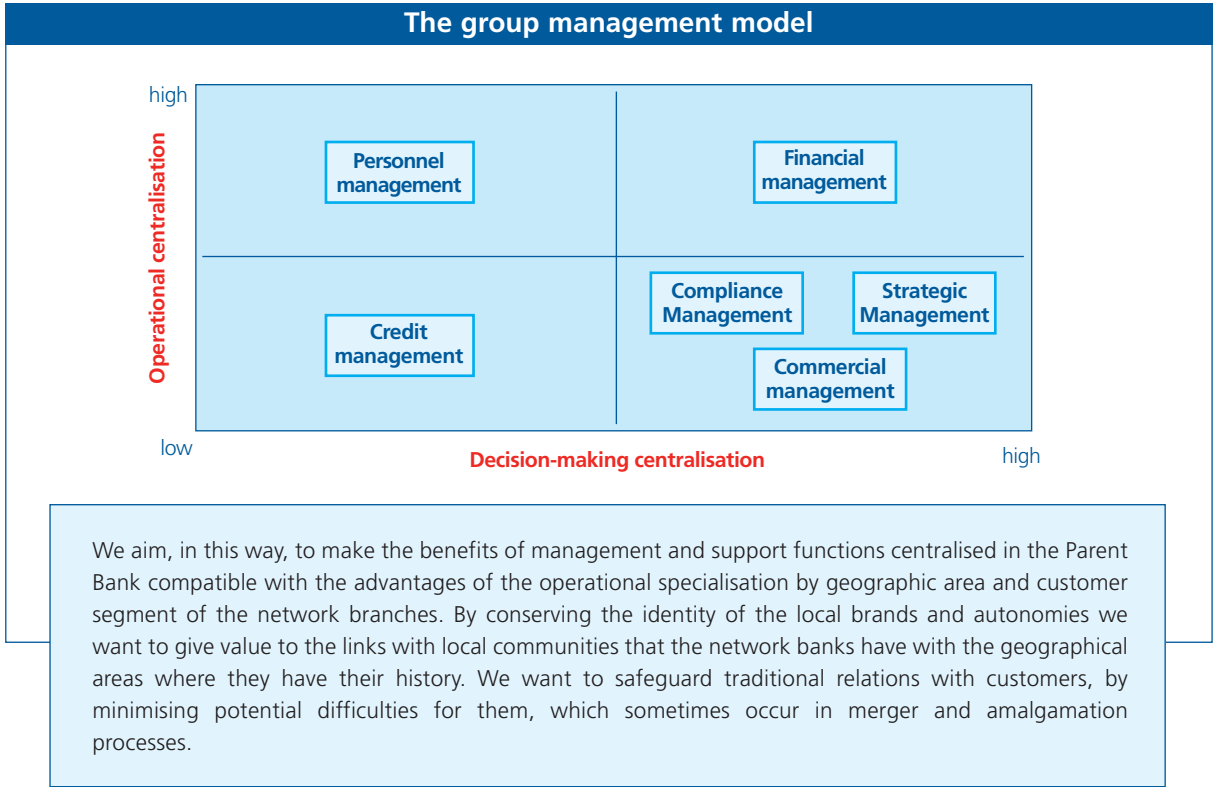
The organisational and management model of the new group

The industrial plan is to implement a **federal model of organisations** in which each company gives up a little of its autonomy in return for strength, stability and security for the future in the union: the banks can count on excellent financial product companies capable of providing a continuous flow of innovative products and services, while those product companies benefit from a larger market and the capacity of the branch networks to discover and communicate the real needs of individuals and businesses.



The organisational model is a **management model** characterised by a “vision by processes” of the complex reality of the group, where the Parent Bank plays the role of manager or leader depending on the

specific level of operational and decision-making decentralisation specified for each individual operational area: strategic, compliance, commercial, credit, financial or personnel.



The institutional and organisational structure of the Parent Bank

BPU Banca has its registered address and administrative headquarters in Bergamo and has two branches, one in Milan and one in Bergamo. It therefore operates both directly as a commercial bank, mainly with institutional customers, and through its subsidiary banks. It maintains the legal status of a co-operative company and is the only company in the group that is listed. It is a public company with a large number of shareholders, and no controlling interests.

Corporate Governance

COMPANY	RATING*
None	EEE
None	EEE-
Banca Popolare Verona e Novara	EE+
Banche Popolari Unite	EE
Banca Popolare di Milano	EE

* The rating levels are from high excellence downwards: EEE, EEE-, EE+, EE, EE-, E+, E, E-.

The characteristics of our governance system together with the other measures of our standard of social responsibility have help us to qualify as one of only three Italian banks which have been judged positively by the European ethical rating agency Standard Ethics.

The management structures of the bank and the group are defined by its statute and by the **Self Disciplinary Code** adopted by the first meeting of the Board of Directors on 1st July 2003 in compliance with the recommendations of the *Self Disciplinary Code for Listed Companies* of *Borsa Italiana S.p.A.* as added to by the **Code for Associated Parties and the Code of Conduct on Internal Dealing**, also adopted on 1st July 2003. The first sets the guidelines for identifying, approving and implementing operations with associated parties (intercompany transactions or transactions with associated parties and operations where there are conflicting interests). It distinguishes between normal routine transactions typical of ordinary activities and atypical, exceptional operations or transactions not performed under market conditions. The second disciplines the information that “persons of importance” (specifically identified for the Parent Bank and for the companies that form part of the Group Committee) must provide to the bank, and which the bank must disclose when performing operations of any type on listed financial instruments issued by the bank and/or its subsidiary undertakings.

The **Board of Directors** consists of 21 members, appointed from among the members of the co-operative with voting rights. They are all independent directors and, with the exception of the managing director, non executive directors. It met 8 times in the first six months of the life of the bank, with attendance close to 90%, and meetings are scheduled at least monthly for 2004. Within the Board of Directors there are in addition to the Executive Committee, composed of 9 members whose appointment lasts one year, an Appointments Committee, a Remuneration Committee and an Internal Control Committee.

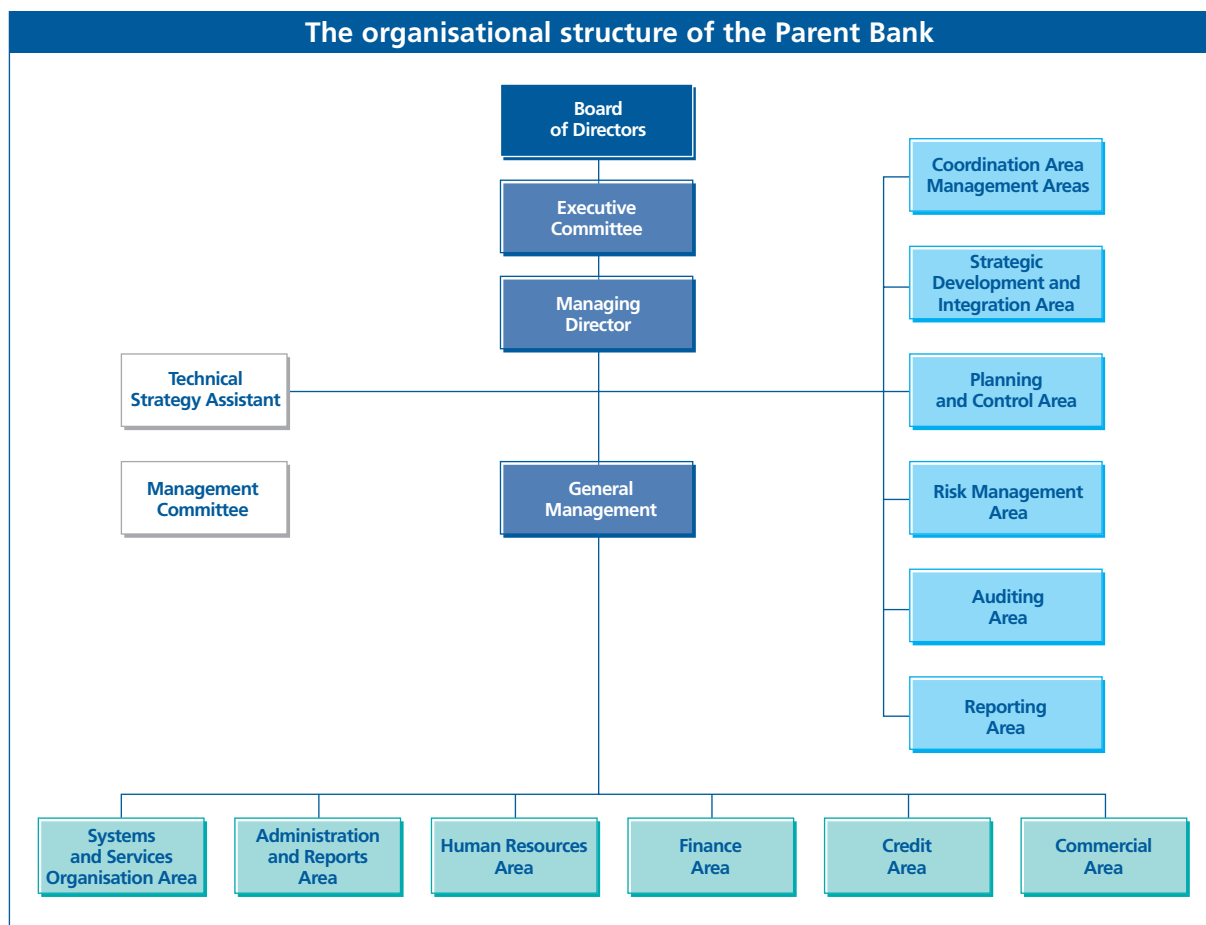
The **Appointments Committee** is composed of 5 directors and its task is to identify candidates for the post of director and statutory auditor of the parent bank and its subsidiary undertakings; prior approval by this committee is a necessary condition for

resolutions concerning appointments.

The members of the Board of Directors have the right to the reimbursement of expenses and a payment for attendance (article 35 of the statute) and receive 1% of the net profit as stated in the accounts (art. 51 of the Statute). The **Remuneration Committee** is composed of 5 members and formulates proposals as necessary conditions for, but not binding on the board for resolutions concerning the remuneration of the Managing Director, directors who fill particular posts and other senior managers of the bank and its subsidiary undertakings.

The **Internal Control Committee** is composed of 5 directors and one member of the Statutory Board of Auditors. It assists the board in performing its duties concerning responsibility for internal control. It assesses proposals formulated by independent outside auditing companies that make applications to be appointed, the audit plan and its results and, together with the administrators of the bank, it assesses the appropriateness of the accounting principles used and their uniform use throughout the group. Its function runs parallel to that of the **Statutory Board of Auditors** composed of 5 full auditors and 2 reserve auditors appointed every three years by an Ordinary Shareholders’ meeting on the basis of lists presented by at least 500 members who represent at least 0.50% of the share capital.

Overall management of the group is performed by 12 staff or line areas, in charge of or reported to by the different decision making and operational processes of the group and by the **Management Committee** which performs policy-making, co-ordination and supervision action with a consultative or decision-making role on particularly important management, organisational and operational matters. The Management Committee is composed of the Managing Director, the General Manager and by senior managers of the bank with responsibility for main functions of the group. It meets in reduced size as the Finance Committee, the Credit Committee, the



Commercial Committee or the Operational Risk Committee or in a full meeting as the Group Committee to guarantee the participation of the main subsidiary undertakings in assessment and decision making which have a major bearing on their activities and on the reliability, functionality and consistency of the group.

Network banks will also aim at adopting an organisational structure consisting of managing and support units and commercial units to guarantee a close link up with the functions performed by the parent bank, although without prejudice to the identity and specificity of local situations.

The route to group integration

Immediately after the approval of the merger by shareholders' meetings, work began on detailed design

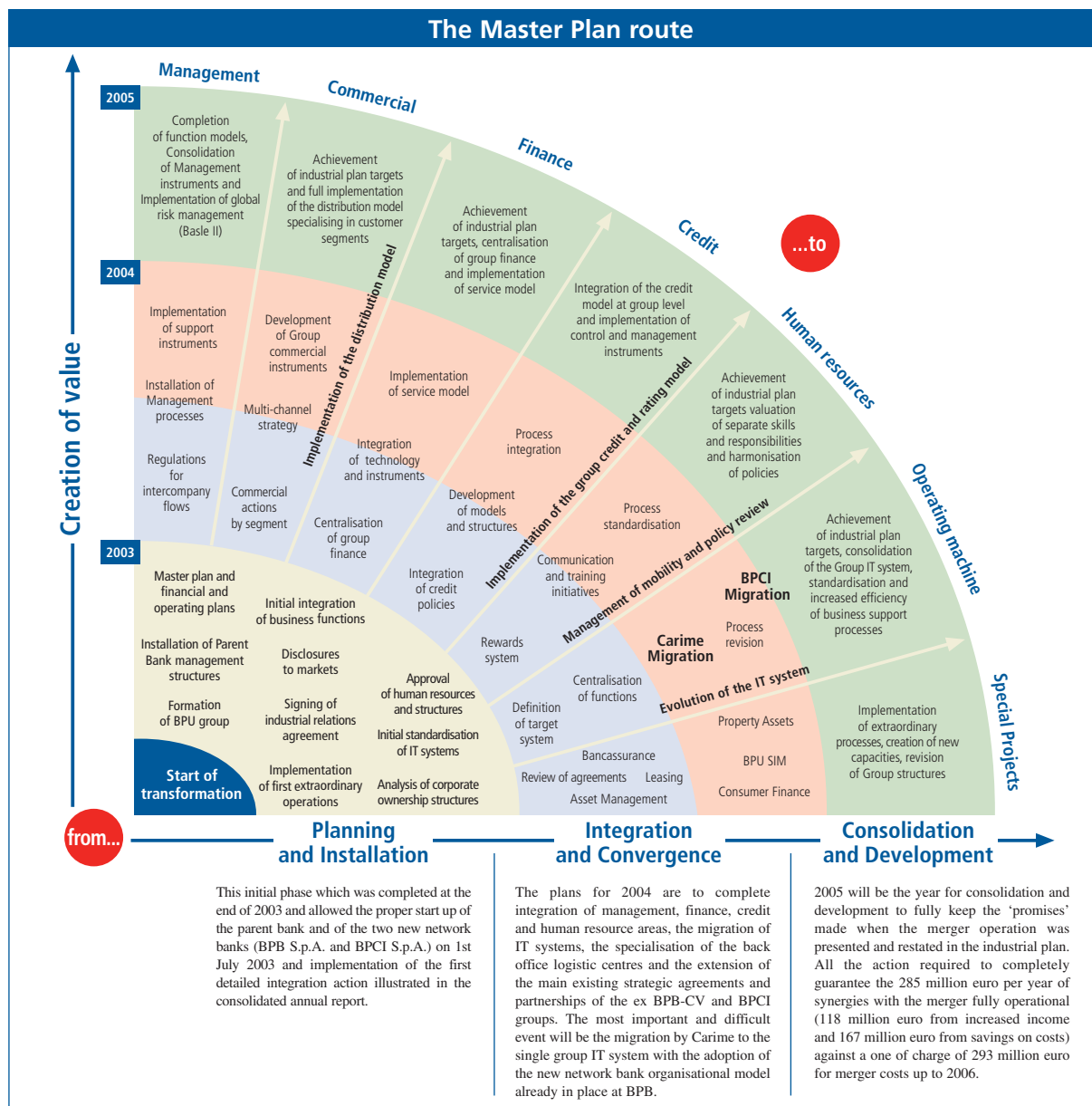
of ways of integrating individual operating areas and on planning of the action required to implement. More than 300 people from the two original groups took part, with the direct involvement of the management and organisational structures of the network banks, the financial advisers, the product companies and the specialist centres. It was co-ordinated and led by the parent bank management bodies with the assistance of the industrial consultants Bain & Company. The first integration action was taken in the first three months of intense work and the design of the new BPU Group was completed as set out in the document, **Integration Master Plan**, which integrates the Industrial Integration Plan and consists of 7 focal areas and 50 projects, each with their own strategic and organisational guide lines, detailed operating and financial objectives and operating action plans up to the end of 2005.

The focal areas cover the organisational structure of the parent bank and guarantee that planning and implementation of integration is consistent with the policies laid down by Group Management. Their work is constantly monitored by a co-ordination function and is advancing on schedule with respect to the original plans and at times ahead of schedule. This is the case of the migrations by Carime (put forward to May 2004) and BPCI (scheduled for March 2005) to the IT system of the ex BPB-CV group. This was selected as the single IT system for the BPU Banca

Group by a joint working group on the basis of technological, organisational and economic assessments conducted in the months running up to the merger with the assistance of outside consultants. It will be strengthened by software applications taken from the ex BPCI IT system such as the 'Customer Relationship Management' application, with the evolution of the technological infrastructure towards Linux platforms and with the progressive centralisation of data.

The BPU Master Plan		
Focal areas*	Projects	
1. Commercial	<ul style="list-style-type: none"> Short term operating action Network distribution model Retail industrial plan Corporate industrial plan 	<ul style="list-style-type: none"> Private industrial plan Group multi-channel strategy Operating model Parent Bank/Network Banks Customer database/Group CRM Group branch plan
2. Operating machine	<ul style="list-style-type: none"> Carime migration BPCI-BPLV migration Evolution/development of Group IT systems Functional integration of BPU Banca ICT Management Integration of back office systems Rationalisation of branch operations 	<ul style="list-style-type: none"> Centralisation of purchasing Renegotiation of contracts Functional integration of logistics Functional integration of organisation Functional integration of General Accounting and Reporting
3. Finance	<ul style="list-style-type: none"> Integration of group finance International Operational ALM 	
4. Credit	<ul style="list-style-type: none"> BPU Banca credit process Banks and group member company credit process Credit policies and strategies 	
5. Human resource management	<ul style="list-style-type: none"> Change management and human resources Internal training and communication Functional integration of the human resources area 	
6. Functional integration of Management areas	<ul style="list-style-type: none"> Functional integration of management area co-ordination Functional integration of strategic development and integration Functional integration of accounting Functional integration of planning and control Functional integration of ALMS Risk Management Functional integration of Capital allocation 	<ul style="list-style-type: none"> Functional integration of market risk Functional integration of credit risk Functional integration of operational risk Functional integration of auditing Cost management processes and instruments Management reporting (Tableau de Bord) Parent bank-subsidiary information flow
7. Special projects	<ul style="list-style-type: none"> Centrobanca industrial plan Bancassurance industrial plan Asset management industrial plan Leasing industrial plan 	<ul style="list-style-type: none"> BPB SIM industrial plan Valuation of Group property assets Rationalisation of equity participations Consumer finance industrial plan

* Focal areas of the BPU organisational structure with the exception of site 7 which covers strategic plans at group level.



On 17th May 2004 the whole of Banca Carime, branches and central offices, will change over simultaneously to the new IT system following the same procedures as those employed for the successful changeover of Banca Popolare di Ancona in 2002. As we did then, we are preparing for it in meticulous detail in order to prevent problems that might affect normal business at branches and to avoid inconvenience for customers. We are employing 40.000 man/days of work over 7 months, 5 before and 2 after migration, to prepare 450 staff at Carime in the

use of the new system with on-the-job training stints in the branches of BPB and BPA. At the moment of changeover we will guarantee the presence of 820 staff from BPB and BPA at the 350 Carime branches to ensure an efficient changeover.

The migration by Banca Popolare Commercio e Industria to the single group IT system will take place following the same procedures and taking the same care as we are dedicating to the Carime operation.

branch networks focused on market segments...

To ensure we are always “close” to our customers and in harmony with them, we are completely reorganising the branch networks of our banks, extending the specialisation by market already partially operative in the two original groups to all of the banks. Each market (retail, private and corporate) is in turn further divided into customer segments as uniform as possible with regard to behaviour and financial needs.

We have created specific management structures at the parent bank for each segment. These are equipped with specialist skills and advanced instruments for handling information and managing customers (CRM), and it is their task to improve our knowledge of all customers, even those which we know less today because they come to branches rarely. We will then be able to create new products and orient branch business activities better suited to our customers.

Knowledge Interaction

Better results with lower costs:

we use customer insight instruments to seek increasingly better knowledge of our customers so that we can target our business activities and improve the success of our initiatives to the satisfaction of every customer.

Solid lasting relationships:

we use customer interaction instruments to transform every moment of contact into an opportunity to develop business. We perceive the emerging needs of different customer segments and monitor the level of satisfaction with our products and services.

The retail market: the quality of customer relations

The Retail market is the largest and constitutes the traditional market for our banks. It includes families (Mass and Affluent segments), and the self employed and small businesses. To the former we have to guarantee above all efficiency and quality in performing transactions and to the latter we must offer advice which meets needs of both the business person and the business. The division of customers into mass and affluent is based on the greater use of extra services over and above basic facilities (deposits, current accounts and loans) which characterise affluent customers. The latter tend towards the more evolved payment, investment, borrowing and insurance products and services.

The private market: customised service

This market is that of customers with greater financial means. With private wealth of 20 billion euro for 16,000 customers we are the fourth group in Italy and we wish to grow further. As the primary manager of each customer’s “overall wealth” we offer, absolutely confidential, expert professional advice and assistance and offer highly customised investment products and services. For the management of the highest net worth customers we are setting up an active wealth advisory service which, on the basis of the personal objectives of the individual customer portfolio, takes account of the national and international macroeconomic situation and prospects on financial markets.

The corporate market: specialist skills

We serve 27,000 firms in this market which is divided into two classes by size (Mid and Large Corporate). Our objective is to strengthen the position of the group through an increasingly better ability to assess the business plans of our customers and act as reliable and efficient financial partners for them. Support is provided by the specialist centres for which we have already introduced methods for assessing credit worthiness which take account of the imminent introduction of the new Basle agreements. We are currently adding to this with

new and innovative instruments for managing corporate finance and intervention including the use of risk capital for the development and reorganisation of enterprises.

The two original groups employed partially different criteria for customer segmentation. We first standardised the criteria and are now completing the classification of customers in different segments. Consequently the information given below in this social report is not given by segment, but with the sole division into personal (private individuals) and corporate customers.

The network structure by market segment

	RETAIL	PRIVATE	CORPORATE
THE PRESENCE OF NETWORK BANKS			
1,202 bank branches in Italy	•		
5 bank branches abroad	•		•
4 bank agency offices			•
16 corporate banking centres (13 in branches and 3 independent)			•
81 private banking centres (66 in branches and 15 independent)		•	
388 financial advisers and 16 financial offices of BPU SIM	•		
83 insurance agencies	•	•	•
THE REMOTE DISTRIBUTION CHANNELS OF THE NETWORK BANKS			
Telephone: Lineattiva Calling of BPU and BPB	•	•	
Libra Multicanale of BPCI	•	•	
ClicCarime	•	•	
Lineattiva Moving (cell phone service)	•	•	
Internet: www.bpubanca.it - The group Internet portal	•	•	•
Lineattiva Banking and ATM Web, Libra Multicanale, ClicCarime for private persons	•	•	
Remote Banking CBI for businesses			•
THE OTHER REMOTE DISTRIBUTION CHANNELS IN THE GROUP			
Coralis: virtual markets for Mercato Impresa professionals and companies	•		•
IW Bank: unlimited access to financial markets	•	•	

PRESENCE IN THE COMMUNITY

Our branches remain the focal point of relationships with customers in the new organisational structure. They represent the bank in the community and provide a measure of the importance, the breadth and the intensity of its presence.

Consistent with our mission of deep roots in the community, we wish to continue to increase the intensity of our presence with a “fine grid work” of branches in the areas in which we operate to produce a significant presence distinguished by a strong identity and high standards of quality. What we do not wish to do is to extend our network into new areas, where we could in any case rely on other “lighter” group instruments such as financial adviser offices or insurance agencies and our commercial partners.

The quality of our services comes first and we have started a substantial plan of investment in new knowledge support technologies and in staff training on technical and professional subjects and on customer relation management. Our customers must be able to find staff who are increasingly more capable of understanding their real needs in all of our branches, They must find staff who can give them accurate information on the products and services offered and can assist them to make financial decisions with a full knowledge of the issues involved.

The quality of the interiors of branches is also important. The design of the work required to bring branches up to the standards of the new distribution model will make customers feel at their ease and comfortable even in the inevitable queues, while security and confidentiality will be fully guaranteed.

Finally the quality of interior and exterior appearance is important. New buildings will be designed to blend into their architectural and urban context, while refurbished buildings must bring out the most valued elements of what are often historical or in any case architecturally valuable buildings.

THE REMOTE DISTRIBUTION CHANNELS OF THE NETWORK BANKS

Our remote distribution channels meet the needs of those who want to “go to the bank” for information or to perform transactions even outside normal opening hours, without having to travel to a branch. We are making investments to integrate and rationalise the services that the banks of the two original groups had already been providing for some time.

Telephone banking

To talk to your bank on the telephone 24 hours round the clock is as easy as it is convenient and economical with the automatic answering and assistance systems of the 40 experienced operators on our free phone lines. More than 115,000 customers (+93% compared to 2002) use our **telephone banking** services to obtain information on their accounts, on stock market prices, and on the products and services offered by their bank and to make payments, recharge their cell phones and trade in securities. Our call centre received more than 500,000 telephone calls in 2003 and the number of transactions performed was more than twice that of the previous year.

The bank via Internet

The same services provided by telephone banking are also available using a computer to access our Internet **home banking** services for personal customers and **remote banking** (CBI – Corporate Banking Interbancario) for businesses. There is also **Lineattiva Trading** for up-to-date financial information and fast and safe trading in securities and other financial instruments. For those who do not possess a computer or who need assistance, at least initially, with procedures, we have created **Lineattiva ATM Web**, public home banking access points installed in some of the main branches. Customers can use them alone or with the assistance of expert staff.

There are still relatively few home banking and trading on line customers (70,000), but they are increasing each year (+97% in 2003) and above all they are using

the services effectively: credit transfers and payment instructions increased by 150% in 2003, securities trading transaction (1/3rd of all the transactions performed through the banks in the group) increased by 25% and on average every customer accessed their account/s online at least 3 times per month for information on their accounts for a total of 86 statements per customer during the year. Corporate customers are also making increased use of our Internet services: with more than 54,000 customers using our CBI service, we have more than 13% of the market and each of our network banks is the “referring bank” for approximately 5,000 customers (10 times the figure for the banking system). We have provided our customers with incentives to change from hardcopy to computerised instructions and electronic credit transfer payments increased by 15% and payment collections (RiBa, Rid and Mav) by 20%.

Last but not of least importance is **the group Internet portal** www.bpubanca.it. It can be accessed not only by registered customers but by anybody seeking information on the group: it contains annual reports, official presentations, press releases, information on BPU shares and details of the group’s structure, strategy and commitment to society. There are also links to the sites of the individual banks, which provide information on the products and services available for personal and corporate customers, and on their initiatives in the community. It is a first point of contact for finding the nearest branch or useful email addresses and telephone numbers for all areas of interest and it is also a useful “guide to the group” for BPU members and institutional investors who will find sections dedicated to them there. Almost 1,000 people entered our portal each day in its first four months (it opened in September 2003) and they visited more than 700,000 pages.

OTHER REMOTE DISTRIBUTION CHANNELS OF THE GROUP

We are always attentive to the demands of small to medium sized enterprises and we created Coralis

(www.coralis.it) with Mercato Impresa to help them to save on costs, increase sales and acquire new customers. Coralis is a virtual “meeting place”, a set of digital markets in which more than 4,800 firms already purchase and sell products and services. They find general and specialist information and gain access to high value added advisory services:

- **Omnia** is a market dedicated to goods and services used by all companies;
- **Focus Meccanica, Tessile, Ospitalità, Informatica, Edilizia** (Machinery, Textiles, Hospitality, Computers, Construction Focus) are markets for individual sectors set up in co-operation with major companies, industrial estates and employers’ associations;
- **Expo** is a gallery containing more than 3,000 corporate mini-sites;
- **I Mercati private** (The Private markets) put every firm with its customers and suppliers on line;
- **I Gruppi di acquisto** (The Purchasing groups) where industry leaders give firms, and small to medium sized enterprises above all, the chance to make considerable savings on many important expense items. Some examples:
 - telephone charges – more than 2,000 participants with average savings of 35%
 - energy with average savings of 5-10%
 - consumer products – more than 1,000 participants and average savings of 40%.

IW Bank (www.iwbank.it) is the new name of IMIWeb bank, the virtual bank of the San Paolo IMI Group acquired in 2003 by our subsidiary undertaking Centrobanca in the course of its private equity activity. It is now firmly established at the top of the national league tables for the level of satisfaction with its reliability, ease of use and for the performance and security of its different state of the art operating platforms . It provides direct access in real time to the main stock and derivatives markets in the world (it is currently connected with 21 markets) with complete integration of banking, trading and access channels (Internet, fixed line and cell telephone) and with a personal advisory service.

and financial product companies specialised according to area of activity.

Both the original groups had started a process of specialisation in recent years with the creation either in house or in co-operation with major sector operators of financial product companies and specialist centres at the service of all the distribution networks: the ex BPB-CV group in the asset management, investment banking, leasing and life and non life insurance sectors, and the ex BPCI group mainly in the *bancassurance* sector.

We are now working to extend existing strategic alliances to the whole group and to integrate the other group member companies in order to be able to create the maximum value from the excellence areas of each original group and further broaden the range of products and services provided. The aim is to increase profit margins by limiting resort to outside suppliers and by improving efficiency and the ability to produce innovative products and services.

CENTROBANCA

The group's network banks are able to count on the specialist services of Centrobanca to satisfy the financial requirements of medium to large sized enterprises over and above ordinary operating needs. Centrobanca is the "bank for enterprises" specialising in investment banking. Its headquarters are located in Milan and it has branches in a number of cities in Italy. Having become a specialist centre which adds to the traditional medium to long term finance activity of the bank with structured finance, subsidised finance and venture capital investment it also offers a variety of advisory support services. Its organisational structure combines flexibility with specialisation, with three divisions, corporate finance, capital markets and private equity, and it also has subsidiaries which specialise in specific areas, Centrobanca Sviluppo Impresa Sgr (private equity), Centrobanca

The Group financial product companies

	RETAIL MARKET	PRIVATE MARKET	CORPORATE MARKET
INVESTMENT BANKING			
Centrobanca		•	
ASSET MANAGEMENT			
BPU Prumerica SGR	•	•	
INSURANCE			
BPB Assicurazioni	•	•	•
BPB Assicurazioni Vita	•	•	
Aviva Vita	•	•	
LEASING			
BPU Leasing	•		•
Esaleasing			•
ABF Leasing			•
CONSUMER FINANCE			
B@nca 24-7	•		
SERVICES			
Mercato Impresa (Coralis)	•		•

Studio Finanziario (subsidised loans) and Finanzattiva SIM (placement and derivatives contracts). The latter was amalgamated into Centrobanca in 2004.

BPU PRUMERICA SGR

BPU Prumerica Sgr is an asset management company set up in 2002 by the ex Banca Popolare di Bergamo-CV Group and Prudential International Investments Corporation, one of the largest financial institutions in America. This joint venture operates in the asset management industry with a range of products which now consists of 23 mutual investment funds, 11 funds of funds and 12 lines of securities portfolio management. Its mission is to furnish banks and the network of financial advisers with a complete range of high quality products which allow the group to strengthen and broaden the range of its asset management services and to offer its customers expert professional advice.

BPB ASSICURAZIONI BPB ASSICURAZIONI VITA AVIVA VITA

BPB Assicurazioni has its headquarters in Milan. It provides group customers and the general public with a complete range of insurance products in the non life sector through the group's banking branches and its own agencies. BPB Assicurazioni Vita and Aviva Vita operate in the life insurance sector with both traditional life insurance policies and policies with a financial content (linked to funds, indexes or other reference values), capitalisation policies and pension funds. The industrial plan involves the centralisation of all operations in one single company.

BPU LEASING ESALEASING ABF LEASING

BPU Leasing in Bergamo, Esaleasing in Ancona and ABF Leasing in Milan are the group member companies that specialise in leasing to corporate and personal customers with a broad and varied range of products which included automobile, industrial (including subsidised leasing) and nautical leasing. The industrial plan involves merging BPU Leasing with Esaleasing to create a single "centre of excellence" at the service of the whole group. A "light weight" network of product specialists will provide support to sales networks in banks to co-ordinate supply to retail customers and manage the more important and complex operations with corporate customers directly.

B@NCA 24-7

B@nca 24-7 was formed in 2001 as part of the BPB-CV group. It has developed software and online tools for managing services very easy to standardise and automate with considerable advantages in terms of cost reductions and speed. Its task in the new group is to develop consumer credit areas, a form of lending that is widespread in other European countries and is requested increasingly more frequently by individuals in Italy, and home mortgage loans. It will give a strong impulse in the consumer credit area above all to traditional and revolving credit cards and will become the single issuer for the whole group with a standard and recognisable brand that can be customised by each network bank. It will expand its activities in the home mortgage loan area already started in 2002 through specialist distribution channels, such as the associate company Capital Money, and conventions with major property companies.

FINANCIAL REPORT

We work on solid capital foundations | with prospects of profitability and efficiency | to create value | for all our stakeholders.

Maintaining good profit levels over the years demonstrates business acumen and commitment. It is indispensable to the survival and growth of an enterprise, a necessary condition for the sustainable creation of wealth.

We work on solid capital foundations...

Reclassified Consolidated Balance Sheet

	Consolidated Balance sheet 31/12/2003	Consolidated Balance sheet 31/12/2002 pro forma	Annual change, percentage	Parent Bank Balance Sheet 31/12/2003
ASSETS				
Cash in hand and balances with central banks and post offices	339,497	328,155	3.5%	57
Securities not held as financial fixed assets and own shares	7,452,486	4,885,437	52.5%	5,653,327
Loans and advances to banks	3,031,729	6,859,003	-55.8%	5,344,742
Loans and advances to customers	43,045,343	40,718,997	5.7%	1,830,049
Fixed assets:	5,352,850	6,830,487	-21.6%	8,560,418
- securities	2,499,293	4,143,965	-39.7%	2,356,414
- participations	334,640	362,663	-7.7%	5,552,214
- positive consolidation differences and positive differences in net worth	374,015	1,009,671	-63.0%	
- intangible fixed assets	981,200	239,895	309.0%	111,531
- tangible fixed assets	1,163,702	1,074,293	8.3%	540,259
Other assets, accrued income and prepaid expenses	3,771,785	3,255,759	15.8%	1,786,162
Total assets	62,993,690	62,877,838	0.2%	23,174,755
LIABILITIES				
Amounts owed to customers and debts evidenced by certificates	48,680,659	48,373,257	0.6%	5,204,791
Amounts owed to banks	5,157,702	5,971,419	-13.6%	12,951,030
Funds administered on behalf of public bodies, other liabilities, accrued expenses and deferred income	3,393,005	3,013,985	12.6%	806,992
Provisions	1,310,484	1,370,401	-4.4%	276,428
- staff severance payments	388,537	382,162	1.7%	57,717
- pension obligations and similar	261,262	416,891	-37.3%	
- provision for taxes and duties	436,674	405,947	7.6%	194,541
- provision for liabilities and charges	224,011	165,401	35.4%	24,170
Convertible subordinated liabilities	172,472	197,546	-12.7%	172,472
Net worth attributable to other shareholders	536,529	298,183	79.9%	
Net worth	3,742,839	3,653,047	2.5%	3,763,042
- share capital, reserves and other capital items	3,542,769	3,454,223	2.6%	3,472,023
- net profit	200,070	198,824	0.6%	291,019
Total liabilities	62,993,690	62,877,838	0.2%	23,174,755
Total guarantees and commitments	8,771,436	7,855,289	11.7%	899,887

Figures in thousands of euros

Selected Capital Highlights

	Consolidated Accounts 31/12/2003	Consolidated Accounts 31/12/2002 pro forma	Annual change, percentage
Deposits from customers	48,693,054	48,390,313	0.6%
- of which repurchase agreements	1,357,814	1,911,252	-29.0%
- of which non convertible subordinated liabilities	1,714,610	1,662,289	3.1%
Indirect funding from customers	46,231,529	42,916,226	7.7%
- of which assets under management	23,499,130	20,649,751	13.8%
Loans and advances to customers ⁽¹⁾	44,206,918	41,624,950	6.2%
Average number of employees	14,966	15,037	-0.5%
Net worth/loans and advances to customers	8.47%	8.78%	-3.5%
Net worth/total deposits from customers ⁽²⁾	4.00%	4.09%	-2.1%
Assets under management/indirect funding from customers	50.83%	48.12%	5.6%
Loans to customers/average number of employees	2,953.82	2,768.17	6.7%
Total deposits and indirect funding from customers/average number of employees	6,251.96	5,945.02	5.2%

Figures in thousands of euros

⁽¹⁾ Before total value adjustments

⁽²⁾ Includes non convertible subordinate liabilities and excludes repurchase agreements



Paolo de Matteis (Piano del Cilento, 1662 - Naples, 1728), Erminia e Tancredi. The painting forms part of the important collection belonging to Banca Carime. It has been placed on public display on many occasions.

with prospects of profitability and efficiency...

Reclassified Profit and loss account

	Consolidated Profit and loss account 31/12/2003	Consolidated Profit and loss account 31/12/2002 pro forma	Annual change, percentage	Parent bank Profit and loss account
Net interest	1,485,881	1,429,005	4.0%	391,173
Dividends and other income	17,674	15,164	16.6%	167,613
Profit (Loss) of participations valued using the equity method	-10,006	9,724	-	
Net interest income	1,493,549	1,453,893	2.7%	558,786
Net commission income	747,960	687,075	8.9%	195,323
Profit on financial operations	103,566	14,754	601.9%	62,185
Other operating income and expenses	122,085	90,701	34.6%	189,400
Net income from services	973,611	792,530	22.8%	446,908
Gross income	2,467,160	2,246,423	9.8%	1,005,694
Administrative expenses	-1,444,807	-1,385,215	4.3%	-564,180
<i>a) staff costs</i>	-996,164	-937,564	6.3%	-359,715
<i>b) other administrative expenses</i>	-448,643	-447,651	0.2%	-204,465
Operating profit	1,022,353	861,208	18.7%	441,514
Allocations to provisions for liabilities and charges	-74,229	-26,152	183.8%	-15,928
Value adjustments on tangible and intangible fixed assets	-201,469	-152,676	32.0%	-107,810
Value adjustments on loans and advances and allocations to provisions for guarantees and commitments, net of value re-adjustments and allocations to provisions for bad and doubtful debts	-460,060	-170,378	170.0%	-68,655
Profit on ordinary activities	286,595	512,002	-44.0%	249,121
Extraordinary profit (loss)	42,096	24,937	68.8%	-5,802
Pre-tax profit	328,691	536,939	-38.8%	243,319
Variation in the fund for general banking risks	118,850	-400	-	120,000
Taxes on income for the year	-140,543	-234,775	-40.1%	-72,300
Profit for the year attributable to the Group and other shareholders	306,998	301,764	1.7%	
Profit for the year attributable to other shareholders	-4,304	-10,799	-60.1%	
Profit for the year before amortisation of goodwill	302,694	290,965	4.0%	
Value adjustments on positive consolidation differences and positive differences in net worth	-102,624	-92,141	11.4%	
Net profit for the year	200,070	198,824	0.6%	291,019

Figures in thousands of euros

Selected operating indicators

	Consolidated accounts 31/12/2003	Consolidated accounts 31/12/2002 pro forma	Annual change, percentage
Gross income/average number of employees	164.85	149.39	10.3%
Net interest income/gross income	60.54%	64.72%	-6.5%
Cost/income ⁽¹⁾	66.73%	68.46%	-2.5%
ROE ⁽²⁾	5.65%	5.76%	-1.9%

Figures in thousands of euros

⁽¹⁾ administrative expenses and value adjustments to tangible and intangible fixed assets (net of adjustments to goodwill and positive consolidation differences and positive differences in net worth) / gross income

⁽²⁾ net profit for the year / net worth excluding profit

The consolidated profit and loss account and the operating indicators summarise the activity performed by the previous Groups BPB-CV and BPCI to 30th June and of the new BPU Banca Group subsequently. pro forma accounts for 2002 were prepared on the basis of the consolidated accounts of the two previous Groups which took account of the effects of the mergers in order to provide a uniform comparison with the previous year.

The reasons for higher amortisation charges, primarily of long term costs associated with the staff leaving incentive scheme (48.4 million euro), and the increase in adjustments to the value of loans and advances and allocations to provisions for guarantees and commitments (+289.7 million euros) are given in the consolidated annual report. They determined a

substantial reduction in profits on ordinary activities (−44.0%) and it was decided to resort to a withdrawal from the provision for general banking risks amounting to 118.8 million euros.

Nevertheless, despite the complexities which are normal in all merger processes and the particular market situation, this gross operating result met expectations of profitability and efficiency for ordinary operations. The increase in gross income (+9.8%), which in banking consists of total revenues, and in the gross operating profit (+18.7%) reflected positive changes in the composition of direct funding, which as a whole remained constant at (+0.6%), an increase in lending (+5.7%) and greater productivity and efficiency (+10.3% gross income per employee and a cost income ratio of −2.5%).

to create value...

Calculation of value added

	Consolidated accounts 31/12/2003	Parent Bank Accounts 31/12/2003
Interest receivable and similar income	2,541.99	1,032.93
Fees and commissions receivable	855.51	232.66
Other income:	262.80	426.66
- dividends and other income	17.67	167.61
- profits on financial operations	103.56	62.19
- other operating income	141.57	196.86
Total income	3,660.30	1,692.25
Interest payable and similar costs	-1,056.11	-641.75
Fees and commissions payable	-107.55	-37.34
Other operating costs	-19.49	-7.48
Other administrative expenses (*)	-364.26	-138.63
Net value adjustments to advances and loans and allocations to provisions for guarantees and commitments	-459.61	-67.87
Allocations to provisions for liabilities and charges	-74.23	-15.93
Allocations to provisions for bad and doubtful debts	-0.45	-0.78
Losses of participations valued according to the equity method	-10.01	
Total consumption	-2,091.71	-909.78
Gross operating value added	1,568.59	782.47
Extraordinary profit (loss)	42.10	-5.80
Overall gross value added	1,610.69	776.67
Depreciation and amortisation	-304.09	-107.81
Overall net value added	1,306.60	668.86
Staff costs	-996.16	-359.71
Grants, donations and sponsorship of social initiatives (*)	-5.03	-1.25
Direct, indirect and capital tax (*)	-79.35	-64.58
Pre-tax profit	226.06	243.32
Variation in the fund for general banking risks	118.85	120.00
Taxation on profit for the year	-140.54	-72.30
Profit for the year attributable to other shareholders	-4.30	
Net profit for the year	200.07	291.02

Figures in millions of euros

(*) Direct, indirect and capital tax and grants, donations and sponsorship of social initiatives were subtracted from other administrative expenses (item 80b) on the profit and loss account.

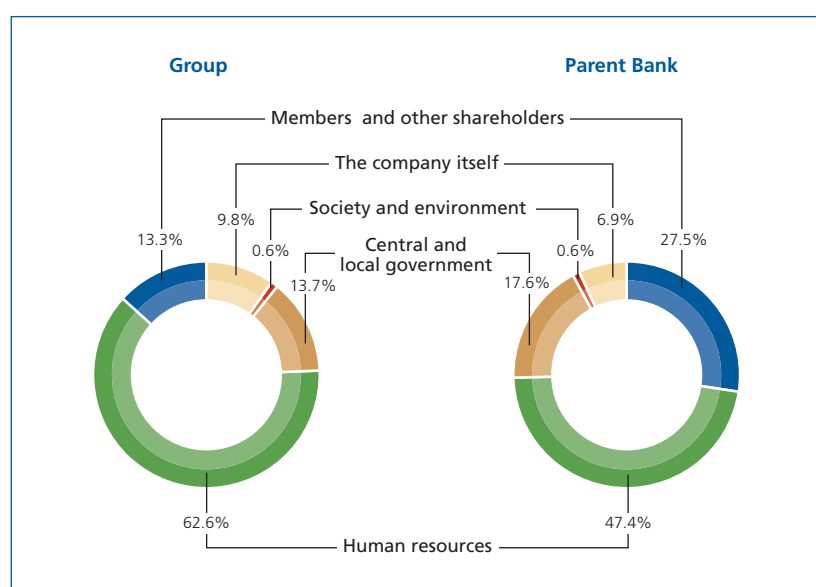
Since the banks in the Group operate under a regime of the total non deductibility of VAT on purchases in accordance with Art. 36/bis D.P.R. 633/72, the item direct, indirect and capital tax includes the total amount for tax paid, deducted from consumption.

for all our stakeholders.

The distribution of value added

	Consolidated Accounts 31/12/2003	Parent Bank Accounts 31/12/2003
OVERALL GROSS VALUE ADDED	1,610.69	776.67
Members and other shareholders	213.58	213.58
- Dividends distributed	213.58	213.58
Human resources	1,008.47	368.16
- Staff costs	996.16	359.71
- Proportion of profit for staff pensions and social security	10.06	6.20
- Proportion of profit assigned to the Board of Directors	2.25	2.25
Government and Local Authorities	219.89	136.88
- Direct, indirect and capital taxes	79.35	64.58
- Tax on income for the year	140.54	72.30
Community and the environment	10.25	4.63
- Grants, donations and sponsorship of social initiatives	5.03	1.25
- Proportion of profit destined for social purposes	5.22	3.38
The company itself	158.50	53.42
- Amortisation and depreciation	304.09	107.81
- Reserves	-26.74	65.61
- Change in the fund for general banking risks	-118.85	-120.00

Figures in millions of euros



STAKEHOLDERS' REPORT

The value added – received by customers in the products and services they purchase and distributed in money to staff, to members and other shareholders and to society is only a part of the total value of the relations established with all these stakeholders.

It is a value created from our daily commitment to combine a concern for the social and environmental effects of our business activities with the management of our business affairs.

Relations with staff

We are committed to valuing the integrity of a team of skilled and competent people to which we wish to guarantee motivation and a sense of security and in whom we wish to instil a strong sense of belonging to the reality of the Group. New staff must feel they are entering a socially responsible concern where the declared values are really shared and where people work with commitment to satisfy the other stakeholders.

On 1st July more than 15,000 people from culturally diverse and geographically distant banking realities were united in one single large group to become even greater protagonists than before in the social and economic lives of the many Italian provinces in which they live. In the accounts for the year they represented a cost of: 996 million euros in 2003; in reality they constitute an asset of skills and capabilities, intellectual capital which produced 440 million euros of added value distributed to members, other shareholders and society, as well as other forms of value generated by active participation in the economic, social, cultural and altruistic life of local communities.

Great changes arouse great fears and great opportunities and that is how it was with the birth of BPU Banca. The implementation of the Integration Industrial Plan necessarily involved job changes and transfers for staff which were addressed by the agreement of intent with trade unions signed on 12th August 2003. The objective was to obtain personal and professional development from it.

The agreement recognised that the organisation and dimensions of the new Group also required new rationalisation of staff. However, it was concerned that this should avoid the creation of negative socio-economic consequences as much as possible.

Trade Union Agreement of 12th August 2003 DECLARATION OF THE BANKS

“The banks have always attempted to temper their business mission to create wealth with a concern for social matters deriving from their historical roots in the community. They therefore state their commitment to see that the objectives of the Industrial Plan also translate into opportunities for the local communities to which they belong and not just in terms of modern and effective support to business and economic initiatives in different realities but also, as far as it is possible, for the respective social and occupational components with an express commitment to those of Southern Italy”.

“The banks confirm that the objectives of the Industrial Plan constitute an opportunity for the human resources working in their respective companies and not only because of changes resulting from the new corporate and organisational structure, functions and chains of accountability, but also because of the chances afforded for personal and professional development.”

Hence the formulation of a consistent plan to reduce staff that allows the Group's efficiency objectives to be met and at the same time of an employment plan to create new opportunities for the communities to which it belongs.

The staff reduction plan had already started in 2003 with the 369 staff leaving and should be complete by the end of 2006. It is being implemented on an exclusively voluntary basis, with participation in the I.N.P.S. (National Insurance Institution) “Solidarity Fund for income support” for workers with less than 5 years to go before retirement and leaving incentives for workers who have already acquired the right to a pension and to retire.

Access to the “Solidarity Fund” guarantees income equal to that provided by a theoretical pension until the normal pension is due. The costs of the fund are not

borne by society but entirely by the banks that participate in the scheme.

Plan to reduce Group staff employees

	CURRENT WORK PLACE					TOTAL
	BPU	BPB	BPCI	CARIME	BPA	
Reductions already scheduled under the previous industrial plan of the ex BPCI Group	202		113	258		573
Reductions already scheduled under the previous industrial plan of the ex BPB-CV Group					30	30
Reductions scheduled under the BPU integration industrial plan	200	40	50	30	70	390
TOTAL REDUCTIONS	402	40	163	288	100	993

The employment plan is aimed at young people in particular, to facilitate access to banking and finance areas. It uses three instruments linked to the occupational profiles required by the banks for the

commercial growth they must achieve. Two of these, the Vivaio (training ground) Project and the Financial Adviser Project, have already been successfully tried out in some parts of the group.

The employment plan

Vivaio Project

- 130 on-the-job practical and theoretical training opportunities with a duration of 8 months in co-operation with school and university institutes. These will create profession skills in local communities to meet the future needs of banks who will be able to employ these high school and university graduates in specialist sectors.
- the young people will be selected directly by individual banks coordinated by the selection function of the Parent Bank
- 60% of the places are reserved to Banca Carime

Financial Adviser Project

- 100 new junior financial advisors resident in the areas served by Banca Carime to be employed with an agency contract to meet the forecast increase in financial adviser business resulting from growth in the Group’s business in general
- the training and preparation for the qualifying examination to be provided by the bank

Branch Support Project

- 55 young people to be employed on a fixed term contract for the whole of 2004, to assist with the migration of the IT system to the Group target system offering job opportunities to young people in the community

The formation of the new Group in 2003 involved the creation of new departments inside the Parent Bank with specialist roles that we have filled by giving maximum priority to those already present in the various banks. In some cases we have taken on new people, above all young people with high potential.

Total new Group employees

Permanent appointments	240
Fixed term contracts	290
Training contracts	24
TOTAL EMPLOYEES	554

In order to meet extraordinary requirements connected with the implementation the Group integration plan and with the migration of IT systems in particular, the network banks resorted to the appointment of 256 employees on temporary employment contracts in 2003.

Total numbers of employees leaving

Staff leaving voluntarily *	166
Retirement	602
End of fixed term contract	88
Other	63
TOTAL EMPLOYEES	919

400 temporary employment appointments came to an end during the year. These staff were used by the network banks of the ex BPB-CV Group to complete the operational centralisation plan of BPA.

* 69 due to employees obtaining appointments with competitors.

Appreciating the value of personnel, their capabilities and skills

Personnel management is performed on a participatory basis. Organisational units at all levels are given the task of motivating valuing and nurturing their human resources, of informing them of company strategies and of helping them to deal positively with change. It is therefore fundamental to employ adequate management and training tools to value and motivate staff especially in this phase of building a common Group culture: symbols, values, languages, philosophies and behaviour patterns which distinguish us and allow us to be perceived as a single entity.

Management systems

The objective that we pursue with human resource management tools and which we are extending to all the banks in the Group is to gain a thorough knowledge of each person in order to develop their capabilities and skills and to offer each of them the best possible career opportunities.

Skills System, this is already functioning in most of the banks in the Group and is about to be extended to other companies. It is a tool for measuring and improving the skills of individuals and of stimulating professional growth by comparing ideal capabilities with actual capabilities on the basis of the job function and designing a targeted and effective training programme on that basis. It is managed entirely over the corporate intranet and allows staff to dialogue with their managers to interpret results and design their career plans.

Performance Measurement is a new tool for the continuous improvement of the quality of work, applied for the first time in 2003 in BPB and BPT and to be adopted soon by the other Group companies.

It requires each employee to work by objectives and to measure their ability to achieve them. It manages the process of interaction between each worker and their superior in setting objectives and verifying whether they have been achieved through the corporate intranet.

Remuneration and incentives

Policies with part of remuneration fixed and part variable are fairly uniform throughout the Group.

The fixed part is set in national industrial relations agreements added to by specific institutions and differing according to the bargaining relating to each individual bank. We are trying to standardise these treatments to produce greater equity in remuneration at Group level, while appreciating that individual requirements and specificities do exist.

The variable part of remuneration is always linked to profitability and efficiency, which is now measured in terms of Group objectives as they relate to each bank in the Integration Industrial Plan. It rewards results achieved by individual “teams”, the branches and offices of each bank, and by individual persons again linked to the achievement of Group objectives.

Training

It is only through targeted and constant training throughout a person’s working life that a deeper sense of the changes in progress in the banking world can be developed, along with the skills to deal successfully with the organisational changes that they bring with them. It is an effort that is made by all our banks and it is given emphasis in the trade union agreement of intent as an instrument designed to improve the value of the Group’s human and professional assets, with a particular focus on personnel affected by retraining processes required by the Industrial Plan.

All training activities are co-ordinated by the

Internal Communication and Training - Human Resources Area of the Parent Bank with programming along three lines of intervention:

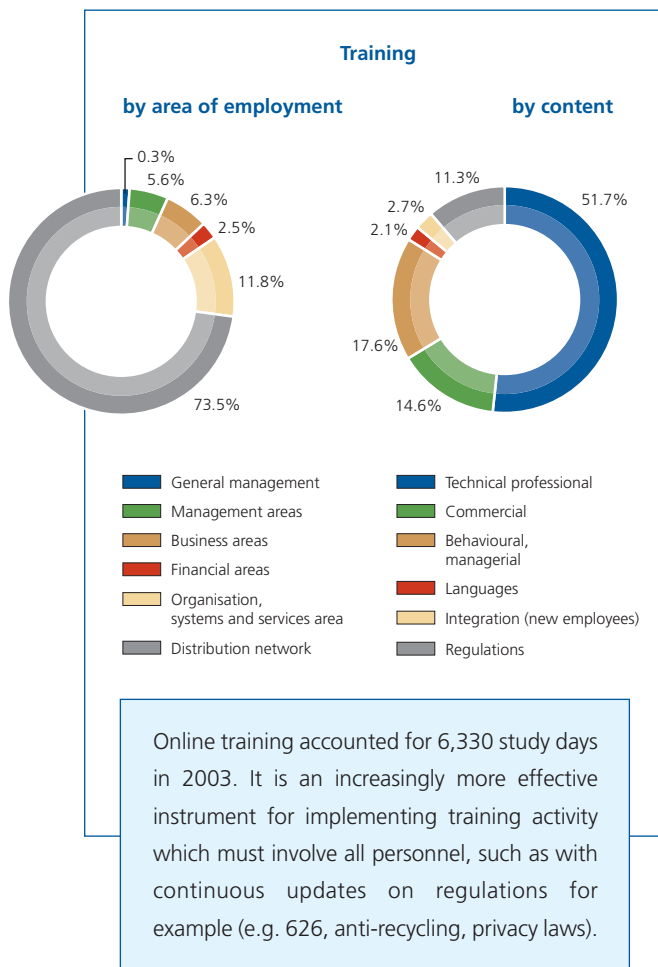
- **strategic training**, to build and develop strategic capabilities required for integration, for new distribution structures and for the new role of the Group in the world of Italian banking;
- **training to develop** knowledge and skills, to consolidate and diffuse professional capabilities connected with specific roles;
- **continuous individual training** to ensure the professional growth of individuals to fill cognitive and behavioural gaps identified by assessment processes.

Activity in 2003 was conditioned by the extraordinary effort required at all levels by the merger operation and training days totalled 43,400. We dedicated a greater proportion of our attention to senior management and activities centred on strategic aspects of managing change and cultural cohesion in order to be well prepared for integration.

To support reorganisation of the distribution model, we focused on technical training designed to develop professional skills and capabilities linked to specific roles. We involved primarily staff from the distribution network with specialist training according to market segment:

- in the **Retail market** we provided a course for ‘affluent’ account managers with a course that ranged from monetary policies to asset allocation and product specialists (e.g. insurance partners) with specific programmes and courses for branch managers on leadership, motivation and innovation;
- in the **Private Banking market** we started a project to support account managers on subjects such as assessing firms, budgets and controls, techniques for assessing risk profiles and for asset allocation;

- in the **Corporate market** we dedicated special attention to foreign operations, to corporate finance and to factoring. We tackled the issues of risk management in the light of the new Basle Accords with local area managers to decide the content of training action that will involve all general banking staff.



interests of personnel with those of the all the other stakeholders.

In 2003 there were 45 meetings with trade unions at Group level and agreements were reached which are fundamental to our future, such as the *Agreement of intent for the merger plan to create the new BPU Banking Group*, the *Agreement for access to the "Solidarity Fund for Income Support"* and the agreement for the migration of Carime to the Group IT system.

The first made it possible to start the merger operation; it furnished important instruments such as the *Equity observatory on the phases of the formation of the new group*, the *Equity observatory on training*, and the *Observatory on pensions and welfare*. It set norms and principles for protecting and valuing personnel on conversion, retraining and transfer issues with particular reference to geographical mobility where priority was given to the transfer of activities rather than persons. Norms were also set for staff numbers, remuneration, pensions and welfare. The second agreement furnished an essential instrument for a gradual process of reducing staff numbers as specified in the Industrial Plan. The last agreement, signed at the beginning of January 2004 set the regulatory and economic basis for the IT migration of Carime which involves more than 700 colleagues in the first half of 2004 and has a substantial, although temporary, impact in terms of geographical mobility.

All negotiations were conducted in a climate of great attention, underscored by frequent communications by union representatives to staff, but without conflict (the 1,182 days of strike action in 2003 were connected with national political issues) and they set the basis for the start of new industrial relations.

Equal opportunities

We avoid all forms of discrimination in relations with

Protecting individual rights

Trade union relations

Nine trade union organisations are present in the Group of which 75% of staff are members (77% if banks only are considered). Dialogue with their representatives is important and we communicate with them constantly in the process of balancing the

personnel whether by gender, race, faith or opinion. Career development depends on personal qualities and the capacity to respond to increasing levels of commitment and responsibility.

Access to employment by persons with disabilities (900 colleagues in the Group, 5.9% of total employees) is dependent on the ability to offer positions and responsibilities appropriate to specific individuals.

In some areas, working jointly with other firms in the community, we have been able to make a strong contribution to the employment of these persons.

In order to reconcile personal and families needs, even at particular moments in their lives, with those of work, our banks have for a long time now made corporate agreements to adopt measures which go further than legal requirements in this area.

More than 700 part-time contracts (of which only 30% are temporary) account for 5% of all staff and consist mainly of female personnel. Together with the more than 70,000 days of leave granted in 2003 many workers were able to reconcile the requirements of work with those of maternity and caring for children and with a wide variety of personal needs, with the desire to improve themselves through study or with the motivation that leads them to take up public office

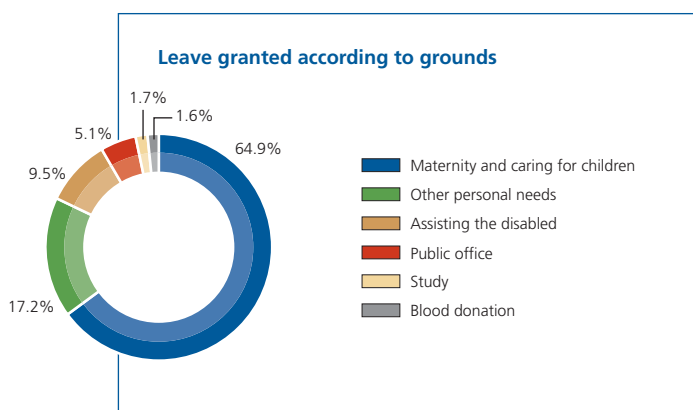
or participate in charitable and humanitarian initiatives. And we must not forget the sacrifice of our colleague Massimo Ficuciello, a victim in the bombing at Nassiriya on 12th November while he used a period of leave to participate in the Italian mission in Iraq.

Health and Safety at the work place

People pass a large part of their lives at work. To guarantee health and safety is a social responsibility for a company regardless of its legal obligations.

The Board of Directors of the Parent Bank has formed a Health and Safety at the Workplace Committee, composed of the heads of the Systems Organisation and Services, the Human Resources, Auditing, and Organisation and Logistics Areas. It conferred all the necessary powers on the committee to promote and implement structural and organisational action to safeguard the health and safety of employees in the corporate environment. The Prevention and Protection Service reports to the committee and co-ordinates with the ‘Doctor with Responsibility’ and with workers safety representatives for activities of identifying dangers, assessing risks and developing and monitoring prevention systems.

On the basis of a new assessment document which applies to all companies in the new Group, the Prevention and Protection Service has started a programme to eliminate or reduce to a minimum, compatibly with objective technical and organisational constraints, all risks identified and assessed as activity specific risks: intrusion, theft and robbery risks and internal risks connected with work organisation. The latter are technical and structural risks connected with the quality of environments and the ergonomics of work stations, fire risks, risks connected with using equipment fitted with video monitors, risks from passive exposure to smoking and risks specific to pregnant workers as a function of their duties and the work place.



Illness and accidents (network banks)

	DAYS	% OF DAYS WORKED
Illness	90,914	3.7%
Accident (at work or travelling)	3,098	0.1%
TOTAL	94,012	3.8%

We invested 3 million euros in 2003 in improving anti robbery systems and we incurred safety/security costs of more than 11 million euros. We suffered robberies of 9.3% of branches and accidents to 0.44% of personnel.

We also pursued the attainment of safety standards through training activity with the promotion of a “safety culture” which is diffused among employees in their own personal interests and in those of the Group and all those persons with whom they share work places and instruments each day.

Services, easy terms and social activities

All the banks in the Group have always maintained a tradition of attention to health and the security of their employees with a variety of insurance and pension services, easy terms on banking services and social activities. The agreement of intent with trade unions embraces a variety of agreements and treatments in existence at different banks, and it also recognises the need to harmonise these on an equitable basis to produce a vision of the Group as a unified business reality. Part of the work of the Observatory on Pensions and Welfare will be to assess the possibility of creating a Group supplementary pension model and a welfare model which nevertheless respects the independence of individual companies with regard to contributions and performance.

Insurance policies: all Group employees benefit from a health insurance policy which in some cases also extends to members of their families with a

contribution made by the worker; some companies have also taken out life and accident insurance policies to cover their personnel.

Supplementary pensions: the banks provide their employees with a form of supplementary pension; some

have set up their own pension funds, others use intercompany funds; each employee may add to the payment made by the Bank and can choose from a range of investments with different levels of risk.

Study grants and other family assistance: almost all the companies in the Group give study grants to the children of their employees and to employees who themselves are completing courses of study; some banks also pay bonuses to underline the importance of events such as weddings, births and the adoption of children.

Easy terms on products and services: all employees have access to loans on easy terms for the purchase of the first and sometimes a second home. In some cases they enjoy automatic credit facilities on easy terms (which is also in line with the best conditions granted to customers) and benefit from discounts on bank charges.

Clematis ONLUS: is an association founded in 2002 by the Banca Popolare di Bergamo on the initiative of some employees and ex employees with disabled children who were not self sufficient. It has been gradually supported by other banks in the Group and will now be able to further develop its activities and its ‘network of solidarity’ thanks to the financial support of more companies and a greater number of colleagues who are sympathetic to these issues. It is emblematic that it carries the name of a beautiful climbing flower which needs support to be able to

grow and it is precisely this that the organisation has set itself as its first objective for disabled children in the case of the death of one or both parents. It has designed a special insurance policy with BPB Assicurazioni Vita and 34 policies have already been taken out. Other initiatives are also taking shape to help families solve related problems as well, such as the daily psychological and physical rehabilitation of disabled children.

Dialogue

It is only by establishing a common way of acting and feeling based on identification in values and a broad agreement and sharing of ideas on major projects that the Group can enhance its own economic and financial potential. This is why we invest greatly not only in training, but also in internal communication with a series of instruments designed to build and promote the corporate culture of the new Group, to involve people and to strengthen belief in its values and mission.

Bpiù

This is the Group periodical written “by colleagues for colleagues” and published every two months: 52 pages of news on companies in the Group, detailed articles on the more important projects and columns on culture, sports and everyday life. The three editions that came out in 2003 were used to communicate the new Group structure to all the banks and the different histories and cultures which had come together to create a great shared project and alliance of operations and strategies.

Mos@icoweb

Since 2001 the staff of some of the companies in the current Group have been able to access their work stations through a secure Internet portal which flanks Bpiù, but with the advantage of being interactive. The portal supplements the remote training Internet sites (mos@aicoFad) the pension site (mos@icoprev), email, chat boards and discussion areas on both work

and leisure time topics. It also hosts sections on the Group recreational club and retired staff. We are currently redesigning it so that it also hosts sections on all Group companies and is accessible to all the staff in the new Group.

Meetings and conventions

The birth of BPU Banca was accompanied by occasions shared by all the companies in the Group relating to the merger project. The most important was the institutional convention held on 4th October dedicated to the Integration Plan just a few days after it was approved. It was organised in Bergamo and attended by means of video conferences in Cosenza, Bari and Jesi by colleagues from banks in central and Southern Italy and was the first official BPU convention for senior Group management.

Partial forms of dialogue conditioned by objectives and specific situations are created in internal communications, in systems for managing skills and performance measurement and in relations with trade union representatives. We are working to integrate activity for measuring levels of personnel satisfaction in the human resource management processes.

Relations with members and other shareholders

We want our members and shareholders to support us because we are implementing a banking project which is increasingly sounder and more profitable, efficient and socially responsible, capable of having a positive effect on the different local realities in which it operates and because we are building this project on a prospect of lasting value for their investment.

BPU Banca is a limited liability co-operative society. Its proprietary capital is in the form of shares. By purchasing or subscribing to shares a shareholder enjoys capital rights, payment of dividends and options on share capital increases, but does not automatically become a member of the Bank. To become a member a shareholder must own at least 250 shares and send a written application to the Board of Directors which will decide on admission and enter the shareholders name in the members' register.

There were 81 new members in 2003 in addition to those in BPU Banca resulting from the merger on 1st July of the pre-existing co-operative banks, Banca Popolare di Bergamo-CV and Banca Popolare Commercio e Industria.

The value of the investment and of the participation

The dividend

The dividend is that part of the added value that remunerates the investment of all the shareholders. It is our policy to always pay a dividend, without prejudicing an appropriate level of capital reserves. We resolved to distribute a dividend of 0.67 euros per share for 2003 which gives a rate of return of 4.67% on the end of year share price.

The value of the shares

The value of an enterprise is based on the size of its proprietary capital and on its future profitability. For a

BPU Banca Scrl the value of the investment

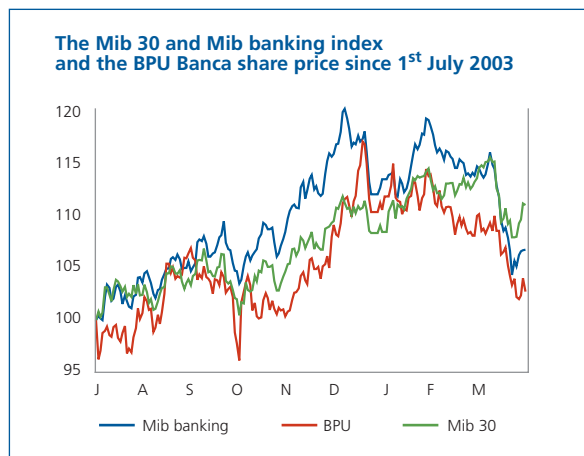
Net worth (thousands of euros) ⁽¹⁾	3,537,638
Profit for the year (thousands of euros)	291,019
Dividends for the year (thousands of euros)	213,580
Number of shares with dividend rights	318,775,785
End of year reference price	14.36
Maximum reference price of the year	15.21
Minimum reference price of the year	12.50
Earnings per share	0.91
Price earnings ratio ⁽²⁾	15.73
Dividend per share	0.67
Dividend Yield	4.67%
Payout ratio	73.39%
Book value per share	11.10
Price to book ratio	1.32

⁽¹⁾ Net worth after distribution of profits

⁽²⁾ On last reference price of the year

listed company this is reflected in its share price. The BPU Banca share is listed on the Italian Stock Exchange and forms part of the MIB30, the 30 companies with the largest market capitalisation. At the end of August it became part of the MSCI the Morgan Stanley Index for Italy.

The market reacted positively to the project to merge BPB-CV and BPCI as soon as it was announced in December 2002 and in its first six months of life the price of the new share rose by 10.50% compared to increases in the MIB30 index and the banking sector of 8.43% and 13.46% respectively. The reference price in the first quarter of 2004 touched 14.93 euros and was quoted at 13.5 euros at the end of March.



Participation in General Meetings of the Shareholders

Participation in shareholders’ meetings is reserved to members of the co-operative society only. These take part in the life of the co-operative each with the same dignity and importance. In fact the Statute of the co-operative society states that each member has one single

vote, no matter how many shares he or she owns, and cannot be authorised to represent more than three other shareholders.

Participation in general meetings is a fundamental occasion for stimulating and guiding management and an important opportunity to meet and exchange ideas and is the reason why the chairman sends a written letter to all members to advise them when a meeting is convened in addition to the publication of it as required by law.

Easy terms and discounts

BPU Banca offers its members the “Progetto Valore” (Value Project), a personal membership card which offers exclusive easy terms, discounts and insurance cover. The easy terms and discounts on banking services are reserved to members who hold current accounts and deposit their shares with any of the Group’s banks. The free insurance policies, on the other hand, are for all members.

“Progetto Valore” (Value Project)

BPU PRUMERICA’S “FUND BASED MUTUAL FUNDS” OBJECTIVE

25% discount on management fees

HOME MORTGAGE LOAN

Exempt from legal fees in all Group member banks

PERSONAL LOANS

Exempt from legal fees

Loans at concessionary rates for the studies of children between the ages of 14 and 18 years

FAMILY THIRD PARTY LIABILITY COVER

Protects members and their families from claims for damages caused involuntarily to third parties, property and animals

ACCIDENT POLICY

Insures the members and their heirs in the case of death or permanent invalidity during working and non working activity

DAILY HOSPITALISATION ALLOWANCE

A daily allowance is paid to members if they are hospitalised as a result of an accident

SAFE WITHDRAWAL POLICY

Compensates members for the losses arising from theft, theft by stealth and robbery that occur when paying in or withdrawing money

Protection of the investment and of the participation

The value of the shares

The quality of an investment is measured not just in terms of the yield on it but also in terms of risk. From this viewpoint the price of the share on the stock exchange guarantees that investments made by shareholders are made at a price that is formulated transparently on the market and the high average

volumes of shares traded daily gives a good indicator of the liquidity of the share.

The presence of the share in the MIB30 and in the MSCI allows it to enjoy greater liquidity because it is more likely to be included in a larger number of portfolios and is constantly assessed by a greater number of Italian and international institutional investors.

Prices and volumes traded for the BPU Banca share

	AVERAGE CLOSING PRICES REFERENCE	OFFICIAL	AVERAGE DAILY VOLUMES
February 2004	14.3143	14.3217	1,057,151
January 2004	14.5769	14.5798	974,367
December 2003	14.5347	14.5217	1,403,044
November 2003	13.6147	13.5961	1,241,461
October 2003	13.1953	13.1886	1,033,836
September 2003	13.3904	13.4239	1,299,868
August 2003	13.3987	13.4033	1,525,318
July 2003	12.8474	12.8520	944,123

Source Bloomberg – Processing BPU Banca



To date there are 17 analysts (8 Italian and 9 foreign) who periodically publish assessments of the performance and outlook for our bank. The recommendations are currently all either positive or neutral.

Each year we submit ourselves to assessment for rating by the main agencies. Current ratings are all medium to high reliability, with the outlook for the future stable.

Varese Basketball is a sporting reality that involves many enthusiasts. BPU Banca contributes to its success.

The ratings assigned to BPU Banca

STANDARD & POOR'S		MOODY'S			FITCH			
short term	long term	short term	long term	Financial soundness	short term	long term	Financial soundness	
	AAA					AAA		
	AA+		Aaa			AA+		
	AA		Aa1			AA	A/B	
	AA-		Aa2	A		AA-	A/B	
A-1 +	A+		Aa3	B+	F1+	A+	B	1
A-1	A		A1	B	F1	A	B/C	2
A-2	A-	Prime-1	A2	C+	F2	A-	C	3
A-3	BBB+	Prime-2	A3	C	F3	BBB+	C/D	4
B	BBB+	Prime-3	Baa1	D+	B	BBB	D	5
C	BBB-	Not prime	Baa2	D	C	BBB-	D/E	
D	BB+		Baa3	E+	D	BB+	E	
	BB		Ba1	E		BB		
	BB-		Ba2			BB-		
	B+		Ba3			B+		
	B		B1			B		
	B-		B2			B-		
	CCC+		B3			CCC+		
	CCC+		Caa			CCC		
	CCC-		Ca			CCC-		
	CC		C			CC		
	C					C		
						DDD		
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Participation in shareholders' meetings

In order to ensure that all members of the co-operative may exercise their rights, ordinary and extraordinary general meetings are governed by general meeting regulations prepared in conformity with the recommendations of the Self Disciplinary Code of Conduct for Companies Listed on the Italian Stock Exchange (approved by the first general meeting of shareholders convened for 23rd-24th April 2004).

The dialogue

Communication with members

To be constantly informed about the life and the new initiatives of the Group is an important aspect of being a member of the co-operative. The new Members

Office is responsible for this. Its task is to look after relations with members, to process membership applications and to keep the register of members up-to-date.

The first mark of our attention is the "Progetto Valore", much more than a membership card, it is a set of easy terms and discounts; a fast lane for dialogue with the bank through a channel that is always open on the Group's Internet portal (www.bpubanca.it) with a section that is rich in constantly updated information and a free phone number valid throughout Italy.

There is then the traditional "Letter to Members" which we send on special co-operative occasions and in any case at the end of each year to give members the results for the year in summary, but complete, form.

Relations with investors

BPU Banca as a joint stock company/co-operative listed on the stock exchange, has centred all relations with investors in its Investor Relations function to guarantee accurate, fast and transparent disclosure of information of importance to markets.

In 2003 the senior management of the Group continued its intense investor relations activity with which the merger project was disclosed to markets from the outset with two road shows in the major European stock markets, London, Frankfurt, Paris and Milan in which they met more than 60 European and United States institutional investors, top names on the investment fund, hedge fund and merchant banking scene.

Throughout the year we organised meetings with investors individually and in groups at our head offices and took part as speakers at important conferences and institutional meetings organised by major Italian and international brokers:

- London – Deutsche Bank - “Pan European Small & Mid Cap Conference” with the participation of more than 100 investors;
- Genoa – UBM – “A Beam of Insight” conference dedicated to Italian regional banks with an audience of 40 major Italian and international institutional investors;
- Portofino – Banca Leonardo – “Italian Banks in Portofino: Summer Prelude” conference in which 40 banks and asset management companies took part.

We also provide equal access to financial information to all interested parties through the investor relations section of the Group Internet portal (www.bpubanca.it), which receives thousands of visitors each day when major Group events occur.

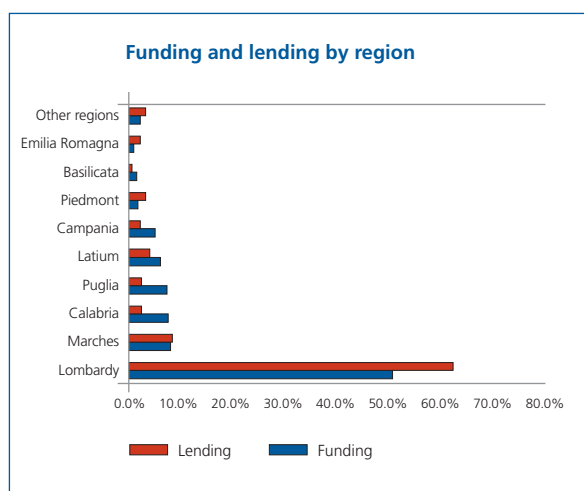
We are committed in the future to providing quarterly updates of the data published and of the state of progress in the implementation of the Integration Industrial Plan with presentations and conference calls open to the public with no limits on attendance.



Sport as an opportunity for young people to get together is the objective of many of the initiatives sponsored by Banca Popolare di Ancona

Relations with customers

People and not products are at the centre of our activities. We want to grow with our customers because their success is our success and that is why we constantly do our best to know their needs and fully satisfy their expectations with quality products and services, transparently, reliably and responsibly provided.



Services: centred around people

Our work responds to social interests that involve many categories of people: shareholders interested in the risk and yield profile of their investments, business persons concerned over the best way to allocate available funds and small investors who put their trust in the professional skills of the bank. It does not end with the sale of one or more products, but requires an ability to manage complex financial relations to satisfy a broad range of continuously evolving needs.

There is a huge amount of teamwork around each customer. Parent Bank specialists who continuously process knowledge acquired from the account managers in the network banks to produce commercial strategies for them to which the financial product companies provide constant quality and innovation in the products. For example we are planning a “permanent common study group” on

products, pre and post sales support, sales assistance and animation, budget monitoring, campaign management, reporting of needs and product ideas for asset management, financial content life insurance, bond loans and supplementary pension areas.

Services to families

We want to provide banking services at the lowest possible cost to everyone. We then employ targeted campaigns to offer a broad range of services based on modules that can be adapted to meet personal requirements for investment, pensions, risk cover or borrowing. Simple and easy to understand banking and insurance services, protection of capital in investments and flexible mortgage loan and consumer credit schemes are what we are committed to as we seek new customers and at the same time seek to help the weaker groups in society, young couples and the elderly in particular and to encourage the integration of legal immigrants.

The “Welcome” project for social inclusion

In 2003 the Banca Popolare di Bergamo set up a pilot branch in the city for legal immigrants resident in the local community. It employed staff capable of conversing and of providing documentation in the foreign languages spoken most: it offered a warm welcome, advice and banking and insurance services in Spanish, English, French and Arabic. It is one of the first experiences in Italy and it is producing very positive results to the mutual satisfaction of the branch and its customers.

For our more affluent customers with more complex requirements we offer a more personal relationship as a bank they can relate to. We seek in our investment services to optimise returns in accordance with proper diversification of portfolios, taking account of an

individual's financial resources and propensity to risk, while we give great importance to risks that might compromise future earnings capacities with our 'Long Term Care', 'Family Care' and pension plan range of insurance products.

Supplementary pensions

The BPU Banca Group is today one of the foremost protagonists on the market in the field of supplementary pension schemes with more than 55,000 customers and a higher than 15% share of the pension fund market

The characteristics of our investment services for high net worth customers are confidentiality and personal service. They account for 44% of our administered securities held in custody and 34% of assets under management. With 200 highly specialised account managers we are capable of providing highly customised services. We adopt an "open platform" approach which fully exploits our skill centres to create structured products which resort to markets and instruments that are normally not available to non institutional investors.

Services to businesses

Our banks are local banks with a 'close-up' knowledge of local business because they are an integral part of it. Enterprises ask us for the means to grow and to overcome moments of difficulty. We must make sure that those that deserve it receive the most adequate means at the lowest possible cost.

We do this with our resources by seeking to assess risk as efficiently as possible: that is why we have introduced internal risk assessment procedures that comply with the "Basle 2" principles and why our credit rating was in the first 500 in 2003.

We do this by using government subsidised loan

instruments with an advice and intermediation service which benefits the whole of society because it helps public policies to reduce geographical development gaps, to strengthen SME's and to reduce the technology gap with other industrialised countries.

We do this above all for the more dynamic and innovative medium size companies, by providing services for leasing, for covering financial risks, for structured finance and private equity from the Groups excellence centres.

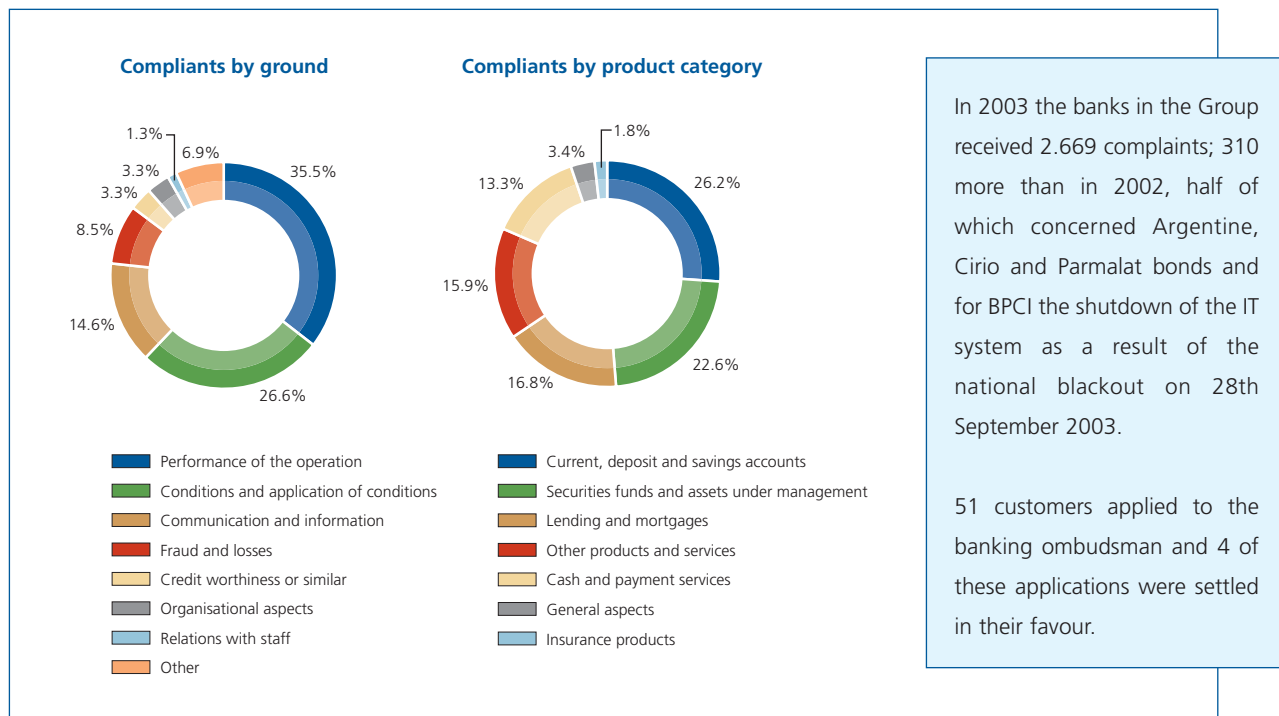
Satisfaction

The satisfaction of each customer is a primary objective of all our banks. It not only concerns utility but also overall satisfaction with the relationship and therefore the propensity to maintain it or not.

We are not yet able to furnish a complete picture at Group level of the degree of customer satisfaction because some of the banks which already belonged to the observatory set up by the ABI (Italian Banking Association) on the subject, have uniform and therefore comparable data available. It is an objective contained in the industrial plan which we set for 2004 with an initial customer satisfaction survey on a representative sample of customers from the whole Group.

For the time being we can only rely on an analysis of complaints regarding situations of unsolved dissatisfaction concerning normal branch relations. They are important signals that our banks use to improve because they are directly responsible for the quality of relations with their customers.

The Parmalat affair generated almost 550 complaints in the first few months of 2004. Our Group is an injured party in the affair, just as much a victim as small investors. We suffered serious operational and financial damages recorded in the accounts for the



year and together with the entire banking sector we have suffered damages to our image that is difficult to quantify. Investigations performed in all the companies in the Group found no evidence that might suggest a relationship between lending activity and trading nor did it find corporate strategies to solicit purchase orders from customers. Confirmation of this is seen in the percentage of securities held on deposit for customers which was 0.61% for Parmalat bonds and 0.18% for Cirio bonds (in terms of value they accounted for 0.35% and 0.11% of the total value of the bonds held by customers). However as far as ordinary operations are concerned we cannot exclude the possibility of individual cases of irregularity even from a procedural viewpoint. We have therefore decided to deal with individual episodes on the basis of criteria defined by a special internal commission.

Protection: ethics in business

It is always important in our activity to maintain a steady course of ethically correct conduct even when

budgets targets have to be met. Honesty is the path we take which also leads us to adopt self disciplinary codes of conduct that are more severe than required by law.

We therefore feel that the work the ABI (Italian Banking Association) is conducting, often in close co-operation with consumer associations to ensure greater transparency and honesty in the activities of its members is very important. We grasp all opportunities for improvement in following its recommendations.

Codes of conduct

We have adopted and observe the *Code of conduct for the Banking and Finance Sector* of 1996 and the *Code of Conduct for Mortgage Lending* of 2002, important self-disciplinary instruments, which supplement the compulsory regulations in force, and we are working on a *Code of Conduct* which conforms to the new ABI guide lines for the adoption of organisational models on the administrative responsibilities of banks.

We are also participating in the PattiChiari (Clear Pacts) project, a set of initiatives relating to transparency, comprehension and comparison of products. Proper implementation and application of the project by banks is guaranteed by a brand mark issued as a result of certification by external

independent authorities. We have so far implemented the first four of the eight initiatives involved in the pact and for the others we are planning organisational and procedural changes to be adopted taking account of the intense Group integration activity already underway.

“ABI - PattiChiari” (Clear Pacts)

BANKING SERVICES									
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LENDING									
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Negotiating conditions

There is no doubt that customers are the weaker party in negotiations with banks and it is therefore up to the banks themselves to act transparently, honestly and equitably in applying conditions. We use two supplementary instruments in the efforts we make in this direction.

The first has already been widely used for many years and these are the conventions that regulate conditions and charges on accounts and services for particular categories of customer. Today these relate mainly to firms but also include small businesses; they give easy access to larger and more economical loans through employers associations and consortiums which guarantee the loans.

The second relates to private individuals and consists of “packaged” products with supplement banking, financial and insurance services, where the costs are fixed and the content is in modular form. The advantages are reciprocal because the bank increases its business while the customer incurs a lower cost for the services obtained.

Dialogue: continuous improvement

Continuous, clear and reliable communication is fundamental for maintaining a customer’s trust, the foundation of any stable and lasting relationship. It is achieved through compulsory notices giving information on display at all branches and through bank statements delivered to customers’ homes. It is achieved above all, however, by the capacities and skills of our staff in branches and in the call centre of our telephone company to relate to customer needs.

We have set up free phone numbers dedicated to

consumer credit and multi-service current accounts and we are creating a new and more complete Internet portal with specific email addresses for each area of interest.

Communication by itself, however, is not sufficient to guarantee a constant capacity to respond promptly and effectively to changes in individual local markets in which we want to be constantly present, rapidly and efficiently and with the relationship of a local community bank. We are therefore creating structured channels for dialogue which will allow us to constantly improve our capacity to listen and react.

We are setting up new processes for transmitting information from the “outskirts” to the Group commercial functions so that they can constantly orient commercial strategies and plans, the creation of products and services, information and training activity according to actual customer needs, preferences, concerns or causes of dissatisfaction manifested by them.

Externally we are concentrating on “forming a system” with various actors in the local economies. We have started with one community, that of Varese, in which we want to conserve and build on the historical roots of Credito Varesino (merged into Banca Popolare di Bergamo since 1992) and Banca Popolare di Luino e Varese (merged into BPU Banca in 1992 after transferring its network of branches to the new Banca Popolare Commercio e Industria) in the community. The “Committee for the Community of Varese” is actually being formed as this sustainability report goes into print. It is composed of reputed representatives of the local business, professional and academic world and is guided by Paolo Lamberti, ex president of the Unione Industriali di Varese (employers’ association). Group representatives from Banca Popolare di Luino and Banca Popolare Commercio e Industria were selected on the basis of their origin, culture and awareness of local issues.

The Committee for the Community of Varese

This is a channel which ensures constant communication with the community in the province of Varese, a body for creating a dialogue between representatives of the Group and those of the community, consistent with the mission of maintaining its roots in the community which the Group pursues through the strong local character of its banks.

The committee’s task is to monitor local change, report on the more significant socio-economic phenomena and to promote reciprocal and constructive exchange of information, expectations and requests for intervention.

It works with the aim of constantly improving the Group’s capacity to support the community with the financial products, services and initiatives that form part of its banking activities that are kept constantly up to expectations.

Relations with Society

The statutes of all our banks donate a proportion of profits to society. It is a mark of attention to and participation in society which goes beyond our institutional function as a finance company and qualifies us more fully as a “bank in the community and for the community”. We are committed to improving the quality of life in the community beyond the horizon of our members and shareholders, our staff and our customers.

Each bank acts freely in its own local community where it knows its social, cultural, academic, charitable and environmental interests as well as its business interests and helps to create a rich framework of initiatives which enhance the distinctive traits of each local community. This framework also includes the more far reaching institutional action taken by the Parent Bank and its foundation.

The Board Fund *

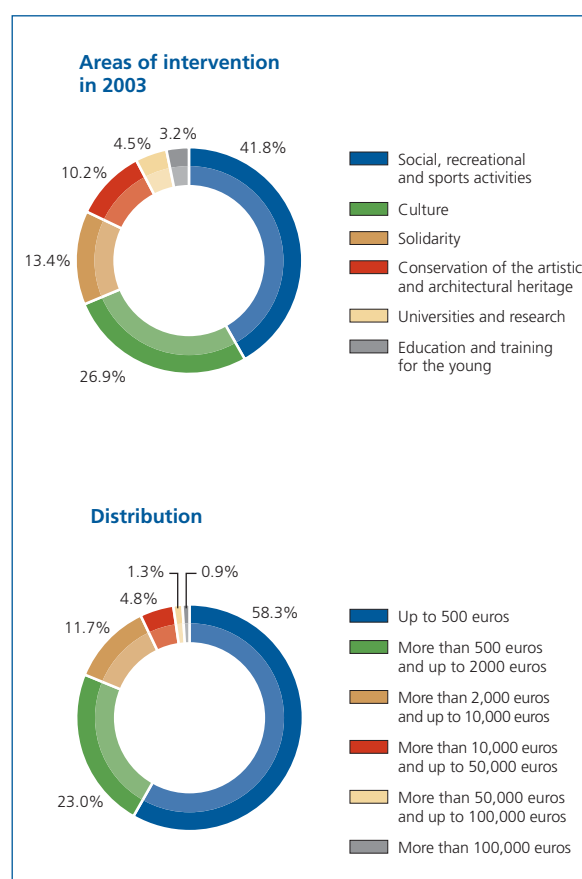
	% PROFIT
BPU Banca	1.5%
Banca Popolare di Bergamo	1% max
Banca Popolare Commercio e Industria	1% max
Banca Carime	3% max
Banca Popolare di Ancona	4% max
Cassa di Risparmio di Fano	4% max
Banca Popolare di Todi	4% max

* Reserve which in accordance with the individual corporate statute's of individual banks is available to boards of directors for charitable purposes.

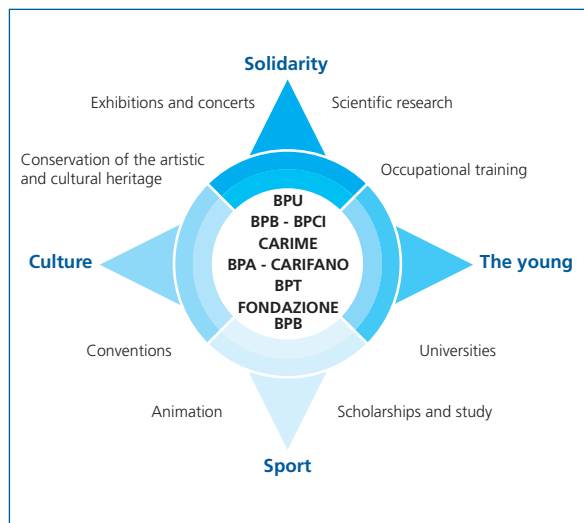
The objectives of this foundation, entitled *Fondazione Banca Popolare di Bergamo ONLUS*, are to contribute to the conservation of the artistic and architectural heritage, to support artistic and cultural organisations and initiatives and to pursue other social and welfare objectives.

Participation in community life

More than 3,300 actions for a total of 9.2 million euros, these are the statistics of our participation in the community life in 2003. Half of the them are grants donated for the purposes set for “Board Funds” and half are sponsorships with which we have promoted our image by associating our brand names with the many social, sporting and cultural activities that animate the communities in which we operate.



Of the many initiatives some deserve mention as expressions of the different sensitivities that characterise our banks, because they are intimately connected with the history of the community or because they have particular social or cultural significance.



Solidarity

Solidarities knows no boundaries. It brings dignity and hope to people in small and large disasters, in hardship, above all in that in which the young live even in our own cities and in the many conditions of suffering caused by illness, wars and poverty. Our banks and our staff contribute to the activity of many associations that work in Italy and the world. The CRAL (social and recreational club) of the BPU and BPB staff manages a programme of 350 “distance adoptions” of children in Malawi, Peru, Eritrea and Brazil supported by the donations of colleagues.

The Association “*Amici di Padre Pedro*” (friends of Father Pedro) has been committed for years to collecting funds for this priest from Bergamo, Don Pedro Balzi, to help the populations who live in the shanty towns around Teresina, a city in North East Brazil. Hostels, nurseries, a medical surgery, a home for drug addicts, two elementary and technical schools and five churches-day centres are just some of the projects completed over 15 years thanks to the untiring work of this Bergamo missionary and the financial contribution of many people and organisations, including our **Banca Popolare di Bergamo** which has supported it from the very beginning.

After 21 years of consolidated experience in assisting the terminally ill suffering from cancer in their own homes, “**Vidas**” is working to create a Home Hospital in Milan dedicated to the seriously ill who are most alone and live in unsuitable conditions for care in the home. The **Banca Popolare Commercio e Industria** has always supported the work of the association with donations and by participating in the life of the association, periodically hosting conventions and conferences at its head offices in Milan. The top management of the bank is also personally committed to supporting the ‘Home Hospital’ project with the donation of a substantial sum and has invited senior managers of other large companies to donate.

The **Banca Popolare di Ancona** also works on the fight against suffering with its support for “**Associazione Amici dell’Istituto Oncologico Marchigiano - Jesi e Vallesina**”. This assistance started in 2002 with sponsorship of the “Premio Vallesina” which donated the takings of the final evening of the awards ceremonies to the institute and continued with the donation of a Fiat Panda for care provided in the home and with the grant of a further sum as the “foundation stone” of a donations campaign launched in the community through the “Solidarity Branch” scheme. In 2003 the bank funded a campaign to collect funds for and make people aware of the institute in all the Vallesina branches.

The “**Fondazione Giovanni Paolo II**” of Bari in co-operation with the “**Fondazione Dioguardi**” is implementing a project for the social rehabilitation of adults who live in the San Paolo-Stanic district in the city centre of Bari. The project supplements a “street education” project designed to make the street, understood as a place of hardship and deviance, a place from educational meetings and workshops for careers advice. **Banca Carime** contributes by funding the project.

The “**Comunità Don Lorenzo Milani di Sorisole**” (Bergamo) works in the same area. Don Fausto Resmini, who leads the community work on the rehabilitation of minors either subject to criminal measures or collected from the street. **BPU Banca** has donated sums to set up a rehabilitation project and to making improvements to multi-functional workshops at the service of important social work projects.

The young

The young are our future. A future in which we must invest. We co-operate through our banks with many school and university institutions both Church and non Church related because plurality in the provision of education is wealth that we recognise. Each community deserves to be able to nurture and bring up its young with a human and professional perspective.

Making a contribution to peace in the world by allowing young people from different cultures to know each other is the objective of **Intercultura**, a not-for-profit association with works in over 60 countries helping young people in the field of cultural exchange. To achieve such an ambitious goal, Intercultura proposes programmes to children by which they live with a family and attend a state school. **BPU Banca** supports the activities of the association by funding three scholarships each year for pupils in their third year of senior high school to pass an entire school year abroad.

In 2003 the **Municipality of Bergamo** renewed its “Youth Card” initiative for young people between the ages of 15 and 25 years, a scheme that was started to allow the new generations access to services and organisations in the city at reduced prices. The **Banca Popolare di Bergamo** supports the initiative which has the virtue of making sporting, musical and cultural events more accessible to young people and gives a contribution to another important action of the bank: it sends every young person a folder containing a copy of

the European Union Charter of Rights, the Italian Constitution and the Statute of the City when they reach the age of 18. It is an action which underlines the fact that they have reached full citizenship to be experienced with awareness and involvement.

Each year the assembly halls of the head offices of the **Banca Popolare Commercio e Industria** host a monthly series of concerts from September to February. Yamaha Musica Italia S.p.A., a leading company on the musical instrument market which has established a network of music schools in more than 40 countries is a joint sponsor. The young musicians come from the **Accademia Pianistica “Incontri col Maestro” of Imola**, a school for the most promising musicians founded in 1989 which has seen its pupils win all the major international awards.

The “**Fondazione Calabria Scienza oggi**” is an organisation created by the University of Calabria which includes the Region of Calabria, the Province of Cosenza, the Municipalities of Rende and Cosenza and the Industrialists’ Association of Cosenza among its founding members. The foundation covers university expenses and houses students with high potential in scientific subjects in its own college to provide them with an excellent education which builds on scientific expertise that exists in Calabria. **Banca Carime** contributes to its activities with two scholarships.

The purpose of the “**Associazione Pro Universit  Bergamoensi**” is to enhance the value of the service provided by the University to the Bergamo community. It was formed in June 1994 with the collective support of the Bergamo business community and has always been supported by **Banca Popolare di Bergamo**. The association promotes on-the-job training and research by students in companies, encourages international relations by the University (twinning, visiting professors), supports the integration of studies at foreign universities with Erasmus/Socrates projects and funds research, publications and conventions.

Schools have always received attention from all the banks in the Group both with the regard to educational projects and participation in advisory activities. One example is the relationship of the **Cassa di Risparmio di Fano** with the local **Istituto Tecnico Commerciale Cesare Battisti**, which uses instruments furnished by the bank's training centre to make education closer to the real world of work.

Sport

Sport is health, a school of life for young people and a healthy passion for adults. When children and athletes play and challenge each other on the football fields of parish youth clubs it is often with the support of our banks. We encourage "clean" sport, that of the many "minor" disciplines and youth teams and the many events in which sport becomes an occasion for solidarity.

Banca Popolare di Bergamo continues the 30 year tradition established by the ex Credito Varesino with its sponsorship of the "**Tre Valli Varesine**" (three Varese valleys) race, an exciting cycling event in which the greatest champions of all time have taken part: Motta, Saronni, Moser, Merckx, Ballerini and Chiappucci to mention just a few. Two different towns for the start and the finish, Campione d'Italia and Varese, and two circuits between them, that of Luino, and that of Varese give amateurs the opportunity to compete alongside champions. A full calendar of side events is a sign of the new social and cultural meaning taken on by the race.

"**Club Scherma Jesi**" (a breeding ground of champions with a number of Olympic medals to its credit), "**Aurora Basket**" (with its first-team in Lega2 - league two) and "**Esaleasing Rugby**" are just a few examples of the "minor" realities important to the community who, with the support of **Banca Popolare di Ancona**, continue to create involvement in local communities. The purpose of the project, "ethics in sport", in the last half of 2003 was to introduce a new

meaning to the bank's initiatives. These will reward respect for the values which must characterise sporting commitment, declared in a charter of values entitled the Athletic Code.

To introduce new generations in a climate of honest and peaceable competition and respect for moral sporting values is a commitment made by a wide variety of sporting organisations in many towns and cities. The **Cassa di Risparmio di Fano** recognises the social value of this commitment and has sponsored many local events for more than ten years. These include the football schools "**CSI Delfino**" and "**GDM S.Orso**", the cycling club "**Alma Delfino**" and the basketball club "**Unione Sportiva Adriatica Fano**" which together bring together more than 750 children and young people.

Sport as an occasion for solidarity is the meaning of the "**Concorso Ippico Internazionale di S. Patrignano-Challenge Vincenzo Muccioli**" a spectacular event with a content of great technique that has become one of the most important appointments on the international show jumping scene (the European Championships are to be held at San Patrignano in 2005) but above all it is a message of hope for large numbers of young emarginated people. It is organised entirely by young people from the community and it helps to demonstrate that sport too can play an important role in addressing the problems of our society. **BPU Banca** continues the commitment of the ex BPB-CV in sponsoring the event.

Culture

Culture is a love of the beautiful; it is the conservation of our historical roots; it is creative thought for a better future. Our banks keep the tradition of 'mecenatism' (patronage of the arts by Renaissance merchants) alive by conserving our artistic and architectural heritage, the pride and wealth of our cities, by sponsoring large and small events and by collecting ancient and new works of art.

A substantial donation by **Fondazione Banca Popolare di Bergamo** (2.6 million euros 0.7 of which in 2003) enabled the University of Bergamo to acquire new prestigious premises the historical complex of S. Agostino. The ex monastery was restored to house the Faculty of Letters and Philosophy and the languages and letters library. Small spaces, collected together for "fine" education in an environment which must preserve its delicate architectural equilibrium.

The "**Premio Eleonora Duse**" has been awarded in Milan for 18 years now. It was founded and is sponsored by **Banca Popolare Commercio e Industria**. The prize is awarded to an actress who has distinguished herself in the last prose season and in her career, in one or more plays presented in Italy or abroad. On the same occasion a special mention is made in honour of an emerging actress chosen by her from a shortlist drawn up by the prize jury. Admittance is by invitation and the event is held in October in a Milanese theatre.

The second stage of the exhibition, "**Arte a Bergamo**", for the period 1960-1969 was held in 2003. It is an exhibition on art from the 1950s to the 1980s located in the setting of the ancient upper city, to provide contrasts of times and spaces, carefully designed, effective and authentically fascinating. The exhibition constitutes an anthology and chronicle of the most significant local artists, some of which are still very visible today. The exhibition is divided into many different segments but what they have in common is creativity of the highest order, making Bergamo a city of art that is neither on the margins nor the fringes. The **Banca Popolare di Bergamo** lent its financial support to the whole cycle.

The objective of **the touring exhibition "Capolavori del '600 e del '700"** held by **Banca Carime** at its premises in Reggio Calabria, Cosenza and Bari was to organise a cultural operation which would have a definite impact and make the artistic heritage of the bank accessible to the community.

The collection is one of the most important in the area in which Carime operates and includes twenty-six paintings of the 17th and 18th centuries, the periods in which the collection specialises. It contains renowned works from the Caravaggio school and by important Neapolitan artists.

A large exhibition in Rome celebrated the universality of civilisation in art that matured in the "Eternal City" up to the period of national unification. The exhibition "**La maestà di Roma: da Napoleone all'Unità d'Italia**", sponsored by **Banca Popolare di Ancona** and inaugurated on the 7th March 2003 in the presence of the President of the Republic, was held on three prestigious Roman sites. At the Stables of the Quirinale with the title "Universal and Eternal", the exhibition immersed the public in the universal dimension of 19th-century Rome. At Villa Medici it was "From Ingres to Degas, the French artists" which placed the accent on the French artists who came to Rome during the 19th-century. The role of Rome as "Capital of the Arts" was underlined in the display areas of the Galleria Nazionale d'Arte Moderna, a sort of University for Italy and for the entire world, a place to come to and learn the forms of art.

Our country prides itself on its widespread cultural vitality, on its many small towns rich in history and tradition, which each year hold events at times of great value in squares and theatres. In the little town of Todi and the surrounding area the **Banca Popolare di Todi** supports many different events such as the "**Todi Arte Festival**" and the "**Todimusic Fest**", the renaissance festivals of Acquasparta or the musical days of Assisi. The issue of a postal stamp to celebrate "the smallest theatre in the world" was certainly an original idea. It is the **Montecastello di Vibio** theatre and the bank sponsors its very special seasons.

Much is said today about tourist promotion. The initiative "**Vivi Luino**", which has animated Luino summers since 1996 is a successful example of how

attention to the local economy can be combined with cultural events and entertainment, concerts, cabaret, fashion shows and other attractions.

It is supported by **Banca Popolare di Luino e Varese**, now a brand name of Banca Popolare Commercio e Industria, and has become a fixed attraction.

Protection of the environment

Like all human activity, the banks activity has direct and indirect impacts on the environment. The main direct environmental impacts of our activity are on the sites where we work, the large buildings in which the main banks have their headquarters and the many local branches scattered throughout the country, with their energy demands.

Programmes to reduce energy consumption and polluting emissions had been implemented in the two original groups over the years. Many different types of action were taken over the years in different banks: improvements to lighting systems using low consumption bulbs; monitors which switch off automatically to limit the consumption of workstations not being used; the introduction of improved insulation when premises are refurbished; central heating systems were converted to methane with intervention to optimise the consumption of heating and air-conditioning systems; fire-fighting equipment was replaced to eliminate halon gas.

Nevertheless there are many different situations in different banks and we are investigating to then take action to bring all premises up to the same standards of quality, with uniform methods for monitoring the relative indicators. There are large margins for improvement from the viewpoint of environmental performance, which will also translate into financial savings. The logistics function of the parent bank which has centralised responsibility on the matter is working on this.

For the immediate future we expect concrete benefits

from the activity of the ABI energy consortium which we formed at the end of 2003 with 19 other banks. The intention of the consortium is to become a "centre for research and training" for all activities connected with the optimising of the use of energy and a "purchasing group" to obtain discounts on both the national and international market. Its activities will also be an important point of reference for our energy managers, an important specialist figure which we have decided to appoint.

ABI Energy Consortium

Objectives

- Reduction of energy consumption
- Reduction of energy supply costs
- Reduction of operating risks associated with the use of energy
- Reduction of environmental impact from the consumption of energy

Research and training activity

- Definition of general criteria for maintenance and management of plant
- Definition and diffusion of auditing methods and energy consumption indicators
- Establishment of benchmarks for consumption and energy costs at system level and the creation of an energy databank
- Research and development of technologies to support energy management and renewable sources
- Training and diffusion of information banks for rational energy management
- Creation of temporary energy managers for banks that have appointed one

We are also working on question of the consumption of materials and offices and consequent production of waste in order to establish best practices already adopted by various banks at group level and to identify new ways to improve.

The consumption of paper and toner for printers and photocopy machines (96 and 1.2 kg per capita respectively in 2003) are very important items to be kept under control also because the consumption of these resources translates into waste which must be treated. In addition to using ecological paper from crops and regenerated toner cartridges, practices already widely adopted by our banks, we plan to reduce consumption with constant improvements and strengthening of the electronic IT management instruments, with the development of online banking systems for customers and increasingly greater use of intranet and Internet for internal and external communication.

Dialogue

The participation of all our banks in local community life, in all the different local realities in which we are present, is born from continuous dialogue where the

main point of reference is our branches. Nevertheless the senior management of individual banks and the group are also always attentive to grasp needs deserving of attention and the most reliable and effective initiatives of associations and organisations that work in the community. Many suggestions come from the large numbers of colleagues who are directly involved at different levels in their respective communities.

The province of Varese is of particular importance to us and in accordance with the principles and values which led to the formation of the BPU Banca Group we are setting up a foundation as a direct expression of the co-operation that has existed for years between the banks of the original groups and the local community in the province. It will take the name of "Fondazione Banche Popolari Unite per Varese" and will be led by the chairman of BPU Banca, Emilio Zanetti.

"Fondazione Banche Popolari Unite per Varese"

The foundation will be endowed by BPU Banca with capital of five million euros over a period of five years with endowments of one million euros per year. It will contribute to the support and growth of the community as a whole with activities to value and develop the area, to conserve the artistic heritage, promote culture and art and undertake initiatives in the field of social welfare.

The Board of Directors of the foundation, like the members of the community committee involved in institutional activities, will consist of members who are representative of the Varese community. It will be their task to identify community needs and to transmit "impulses" that will weld links with families, enterprises and other public and private sector organisations.

ANNEXES

Methodological notes

BPU Banca Group's social report was prepared on the basis of the consolidated financial statements. It follows the same principles of **clarity, truth, accuracy** and **prudence**, and is prepared on an accrual and "going concern" basis. However it is also founded on a body of principles of preparation specifically recognised as national and international best practices and also adopted by the ABI model which we use, designed to make it easy for each possible stakeholder to identify and understand the phenomena that concern them.

Responsibility

We intend to account to the main internal and external stakeholders for the effects of decisions taken, through the categories identified in the stakeholders' report, with particular regard to equitably balancing of their individual legitimate interests.

Identification - consistency

We have tried to give third parties the clearest possible perception of the mission the group pursues. The ownership and management structure is clearly described as is the consistency of policies, decisions and action where values are declared.

Utility - Meaningfulness - Importance

We have included all the information we felt was useful in satisfying the desire of the public to be reliably and fully informed of actions which have produced a real and significant impact on the realities surrounding them.

Transparency - Verifiability

We have given priority to the inclusion of information which is quantitative or which can in any case be checked against corporate documents including those of a non accounting nature to allow all recipients of the sustainability report to understand the logical procedures adopted underlying its preparation and the discretion

employed in making decisions. The detailed information and the wealth of indicators are conditioned by the effective possibility of acquiring and uniformly and consistently measuring data from companies with different organisational structures and systems which have only just begun the process of integration into the Group. In some cases, where this did not prejudice the basic accuracy of information, we have filled gaps in data by using estimates and approximations. Specific planning activity is underway to implement the group IT system to acquire and process more complete and detailed data which would improve the focus on different stakeholders and broaden the field of accountability.

Members and shareholders

The members and shareholders in question are naturally those of the parent bank only. The analyses of the social demographic composition of the total is based on information received in time for the last update of the register of members at the end of 2003, which represents almost all the outstanding shares.

Personnel

All the data, where not otherwise specified, concerns total group personnel. For technical reasons some of the data on composition (e.g. educational qualifications) relates to the end of January 2004.

Customers

The customers of the group are those of its network banks. In reality some of the financial product companies (e.g. insurance companies) have a proportion of their own customers, but the number is small compared to the total considered.

Suppliers

We considered the suppliers of network banks and took the group aggregate for analyses on composition by geographical area and by volumes purchased by individual banks.

Glossary

Affluent	Literally "well-off" - it identifies a high-income group of private individual customers
Asset Management	Management of investments, normally financial investments
Blue Chip	Shares in major companies listed on stock exchanges
Bond	Debt security issued by a private or public issuer
CBI	<i>Interbank Corporate Banking</i> – set up in 1995, a remote banking service (see item) which allows companies to work directly with all the banks with which it holds accounts through their own computers
Ethical Code	Charter of fundamental rights and moral duties through which companies define the social and ethical responsibilities towards their stakeholders and publicly declare that they will observe them
Consumer Finance	Finance products and services for private individual customers
Corporate Governance	Set of processes and instruments for the management of a company
CRM	<i>Customer Relationship Management</i> - model for managing relations with customers designed to create value for customers and companies by increasing their knowledge of each customer
Customer Satisfaction	Quality management implemented by means of a set of techniques and parameters designed to measure the degree of customer satisfaction on individual products and services and on overall relationships
Global Compact	Voluntary initiative launched in 2000 by the United Nations which requires companies to commit themselves in their operations to promoting observance of nine universal principles in the field of human rights, workers rights, and respect for the environment
Hedge Fund	Highly speculative open investment fund, characterised by a high-risk yield profile and therefore by a high minimum investment requirement (set at 1 million euros in Italy)
Home Banking	Computer connection via the Internet through which private customers can give instructions and obtain information relating to their bank account
Internal Dealing	Purchases and sales of listed shares in the company performed by directors and other "important persons", which is to say persons who have access to privileged information in the course of their work
Intranet	An Internet network with access reserved to the personnel of a company
Investment Banking	Support activity for companies to assist them in gaining access to capital markets for the purpose of balanced financial growth
Mass	It relates to retail markets (see item) and identifies the most numerous group of a bank's customers
Corporate Market	The market of medium to large sized enterprises
Private Market	A market consisting of private individual customers with large estates

Retail Market	This identifies the market consisting of the majority of private individuals and small to medium-sized enterprises
Nova Spes	An international foundation which has been working for more than 20 years to promote the development of individuals and society
Structured Bonds	This term indicates products that consist of a set of financial instruments sold together; they reach considerable levels of complexity and can therefore be difficult for the public to understand
Banking Ombudsman	A collegial body promoted by the ABI and set up in 1993 with the task of settling, under determined conditions, disputes between banks and customers over amounts of up to 10 thousand euros (50 thousand euros for international credit transfers) not settled by a bank's complaints office
Onlus	Not for profit organisation with public interest objectives
POE	Market segment consisting of small business operators, typically tradesmen, shopkeepers and professionals
Private Equity	Investment of risk capital in non listed companies, typically of small to medium size
Public Company	Joint stock company listed on a stock exchange with a large number of shareholders, none of which is able to exert a dominating influence
Credit Rating	Rating of the creditworthiness of a counterpart granted or to be granted a loan, performed by the party granting the loan or by specialised independent companies by quantifying the risk of default
Remote Banking	Computer connection via Internet, through which companies can give instructions and obtain information on their bank accounts
Social Responsibility	With regard to a company, it is a voluntary addition to its social and ecological concerns in its business operations and relations with its stakeholders (see description below)
Roads how	Series of meetings with institutional investors which take place in international financial centres
ROE	Return on equity - financial indicators which give the ratio between net profit for the year and the net worth of a company and is therefore used to assess the profitability of a company for its shareholders
Small Business	Market segment consisting of small businesses
Stakeholder	Individuals and groups which hold specific interests with regard to the company, because the achievement of their objectives depends on the company, or because the external positive or negative effects of the company's activities affects their well-being substantially
Trading Online	Buying and selling of securities over the Internet on organised markets
Value Added	Value produced by a company during the year, calculated as the difference between gross production and the consumption of goods and services

The process of preparing the social report represents a continuous commitment to improvement.

We are interested in receiving stakeholders' assessments of this document and we consider each suggestion, indication, criticism or appreciation as valuable.

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