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2004 Social Responsibility Report

2004
Social
Responsibility
Report



“The images used are flashes which remind us that economic and social development is a result of our daily activity, in the full awareness that every single action contributes to the entire process.

Seemingly static and inanimate objects alternate and combine with nature and the human element, establishing symbiosis as they take form and identity.

With everything guaranteed by shadow as a visual metaphor, representing the promise of a constant and friendly presence that will ensure lasting, balanced and responsible growth.”

2004 **Social** Responsibility Report

Report as of 31 December 2004

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Working together to develop our nation

Luigi Abete, Chairman of BNL

Dialogue and mutual awareness are the foundations for building a climate of respect and essential factors for growth and development.

In recent years BNL has carried forward an intensive programme of commitments to all stakeholders, both within and external to the Bank. These commitments have included: the adoption of a Code of Ethics which identifies and defines ethical values and responsibilities; membership of the Global Compact, a UN initiative for the promotion of sustainable growth, and special recognition in the "social marketing" category with the Sodalitas Social Award from Assolombarda for the "BNL for Telethon" project.

There is a thread which unites the many initiatives that have evidenced BNL's commitment to social concerns in recent years. This is our ability to combine finance and ethics, work and responsibility, strategy and attention to the various stakeholders, thus showing our true understanding of the key principles of corporate social responsibility.

In particular, social responsibility does not simply mean charity, philanthropy and generally doing good, but rather it involves an investment in the quality of the business and its cultural growth.

Knowledge of our history confirms that the values underlying all this are rooted in our DNA. Our history provides clear evidence of the contribution that the Bank has made and continues to make, day by day, in the areas of economic growth and social development.

Accordingly, we should now continue working together in this direction, for the quality of our business and the progress of our nation.

Luigi Abete

Methodology: criteria for preparing the Report

This is the fourth edition of the BNL Group's social responsibility report.

We thus maintain our promise to continue publication of this important document which is not merely a means of communication, but above all an operational tool available to and prepared for all BNL stakeholders.

It is increasingly clear that, today, the business is called upon to perform complex tasks which require paying ever greater attention to the expectations of the community at large.

New and demanding objectives have been set for 2005 as part of the continuous improvement of business performance, thereby demonstrating our commitment to an ongoing dialogue with our employees, partners and other stakeholders.

BNL trusts that this effort is appreciated and will contribute to an improved sharing of the needs of all social and economic operators present and active in the field.

The main enhancements contained in this fourth edition of the Social Report include:

- further refinement of the system for administering our social responsibilities;
- the identification of additional performance indicators, being the CSR performance indicators presented by the Ministry of Employment and Social Policies within the CSR-SC project;
- the inclusion of information on environmental sustainability, which reflects our ability to minimize the direct and indirect environmental impact of our activities, thus preserving the natural environment for the benefit of future generations.

The Bank's Social Report is based on the model prepared by the Associazione Bancaria Italiana (ABI) and the Istituto Europeo per il Bilancio Sociale (IBS) for the banking sector. The preparation of the Social Report, in its fourth edition, confirms our determination not only that this should be an ongoing project, but also that it should complement our Annual Report and Accounts.

The information on our economic and financial performance is supplemented by qualitative social and ethical data, thus highlighting BNL's contribution for the economic, social and cultural development of the nation.



First Part



Our corporate identity:
an introduction

History

Istituto Nazionale di Credito per la Cooperazione was the virtually unknown forerunner of BNL.

Right from the start of the twentieth century, BNL has played a leading role in the economic, social and cultural development of the nation.

Indeed, BNL's mission has been clear since its foundation by royal decree in 1913: a Bank at the service of society and business.

1913 -1940. From cooperative bank to State bank

These were the formative years of the Bank envisaged by Luigi Luzzatti and formed by Giovanni Giolitti in 1913.

This period was marked by the financial effort made to reconstruct the nation after the First World War, with major investment in building works and in the South of Italy.

The government decided to nationalize the Bank, in order to play an increasingly broad role: in 1929 the original bank became Banca Nazionale del Lavoro, with a view to becoming the "State Bank".

1941-1970. The heroic period of Longo and the economic boom

The time between the immediate post-war period and the economic recovery, which culminated in the boom period, showcased the Bank's ability to interpret the nation's desire to rise again.

Action principally focused on the industrial and agricultural sectors, backed by the financial transactions envisaged under the Marshall Plan and by the Bank for Southern Italy.

Our leader during the decades of growth was Imbriani Longo, who, first as General Manager and then as Chairman, remained at the pinnacle of the Bank for more than twenty years.

As a result of international expansion (with offices in Paris, London, Madrid, Frankfurt, Rio de Janeiro, Montreal, New York) deriving from a strong and dynamic foreign policy, BNL grew to become the world's ninth most important bank.

1971-2003. The privatisation of BNL as the turning point for a new Group identity

The suffered an about-turn in the 1970s, largely as a consequence of the economic recession and the level of public debt; for the first time, BNL was no longer the leader of the banking system.

Fortunes see-sawed as a result of many events, from the stockmarket boom to the Altanta episode.

The turning point marked by the privatisation in 1998, by then inevitable, forced a radical internal reorganisation designed to restructure the Bank and relaunch commercial banking activities.

This change was essentially cultural: during this time, the epoch of the State as banker and entrepreneur finally ended in Italy.

BNL was listed for the first time on the Milan stock exchange. From then on, the Group has worked to present a multi-specialist range of banking and financial services.

Today

Following the complete success of the capital increase with subscription for all the ordinary shares made available, the new share capital of BNL exceeds 2 billion euro, with about 3 billion ordinary shares and 23 million savings shares in circulation.

BNL represents one of Italy's largest banking groups.

The Parent Bank and its subsidiaries cover all the principal areas of banking and finance, including those with highly innovative content, for both corporate and retail customers. The distribution model reflects a multichannel strategy and comprises an organisational model designed to rationalize and optimize the focus on the various areas of business, with a view to further specialisation by segment/market.

In addition, BNL has implemented a new organisational/distribution model based on the Area Organisation.

Lastly, BNL has been working on the enhancement of professionalism and transparency for some time, with the adoption of the Basel 2 regulations and the new International Accounting Standards (IAS). This has enabled BNL to improve pricing decisions and orient commercial and productive activities towards classes of customers presenting a better risk/yield profile.

Significant events subsequent to year end¹

The BNL Shareholders' Meeting was held on 21 May 2005, with the presence of more than 75% of the ordinary share capital. The agenda covered the financial statements as of 31 December 2004, the purchase and sale of own shares, the election of the Board of Directors after fixing the number of directors, the election of the Board of Statutory Auditors and the determination of the remuneration due to the members of the various boards.

the shareholders' meeting approved the 2004 financial statements, which reported a consolidated net loss of 34 million euro, compared with a net profit of 141 million euro in 2003. The results of the BNL Group were marked by a notable acceleration in the process of strengthening capital adequacy and improving the quality of loans, together with commercial growth in certain key areas of business. Capital adequacy was strengthened by the capital increase authorised last December and by work on the repositioning of weighted assets in areas of activity not included in the core business. In addition, the risk profile of the Group has been lowered considerably. In particular, the coverage of non-performing loans has climbed to 57.6% (from 48.7% in 2003), while that of problem loans (non-performing plus substandard loans) has risen to 51.4% (from 45.6%). Total non-performing loans recorded in the financial statements have decreased by 14.7% compared with the prior year, while net problem loans have declined by 12.3%. Performing domestic loans, gross of the securitisation transactions carried out during the period, have increased by almost 10%.

The net loss reported by the Parent Bank in 2004, 60 million euro, was covered at the Shareholders' Meeting by using the following equity reserves: retained earnings of 639 thousand euro, the revaluation reserve of 7 million euro and the extraordinary reserve of 52 million euro. Following the above coverage, the shareholders' equity of the Parent Bank amounted to 5,028 million euro at the end of 2004, while overall equity reserves (including the allowances for loan losses and subordinated liabilities) totalled 7,647 million euro.

An important point on the Meeting's agenda was the election of the Bank's Board of Directors which now comprises 15 members, two more than in the past.

After the Shareholders' Meeting, the first meeting of the new Board was held on 24 May and appointed Luigi Abete as Chairman, together with Pier Luigi Fabrizi and Antonio Ortega Parra as Deputy Chairmen. The Board also appointed the Executive Committee which, in addition to the chairman, who has a right to attend, comprises Antonio Ortega Parra, Aldo Minucci and Juan Perez Calot. Giovan Domenico Formosa was confirmed as Board Secretary.

(1) Last updating May 24, 2005

Background: scenario and market

During 2004 the international economy was marked by the sharp rise in oil prices, the weakness of the dollar against the euro and the continuation of significant geopolitical tensions. Despite this, the world economy expanded strongly in the wake of a clear acceleration in international trade.

The characteristics of this economic growth differed widely in the various parts of the globe. The United States and China took the leading role.

The U.S. economy was mainly fuelled, once again, by domestic demand.

On the other hand, growth in China stemmed from the heavy investment made by firms and that nation's rising share of world trade.

There was also an encouraging further acceleration in the growth of other emerging economies.

In Asia, however, the prospects for growth were hampered by the economic consequences of the tsunami at the end of 2004.

There was strong growth in Latin America too: Chile and Brazil expanded by more than 5%, while growth for the second successive year in the Argentinean economy has helped to recover part of the ground lost during the severe recession at the beginning of the decade.

The economic recovery of the euro zone began later than elsewhere in the world and displayed a generally weaker tone, given the level of household consumption and the effects of the stronger euro.

In the international currency markets, the weakness of the dollar against the euro was accompanied by the maintenance of the fixed rate between the US and Chinese currencies.

Faced with a widening gap between savings and the level of investment, the Federal Reserve started to tighten its monetary policy, with a gradual increase in interest rates. By contrast, the weak recovery in Europe and the strengthening of the euro against the currencies of the main trading partners, especially the dollar, induced the European Central Bank to maintain relatively relaxed monetary policies.

In the absence of strong inflationary pressures, the benchmark rate has remained at 2% since the middle of 2003.

The trend in long-term interest rates fluctuated in the international financial markets, highlighting major uncertainties about future trends in the macroeconomic aggregates. During the first half of 2004 there were sharp rises in the interest rates paid on government securities in the main industrialised nations. Subsequently, these rates began to fall back as signs of slacker economic activity emerged.

Then, towards the end of the year, as the US currency weakened, international investors demanded a higher premium for holding dollar-denominated financial assets. In the euro zone, on the other hand, the overall economic weakness and the strengthening of the currency caused interest rates to fall towards the minimums reached in mid-2003.

The Italian economy reflected the drab state of the European economy.

Following two years of marginal growth, there was a moderate recovery in GDP during 2004 which apparently expanded by just over 1%.

Investment in the construction sector represented the most lively element of domestic demand.

In particular, growth in this sector over the year was close to 3%. By contrast, the other components of demand and household consumption were particularly weak. This was especially true with regard to non-durable goods, which were affected by the reduced purchasing power of wages.

Exports were hit by the appreciation of the euro, while the net surplus with abroad only made a marginal contribution to the growth in GDP.

Inflation was consistently above 2% during the first part of the year, but subsequently slowed to just below the average for the euro zone; indeed, the average rate for 2004 was the lowest for the past five years.

Mission and values

Mission

The cultural roots of the BNL Group derive from having served the economic and social development of the nation for more than 90 years.

Today, the BNL Group plays a multi-specialist role in the provision of financial products and services, with an international culture and a strong grassroots presence.

The Group's mission is to create value over time for:

- customers, both persons and businesses, by providing quality financial services;
- shareholders, by maximising the value of their investment;
- employees, by enhancing our human capital and assuring professional growth;
- the community, by adopting a model for growth that can be sustained by present and future generations.

Values

The following values inspire the BNL Group:

The central role of the customer and the development of services

Customers are the focus of strategic and operational decision-making within the BNL Group. Relations with our customers are founded on close attention, constant listening and the measurement of their satisfaction, in order to offer them ever more advanced financial products and services.

Entrepreneurship and participation

A spirit of initiative and conviction are the key characteristics of those who work with commitment and involvement within the BNL Group: persons who strive for quality and innovation in our products and services, in order to respond efficiently and effectively to the challenges set by the marketplace.

Skill and professional growth

The success of the Group is founded on the skill and professional experience of our people. The growth of the BNL Group draws on these skills and professional expertise via the essential sharing of knowledge and the development of interpersonal relationships.

Ethics and openness

Responsibility and fair dealing are the cardinal points in behaviour towards customers, shareholders, employees and the community as a whole. The BNL Group will continue contributing to the economic, social and cultural development of the nation by enhancing the transparency of its entrepreneurial and commercial activities, support for solidarity initiatives and respect for the environment.

Identity and history

BNL's cultural roots lie in its historical role as a bank set up specifically to sustain the development of the Italian economy and society in general. The accumulation of 90 years of experience has created a business culture which is sensitive to the social and environmental consequences of our economic activities.

Institutional and organisational form

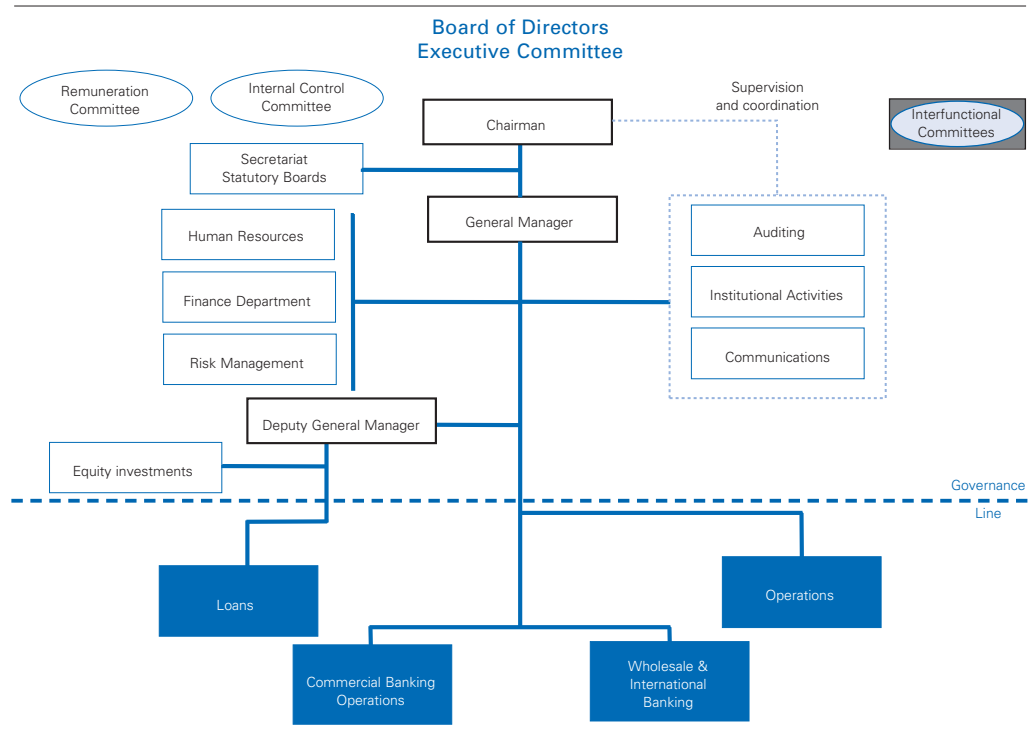
The roll out of the new organisational model was completed during 2004; the objectives, consistent with the strategy described in the business plan, are to:

- simplify the mechanisms of corporate governance;
- accelerate the structural improvement of the costs-income ratio;
- control in an integrated fashion the allocation of capital and the economic-financial performance of the Bank, uniting responsibilities with operating tools in order to optimize the financial structure and the allocation of equity capital, thus concentrating the governance of risk within a unified structure.

The new structure implemented during 2004 comprises both governance and line functions.

Special cross-functional committees have been established for consultation, coordination and decision-making purposes.

Chart of the organisation macrostructure.



Governance

The governance functions are described below

- Auditing: checks on proper functioning and risk trends at the Bank and individual Group companies; monitors compliance with internal and external regulations; assists top management in defining the structure of internal controls and evaluates the way they function; proposes improvements to risk management policies, measuring instruments and procedures;
- Institutional Activities: administers and carries out analyses of the macroeconomic situation and the banking environment in support of governance and operating activities, external relations, corporate affairs and legal counsel;
- Communications: develops communications strategies, determines and assures the correct application of the corporate identity and brand architecture, controls and implements institutional advertising and social responsibility programmes; handles media relations to enhance the visibility of strategic orientations and business policies and results;
- Human Resources: defines policies and guidelines for the development and management of human resources within the Bank and the Group, consistent with the strategic guidelines and business priorities, planning and controlling personnel activities, costs and duties; ensures that the key roles within the Bank and the Group are covered, organizes services and makes them available to personnel. Monitors the development of the organizational model, as well as employment regulations and policies;
- Finance Department: ensures the integrated management of the economic and financial levers available to the Bank and the Group, by developing strategic plans and plans for the allocation of capital, capital planning guidelines and asset-liability management; supervises operational programming and budgetary control of the various responsibility centres within the Bank and the Group, in compliance with BNL's strategic policies and objectives; ensures the development and management of planning and control tools, as well as the definition and maintenance of transfer pricing systems, consistent with the development of the organisational structure; ensures the gathering of the accounting data needed to prepare annual and interim reports and for filings with the Supervisory Authorities, and provides tax advice to the various departments within the Bank and the Group; ensures the development of relations with investors and rating agencies; ensures the optimisation of assets and liabilities within the Bank and the Group, manages the treasury and structural risks, and governs and plans the use of liquidity;
- Risk Management: takes responsibility for the definition and maintenance of methodologies and tools for the identification, measurement, valuation, control and management of risks, as well as for supervising the monitoring and integrated management of risks, identifying and reporting changes in the risk profile to the risk owners and top management and/or any overstepping of approved operating limits/parameters; provides assistance and support for the management of corrective action and helps top management to maintain the risk profile within established limits. supports the Finance Department and top management in the process of allocating capital and in defining the asset-liability management plan for the Bank and the Group; assists Group companies to establish local risk control

units, validates their risk management systems (before or after implementation) and assures the necessary functional coordination;

- Equity investments: promotes the creation of value in the overall portfolio of Italian and foreign equity investments, in order to achieve the Group's strategic objectives and maximize the return on capital invested; supervises the achievement by Group companies of their economic, capital and financial objectives.

Line

The Line functions are described below

- Commercial Banking Division: This Division ensures the achievement of volume, market/customer share, profitability, value and customer satisfaction objectives in the domestic Corporate, Private Banking and Retail markets, via the monitoring, development and management, in a Group context, of the various channels, products and customer portfolios;
- Wholesale & International Banking Division: This Division develops standard, innovative and structured financial products; maximizes the effectiveness of the risk/yield profile in financial markets; ensures unified access to the markets; promotes and carries out investment banking transactions to meet the special financing needs of customers; guarantees the achievement of volume, market share and profitability, value and customer satisfaction objectives for the Large Corporate Market; manages relations with financial institutions, drawing on the synergies with product providers; monitors the activities of the foreign network and the financial market issues of significance to the business of the Bank and the Group; develops products/services for the internationalisation of businesses; ensures the availability of wholesale products to the network and financial institutions;
- Operations: This Division guarantees the efficient operation of the banking organisation via the planning of processes, the development and administration of the technological infrastructure, the supply of goods and services, and the management of property, centralised administrative activities, contact centre services and corporate security;
- Lending: This Division monitors on a unified basis the process of lending by the Bank and the Group, from the time of granting to recovery, in order to maximize the quality of outstanding loans; represents a centre for excellence in the assessment and acceptance of lending risk and monitors lending by the Bank and the Group in order to foresee, prevent and minimize lending risks and the deterioration of individual loans; ensures the focused management of substandard positions so that they can be normalised on a timely basis, as well as the efficient and effective recovery of the Bank's and the Group's problem loans; establishes, in close coordination with the Risk Management Department, the criteria and rules for the operation of the lending function within the Bank and the Group, and ensures their effective communication.

The following unit was created during 2004, as a staff function reporting to the Deputy General Manager

- Significant Risks and International Loan Recovery: with responsibility for recovering problem loans granted by the international network, managing problem loans in

emerging nations and significant substandard and non-performing loans and/or loans subject to court-supervised procedures, all in accordance with the guidelines and policies established by the Loan Recovery Department, and providing specialist support for special transactions involving problem loans and for the legal and out-of-court recoveries arranged by the Loan Recovery Department.

The Auditing, Institutional Activities and Communications functions report to the General Manager, with supervision and functional coordination by the Chairman.

The Equity Investments, Lending and Significant Risks and International Loan Recovery functions report to the Deputy General Manager.

As a staff function reporting to the Chairman, the Corporate Bodies Secretariat provides secretarial services to Shareholders' Meetings, the Board of Directors, the Corporate Governance Committees and the decision-making committees within the Bank; it also provides support for the Directors and the Board of Statutory Auditors and carries out corporate secretarial duties.

The Equity Investments Governance Model

The Equity Investments Department is the fulcrum of the model by which Group companies are governed. It is responsible for enhancing the value of the entire equity investment portfolio and for supervising achievement of the operating objectives assigned to key subsidiaries and affiliates. The Equity Investments function handles the preparation and management of plans and budgets for the various companies, liaising with them and the Business Divisions in the definition of sales and marketing plans, with the Operations Department for the action plan and related costs/investments, with the Human Resources Department for the action plan and related HR costs, and with the Governance Functions for Group policies and guidelines.

Lending Model

To improve the ability to supervise the lending process, a series of measures have been taken over time to equip the Bank with increasingly suitable systems and tools for the efficient evaluation and management of loans.

With this in mind, the following aspects have been reinforced:

- Risk Management Department - the definition of policies and lending guidelines, the development of tools and methodologies for the measurement of risk, the monitoring of the overall asset portfolio;
- Credit and Loans Department - optimisation of the efficiency and effectiveness of credit management activities, with reference to the following main guidelines:
 - establish unified control over the process of lending, from the granting of loans to their recovery;
 - develop a centre for excellence in the assessment and acceptance of lending risk which concentrates the activities regarding all segments of customers;
 - strengthen the monitoring of loans granted at central and branch level, in order to foresee, prevent and minimize lending risks and equip the Group with a unified observatory of individual customer positions via, in particular, coordination of the
 - Area Organisation Risk Control Units;
 - ensure focus on sub-standard positions so that they can be normalised on an

effective and timely basis;

- guarantee rapidity of action and completion of the recovery process, especially via coordination of the Loan Recovery Units of the Area Organisations.

Organisational Model adopted by the Distribution Network

The model for the Italian Network comprises 12 Area Organisations which take account of the scale and geographic characteristics of the markets concerned.

The Network for the Corporate, Retail and Private Banking markets is organised as follows:

1. Area Organisation North West, based in Turin and responsible for the Piedmont, Liguria and Val d'Aosta regions;
2. Area Organisation Lombardy, based in Milan;
3. Area Organisation Triveneto, based in Venice - Mestre and responsible for the Trentino Alto Adige, Friuli Venezia Giulia and Veneto regions;
4. Area Organisation Emilia Romagna, based in Bologna;
5. Area Organisation Toscana – Umbria, based in Florence;
6. Area Organisation Lazio, based in Rome;
7. Area Organisation Campania – Basilicata, based in Naples and responsible for Campania and the Province of Potenza (with responsibility for Basilicata regarding customers classified in the Public Administration Segment);
8. Area Organisation Marche – Abruzzo, based in Pescara;
9. Area Organisation Puglia – Molise, based in Bari and responsible for the Puglia and Molise regions and the Province of Matera (except for customers classified in Public Administration Segment, which are served by the Matera branch);
10. Area Organisation Calabria, based in Catanzaro;
11. Area Organisation Sicily, based in Palermo;
12. Area Organisation Sardinia, based in Cagliari.

The Large Corporate Market is supervised by the following Area Organisations, which have responsibility for their specific geographical areas:

- North West, serving the Piedmont, Liguria and Val d'Aosta regions;
- Lombardy, serving Lombardy;
- Triveneto, serving the Trentino Alto Adige, Friuli Venezia Giulia and Veneto regions;
- Emilia Romagna, which also serves Toscana and Umbria;
- Lazio, which also serves the Marche and Abruzzo regions;
- Campania-Basilicata, which also serves Molise, Puglia, Calabria, Sicily and Sardinia.

The Area Organisation model attributes overall responsibility for an Area to the Area Manager supported by staff functions covering Risk Control, Planning and Monitoring, Credit Recovery, Customer Care and Human Resources. These units report functionally to the relevant head office structure.

The commercial control of the local Retail, Corporate, Private Banking and Large Corporate Customer markets is exercised by the Market Managers.

The Operations Division is responsible for branch and administrative services, and customer support.

The Market Managers and the Area Operations Managers report to their Area Managers and, functionally, to the central departments concerned.

Product specialists have been established for the Corporate and Retail Markets, with a view to guaranteeing the commercial development of products and services in the markets concerned and as support for the other markets not served by specialists.

The Area Organisation distribution network envisages the specialisation of outlets in serving the various types of market. These outlets comprise Branches, Private Banking Centres, Public Administration Centres and Bodies and Corporate Centres. Large Corporate Customers are supported by key account managers who manage these relationships on a specific territorial basis.

Operating plan

The economic situation was not very favourable during 2004. The Italian economy grew less than expected, with a loss of competitiveness in international markets and a downturn in domestic demand.

This situation had an inevitable impact on the financial system which did not recover as expected, not least because of the continuing crisis in the confidence of investors, caused by the various corporate defaults in Italy and abroad.

Against this background, financial operators must renew their focus on their stakeholders (customers, shareholders, institutions, employees and the community), via action and behaviour based on fair dealing and transparency within a system of shared values, so that the entire economic and financial system can regain credibility.

Despite this complex background, BNL has continued the project work associated with implementation of the 2005 operating plan. On the one hand, this activity helps to strengthen the Bank's economic and financial framework and, on the other, ensures an improved response to the needs of our stakeholders.

In particular, work continued during the year with a view to achieving the following objectives:

- consolidation of the capital structure. The action taken at year end, with a capital increase of 1.2 billion euro, is a clear signal of our wish to implement in a more incisive and concrete fashion the strategic guidelines contained in the operating plan and accelerate achievement of the Group's objectives in terms of the quality of assets, equity strength and commercial development, by supporting and strengthening the action already taken in the reference markets;
- repositioning our presence in the domestic market (retail and mid-corporate), as the core business for future growth;
- control over the optimisation of operating efficiency, via the containment of overheads and the re-engineering of operational processes;
- achievement of profitability levels in line with those of our principal competitors;
- improvement of the risk profile, via the careful upgrading and restructuring of assets designed to lower lending exposure to higher risk customers and focus on those segments with a lower likelihood of default.

These steps have enabled BNL to obtain satisfactory results in economic and financial terms, thus paving the way for a confirmation of the Bank's leading role within the Italian economy in the immediate future.

BNL recognises that customer focus is a fundamental driver for the achievement of satisfactory results, not least in economic and financial terms.

For this reason, our development plans for the immediate future will continue to focus on the specific needs of customers.

We will also work to consolidate the trust that the Bank has built up over time, focusing principally on the following areas of the domestic market:

- the Retail segment, via the provision of a complete range of services and the enhancement of the existing portfolio with the further personalisation of customer relationships;
- The Mid-corporate segment, via the appropriate upgrading of lending and the expansion of the services element, as well as the intensification of interactions to better understand and satisfy the needs of this type of customer.

Having re-established its financial equilibrium, BNL now aims to consolidate its reputation with all the other stakeholders, with a view to improving the way the Group is perceived by investors, institutions and employees.

In particular, investors consider the achievement of financial solidity and operational efficiency as a guarantee for the adequate remuneration of capital invested.

The institutions consider capital adequacy to be a clear sign that the Bank is well managed.

Lastly, employees who work within a stable operating environment are able to perceive concrete prospects for their professional growth.

During 2005, BNL will continue as ever to display commitment to the strengthening of its market image, especially as perceived by investors and the community.

The objective is to consolidate the Bank's role as a player in the development of the banking system, with the fair dealing and transparency of a solid and reliable Group.

| Principal financial and economic objectives | 2005 |
|--|-------------|
| Return On Equity (ROE) | 10.4% |
| Cost/income ratio | 59.8% |
| % net problem loans/net lending | 3.0% |
| % coverage of problem loans | 52.1% |
| Tier 1 ratio | 6.7% |

Distinguishing choices

Decree 231/2001

Decree 231/2001 introduced a special form of responsibility for entities regarding criminal acts committed in their interests or for their advantage by their senior managers, or by parties under the latter's management or supervision.

The Decree envisages that these entities are not responsible for such acts if they have taken certain appropriate steps, including:

- the adoption and effective implementation of "organisational and operating models capable of preventing the criminal acts concerned";
- the establishment of a "control body" to supervise the functioning of and compliance with the model adopted, and to update the model.

Sensitive to the urgency of establishing the conditions for fair dealing and transparency in the conduct of business and corporate activities, the Board of BNL has resolved to adopt the Organisation, Management and Control Model in order to safeguard not only its position and image, but also the expectations of shareholders and the jobs of employees. In particular, the Board was convinced that the adoption and effective implementation of this Model will enable the Bank not only to benefit from the exemptions available under Decree 231/2001, but also to improve the quality of its Corporate Governance, thereby limiting the risk of committing criminal acts.

The Model adopted by BNL, which supplements the existing overall system of internal regulations, comprises both general indications, including a description of the criminal acts covered by the Decree and the ABI guidelines, and a more specific analysis of the activities exposed to the risk of illegalities and the rules of behaviour and ethical/professional conduct to be observed.

The control body functions envisaged by art. 6 of the Decree have been allocated to the Internal Control Committee, created by the Bank in accordance with the Code of Self-Regulation for Listed Companies.

Accordingly, this Committee has the following responsibilities:

- verification of the effectiveness of and compliance with the Model;
- recommending changes to the Model and monitoring their implementation.

In performing its tasks, the Committee has permanent support from Unit 231 created within the Auditing Department.

The Model has two objectives:

- to ensure that potential perpetrators of illegal acts are fully aware both of the circumstances giving rise to such illegalities and of the Bank's strong rejection of such behaviour, which is considered contrary to its interests even when the Bank would seem to obtain an advantage;
- to enable the Bank to react on a timely basis, thus preventing or impeding the illegalities concerned as a result of the constant monitoring of activities.

Specific steps have been taken to inform and train, as appropriate in the individual circumstances, all those affected by the Model so that they are properly aware of the new regulations.

The auditing model

As part of its responsibilities for the system of internal control, the Board of Directors of the Bank resolved, at a meeting held on 10 September 2004, to adopt the BNL Group's auditing model and the operational methodologies that support internal audit activities. This Model adopts an approach that analyses risks and processes so that a qualitative assessment of the residual risk faced by the business can be made, as well as a judgement about the adequacy of the system of internal controls.

This system, defined by Top Management with reference to the acceptability of the risks concerned, comprises a collection of rules, procedures and organisational measures designed to ensure compliance with strategy, as well as the achievement of business objectives and those specifically envisaged by the Bank of Italy.

The Bank has been evolving in this direction for some time, with the definition of an organisational model that attributes control responsibilities to each operational level (line controls, controls over the management of risk and internal audit activities).

The promotion and spread of a control culture are key to developing awareness of the role played by each person in the creation and maintenance of a consistent and functional system of internal controls.

The Bank has also established a Code of Conduct for the Auditing Department. In substance, this sets out the duties and responsibilities of the internal audit function in relation to all stakeholders. In this way, a benchmark has been established for the reasonable expression of judgements on the reliability and good standing of the organisation.

The Code represents an operational tool designed to:

- set out the key elements of the auditor's professional role;
- help internalize/consolidate the values, ideas and priorities that shape the audit culture;
- prevent censurable behaviour by setting out the standards to be followed;
- encourage internal cohesion and create consensus among colleagues.

Violations of the Code may be relevant when assessing compliance with the obligations implicit in employment contracts.

Lastly, the professional standards established by the Institute of Internal Auditors are an integral part of this Code of Conduct.

These Standards bring together the experience accumulated in various legal, cultural and social contexts and within organisations that differ widely in terms of their objectives, scale and structure. Accordingly, they represent a wealth of highly relevant professional knowledge that provides a point of reference for the rational performance and qualitative development of our internal audit activities.

Voluntary auditse

With a view to maintaining its competitive advantage, the Bank has continued work to ensure that its Integrated Management System is increasingly responsive to the values and needs of the business, in line with industry best practice. The results achieved, approved by our investors, provide encouragement to strive for further improvements. In this context, Top Management has decided to appoint the Manager of the Operations Function as BNL's "Quality Representative", following an earlier appointment by the General Manager as "Manager of Health/Safety and the Environment" for the development of thinking and policies in this area.

The Manager of the Operations Function is a member of the Bank's Management Committee, which is responsible for supervising matters regarding Quality, the Environment and Health and Safety. This Committee meets periodically as the "Quality Committee".

In purely organisational terms and within the context of the above responsibilities, the Manager of the Operations Function interacts with the other members of General Management with support from the Quality Management Unit, which ensures that the Bank complies with the voluntary regulations established together with the appointed quality auditors (Det Norske Veritas), and from the Prevention, Protection and Environment Unit for technical and scientific matters.

In addition to certification in terms of quality (ISO 9001:2000), the environment (ISO 14001:1996) and health and safety (OHSAS 18001:1999), the protocols developed by other parties (PattiChiari - Clear Terms) were added during 2004. The resulting synergies have been absorbed by the Integrated Management System, consistent with the global vision of the Bank's values and mission.

Following a process that involves gradual but steady progress in the area of certification, BNL has to date obtained the following recognition:

| <i>Regulation</i> | <i>Certification obtained</i> |
|------------------------------|---|
| Protocol / Discipline | PattiChiari |
| <i>UNI EN ISO 9001:2000</i> | <i>Definition and Monitoring of Lending Guidelines</i> <i>Central Approval of Lines of Credit</i> <i>Management of public funds made available for the performing arts.</i> <i>Technical consultancy for the granting of loans to cinema and the theatre</i> <i>Provision of Treasury and/or Change and Foreign Exchange Services</i> <i>Euro Cross Border Payments</i> <i>Remote banking services provided by the Contact centre</i> <i>Provision of Banking Services</i> |
| <i>OHSAS 18001:1999</i> | |
| <i>UNI EN ISO 14001:1996</i> | <i>Health/Safety and the Environment (AT Lombardy)</i> |



Second
Part



Statement

Determination and distribution of value added

The first part of the social responsibility report highlights the direct link with the statutory financial statements.

The Bank's value added, being the difference between total gross revenues generated and the value of goods and services consumed, is determined from the reclassification of the statement of operations combined with other information obtained from the year-end financial statements.

This amount, described in the following tables as Gross core value added, totalled 1,259 million euro in 2004.

The analysis of the distribution of Total gross value added summarises the various exchanges with the Bank's internal and external stakeholders: employees, shareholders, the State, bodies, public institutions and the community, as well as the Bank itself with regard to the wealth generated and reinvested in the future of the business.

The methodology for determining and analysing the distribution of the wealth produced applies the value-added approach recommended in the ABI/IBS model for the social reports prepared by the banking sector.

As shown in the summary statement and related chart, the Total gross value added of 1,245 million euro was distributed as follows:

- 80% was allocated to our human resources, in the form of salaries, social security contributions, severance indemnities, pensions and similar charges, as well as the cost of training and updating employees;
- 8.6% was retained within the business to finance its growth and future investment;
- 10.9% went to the public sector, mainly in the form of direct, indirect and property taxes levied by the State, the regions and the municipalities;
- 0.5% was given to the community in the form of donations and gifts, including financial support for social, cultural, scientific and sporting initiatives.

As decided at the Shareholders' Meeting, the Bank did not distribute any dividends to ordinary or savings shareholders in relation to the 2004 financial year.

Analysis and determination of value added BNL SpA

(amounts in millions of euro)

| | 2004 | 2003 |
|--|----------------|----------------|
| Revenues | | |
| Interest income and similar revenue | 2,714 | 3,006 |
| Commission income | 829 | 848 |
| Other revenues | | |
| - dividends and other income | 106 | 105 |
| - income from financial transactions | 177 | 183 |
| - other operating income | 255 | 195 |
| Total gross production | 4,081 | 4,337 |
| Consumption | | |
| Interest expense and similar charges | (1,368) | (1,532) |
| Commission expense | (125) | (133) |
| Other operating expenses | (23) | (12) |
| Other administration expenses (1) | (449) | (438) |
| Writedown of loans and provisions for guarantees and commitments | (907) | (593) |
| Writeback of loans and provisions for guarantees and commitments | 125 | 138 |
| Provisions for risks and contingencies | (75) | (158) |
| Provisions for loan losses | 0 | (38) |
| Total consumption | (2,822) | (2,766) |
| Gross core value added | 1,259 | 1,571 |
| Extraordinary income | 171 | 267 |
| Extraordinary expense | (185) | (255) |
| Net extraordinary items | (14) | 42 |
| Total gross value added | 1,245 | 1,613 |
| Write-downs/write-backs to fixed assets: | | |
| - tangible and intangible | (197) | (181) |
| - financial adjustments | (17) | (179) |
| Total net value added | 1,031 | 1,253 |
| Cost of personnel: | | |
| - direct | (856) | (850) |
| - indirect | (140) | (149) |
| Donations and gifts | (6) | (6) |
| Indirect and capital taxes | (103) | (104) |
| RESULT BEFORE TAXES | (74) | 144 |
| Change in the reserve for general banking risks | 47 | 67 |
| Income taxes for the year | (33) | (95) |
| NET PROFIT (LOSS) FOR THE YEAR | (60) | 116 |
| GROSS CORE VALUE ADDED | 1,259 | 1,571 |
| Average number of employees | 15,628 | 15,899 |
| Value added by each employee, in millions of euro | 0.081 | 0.099 |

(1) Other administration expenses (statement of operations caption 80b) exclude indirect and capital taxes, gifts and donations, which have been classified together with support for social initiatives

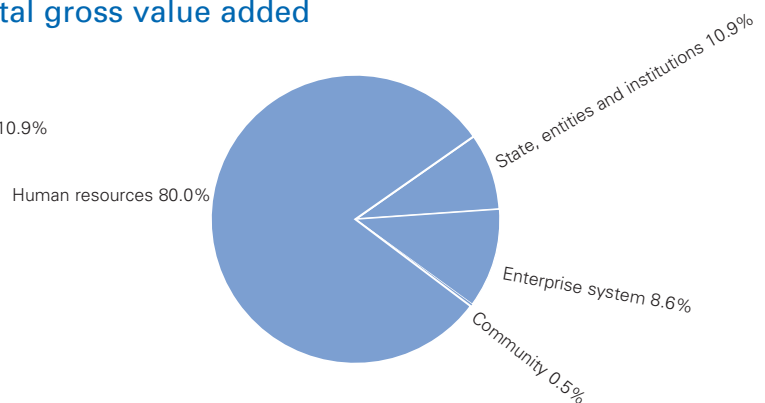
BNL SpA - Summary of total gross value added and its distribution

(amounts in millions of euro)

| | 2004 | 2003 |
|---|--------------|--------------|
| Revenues | 4,081 | 4,337 |
| Consumption | (2,822) | (2,766) |
| Net extraordinary items | (14) | |
| Total gross value added | 1,245 | 1,613 |
| Analysed as follows: | | |
| Shareholders | 0 | 1 |
| Dividends distributed to shareholders: | | |
| Parent Company BNL S.p.A. | 0 | 1 |
| Human Resources | 996 | 999 |
| Cost of personnel | | |
| - direct | 856 | 850 |
| - indirect | 140 | 149 |
| State, entities and institutions | 136 | 199 |
| Indirect and capital taxes paid to the State | | |
| Indirect and capital taxes paid to Municipalities | 13 | 12 |
| IRAP (regional tax on business activities) | 46 | 62 |
| IRES (corporate income tax) - | 13 | 33 |
| Community | 6 | 6 |
| Donations and gifts | | |
| Donations and gifts | 6 | 6 |
| Enterprise system | 107 | 408 |
| Write-down of financial fixed assets | | |
| Write-down of financial fixed assets | 214 | 360 |
| Change in the reserve for general banking risks - | | |
| Change in the reserve for general banking risks - | 47 - | 67 |
| Reserves and retained earnings - | | |
| Reserves and retained earnings - | 60 | 115 |
| Total gross value added | 1,245 | 1,613 |

Distribution of total gross value added

Human resources 80.0%
Enterprise system 8.6%
State, entities and institutions 10.9%
Community 0.5%



BNL SpA - Key Statistics

(amounts in millions of euro)

| | 2004 | 2003 |
|--------------------------------------|--------|--------|
| a) Total assets | 77,240 | 78,634 |
| b) Total lending | 62,565 | 65,102 |
| c) Total deposits from customers | | |
| - direct | 48,796 | 47,469 |
| - indirect | 52,070 | 53,330 |
| d) Shareholders' equity | 5,028 | 4,021 |
| e) Loans to customers | 55,763 | 53,817 |
| f) Net interest income | 1,329 | 1,454 |
| g) Operating income | 2,565 | 2,659 |
| h) Net income from services (1) | 1,236 | 1,205 |
| ID 2057 0 1) Administrative expenses | 1,510 | 1,533 |
| j) Operating income | 857 | 945 |
| k) Net result - | 60 | 116 |

(1) including dividends

BNL SpA - Reclassified statement of operations

(amounts in millions of euro)

| | 2004 | 2003 |
|--|-----------|------------|
| Net interest income | 1,329 | 1,454 |
| Commission, net financial and service income | 1,236 | 1,205 |
| Operating income | 2,565 | 2,659 |
| Operating charges and expenses | 1,708 | 1,714 |
| Provisions, write-downs and write-backs | 881 | 642 |
| Profit from ordinary activities | 24 | 303 |
| Profit before taxes | 27 | 211 |
| Net profit for the year | 60 | 116 |

BNL SpA - Reclassified balance sheet

(amounts in millions of euro)

| | 2004 | 2003 |
|-----------------------------------|---------------|---------------|
| Cash and cash equivalents | 454 | 504 |
| Total loans | 62,565 | 65,102 |
| Trading securities | 4,733 | 2,649 |
| Fixed assets | 3,922 | 4,529 |
| Other assets | 5,566 | 5,850 |
| Total assets | 77,240 | 78,634 |
| Total deposits and other payables | 62,700 | 63,969 |
| Specific reserves | 1,319 | 1,731 |
| Other liabilities | 5,574 | 6,389 |
| Reserve for general banking risks | 0 | 47 |
| Subordinated liabilities | 2,619 | 2,524 |
| Shareholders' equity (*) | 5,028 | 3,974 |
| Total liabilities | 77,240 | 78,634 |

(*) net of reserves for general banking risks

Remuneration of capital invested and dividend policy

Principal equity indicators ^{(1) (2)}

(amounts in millions of euro)

| | 2004 | 2003 | 2002 |
|--|------|----------------|--------|
| Average price of ordinary shares during the year | 1.82 | 1.51 | 1.80 |
| Dividend on ordinary shares | 0.00 | ⁽³⁾ | 0.00 |
| Dividend on savings shares | 0.00 | 0.0415 | 0.0415 |
| Earnings per share | n.s. | 0.064 | 0.042 |
| Equity per share ⁽⁴⁾ | 1.77 | 1.93 | 1.78 |
| Price/Equity per share ⁽⁵⁾ | 1.03 | 0.78 | 1.01 |

(1) The amounts relating to the balance sheet and statement of operations have been taken from the BNL Group's consolidated financial statements.

(2) Excluding Argentina

(3) Dividends were only paid on savings shares in 2003 (0.0415 euro, representing 8.30% of their nominal value, paid as from 24 May 2004). In addition, bonus shares were also distributed to the ordinary and savings shareholders, drawing on the own shares already held (using the related restricted reserve), on the basis of 1 ordinary share for every 64 shares held.

(4) Excluding net profit.

(5) Based on the average price for the year.

Return on equity ^{(1) (2)}

| | 2004 | 2003 | 2002 |
|-----|------|------|------|
| ROE | n.s. | 3.6% | 2.4% |

(1) Taken from the consolidated financial statements of the BNL Group.

(2) Excluding Argentina

With regard to the allocation of net profits, BNL has generally pursued a dividend policy that envisages distributing 30-40% of the Bank's profits.

This objective was achieved and exceeded in the two years subsequent to the privatisation of the Bank.

However this policy has not been maintained over the past three years, due to the need to strengthen the Bank's financial position.

In fact, priority has been given to protecting the Bank's capital base, in order to safeguard and enhance the medium/long-term value of the investment made by all BNL shareholders, thus guaranteeing the improved coverage of risks and increased future profitability.

Dividends

| | 2004 | 2003 | 2002 |
|---|---------------|---------------|---------------|
| Number of ordinary shares | 3,003,386,848 | 2,188,465,312 | 2,151,912,186 |
| Dividend per ordinary share | 0.00 | (1) | 0.00 |
| Number of savings shares | 23,198,331 | 23,198,331 | 23,198,331 |
| Dividend per savings share (in euro) | 0.00 | 0.0415 | 0.0415 |
| Net profit of BNL S.p.A. (millions of euro) | (60) | 116 | 55 |
| Net profit of BNL Group (millions of euro) | (34) | 141 | 91 |

(1) Dividends were only paid on savings shares in 2003 (0.0415 euro, representing 8.30% of their nominal value, paid as from 24 May 2004). In addition, bonus shares were also distributed to the ordinary and savings shareholders, drawing on the own shares already held (using the related restricted reserve), on the basis of 1 ordinary share for every 64 shares held

BNL's shares on the stock exchange

The ordinary shares were admitted to the official list of the Italian stock exchange on 21 September 1998.

The savings shares (quotas at the time) were listed on 17 March 1987 and quoted on the screen-traded market from 16 December 1993.

The weighting of the ordinary shares in the Italian Screen-traded Market, based on the prices for listed securities as of 31/12/2004, is 0.889% of S&P/MIB and 1.129% of Mibtel.

BNL ordinary shares ¹

The ordinary shares of BNL rose by almost 23% between 1 January and 31 December 2004, while prices fluctuated within a wide trading range during the year.

Following a sharp rise in January, the share price essentially declined until mid-May and then remained flat until mid-November.

The announcement of the capital increase was followed by an upturn that carried the share price to its peak for the year towards the end of December.

The maximum closing price of 2.24 euro was reached on 21 December, while the minimum, 1.57 euro, was touched on 17 May.

The reference price at the end of December 2004 was 2.194 euro.

BNL's shares clearly outperformed the principal reference indices over the year.

In particular, the BNL share price rose 22.8% in 2004, compared with gains of 14.9% by the S&P/MIB and 9.8% by the Mib banking index.

The daily volume of trading in ordinary shares during 2004 averaged more than 24.5 million shares, which was slightly more than in 2003 (24 million).

BNL savings shares

The savings shares performed in much the same way as the ordinary shares.

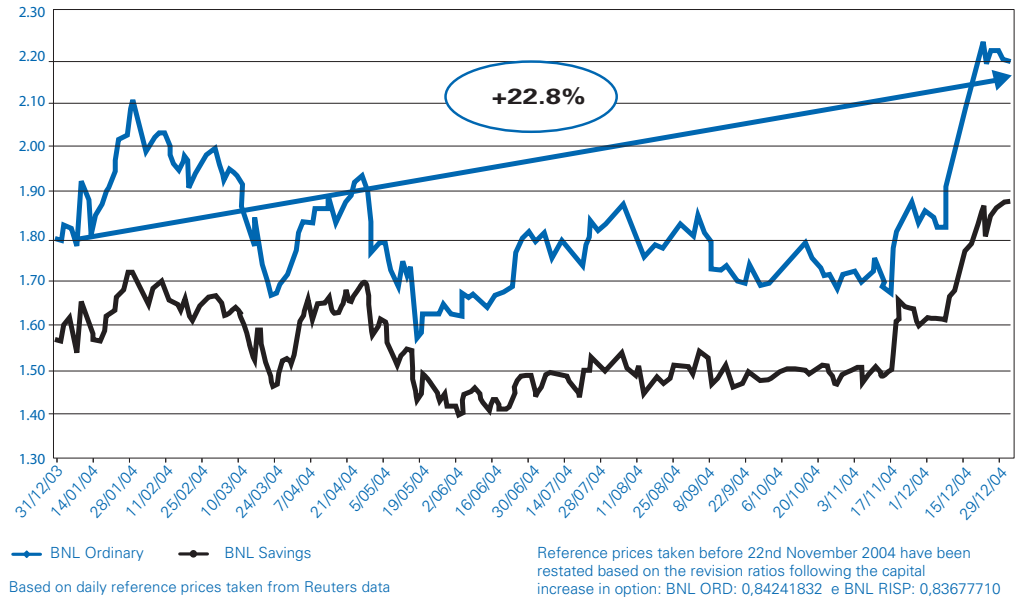
The maximum reference price, 1.87 euro, was reached on the last trading day of the year (30 December), while the minimum, 1.40 euro, was touched on 3 June.

((1) The market prices prior to 22 November 2004 have been adjusted using the following coefficients to reflect the effects of the capital increase: BNL ordinary shares, 0.94241632, and BNL savings shares, 0.93577710.

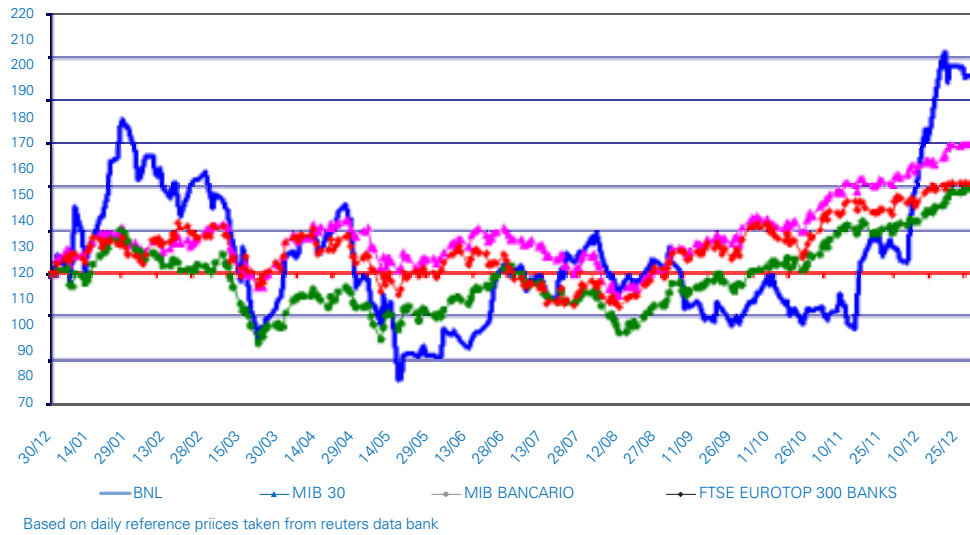
Rating

| | Short-term | Long-term | Outlook | Last published |
|-------------------|------------|-----------|-------------------------|----------------|
| Moody's | P1 | A2 | Stable | 19 March 2004 |
| Standard & Poor's | A2 | BBB+ | Credit Watch "Positive" | 21 March 2005 |
| Fitch Ratings | F2 | BBB+ | Rating Watch "Positive" | 21 March 2005 |

BNL ordinary and savings prices performance during 2004



**BNL ordinary share price performance
Index MIB 30, Index MIB Bancario Index FTSE 300 EUROTOP Banks 2003
(Base 100 = 30 december 2002)**



Summary of prices in 2004

BNL ORDINARY AND SAVINGS SHARES

(DAILY FIGURES)

| BNL ORDINARY SHARES | Reference price (*) | |
|---------------------|---------------------|------------------|
| | 2004 | 4th quarter 2004 |
| Maximum | 2.24 | 2.24 |
| Minimum | 1.57 | 1.67 |
| Average | 1.82 | 1.86 |
| | Volume | |
| | Anno 2004 | 4th quarter 2004 |
| Maximum | 128,519,064 | 128,519,064 |
| Minimum | 2,261,511 | 2,261,511 |
| Average | 24,557,210 | 32,843,083 |

| BNL SAVINGS SHARES | Reference price (*) | |
|--------------------|---------------------|------------------|
| | Anno 2004 | 4th quarter 2004 |
| Maximum | 1.87 | 1.87 |
| Minimum | 1.40 | 1.46 |
| Average | 1.55 | 1.60 |
| | Volume | |
| | Anno 2004 | 4th quarter 2004 |
| Maximum | 909,301 | 909,301 |
| Minimum | 3,569 | 8,250 |
| Average | 101,742 | 191,318 |

(*) The market prices prior to 22 November 2004 have been adjusted using the following coefficients to reflect the effects of the capital increase:

BNL ORD:0.94241632 BNL SAV:0.93577710

Coverage by the analysts

BNL is evaluated regularly by analysts from the leading Italian and international brokers which include the banking sector in their research.

The following list includes all those brokers who, as part of their regular coverage of the BNL Group, published a detailed report on the Bank during 2004:

| | |
|--------------------------------|------------------------------------|
| Broker | Analyst |
| ABAXBANK | Sergio Ciaramella / Alberto Rolla |
| ABN AMRO | R.Thomas |
| ACTINVEST | Federico Mondelli |
| BANCA AKROS | Domenico Santoro |
| BANCA CABOTO | Manuela Meroni |
| BANCA IMI | Laura Spotorno |
| CENTROSIM | Luca Comi |
| CITIGROUP SMITH BARNEY | Riccardo Rovere / Azzurra Guelfi |
| CREDIT AGRICOLE CHEUVREUX | Enrica Lucchi / Monica Spairani |
| CREDIT SUISSE FIRST BOSTON | Tommaso Cascella |
| DRESDNER KLEINWORT WASSERSTEIN | Simon Maugham |
| EUROMOBILIARE SIM | Matteo Ghilotti / Giovanni Razzoli |
| FOX-PITT KELTON | Alessandro Roccati |
| GOLDMAN SACHS | Alessandro Santoni |
| HSBC BANK | Carlo Digrandi |
| ING FINANCIAL MARKETS | Carlo Tommaselli |
| INTERMONTE | Stefano Girola |
| JP MORGAN | Francesca Tondi |
| KEPLER EQUITIES ITALIA | Enrico Racioppi |
| LEHMAN BROTHERS | Paola Biraschi |
| MEDIOBANCA | Luisa De Maria / Fabrizio Bernardi |
| MERRILL LYNCH | Antonio Guglielmi |
| MORGAN STANLEY | Davide Serra / Guglielmo Zadra |
| RASBANK | Gabriele Ciotti |
| SOCIETE GENERALE | Leonardo Rubattu / Daryn Fletcher |
| UBS | Matteo Ramenghi |
| UNICREDIT BANCA MOBILIARE | Roberto Marchesi |



Third Part



The social policies
of BNL



01



Customers

Characteristics and analysis

Precise segmentation criteria have been defined for each market, involving the adoption of targeted policies for the customers concerned and the development of specific skills. A segment is a group with similar financial requirements, buying behaviour and commercial potential.

Using segmentation techniques, customers have been separated into groups with similar characteristics: this has been done to understand their identity, interests, intentions and buying behaviour.

DCB* and system deposits and lending by Territorial Area by market/segment: composition (%)

| DCB* COMPOSITION OF DIRECT DEPOSITS, INDIRECT FUNDING AND LENDING BY SEGMENT | | | | | | | | | | | | |
|--|-----------------|-------------------|---------|-----------------|-------------------|---------|-----------------|-------------------|---------|-----------------|-------------------|---------|
| December 2004 | Total DCB* | | | INDIVIDUALS | | | POE | | | PPAA | | |
| | Direct deposits | Indirect deposits | Lending | Direct deposits | Indirect deposits | Lending | Direct deposits | Indirect deposits | Lending | Direct deposits | Indirect deposits | Lending |
| TOTAL DCB* | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| NORTH WEST | 8.9 | 8.3 | 9.6 | 9.4 | 10.0 | 8.8 | 10.4 | 12.6 | 8.5 | 0.8 | 4.4 | 7.6 |
| TRIVENETO | 9.1 | 8.9 | 11.2 | 8.8 | 10.6 | 7.6 | 6.4 | 13.5 | 8.6 | 0.9 | 1.7 | 4.3 |
| LOMBARDY | 14.5 | 25.5 | 16.6 | 12.5 | 16.2 | 12.3 | 13.5 | 25.6 | 10.9 | 1.7 | 5.9 | 1.0 |
| EMILIA ROMAGNA | 7.8 | 7.8 | 7.3 | 7.2 | 9.0 | 7.0 | 5.6 | 8.7 | 7.6 | 2.0 | 0.2 | 2.5 |
| TOSCANA-UMBRIA | 6.5 | 6.7 | 11.5 | 6.7 | 6.9 | 10.3 | 8.7 | 8.8 | 19.0 | 1.9 | 2.0 | 7.8 |
| MARCHE-ABRUZZO | 5.3 | 5.5 | 5.1 | 6.2 | 6.4 | 5.5 | 4.6 | 5.6 | 5.7 | 0.3 | 0.0 | 0.7 |
| LAZIO | 26.0 | 20.1 | 18.2 | 23.9 | 18.3 | 18.6 | 16.6 | 8.6 | 10.7 | 73.5 | 64.9 | 51.1 |
| CAMPANIA-BASILICATA | 6.8 | 5.7 | 7.0 | 7.7 | 7.5 | 8.6 | 8.2 | 4.5 | 6.7 | 5.2 | 0.1 | 13.6 |
| PUGLIA-MOLISE | 4.1 | 3.7 | 3.8 | 5.0 | 5.1 | 6.5 | 6.9 | 3.8 | 3.9 | 1.1 | 2.8 | 4.7 |
| CALABRIA | 3.0 | 2.0 | 2.6 | 3.6 | 3.0 | 4.2 | 5.6 | 3.5 | 7.3 | 3.0 | 0.0 | 1.6 |
| SICILY | 4.4 | 3.1 | 4.1 | 5.3 | 4.0 | 5.9 | 8.4 | 2.6 | 7.3 | 0.8 | 0.0 | 2.0 |
| SARDINIA | 3.5 | 2.7 | 2.9 | 3.7 | 3.1 | 4.7 | 5.0 | 2.3 | 3.7 | 8.9 | 18.0 | 3.1 |

| DCB* COMPOSITION OF DIRECT DEPOSITS, INDIRECT FUNDING AND LENDING BY SEGMENT | | | | | | | | | |
|--|-----------------|-------------------|---------|-----------------|-------------------|---------|-----------------|-------------------|---------|
| December 2004 | Total DCB* | | | PRIVATE BANKING | | | BUSINESSES | | |
| | Direct deposits | Indirect deposits | Lending | Direct deposits | Indirect deposits | Lending | Direct deposits | Indirect deposits | Lending |
| TOTALE DCB | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| NORTH WEST | 8.9 | 8.3 | 9.6 | 10.4 | 9.4 | 4.9 | 9.3 | 1.9 | 10.5 |
| TRIVENETO | 9.1 | 8.9 | 11.2 | 6.2 | 7.7 | 20.2 | 14.3 | 4.3 | 14.3 |
| LOMBARDY | 14.5 | 25.5 | 16.6 | 17.7 | 20.7 | 12.8 | 24.7 | 62.2 | 21.5 |
| EMILIA ROMAGNA | 7.8 | 7.8 | 7.3 | 10.2 | 7.9 | 8.2 | 11.6 | 4.4 | 7.9 |
| TOSCANA-UMBRIA | 6.5 | 6.7 | 11.5 | 4.7 | 7.9 | 17.1 | 7.5 | 5.5 | 11.4 |
| MARCHE-ABRUZZO | 5.3 | 5.5 | 5.1 | 6.3 | 5.3 | 2.4 | 4.4 | 3.4 | 5.2 |
| LAZIO | 26.0 | 20.1 | 18.2 | 25.4 | 26.5 | 22.9 | 19.3 | 17.4 | 16.0 |
| CAMPANIA-BASILICATA | 6.8 | 5.7 | 7.0 | 7.1 | 5.4 | 6.4 | 4.0 | 0.4 | 5.5 |
| PUGLIA-MOLISE | 4.1 | 3.7 | 3.8 | 4.0 | 2.8 | 0.4 | 1.5 | 0.1 | 2.2 |
| CALABRIA | 3.0 | 2.0 | 2.6 | 1.5 | 0.6 | 0.1 | 0.7 | 0.1 | 1.0 |
| SICILY | 4.4 | 3.1 | 4.1 | 4.6 | 3.7 | 4.0 | 1.6 | 0.2 | 2.8 |
| SARDINIA | 3.5 | 2.7 | 2.9 | 1.9 | 2.2 | 0.7 | 1.2 | 0.2 | 1.7 |

*Commercial Banking Division

Retail Market

The Retail Market monitors, develops and administers the following segments:

- Private (individuals with funds of up to 50,000 euro);
- Affluent customers (individuals with funds exceeding 50,000 euro);
- Prospects;
- Businesses;
- Public Administration.

The organizational model adopted during the year has allowed the Retail Market to present products and services with a greater customer focus.

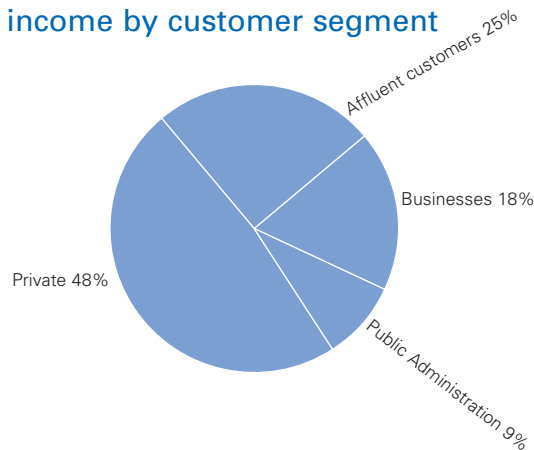
This has made the application of central and branch-level processes more effective, with a reduction in the time to market and the optimal satisfaction of customer needs.

As a consequence, profitability targets were achieved.

The four segments (Private and Affluent Customers, together defined as individuals, Businesses and the Public Administration) today cover 98% of the Bank's entire customer portfolio. The breakdown of operating income is analysed in the following chart:

Breakdown of operating income by customer segment

Public Administration 9%
Private 48%
Affluent customers 25%
Businesses 18%



Private customers

Activities developed in two directions during 2004: on the one hand, towards achievement of the business objectives contained in the operating plan; and, on the other, towards the improvement of commercial efficiency and the quality of service provided to customers. This latter objective was achieved via development of the Bank's operational and contact services, giving particular attention to administration, training and communications within this distribution chain which comprises more than 1,500 account managers at branch level serving the Mass Market sector.

The Private customers segment, which administers more than 2 million customers, has focused attention on the ability of the sales force to build relationships and on its commercial skills.

In particular, special care has been taken on the move from a "bureaucratic-compliance" culture, focused on the formal application of regulations and procedures, to a culture focused on an analysis of the customer's needs and requirements.

This approach, supported by updated product training, has improved the professionalism and courtesy of the sales force, as well as its ability to present appropriate solutions.

In addition, specific behavioural training for about 400 managers of Private accounts has improved skills and productivity in the area of customer relations and service.

The decision to allocate customer portfolios to bank staff during promotional campaigns was particularly effective. As a result, there was a marked increase in individual productivity.

Commercial efforts designed to develop and maintain customer relations began at the start of the year, which was much earlier than in 2003.

Various tools were made available to account managers for making comparisons with competitors and between alternative products, for simulations and for communications with customers.

Careful groundwork was also performed for the selection of target customers, so that the "value proposal" would be of direct interest to the customers contacted.

The availability of more sophisticated tools for understanding and selecting groups of customers, such as the customer insight tool, made it possible to prepare lists of names for targeted offers that reflected the needs identified and expressed.

At the same time, the analysis of customers was also a valid tool for the development and presentation of specific products designed to meet pension, investment and financing needs.

Great efforts were made to develop the special terms available for working individuals and pensioners covered by Inpdap. The dedication of specific staff to serve the 60 provincial branches of this pensions institution has helped, among other factors, to acquire new customers.

Internal communications and the "commercial animation" of the distribution network continued throughout the year, both with marketing meetings held with coordinators and via sales coaching sessions held with Private account managers.

The video conference entitled 3, 2, 1 ... *Reach your objectives* was also well attended by staff. This was broadcast by satellite to the branch network as a follow on from previous web-conference trials.

Affluent customers

With regard to the Affluent customers segment, numerous steps were taken during 2004 in order to present a commercial model that meets the needs of Affluent customers and improves the effectiveness of product distribution:

- regular training for the account managers allocated to Affluent customers;
- the presentation of tools for the planned and pro-active management of the portfolios allocated to individual managers;
- the creation of value for customers by giving continuous attention to their needs and loyalty;
- the presentation of new products in the areas of pensions, asset management, cash management and mortgages.

The managers of Affluent customers are no longer just wealth relationship managers, but have also become customer relationship managers.

They are the point of reference for the entire family of affluent customers, providing concrete information and advice on wealth management matters.

Their work consists in developing a relationship of trust over time, via the steady improvement of satisfaction levels.

There were more than 820 Affluent customer account managers at the end of 2004, active in 450 branches throughout the nation and serving about 347,000 customers. The training programme devised for them by BNL is designed both to enhance their organisational skills and behaviour, and to develop their specialist knowledge so that they are more equipped for their role and understand better the requirements of their customers.

The new communications tool, web tv, has been improved and extended to the entire branch network in order to communicate relevant objectives better and plan the related activities.

A new service, Personal Financial Planning, is currently being developed in order to optimize the management and safeguarding of the assets of customers.

The new platform will facilitate action in the following areas:

- monitoring and advanced analysis of the financial investments of customers by the Account manager;
- segmentation of customers based on risk parameters;
- modelling of ideal investment portfolios;
- identification of suitable tools for deciding on pension investments;
- production of suitable, detailed analyses of investments.

In terms of new proposals, the Affluent customers segment has introduced a number of specific products.

In particular, the range of mutual funds has been revamped to include certain products that are consistent with customer requirements.

The insurance sector includes new pension solutions which, together with established bankassurance products, have generated a considerable amount of new business.

During 2004, the Affluent customers segment therefore achieved the following key objectives:

- increase in profitability;
- improvement in customer service;
- training of the sales network.

Business customers

Considering the central role played by small and medium-sized businesses within the Italian economy, the Bank is called upon to meet the growth needs of businesses via closer and more complex relations with these customers.

Entrepreneurs must be helped to benefit from growth opportunities in the domestic market, as well as to interact with the internationalisation processes that are currently underway (e.g. with the expansion of the EU or in response to strong Asian competition from China, Malaysia, Vietnam, etc.).

In view of the complexity of this scenario, the Segment performed an analysis of the Bank's Small Business customers during the second half of 2004, with a view to adopting an approach that meets their needs in a suitable manner.

In particular, the specific needs of Business customers do not coincide with those of Private customers or those of Corporate customers, which are more complex: Business customers seek a bank that can respond to the specific needs of a small firm, with simple products and services that, however, are not standardised.

Specifically, this bank must provide:

- account managers with specific skills;
- individuals who provide a constant point of reference over time;
- specific products that meet the wide-ranging and detailed requirements of the business;
- forms of finance that are easy to arrange and flexible;
- dedicated areas within branches that are readily identifiable;
- functional multi-channel facilities.

Accordingly, a further analysis was performed of this type of customer, considering specific behavioural characteristics.

A new service model was specially devised for the five sub-segments identified, in order to guarantee the necessary trade-off between excellent service and efficiently meeting the real needs of these customers.

The objective is to develop a more beneficial partnership for customers and the Bank alike, via relations based on cooperation, understanding, transparency and constant dialogue.

These conditions can only be achieved by the presence of a dedicated account manager to whom customers can refer.

As a consequence, Business account managers have been given greater autonomy and resources that are more suited to the role they play.

Lastly, a catalogue of products has been developed in order to provide customers with a simple but effective overview of the full range of products and services offered by BNL.

Public Administration customers

Nel corso del 2004 è proseguito il processo di The process of consolidating and expanding the resources dedicated to the Public Bodies and Entities that operate for social and humanitarian purposes has continued; the Bank provides them with cash management facilities without charge.

BNL obtained quality certification from Det Norske Veritas for its treasury and cash management services in 2002 and this was confirmed during 2004.

The Bank continues to maintain relations with:

- Consap, for the administration of various funds including the Solidarity Fund for the victims of extortion and usury, the Guarantee Fund for road-accident victims and the Guarantee Fund for hunting-accident victims;
- the Ecclesiastical Solidarity Fund, Padua, a no-profit cooperative which helps more than one hundred ecclesiastical bodies obtain access to credit. The members of this cooperative, founded about a decade ago by a number of priests in the Diocese of Padua, include parishes, religious bodies, priests and laypersons. The Bank provides them with help, advice and technical support to ensure the proper functioning of their activities and manages the terms and conditions applied to members that make use of banking services (both deposits and access to loans).

Lastly, the Bank also provides membership card services for a vast range of cultural and sporting organisation, including Arci Nuova Associazione (Social Solidarity), Arci Pesca (Fishing), Acli (Christian Workers), Unione sportiva Acli, Endas (Social Action) and Asi (Sports).

The Bank distributes these cards to the associations' local representatives at all branches throughout the nation, and credits the dues paid to their accounts.

Corporate market

The customers belonging to the Corporate market have been subdivided into two segments, Large Businesses and Medium-size Businesses, on the following basis:

- Large Businesses with revenues of between 40 million euro and 500 million euro;
- Medium-sized Businesses with revenues of between 1.5 million euro and 40 million euro.

During the year the Corporate market benefited from the new Area Organisation model of distribution, based on the management of relations with the various customer segments concerned.

Commercial activity was focused on improving the Bank's penetration of the market comprising businesses with low risk ratings and on increasing the number of customers served.

Distribution of lending short term, by class of risk

| | <i>(monthly average volumes in millions of euro)</i> | |
|------------------|--|---------------|
| | December 2003 | December 2004 |
| Low risk | 5,585 | 6,123 |
| Average risk | 2,216 | 6,123 |
| Medium-high risk | 522 | 460 |
| High risk | 365 | 346 |
| Total Corporate | 8,688 | 96,500 |

The Corporate market comprises businesses with revenues of between 1.5 and 500 million euro.

During 2004, the Corporate segment continued to work carefully to meet the requirements, changes and expectations of its medium and large-sized customers. These businesses look for balanced economic growth and seek to avoid the challenges that often accompany the process of expansion and which can cause serious difficulties for weaker operators.

The Corporate market performed the following activities in 2004:

- communication of the new financial and accounting principles established in the Basel 2 regulations, by promoting a series of conferences in Italy's main financial centres to discuss the new Basel principles and listen to (and resolve, where possible) the main doubts expressed by entrepreneurs. The concerns associated with such a profound change can, in fact, only be overcome by awareness and a sharing of the new values. In this way, BNL has sought to contribute to a process of cultural growth, so that the Italian economy can participate effectively at an international level where the advantages of individual players contribute to improving overall economic conditions and the development of a healthier and more lively economy;
- changes to BNL's way of "being a bank" to reflect the needs and requirements of customers (both present and future), by perfecting the service model and training professionals who are increasingly able to respond to the market's many and varied demands with appropriate, rapid, simple, consistent and professional answers;

- provision of support for cooperative and mutual societies by absorbing Coopercredito during 2004, in order to release synergies, improve the efficiency of processes and enhance the value of the products offered to customers in this sector. Coopercredito is the Group company that provides finance to cooperatives. Considerable attention has been given to the activities of Foncooper, a public fund that helps stabilize the employment levels of cooperatives;
- support for confederations by signing agreements based on the outlines already agreed with the principal national skilled-trade confederations (Confartigianato, Cna, Casa del commercio e del turismo, Confcommercio, Confesercenti). The Corporate market has dedicated much attention to the process of renewal within the trade associations that began with Law 326/2003, which envisages the strengthening and expansion of the Confidi guarantee bodies, with the introduction of more modern technical forms of guarantee and a review of the way member firms are evaluated. BNL always participates in the leading sector initiatives designed to facilitate access to bank finance by the small and medium-sized firms that work in industry, the skilled trades, commerce, tourism, agriculture and services, and to improve the risk profile of the counterparts;
- compliance with and pursuit of the objectives indicated in Law 185/1990, which disciplines the cross-border settlements associated with the trade in armaments. Since 2003, BNL has limited its activities to the export, import and transit of armaments exchanged between the EU nations and NATO (see page 57), with approval from the competent authorities;
- financing of projects leading to programmes for investment in technological innovation and environmental protection.

Private Banking market

With a view to segmentation, the Private Banking market targets all those customers that possess funds in excess of 1 million euro and all those who, despite not falling within this parameter, demonstrate considerable potential.

During 2004, the Private Banking segment continued to implement the business plan approved in 2002 and activated in 2003, with the recruitment of additional private bankers, the opening of new centres, expansion of the product range and completion of the technological infrastructure.

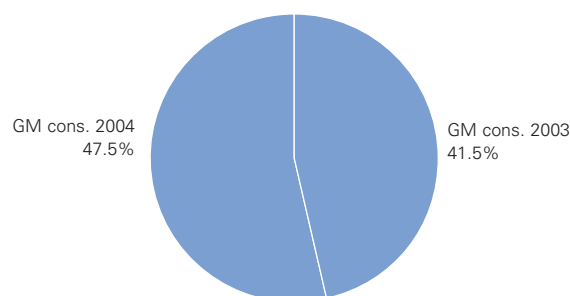
BNL's model of Private Banking requires an in-depth knowledge of the financial profiles of both customers and their families, which is obtained from an analysis of their interests, objectives and propensity to invest in sophisticated financial products. Personalised asset allocation proposals are then presented, with reference to the vast range of products carried by the Bank and, where necessary, the development of new tools.

This asset allocation activity has enabled BNL to improve considerably the average quality of administered assets, adapting them to fit the profile of customers and increasing the weighting of administered savings in relation to total assets under management.

This customer segment comprises more than 6,500 families, with assets under management of about 7 billion euro (representing 13% of total deposits from individuals), comprising 1.5 billion euro in direct deposits and 5.5 billion euro in indirect deposits.

During 2004, the 83 private bankers working in 14 centres serving the principal Italian cities both achieved their budgets and increased the profitability of the segment by 23%. The contribution margin increased in proportion to the growth in deposits, climbing from 41.5 million euro in 2003 to 47.5 million in 2004 (see Table).

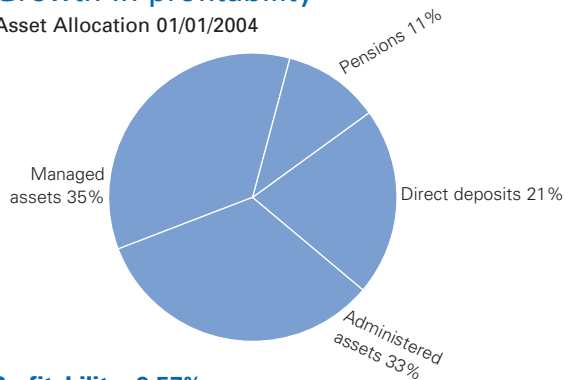
Increase in contribution



The growth in the average profitability per customer has taken place essentially via the use of products involving regular payments (see Table).

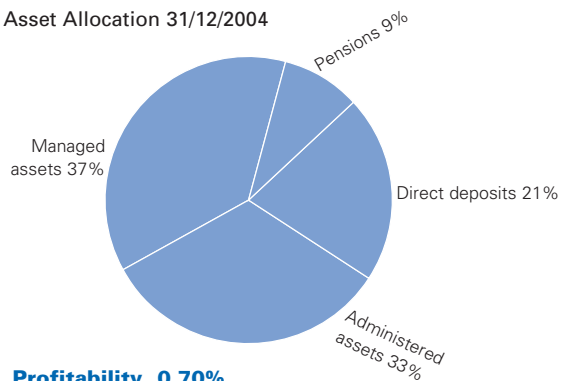
Growth in profitability

Asset Allocation 01/01/2004



Profitability 0,57%

Asset Allocation 31/12/2004



Profitability 0,70%

The range of products was expanded further during the year, with the signing of partnership agreements with leading financial institutions for the distribution of hedge funds. In addition, a new asset management model was launched in 2004 (GP Portfolio) which turned around one of the most profitable areas of assets under management, with a net inflow of 80 million euro.

The solutions developed to improve the range of services included the creation of an IT platform that monitors positions closely and reports financial information on the portfolios of customers using Portfolio Modelling and Position Keeping tools. This project will be completed in 2005 with the release of new functionality, such as a Personal Financial Planning tool.

As part of the development of customer relations, BNL's Private Banking segment has also held a series of events at the various Area Organisations, in order to:

- present Private Banking activities to the areas concerned;
- strengthen customer relations;
- acquire important new contacts;
- confirm the exclusive nature of BNL's services;
- confirm the continuity of customer relations over time.

Training courses were held to guide BNL's private bankers on how to apply the new service model and further sessions have been planned and organised for 2005, working together with the Association of business and management studies (Asam) at Milan's Sacred Heart Catholic University.

The service model has been consolidated by completing a number of major wealth planning operations which, in addition to Servizio Italia SpA (a trust company within the Group), also involved certain units within the Bank's international network.

Products

The business areas with the greatest value added performed well during 2004.

Insurance inflows, property loans and merchant banking activities all grew by about 20% (see Table).

Commercial production in 2004: deposit and lending products

(monthly average volumes in millions of euro)

| | 2004 | Change 04/03 (%) |
|--------------------------------|--------|------------------|
| BNL bonds (net placements) | 1,976 | -5.0 |
| Asset management (net inflows) | -723 | ns |
| Pensions (gross inflows) | 2,121 | 20.5 |
| Personal loans | 1,078 | 5.6 |
| Property loans | 4,848 | 21.2 |
| Industrial loans | 1,767 | 8.8 |
| Merchant banking | 537 | 18.8 |
| Leasing | 954 | 20.9 |
| Factoring | 10,538 | -3.4 |
| Foreign settlements | 45,710 | 26.9 |

The successes of commercial activities in the various markets have included:

- Corporate - improvement of market share in relation to low-risk firms;
- Retail - the increased efficiency of commercial processes due to the development of the Customer Relationship Management (CRM) platform; further growth in loans to households (with a rise of about 25% in mortgage loans and 5.6% in personal loans); the efforts made to achieve wider distribution of electronic money, with growth of more than 10% in the number of credit cards in circulation;
- Private banking - growth in the number of customers which has resulted in higher total deposits and expanded the range of products, not least via partnership agreements with leading financial institutions.

Products for agriculture

The Bank has always assured strong financial support for the primary sector. Relations between agricultural firms and BNL are again very active, due to the renewal of the range of products dedicated to this sector.

A training programme was devised in 2004 for account managers responsible for mainly agricultural customers.

The revival of agricultural credit, the first phase of which began in June 2004, gives preference to loans as a technical form, to replace and rationalize the use of promissory notes.

The second phase, currently in progress, relates to long-term loans with the introduction of the new Loan without promissory notes, which extends the term from 5 to 7 years with one year of interest-only payments.

The commercial proposal tends to give priority to investment in infrastructure. The Mortgage product offers advantages in terms of low interest rates and flexible duration. This meets the requirements of agricultural entrepreneurs who invest in activities with an extended timeframe and who invest in facilities that frequently do not enter into service immediately.

BNL pension fund

This is a closed-end pension fund for the more than 15,000 employees of BNL.

The purpose of the Fund is to gather contributions from both its members and the Bank, in order to provide pension benefits that supplement the State scheme on a defined-contributions, capital accumulation basis.

All permanent employees of the Bank are eligible to become members of the Fund.

Fixed-term employees on contracts of not less than 12 months may also become members of the Fund, but may only allocate their own contributions and their severance indemnities (TFR).

The Bank only contributes for them, with effect from the time they joined the Fund, if their contract is transformed into permanent employment.

There are many advantages to joining the Fund for new permanent employees, these include:

- an annual contribution by the Bank to their individual positions of 2.7% of their gross annual salary, in addition to the 2% annual contribution made by them;
- the tax advantage deriving from the deductibility of the total contributions from their taxable income, pursuant to Decree 47/2000;
- the opportunity to make additional and/or voluntary contributions;
- the opportunity to obtain advances up to the total value of the accumulated position;
- the opportunity on termination of employment with the Bank to choose between pension income, which may be transferable, and a mixture of capital and pension, with up to a maximum of 50% in the form of capital.

The Fund assets are invested in securities (for the most part) are currently managed by BNL Gestioni Sgr, the Group company that ranks in the top 10 of Italian asset managers.

BNL Fund for Telethon

This Fund supports the Telethon Foundation by making an annualised contribution of 0.6% of the Fund's assets, as determined on the last trading day of each month.

Investment policy is guided by ethical principles for the selection of instruments and geographic areas, with the exclusion of States that do not respect human rights and firms whose activities adversely affect health, human dignity or the environment.

Investments are generally held in the form of bonds.

In any case, the selection of issuers is subject to verification of their ethical principles.

In this regard, the Board of Directors makes reference to an autonomous Ethics Committee that is independent of the Fund management company. Given the way it is managed and the fact that part of the management fee is donated to charity, the Fund is recognised to be ethical.

In addition to the discussion of relevant emerging issues, the consultative activities of the Ethics Committee during 2004 included an examination and assessment of specific cases regarding the issuers of securities considered to be potential investments. With support from Avanzi SRI Research, an ethical rating consultancy, work has continued on the evaluation of issuers for continued or future inclusion in the portfolio, with the clarification and update of the guidelines already approved.

Ethics Committee and Governance

The first three-year mandate of the Ethics committee, formed at the start of 2001, expired during 2004.

BNL Gestioni Sgr, having received a favourable opinion from Telethon, decided to re-appoint the Chairman and all the outgoing members of the Committee for a further three years. Accordingly, the Committee comprises the following persons:

| | |
|----------------------------------|-----------------|
| Boris Biancheri Chiappori | Chairman |
| Adriano Bompiani | Deputy Chairman |
| Riccardo Faini | Member |
| Carlo Filippini | Member |
| Fiorella Kostoris Padoa Schioppa | Member |
| Demetrio Neri | Member |
| Lorenzo Sacconi | Member |

Argentinean Bonds

The default on the Argentinean bonds was an important issue in 2004. BNL is a member of the TFA (Task Force Argentina), an association organised by ABI to defend the rights of Italian savers affected by the insolvency of this South American state. The Argentine government presented its bondholders with a debt-restructuring proposal at the end of 2004.

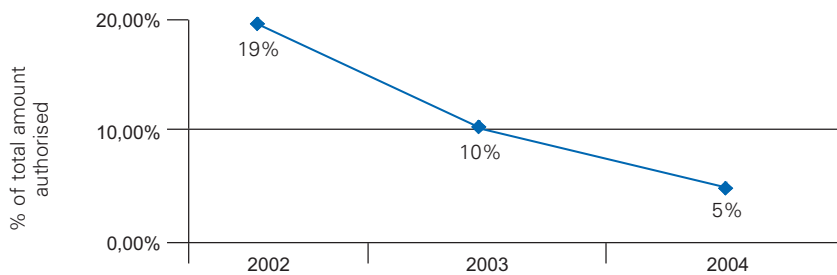
Following approval by the competent authorities, a public offer was launched to exchange the existing bonds for new issues with different maturities, yields and other terms. BNL was the only Italian bank to establish a help desk dedicated to this thorny issue; this desk received about 2,200 calls in just 28 days, both from branches and from customers.

Controversial markets: armaments

Since 2003, BNL has limited its involvement in financial transactions regarding the export and import of armaments to exchanges between the EU nations and NATO, in the context of their respective defence and security policies.

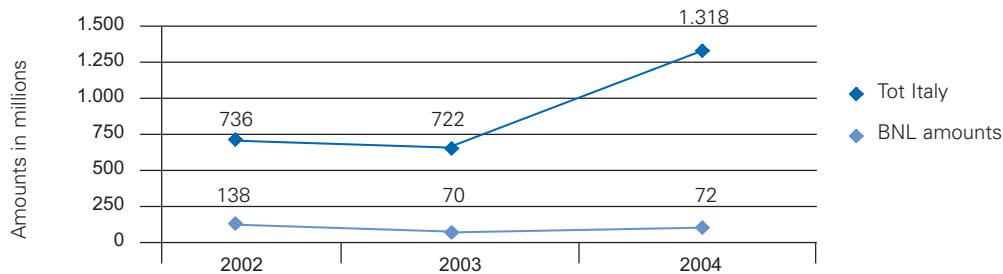
The application of this commercial policy has had a marked effect, as reflected in the most recent annual reports from the Prime Minister to Parliament, which show a 50% reduction in both the total amounts authorised and the related share of foreign trade.

BNL trend 2002-2004 in the settlement of armament exports and imports



Source: annual reports presented by the Prime Minister to Parliament

Trend 2002-2004 totale Italia e BNL nelle transazioni finanziarie di esportazione e importazione di materiale d'armamento



Source: annual reports presented by the Prime Minister to Parliament

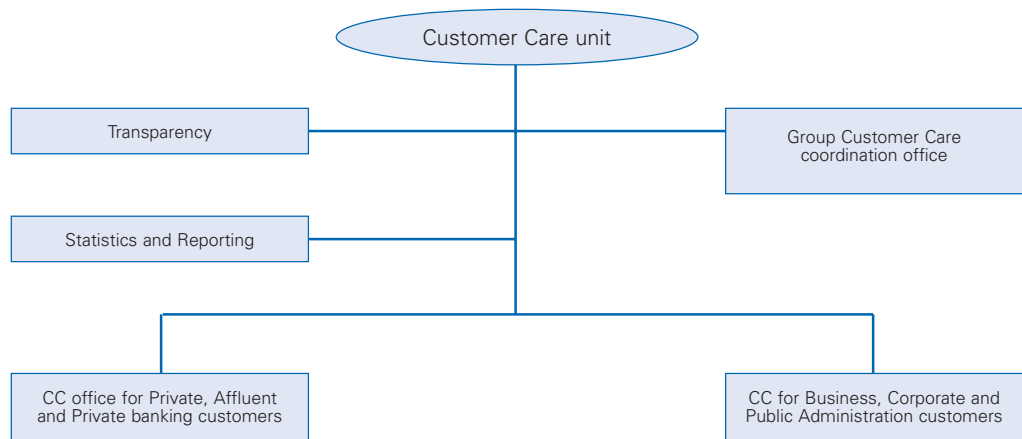
This statistic is even more significant considering that BNL has never played a direct role in the financing of these transactions, but merely a technical role in receiving payments from abroad and crediting them to the recipients' accounts after verification of the related governmental authorisations.

The specific policy decision taken by BNL management in 2002 reflects an emphasis on sustainable development, where business ethics focus on individuals and an innovative view of the laws of the market.

Listening and relating to customers

BNL created a Customer Care Unit in 2000, as part of the Commercial Banking Division, in order to:

- identify and measure customer satisfaction with respect to perceived and/or expected levels (taking account of external benchmarks);
- define customer satisfaction objectives in order to take the action required to meet them;
- ensure the proper and timely management of complaints and related communications with the banking Ombudsman and consumer associations.

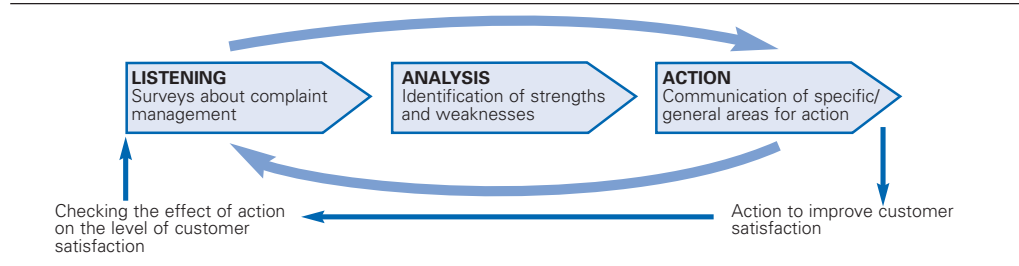


Area Customer Care units were established in each of the 12 Area Organisations during 2002 in order to monitor these aspects better throughout the nation.

Listening to customers

Since 2001 BNL Customer Care has closely monitored the level of customer satisfaction, both by ad hoc market surveys developed with reference to the BNL service model, and by participation in the ABI observatory.

The Customer Satisfaction process



The results of surveys enable the Bank to identify strengths and critical areas, plan the necessary improvements and adjust or develop strategies that meet customer requirements.

In order to achieve this objective, BNL has developed a customer satisfaction model focused on continuous improvements and involving all parts of the organisation.

Satisfaction is analysed at each of the various stage of customer–bank interaction (pre-sales, sale and post-sales), via telephone or direct interviews with a representative sample of customers who have authorised the processing of their personal information.

Customer satisfaction surveys carried out in 2004

| <i>Type of Research</i> | <i>Customers concerned</i> | <i>Research methodology</i> | <i>Objective</i> |
|--|---|--|--|
| PERIODIC SURVEYS | | | |
| Half-yearly customer satisfaction survey | Retail Customers – Affluent and Individual customer segments <ul style="list-style-type: none"> • 4,800 individual customers • 2,400 Affluent customers • 1,000 Competitors' customers | Telephone interviews | Monitor the satisfaction of Retail customers |
| Annual customer satisfaction survey of Large Businesses | Corporate Customers – Large Corporate Segment <ul style="list-style-type: none"> • 346 interviews | Personal interviews conducted by the BNL Customer Care manager | Monitor the satisfaction of Large corporate customers |
| Annual customer satisfaction survey of Medium-sized Businesses | Corporate Customers <ul style="list-style-type: none"> • 1,000 interviews Medium-sized Enterprises | Telephone interviews | Monitor the satisfaction of Medium-sized corporate customers |
| Half-yearly survey of the quality of service provided by the BNL Call Centre | Retail and Corporate customers who contacted the Call centre in the last two months <ul style="list-style-type: none"> • 1,642 customers | Telephone interviews | Verify customer satisfaction and the perceived level of service |
| Annual customer satisfaction survey of Private banking | Private banking customers of all Area Organisations except for Sardinia, Puglia-Molise and Calabria <ul style="list-style-type: none"> • 300 customers | Preliminary telephone contact and personal interview | Monitor the satisfaction of Private banking customers |
| AD HOC SURVEYS | | | |
| Survey of Affluent customers Area Organisation pilot project Lazio | Retail Customers - Affluent customers segment of the Lazio Area Organisation <ul style="list-style-type: none"> • 95 customers | Preliminary telephone contact and personal interview | Test the new service model and find ideas for improvements |
| Qualitative survey of complaints | Retail and Corporate customers who made complaints in 2004, analysed by target and geographic area <ul style="list-style-type: none"> • 26 customers | Preliminary telephone contact and personal interview | Test the new service model and find ideas for improvements |
| Customer satisfaction survey Conto per Te | Conto per Te customers <ul style="list-style-type: none"> 1,000 customers | Telephone interviews | Verify awareness of and interest in the services offered, but also identify needs and expectations |
| Qualitative survey of potential Retail market customers | Non customers | Focus group | Identify the needs and behaviour of potential customers in order to improve the mix of products and services |
| Qualitative survey of mortgages | Customers of BNL and other banks who have recently obtained a mortgage <ul style="list-style-type: none"> • 50 customers | Focus group | Analyse the process of selling mortgages |
| Quality of branch services Lazio Area Organisation pilot project | Customers and branch personnel of the Lazio Area Organisation | <ul style="list-style-type: none"> • Focus group customers • Mystery Shopping • Workshop with personnel | Verify the perceived quality of branch services from an internal/external customer standpoint |
| BNL Business Focus project | Large and Medium-sized Business customers of the Corporate market <ul style="list-style-type: none"> • about 700 customers | On-line surveys | The following surveys were carried out in 2004: 1) Perception of the new Basel 2 regulations by firms 2) Reasons for selecting the main bank |

Small Business and Public Administration segments

The satisfaction surveys for these customer segments are carried out every two years and, accordingly, are scheduled for 2005.

In particular, with regard to the Small Business segment, BNL participated in the ABI Observatory of SME customer satisfaction during 2004, as well as in the survey about retention.

Retail customers. Customer satisfaction survey 2004

The survey model for examining satisfaction with BNL analyzes certain key drivers of the banking services provided:

- image of the Bank;
- range of products and services;
- commercial capacity of the Bank;
- perception of clarity and commercial transparency;
- quality of branch services;
- speed of providing products and services;
- periodic communications;
- complaints management.

Each driver is subject to detailed analysis that contributes to determining the level of overall satisfaction in relation to the driver concerned.

Summary of results

The results of the customer satisfaction survey indicate an improvement with respect to the past.

More specifically, the aspects mostly directly associated with customer and personal relations (e.g. commercial skills, professionalism, problem solving, management of critical situations) all confirm the tendency towards improvement.

These positive results are largely a result of the efforts and good work of the individuals employed by the Bank.

Individual Customers Segment

The overall satisfaction of customers in this segment was in line with 2003 levels; however, analysis of the various elements of the report reveals an increased ability to respond to their requirements:

- better opinion of the products and services available;
- better opinion with respect to the past of the various steps in the selling process (commercial ability; speed of activation; transparency);
- signs of improvement in the area of customer support including, in particular, problem solving.

Affluent Customers Segment

Latest results show that Affluent Customers are considerably more satisfied than they were last year.

The perception of improvement covers virtually all areas, commencing from the pre-sales stage and continuing right through to after-sales support.

These results are due to the pro-active efforts of BNL in the areas of customer relations and caring, which have improved the overall climate and, above all, employee-customer dynamics.

Quality of branch services

The efforts made in recent years to respond to the needs of Retail customers and improve their perception of branch services continue to generate positive feedback. The ratings obtained for branch services in 2004 indicate improvements in:

- satisfaction with counter staff and commercial employees, with a perception that personnel are more available, pro-active and skilful;
- satisfaction with branch operations in terms of working hours, approach and efficiency.

Corporate customers. Customer satisfaction surveys 2004

The survey model for examining the satisfaction of Corporate customers analyzes the following drivers:

- contact person;
- Bank's products and services;
- corporate image
- operating channels;
- clarity and commercial transparency;
- communications with customers;
- problem-solving abilities;
- overall satisfaction.

Here too, each driver is subject to detailed analysis that contributes to determining the level of overall satisfaction in relation to the driver concerned.

Large Corporate Segment

Completion of the customer satisfaction survey for the Large Corporate Segment involves carrying out personal interviews which, in themselves, provide a key moment of focus and demonstrate the Bank's interest in its corporate customers.

The personal interviews are carried out directly by the Customer Care manager of the Area Organisation, providing the customers concerned with an opportunity to highlight possible areas for improvement and obtain immediate feedback from the Bank.

The satisfaction levels achieved are very positive and show steady improvement over time, thus demonstrating that BNL's service model as a Corporate Bank meets the expectations of large companies for their banking partner.

With respect to the prior year, satisfaction levels improved by 6 percentage points.

Medium-sized Enterprises

The satisfaction of medium-sized firms has, on the other hand, deteriorated slightly with respect to last year.

Firms are requesting products and services that meet their needs more closely, together with closer and more effective attention from commercial staff.

In this regard, BNL is examining how to renew the distribution model in order to bring the organization closer to these business customers.

Complaints management

Complaints management represents an important opportunity for contact with customers.

The information and suggestions emerging from these reports helps BNL to take the action needed to improve the way that services are provided.

A total of 9,400 complaints were handled in 2004 (6,603 in 2003). In addition, 3,122 letters were received in November and December requesting the reimbursement of compound interest, following the ruling on this matter by the Court of Cassation.

The large number of complaints reflects the Bank's policy of recording and keeping track of all communications from customers that may help to highlight critical areas; in this sense, even e-mails received via the website and telephone calls received by the Area Customer Care organisations are treated as complaints.

A good system of complaints management enables the Bank to transform a critical moment into an opportunity for creating customer loyalty.

In this light, research was carried out to understand better the behaviour and expectations of BNL customers during all the phases of a complaint, from the moment that a service malfunction is perceived to the time that it is resolved with a reply from the Bank.

This survey clearly showed the importance of the initial approach taken by the branch when an issue is raised.

Indeed, it showed that, in the event of poor service, customers expect the matter to be resolved on a timely basis by their branch contact personnel. Written complaints are generally seen as an extreme solution, which customers would prefer to avoid in the majority of cases.

Based on these considerations, the following priority action areas have been identified for making improvements:

- Prevention of complaints: definition of a system of branch network alerts in the event of procedural anomalies. Every time a service problem arises that affects customers, the branch network will be informed of the nature of the breakdown, the solution adopted and the timing for restoration of full service;
- Points of contact: identification of points of contact for the branch network within the General Management functions and each Area Organisation, so that personnel can obtain the information needed to respond to customer requests on a timely basis, thus helping to prevent complaints and to provide more efficient and valued service;
- Operational efficiency: optimisation of the way that complaints are handled, in order to provide customers with quality solutions that, in every case, meet their requirements.

With regard to the average time for dealing with complaints, the steady revision of Centre-Network processes has reduced the average delay from 56 days in 2000 to 11.5 days in 2004.

In addition, BNL Customer Care launched an important project during the year to communicate with the principal Consumer Associations, via a programme of meetings and work groups, with a view to understand the needs of consumers/users, reduce the level of conflict with these bodies and promote BNL's policies as they relate to consumers.

Guaranteeing clarity and transparency to customers

BNL took part in the PattiChiari project (a "clear terms" initiative taken by banks to improve customer relations) right from the start (now known as the *PattiChiari* consortium); the intention is to confirm the Bank's commitment to clarity and transparency which we have always tried to display to our customers.

As part of this project, BNL has adopted new practices for relations with customers and applied new tools to help them obtain a better understanding of products and services. The Bank is committed to providing customers with a series of supporting instruments (brochures, toll-free number, website, forms available from commercial consultants) that will help them make more informed and focused decisions.

Accordingly, customers can better understand BNL's services and compare them with those of competitors in terms of product costs and conditions, response times and the risks associated with investment in specific financial instruments.

The quality mark "*PattiChiar*" has been devised to provide visibility and recognition for these initiatives, thus assuring a high standard of quality for individuals, families and firms.

The "*Patti Chiar*" quality trademark is only granted by the Patti Chiari Consortium to banks that have passed a special quality certification test.

Commencing from June 2004, the Bank was inspected by the quality certification auditors Det Norske Veritas to check that BNL correctly applies the practices and instruments for all eight initiatives covered by the Project.

BNL was awarded full certification of conformity with the standards laid down in the protocols established by the PattiChiari consortium.

In addition, the new regulations on banking transparency were also applied promptly during the year. As planned, the enabling instructions issued by the Bank of Italy were implemented in full, as required by the Interministerial Committee on Savings and Loans (resolution dated 4 March 2003).

In particular, BNL has sent customers a summary document of the principal terms applying in relation to each open account.

Projects regarding the world of business

BNL Business Focus

Over the past three years, the Customer Care unit has pursued the BNL Business Focus project, which has two main objectives:

- perform qualitative research into the requirements of businesses in their dealings with banks;
- demonstrate caring by operating loyalty and reward programs for businesses.

Two surveys were conducted in 2004 involving around 700 business customers:

- the impact of the new Basel 2 agreements on bank-business relations;
- the reasons for selecting and changing the business's principal bank.

The customers that took part in the surveys were invited to a series of events and initiatives organised by each Area Organisation (concerts, exhibitions, plays) to thank them for their cooperation and create opportunities to meet away from the usual environments.

Basel 2 seminars

Subsequent to the research conducted by the BNL Business Focus project, a number of firms have expressed a need for consultancy on the new Basel 2 agreements and, in particular, on the related changes to the bank-firm relationship.

Accordingly, BNL has organised a series of conferences, together with PricewaterhouseCoopers, for the business customers of each Area Organisation entitled: "Basel 2, banks and businesses working together to benefit from the opportunities offered by the new regulations".

BNL has also prepared a specific training programme for employees, since customers consider them to be the primary point of reference for support and consultancy in this area.

Distribution model

The Bank's distribution model provides separate channels which depend on the nature of the services provided and the target customers concerned.

This multichannel distribution offers:

- points of sale that specialize by market;
- self-banking terminals (ATM);
- "Telebanca BNL", the telephone channel;
- e-banking portals for individuals (e-Family BNL) and companies (Business Way BNL), and a remote banking platform (Ediway BNL).

The distribution model is organised to provide specialist focus for customer relations, consultancy and sales. These activities are entrusted to professionals within the branch network, confirming the transactional nature of the direct channels (self banking, phone banking and e-banking), which are designed to maximize the use of products and services.

The Network's coordination centre reports to the 12 regional or multi-regional Area Organisations.

The branch network in Italy and abroad

Sales outlets dedicated to specific customer markets/segments comprise Branches, Public Administration Centres, Private Banking Centres, Corporate Centres and Macroareas for Major Customers.

As of 31 December 2004, 706 branches served the Retail Market covering all 103 provincial capitals in a total of 363 separate locations (361 at the end of 2003).

In addition, there are also:

- 18 centres devoted to the "Public Administration Segment", on a regional basis;
- 14 centres dedicated to the Private Market;
- 57 centres dedicated to the Corporate Market, on a provincial basis;
- 6 macroareas devoted to the "Large Customer Market".

The chart shows the distribution of the 706 branches throughout Italy:

- North West Italy: 164;
- North East Italy: 127;
- Central Italy: 224;
- Southern Italy: 134;
- The Islands: 57.

Self-banking terminals (ATM)

There are 1,263 ATMs, of which 410 are installed at Public Agencies, firms or other locations away from the Bank's branches.

During 2004, 53 million transactions were carried out via this channel, including 33.5 million withdrawals, 14.7 million lists of movements, 2.8 million mobile phone top-ups and 2 million balance enquiries).

Transactions via this distribution channel now represent a substantial portion of the Bank's overall operations: on average, around 55% of current account enquiries (balances and statements of account) and 78% of cash withdrawals.

The first phase of the renewal programmes was completed in August 2004, with the replacement of 399 obsolete units.

The software of the new ATMs is being upgraded to offer all the services already provided through other banking channels.

BNL's multichannel e-banking model involves the administration of the direct channels by BNL Direct Services SpA, a subsidiary (formerly BNL e-Banking SpA).

This model envisages a targeted approach to specific customer segments: e-Family BNL and Telebanca BNL for private customers; Business Way BNL for Small Business customers; Ediway BNL for Corporate and Large Corporate customers; Ediway Entities for the Public Administration and similar customers.

A project to rationalize the security systems of the retail direct channels was launched at the end of 2004, principally to simplify customer access to e-banking, phone banking and other services.

The telephone channel: phone banking and contact centre

Telebanca BNL's phone banking services not only receive instructions ("inbound") and provide information ("outbound"), but also support and supplement the commercial efforts of the distribution network (contact centres).

The number of phone banking customers now exceeds 480,000 (+14% since the end of 2003).

Instructions given (about 280,000 operations) are analysed as follows: 57% for transactions not involving securities (transfers, payment of utilities etc.) and 43% in relation to the transmission of stockmarket instructions.

The Telebanca service has been certified as compliant with ISO 9001:2000 by DVN (Det Norske Veritas).

Private e-Banking: E-family BNL (Banking and Trading on line)

Marketing efforts during the year resulted in the acquisition of more than 91,000 contracts. Accordingly, the portal now has more than 350,000 registered members (+25%), of whom about 150,000 are active.

Excluding securities trading, the number of e-banking instructions issued through this channel was more than 600,000 (+39% on 2003) and there were more than 6 million requests for information (+31%).

There are about 110,000 customers with at least one securities dossier (+12%).

During the year, these customers issued 440,000 orders on the Italian market and carried out 250,000 securities transactions.

e-Banking for Corporate Customers: Business Way BNL, Ediway BNL, Ediway Enti and CBI Passivo

Business Way BNL, the channel devoted to the small business and SME market, has grown to more than 15,000 customers (compared with around 10,000 at the end of 2003). Over 760,000 transaction instructions relating to collections and payments were carried by the system during the year.

The *Corporate Banking Ediway* platform at the end of 2004 had about 12,000 customers under contract, who gave instructions for around 6 million transactions during the year.

The *Ediway Enti* service is distributed to around 550 Public Administration customers who have issued more than 1.2 million instructions through electronic channels.

Interbank Corporate Banking ("CBI passivo") reaches more than 23,000 firms electronically.

Specifically in the corporate banking sector, the flows handled as proposing bank totalled almost 48 billion euro, while another 23.5 billion came through the CBI Passivo system. The number of instructions issued through *Business Way* and *Ediway* came to 7.9 million, in addition to just under 7 million CBI passivo.

BNL's institutional website (www.bnl.it)

BNL continues to invest in on-line communications. This is a strategic area since the Internet is accessible on a 24/7 basis by stakeholders and all other users interested in the Bank.

Considerable work has been done to improve the website. Since the previous upgrade in May 2003, the website has been extended and more content has been added, with particular emphasis on sustainability, BNL's commitment to art and culture, and the financial publications that discuss the Bank and evidence its development.

The updated interface is much better, avoiding the adverse effects of excessive aesthetic considerations (which inevitably lower the number of hits), while enhancing the on-line image of BNL consistent with the latest trends in web design.

Recent research by Net Research-AC Nielsen regarding the last four months of 2004 confirms the good position of [bnl.it](http://www.bnl.it) in terms of the number of individual visitors, with 102,000 visits each month, compared with 72,000 for [sanpaoloimi.it](http://www.sanpaoloimi.it), 53,000 for [capitalia.it](http://www.capitalia.it) and 25,000 for [mediobanca.it](http://www.mediobanca.it).

The statistics for competitors increase with the provision of on-line banking services; in particular, the number of visits increases when customers access their accounts directly via the Bank's Corporate Portal, as shown by the statistics for [unicredit.it](http://www.unicredit.it) (256,000 visits), [bancafideuram.it](http://www.bancafideuram.it) (149,000 visits) and [bancomediolanum.it](http://www.bancomediolanum.it) (274,000 visits).

BNL is currently positioned as a market leader in the provision of economic and financial background and comment, as well as information on events of international importance, such as the Venice and Taormina film festivals, or concerts at the Accademia di Santa Cecilia; in the organisation of social action, such as conferences in support of Telethon; and in the provision of expertise via the presentation of highly innovative documentation. This consideration prompted the recent comprehensive update of the website.

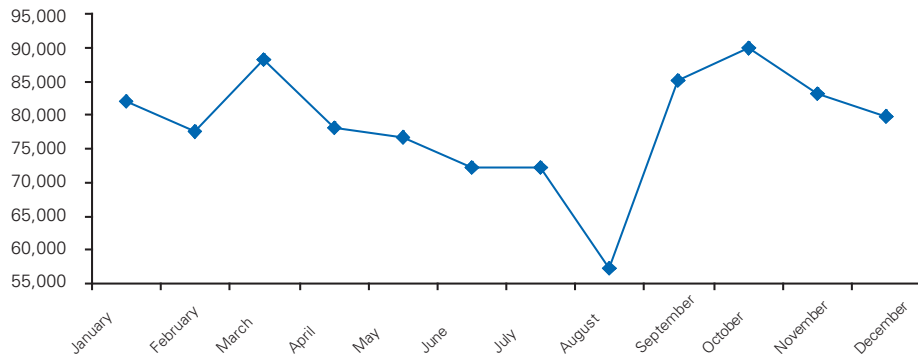
The statistics confirm that, even without incurring the costs of website redesign or technological updates, investment in this channel by providing a high volume of focused information with regular updates generates a steady increase in the number of visitors.

This is readily confirmed by an analysis of the timeline:

- in 2002, the [bnl.it](http://www.bnl.it) website had about 30,000 visitors each month;
- after substantial modifications and the provision of in-depth content, but without design changes, the number of users rose to just under 50,000;

- following the overhaul in May 2003, the number of monthly visitors exceeded 70,000;
- in 2004, after providing an on-line containing holding about 15,000 pieces of information, the number of visitors rose to 102,000 without the addition of e-banking services, but just by guaranteeing daily updates and the quality of content.

Trend in visits to the bnl.it website



Bnl.it: Visits between January and December 2004

Special finance and project financing

BNL's Wholesale & International Banking Division (DWIB) has further developed its planning and investment activities in those market areas regarding goods and services of public interest.

In order to promote the creation of value for the community, the principal focus has been to support and promote public-private partnerships.

The intention is to combine the effectiveness of service in the public interest with the efficiency of infrastructure construction in production and operational terms.

Priority has been given to projects involving application of the General Contractor model (in the context of the Planning Law), as well as to ordinary project financing (in the context of the Merloni Law), both of which seek to provide significant and lasting support for development of the nation's infrastructure.

BNL's commitment has principally focused on the provision of consultancy to public administrations and businesses regarding feasibility studies and "bank support" for their projects, as well as on arranging and subscribing to loans for infrastructure projects.

Alongside these activities, major efforts have been made to provide information about mixed public-private projects (to individual counterparts and, more particularly, to associations), with regard to such aspects as planning, structuring, obtaining capital and implementing infrastructure projects.

The objective is to make the parties aware of all the theoretical and operational factors that contribute to the creation of value for the community and for entrepreneurs-investors.

The participation of private operators is essential in order to provide the public sector with the capital resources and managerial skills needed to implement new investment projects and strengthen those already underway.

The Bank has continued discussions in committee, at association level (e.g. with ABI) and elsewhere, with the public and private bodies committed to or interested in promoting development initiatives in various strategic sectors (water, energy, construction).

As part of discussion and debate with the business community and opinion leaders on key and current topics associated with economic development and the social responsibility of firms, a conference was organised in July 2004 on *Pricing problems linked with the reform of integrated water supply services: economic and financial implications*, in collaboration with CRS-Proacqua.

Conference contributions were made by BNL's DWIB management and by the principal operators (institutional and private) in Italy's water supply sector.

This initiative represented a significant chance to review the situation, 10 years after adoption of the Galli Law.

In addition, during 2004 BNL continued to structure and make loans for the implementation of increasingly efficient energy sector projects, having regard for the savings in raw materials achieved for the same output, with a lower environmental impact. The projects financed related to the construction of high yield (combined cycle) power

stations, the revamping of existing plant to consume raw materials more efficiently and significantly lower the related environmental impact, and the construction of plant using renewable energy sources in both Italy and elsewhere in Europe.

Combined cycle technology, among the various possible alternatives, offers greater efficiency in the generation of electricity (54-56%, compared with the average efficiency of Italian thermoelectric stations of 38%) and therefore produces the same quantity of electricity with lower emission levels.

Furthermore, the use of natural gas as a fuel has a lower environmental impact due to the minimal emissions of sulphur dioxide and particles, with low levels of nitrogen oxides and carbon dioxide. All this contributes to meeting the restrictions set by the Kyoto Protocol for the reduction of the greenhouse effect.

With regard to the waste-to-energy sector, during 2004 BNL completed the organisation of project financing and the placement with banks of the project for the generation of thermal energy using solid urban waste developed by the Falck Group at Trezzo sull'Adda, in the province of Milan.

Again in this sector, BNL has also started to organize project financing to support the extension of the TEC-Calabria Sud project (already financed by the Bank), which envisages doubling the capacity of thermal generators using urban waste in Calabria. This new project is of fundamental importance to resolve the waste emergency in the area, for the economy of the region and for the creation of new jobs.

With regard to wind energy, finance has been arranged for a series of 10 wind farms (with a total installed capacity of 165 MW) established in Sardinia and Sicily by IVPC, a private company that is the Italian leader in this sector.

This is Italy's most significant project in the wind energy sector, drawing on the Green Certificates incentive programme.

Protecting the environment is one of the guiding principles for BNL's activity abroad: during 2004 the Bank cofinanced a wind farm in Spain, where great attention is paid to environmental issues and where investment in this technology is becoming increasingly significant.

Research and the analysis of new projects has also resulted in a feasibility study for a cogeneration plant in Piedmont that would generate both electricity and steam.

The steam and part of the electricity would be used by the adjacent factory, while the remaining output would be sold on the market.

The high efficiency of cogeneration plant means that the consumption of fossil fuels is much lower and significant incentives are available for this type of plant.

BNL has also been very active in the health sector. During 2004 the Bank was appointed to assist the Friuli Venezia Giulia region with a feasibility study for the construction of new hospital facilities. In addition, BNL also assisted a consortium of leading operators in this sector with a bid to upgrade the Niguarda hospital.

Projects carried out in 2004, sector by sector (in euro)

| Sector | No. Operations | Total Investment | Notes |
|---------------------------------------|----------------|------------------|--|
| Renewable energy sources - Wind power | 4 | 909 million | 2 loans outstanding for a total of about 557 million (BNL's share is 23 million); 2 loans currently being granted for a total of about 258 million (BNL's share is 44 million) |
| Environment - Waste to energy | 3 | 331 million | 2 loans outstanding for a total of about 147 million (BNL's share is 46 million); 1 loan currently being granted for about 140 million (BNL's share is 60 million). |

In the transport sector, BNL has completed consultancy in support of public transport projects for the Venice lagoon area and the completion of the Genoa metro, while work has begun on a number of road-rail transport projects.

In particular, BNL is project advisor for the construction of a logistics platform for the Rome-Fiumicino Interport, which represents a opportunity to relaunch multimodal and integrated transport services for the commercial sector.

This project should reshape the flow of goods traffic throughout Central Italy, leading to the expansion and reorganisation of the entire system, with key benefits for the environment, air quality and urban congestion.

The key role played by public transport in improving the quality of life in major urban centres is also shown by the inclusion of many infrastructures of this kind in the list of priority works envisaged in the enabling legislation for Law 443/01 (the "Planning Law"). BNL is also advisor for the central Veneto aqueduct scheme, which is another project of major interest, representing a first in this area of public infrastructure.

This project to revolutionize water supply in the Veneto region, improving water quality considerably, will create new job opportunities and a system for regulating the flow and sourcing of water that will be among the most advanced in Europe.

Work is already underway using public funds and, in December 2004, the most difficult stretch of the large undersea pipeline connecting Chioggia to the Venice water supply system was laid.

This is the first stage in the implementation of the Structural Model for the Veneto Aqueducts (Mosav), which involves creating a ring of aqueducts drawing on water well in the Brenta area. This highly strategic project is part of the structural system devised by regional government and approved in 2000 as a consequence of the regional law that enabled the Galli Law.

Again in Veneto, at Fusina (close to the Marghera industrial area) a project is underway for the creation of a purification plant. Here, in addition to acting as advisor, BNL will also be a shareholder of the project management company.

This project envisages the construction of a purification plant and related system of phytoremediation which will supply industry with more than 27 million cubic metres of purified water each year, instead of using water from the aqueducts.

This will help to reduce current dispersion considerably, with a saving for end users.

BNL has also offered financial support for the construction of the Mare Nostrum Aquarium in Rome.

This is a multimedia aquarium museum to be built, under concession from EUR SpA, by the Expo-Med/R.R.Service Virtual Project consortium, the private body that is promoting the project.

The *Mare Nostrum Aquarium* will extend over 16,500 sq.m., welcoming thousands of visitors each month.

In addition to a permanent exhibition, the centre will organize temporary displays, shows and meetings.

BNL's support for this ambitious project reflects the Bank's commitment to protecting Rome's artistic heritage and landscape, with a new centre for promotion of the environment, scientific research and entertainment.

Oleoducto de Crudos Pesados

During 2004, BNL continued to monitor the *Oleoducto de Crudos Pesados* project in Ecuador which has now been completed; the Bank helped to finance the loan which made this project possible.

Stone & Webster, independent technical-environmental consultants, have confirmed that this oil pipeline is operating in accordance with the environmental and operational permits granted by the governmental authorities.

Work to re-establish the original vegetation along the route of the pipeline is 93% advanced and will continue until completion.

There have not been any reports of accidents during the transportation and loading of oil onto the tankers.

Financial products and markets

Management continued during 2004 of the portfolio of 10 million euro invested in 2002 in the Mellon European Ethical Index Tracker Fund. This fund replicates the performance of the Ethical Index Euro¹.

BNL has also continued to manage the financial structures established at the start of 2003 as part of the issue of a life policy and the issue of bond for institutional customers.

The indexing tools used have as their benchmark the shares of the companies belonging to the Humanix 200 Global² ethical index.

Another certificate is being prepared which will select investments from participants in the Humanix 200 Global ethical index.

1) Ethical Index Euro - published and managed by E. capital Partners which selects participants using the criteria established by the Finetica Observatory (partnership between Bocconi University and the Papal University). These criteria consider: 1. assessment of the business sector (penalising companies involved in activities that adversely affect human health and dignity); 2. general assessment of the firm; 3. assessment of the social behaviour of the firm (measurement of the extent and type of involvement of the other parties concerned).

2) Humanix 200 Global - an index of firms, selected by members of non-governmental organisations, that meet ethical requirements based on such criteria as, for example, respect for the environment, respect for human rights in the production process, inactivity in sectors such as armaments, alcohol, tobacco etc.).

(AMOUNTS IN MILLIONS OF EURO)

| Sector | Transactions | Amount invested | Notes |
|---------|--------------|-----------------|--|
| Ethical | 1 | 236.25 | <i>Equity swap against an index-linked issue for BNL Vita</i> |
| Ethical | 1 | 1.25 | <i>Equity swap against a structured bond issue for institutional customers</i> |
| Ethical | 1 | 10 | <i>Investment in the Mellon European Ethical Index Tracker Fund</i> |

Artigiancassa SpA

Right from its creation in 1947, the mission of Artigiancassa has been to support the development of artisan businesses and small and medium-sized firms, via the administration of assisted loans financed using public funds allocated for this purpose. Above all, the work of Artigiancassa ensures a considerable increase in employment at a modest cost to the public purse: in 2003, the cost of a new job averaged less than 6,000 euro.

Artigiancassa also manages public funds on an efficient basis: again in 2003, one euro contributed in public funds resulted in artisan investment of 17.4 euro.

Not by chance, Artigiancassa was the first Italian bank to obtain quality certification for the administration of public funds for assisted loans.

This constant attention to propriety, transparency and sound economic management contains many of the key principles of Business Social Responsibility.

In full compliance with this, Artigiancassa gives great attention to the economic reality of weaker operators, contributing to the start-up of new firms by providing access to such instruments as micro and unsecured loans.

In terms of social initiatives during 2004, Artigiancassa took part in gathering funds for Telethon 2004, via placement throughout Italy of the Telethon Card.

The commitment of the regional offices of Artigiancassa, together with that of the local artisan associations and their Confidi (loan guarantee organisations), fund raising achieved 2003 levels (about 150,000 euro) and contributed to the overall record of 25.5 million euro.

During 2004 the Bank received important recognition from the Municipality, Province and Prefecture of Alessandria and the National Department for Civil Protection: on the tenth anniversary of the floods that hit Piedmont in 1994, the Bank was honoured for its work on behalf of the affected firms, not only during the emergency but also in subsequent years.

The reasons cited for the award state that Artigiancassa was "the only national bank to roll up its sleeves and provide concrete assistance to artisan firms".



02



Investors

Composition of the share capital

The share capital of BNL Spa is represented by ordinary shares and savings shares. The ordinary shares give a right to vote at shareholders' meetings of the Bank; savings shares give the right to participate and vote exclusively at the special meetings held for savings shareholders.

They also give the right to preferential treatment on the distribution of earnings: according to BNL's articles of association (art. 10), the net earnings shown in the statutory financial statements, less the allocation to the legal reserve, have to be distributed to the savings shareholders up to 6.3% of their par value.

In any case, the savings shares are due a higher total dividend compared with the ordinary shares of 3% of the par value of the shares.

Again according to the articles of association (art. 11), if in any one year a dividend is assigned that is lower than the amount laid down in art. 10, the difference has to be added to the preference dividend for the next two years.

The increase in share capital

13 December 2004 saw completion of the increase in share capital approved by the Board of Directors on 14 November 2004 in accordance with the mandate granted to them by the Extraordinary Shareholders' Meeting held on 30 April 2004, offering an option to buy 7 new shares for every 20 ordinary or savings shares held for 1.52 euro for every new share, including 0.80 euro as share premium.

At the end of the option period, 780,612,588 new shares of par value 0,72 euro each were subscribed, the equivalent of 99.49% of the 784,646,093 shares effectively on offer, for a total par value of 564,945,186.96 euro.

The other 11,524,300 rights (offered on the Stock Exchange, on BNL's behalf, from 17 to 23 December 2004) were all sold and subsequently exercised with the subscription of 4,033,505 new ordinary shares.

The operation was therefore concluded with the full subscription of all of the ordinary shares on offer for a total value of 1,192.7 million euro, without requiring any intervention on the part of the underwriting syndicate headed up by Mediobanca consisting of Mediobanca, JP Morgan and Goldman Sachs International, acting as joint lead managers.

As resolved on 14 November 2004, the Bank exercised all of the rights pertaining to the treasury shares that it held in portfolio, subscribing 3,372,222 shares, equal to 0.11% of the post-offer share capital.

BNL's share capital at 31 December 2004 therefore amounts to 2,179,141,328.88 euro, split as shown in the following table. (1) (2):

Composition of the share capital at 31 December 2004

(AMOUNTS IN MILLIONS OF EURO)

| | Number | Par value | % share capital |
|-----------------|----------------------|-----------|-----------------|
| Ordinary shares | 3,003,386,848 | 0.72(2) | 99% |
| Savings shares | 23,198,331 | 0.72(2) | 1% |
| Total | 3,026,585,179 | | 100% |

(1) The share capital had the following changes during the course of the year:

- assignment to the personnel of the Bank and the BNL Group as their bonus for 2003, as well as to employees of the Bank who have completed 25 years' service, in accordance with agreements stipulated with the trade unions; This resulted in the allocation of 29,193,120 ordinary shares, par value 0.72 euro each, with dividend rights from 1 January 2004. The increase was carried out by making partial use of the special reserve set up out of retained earnings which at the end of 2004 had a residual balance of 19 million euro;
- increase in share capital authorized on 14 November by the Board of Directors of BNL, as already explained in the previous box;
- the exercise of subscription rights attributed to personnel as part of the stock option plan, after which an additional 1,082,323 ordinary shares were issued (for payment).
- the transfer, in compliance with art. 13 of the Law 342/2000, of almost all of the revaluation reserve ex Law 350/2003 (487 million) to share capital, increasing the par value of the ordinary and savings shares from 0.50 to 0.72 euro.

(2) As a result of the bonus issue totalling 562,262.40 euro (decided at the Board meeting held on 21 January 2005 in favour of employees with 25 years of service), and the paid increase in capital of 4,965,687.36 euro (deriving from the exercise of subscription rights attributed to personnel as part of the stock option plan), the share capital at 14 March 2005 amounts to 2.184.669.278,64 euro, made up of 3,011,064,556 ordinary shares and 23,198,331 savings shares, all with a par value of 0.72 euro.

Shareholder structure

At 31 December 2004, the share capital represented by ordinary shares is held by a number of leading Italian and foreign banking groups, as well as by more than 100,000 small – so-called “retail” – investors and numerous institutional investors in Italy and abroad. The estimates carried out just prior to the increase in capital with the help of external specialists showed the following breakdown in the shareholder base at the end of 2004:

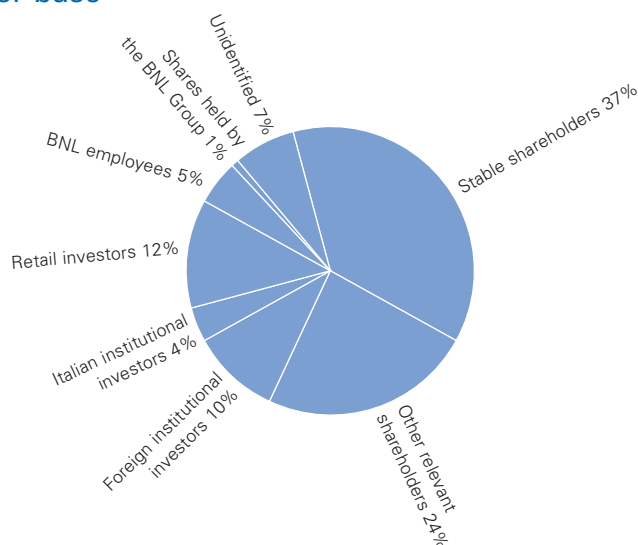
- 37% stable shareholders(1);
- 24% other relevant shareholders(2);
- 10% foreign institutional investors;
- 4% Italian institutional investors;
- 12% retail investors;
- 5% BNL employees;
- 1% shares held by the BNL Group;
- 7% unidentified.

(1) These are shareholders with direct representation on the Board of Directors.

(2) These are shareholders who have communicated to CONSOB and/or to the Company that they hold an investment that is higher than 2% of the share capital.

BNL: composition of the shareholder base

Stable shareholders 37%
 Other shareholders Relevant 24%
 Shares held by the BNL Group 1%
 Retail investors 12%
 Institutional investors Foreign investors 10%
 BNL employees 5%
 Italian institutional investors 4%
 Unidentified 7%



Source: in-house estimates (Thomson Financial)

The following shareholdings exist according to the communications received up to 31/12/2004:

Significant shareholders at 31/12/2004

| Shareholders/Groups (INVESTMENT HIGHER THAN 2% OF THE SHARE CAPITAL) ⁽¹⁾ | | % investment | |
|--|--------|---|---|
| | | WITH AN ORDINARY SHARE CAPITAL OF EURO 2,162,438,530.56 ⁽²⁾ | WITH A TOTAL SHARE CAPITAL OF EURO 2,179,141,328.88 ⁽²⁾ |
| Banco Bilbao Vizcaya Argentaria S.A. | Spa | 14.75% | 14.64% |
| Assicurazioni Generali Group | Italia | 8.72% | 8.65% |
| Della Valle Diego (Dorint Holding S.A.) | Italia | 4.99% | 4.96% |
| The Stefano Ricucci Trust (Magiste Int. S.A) | Italia | 4.99% | 4.95% |
| Caltagirone Francesco Gaetano | Italia | 4.97% | 4.93% |
| Coppola Danilo (Pacop SpA) | Italia | 4.93% | 4.89% |
| Monte dei Paschi di Siena Group | Italia | 4.42% | 4.38% |
| Statuto Giuseppe (Michele Amari srl) | Italia | 4.09% | 4.06% |
| Banca Popolare di Vicenza | Italia | 3.64% | 3.61% |
| Bonsignore Vito (Gefip Holding S.A.) | Italia | 3.08% | 3.05% |

(1) Based on communications received.

(2) After the bonus issue totalling 562,262.40 euro (decided at the Board meeting held on 21 January 2005 in favour of employees with 25 years of service in the second half of 2004), as well as an increase in capital of 4,965,687.36 euro (deriving from the exercise of subscription rights attributed to personnel as part of the stock options plan). The share capital at 14 March 2005, amounts to 2,184,669,278.64 euro and consists of 3,011,064,556 ordinary shares and 23,198,331 savings shares, all with a par value of 0.72 euro.

Apart from the above, we are not aware of any other shareholders with an interest of more than 2% who have communicated the fact to Consob and to BNL in accordance with the rules contained in the "Consolidated Act" on financial intermediation (art. 120 - obligation to communicate significant shareholdings).

At 31 December 2004, the BNL Group held 23,310,668 ordinary shares (0.78% of the ordinary share capital).

As proposed by BNL's Board of Directors on 11 November 2003, the Shareholders' Meeting of 30 April 2004 approved a bonus distribution of 33,864,268 ordinary shares out of treasury stock at a ratio of 1 share for every 64 ordinary or savings shares held.

The Board of Directors

According to art. 19 of BNL's articles of association, the Bank is managed by the Board of Directors, which consists of not less than 7 and not more than 15 members elected by the Shareholders' Meeting by means of a voting list system.

20% of board members have to come from minority lists.

The Shareholders' Meeting of 30 April 2002 appointed a new Board of Directors of the Bank, made up, as before, of 13 Directors (3 from minority lists presented by Italian and foreign institutional investors), as well as a new Board of Statutory Auditors for the three-year period 2002-2004.

The Board of Directors meeting of 3 May 2002 appointed the Chairman, the Deputy Chairmen and the Managing Director.

Following the departure of Davide Croff, who resigned on 14 June 2003, BNL's Board of Directors decided on 16 June 2003 to co-opt Diego Della Valle as a member of the Board of Directors and to appoint Mario Girotti as General Manager.

At present, according to the articles of association, the Board of Directors delegates powers to the Executive Committee, while the Chairman is granted powers to make decisions on matters of particular urgency.

Origin of the members of the Board of Directors

| Shareholders/Groups | No. of. members of the Board | % of total |
|--------------------------------------|------------------------------|-------------|
| Banco Bilbao Vizcaya Argentaria | 4 | 31% |
| Assicurazioni Generali Group | 2 | 15% |
| Monte dei Paschi di Siena | 1 | 8% |
| Banca Popolare di Vicenza | 1 | 8% |
| Della Valle Diego | 1 | 8% |
| Minority shareholders ⁽¹⁾ | 3 | 23% |
| Chairman | 1 | 8% |
| Total | 13 | 100% |

(1) Of the three minority representatives, two were elected from lists presented by foreign funds and one from a list presented by Italian funds.

Shareholder agreements

The shareholder agreement that binds the following shareholders came into effect on 20 July 2004: Francesco Gaetano Caltagirone, Danilo Coppola, Giuseppe Statuto, Ettore and Tiberio Lonati, Vito Bonsignore and Giulio Grazioli. This agreement, which is valid for three years, was amended on 6 December 2004 to allow for the entry of Stefano Ricucci and was subsequently changed again on 15 April 2005.

On 28 April 2004, Banco Bilbao Vizcaya Argentaria (BBVA), Assicurazioni Generali and Dorint Holding (headed up by Diego Della Valle) signed a shareholder agreement relating to their interests in BNL SpA, contributing a total of around 28.39% of the Bank's ordinary share capital, split as follows: BBVA 14.90%, Assicurazioni Generali 8.50%, Dorint Holding 4.99%. The agreement was amended by adding an appropriate codicil on 16 February 2005.

The percentage holdings in the ordinary share capital have been updated to the day that the agreement was announced.

On 24 December 2002, Banca Monte dei Paschi di Siena (BMPS) and Banca Popolare di Verona (BPV) signed a shareholder agreement. It envisages a voting trust, a consultation trust, a blocking agreement and a joint-sale agreement. The agreement lasts for three years from the starting date (24 December 2002).

Shareholder participation in corporate governance and the protection of minorities

Safeguarding investors' interests and protecting their rights as individual shareholders are the foundation underpinning BNL's system of Corporate Governance.

We make special efforts to ensure that shareholders can take an active part in the Bank's governance and strive to protect minority shareholders, in the belief that the involvement of minority shareholders is vital to the success of the company.

Certain fundamental concepts in this connection are as follows:

- the introduction of list voting as laid down in art. 19 of the articles of association of BNL S.p.A., which guarantees representation of minority shareholders on the Board of Directors to the extent of at least 20% of the directors (at present, minority lists are represented on the Board of Directors by 3 out of a total of 13 Directors), and on the Board of Statutory Auditors by at least 1 of the 3 acting statutory auditors and at least 1 of the 2 substitute statutory auditors;
- application of the "one vote - one right" rule, which permits the greatest transparency in terms of comprehension of the power structure and the relationships of strength within the shareholder body;
- separation of the roles of Chairman, Managing Director and General Manager;
- absence of structural or similar mechanisms and measures applicable in the event of a takeover.

The Code of Conduct for Listed Companies

BNL signing of the first version of the Code of Conduct for Listed Companies, drawn up by the Committee for the Corporate Governance of Listed Companies instituted by Borsa Italiana SpA, goes back to March 2001.

In fact, during that same year, the Bank took the necessary steps to complete the adjournment of its corporate governance to include the Code's recommendations, the following matters in particular:

- the creation of a Remuneration Committee;
- the creation of an Internal Control Committee;
- definition of internal procedures for publishing documents, reports, and information regarding the Bank, with particular reference to price-sensitive information;
- approval of a set of Regulations for Shareholders' Meetings to ensure orderly and effective running of the Bank's shareholders' meetings.

The system of Corporate Governance implemented by BNL is based on a series of rules that are in line with the principles established by the Code, including the following:

- the Board of Directors fulfils a guiding role, by making decisions on those matters that cannot be delegated according to the Bank's articles of association: the Board

determines the Bank's strategic plan, its general organizational structure, criteria for coordination and administration of Group companies, acquisition and sale of equity investments, and examines and approves the Business Plan; the Board meets regularly;

- the Board of Directors currently consists of thirteen members; none of whom has executive powers delegated by the Board, while the Chairman holds decision-making powers for emergency measures only;
- the Chairman of the Board of Directors has to coordinate the Board's activities and take a leading role in board meetings;
- the Board of Directors, except for powers that cannot be delegated in accordance with the Civil Code and the articles of association, grants mandates to the Executive Committee and the Managing Director, specifying the limits to such powers. The bodies holding mandates must report to the Board of Directors and the Board of Statutory Auditors on the activity performed in exercising the powers delegated to them;
- according to the articles of association, Directors are appointed by means of a voting list mechanism in order to ensure a procedure that is transparent, as well as protective of minority interests;
- as for the appointment of Directors, the Statutory Auditors are also elected, according to the principles of the Code and the articles of association, by means of a transparent procedure, which is again a voting list system;
- as regards internal controls, the Bank observes the specific supervisory regulations, dictated by the Bank of Italy, through an independent auditing function. conversely, setting up a special committee as approved by the Board of Directors requires special consulting and proposal duties that do not conflict with the work of the Statutory Auditors and which are compatible with the current system of internal control;
- in terms of Investor Relations, the Bank has set up a specific head office department, responsible for ensuring that national and international financial markets are kept sufficiently aware of the strategies and operations of the Bank and the Group.

On 17 December 2002, BNL announced to the market that it had subscribed to the new version of the Code (the July 2002 edition), which contained a number of changes to the first version, based on an initial period of application, including the following:

- reinforcement of the cornerstone of the Board's effectiveness, in its collegiate status, to exercise command and control over the company, acting as a body that provides guidance and strategic direction;
- the directors will have to be able to dedicate the time necessary to carry out their duty with diligence and to evaluate this capacity taking account of the number of positions as director or statutory auditor they hold in other listed companies;
- broader criteria for assessing the requisite of directors' "independence" and the prescription that the Board of Directors has to evaluate periodically the independence of the directors, communicating the outcome of this evaluation to the market;
- adoption by the listed company of an internal procedure to handle external communication of information "relating to transactions in financial instruments

carried out by persons who have access to important information because of the position that they hold", a procedure also known as the "Internal Dealing Code";

- the competence of the Remuneration Committee for presenting proposals regarding any stock option plans or assignment of shares;
- the attribution of responsibility for the Internal Control System to the Board of Directors, which lays down policy and verifies periodically that the system is functioning in practice as it should; as part of this, the Managing Director e/o the General Manager is called upon to identify the company main risks, which then have to be reviewed by the Board of Directors;
- companies are encouraged to define general criteria for the identification of significant transactions, especially with related parties.

On 11 November 2003, following the resignation of the Managing Director during the course of 2003 and the appointment of a General Manager, the Bank adjusted a number of rules of the Code, as well as the Committees and procedures foreseen in the Code.

Code of Ethics and Conduct

On 15 October 2004, the Board of Directors approved an "Organizational and Operational Model" in accordance with Legislative Decree no. 231/2001 designed to prevent certain specific crimes that could be committed during the performance of business activities; it also allocated the role of "Supervisory Body" to the Internal Control Committee. During the same meeting, the Board of Directors of BNL decided that the Bank and its subsidiaries should adopt the Code of Ethics and Conduct so as to contribute to the spread of shared values and rules of ethical corporate conduct among all legitimate stakeholders (employees, customers, suppliers and shareholders), as well as towards the entire community, as announced in the Social Responsibility Report.

Self-regulation as applied to Significant Transactions

On 21 January 2005, the Board of Directors amended the system of self-regulation as applied to Significant Transactions, previously adopted by the Board of Directors on 17 December 2002, so as to reinforce even more the Bank's corporate governance rules.

Internal Dealing

On 17 December 2002, BNL announced to the market, in accordance with the rules laid down by Borsa Italiana and in application of the instructions contained in the Code of Conduct for Listed Companies, that it had adopted a Code of Internal Dealing for the communication by so-called Relevant Persons to the Bank and by it to the market of transactions carried out on financial instruments issued by the Company or their derivatives.

Relations with investors and the financial community

Transparency is an essential value for a company with BNL's characteristics, reflected in the fact that it has had an Investor Relations Unit ever since the Bank was privatized in 1998.

A fundamental principle is that transparency in communication is vital to ensure the correct perception of business strategies, prospects and financial values in the Company

and in the Group by the entire financial community (investors and financial operators). The Investor Relations Unit is therefore structured internally in such a way as to combine specific responsibilities with the needs of the main counterparties in the market. In this way, the link between management and the market is coordinated according to a dual line of communication:

- external:
 - ensuring regular and informative communication with the financial community, based on the principles of transparency, truthfulness and fairness in compliance with the rules on the publication of price-sensitive information;
 - since the BNL shareholder base is highly diversified, the mission of the Investor Relations Unit is also to ensure uniform information to all market players, while representing a responsive and helpful point of reference for retail investors.
- internal:
 - a market culture and sensitivity to "value drivers" is promoted within the Bank;
 - market perceptions (valuations, preoccupations and preferences) are monitored so as to provide management with suitable feedback;
 - changes in the composition of the shareholder base are monitored.

Activities of the Investor Relations Unit during 2004

The Investor Relations function is performed through a wide variety of channels and communication tools, which differ depending on whether the counterparty is internal or external.

External:

- specific desks ensure ongoing support. Their main function is to respond to requests made by the various categories of financial operator;
- constant updating of the Bank's extensively used website makes it possible to publish information and make it all available to the widespread body of retail investors at the same time;
- other important moments of interaction with the market are specific events such as presentations to the financial community, participation in sector conferences, one-to-one meetings, roadshows, press releases and conference calls.

Significant external activities during 2004 included:

- organizing presentations and conference calls at Borsa Italiana that analysts and investors can access whenever quarterly figures are announced;
- a presentation at the Milan Stock Exchange in November of the various steps involved in the increase in capital, followed by a roadshow in Italy and abroad;
- participation in four international conferences organized by investment banks;
- coordination of the periodic due diligence carried out by the main rating agencies;
- the organization of around 250 one-on-one meetings between analysts, investors and the Bank's management;
- active participation in the "European Council of Investor Relations" of the "Conference Board".
- participation in the relaunch of AIR (the Italian Investor Relations Association), whose mission is to promote and develop professional and ethical conduct on the part of those involved in investor relations.

Internal: in 2004, the Investor Relations Unit enhanced in-house communication by structuring it in such a way that it reaches the various levels of management through the most appropriate channel.

These internal communication activities can be classified in four main categories:

- monitoring the shareholder base and the performance of the BNL stock through daily and periodic reports;
- monitoring feedback from the world of research (“perception reports”) and the “Consensus” of analysts regarding the stock and the sector;
- monitoring BNL's positioning through studies of relative performance;
- specific memorandums on particular topics or based on ad hoc requests from management.

Communication with small shareholders

Over the past year, the Investor Relations function continued to pay attention to the needs of retail investors, who represent a growing portion of our shareholders.

This category obviously also includes the Group's employee-shareholders, whose participation in the share capital of the Bank increases year after year as it is possible for employees to ask for their bonus to be paid in shares.

Retail shareholders are ensured full and immediate communication through the internet, with constant updating of BNL's Investor Relations website (www.bnlinvestor.it).

Thanks to the new interactive services that are available on this site, investors can be informed on a timely basis by means of the same documents that are made available to the specialist financial community.

They can also calculate the value of their investment in BNL shares or register on the mailing list so that they will be advised immediately by e-mail or sms any time a new document is loaded onto the site.

To improve communication with the general public, the Investor Relations Unit now handles requests for information from retail investors directly.

Three associations have also been set up to bring together the proxies of small shareholders so as to facilitate their participation at Shareholders' Meetings, in accordance with the provisions of the *Consolidated Finance Act* and the regulations issued by CONSOB.

To this end, the Bank has adopted innovative and simplified procedures to encourage employees owing BNL shares to attend Shareholders' Meetings, if not in person, at least by giving a proxy of one of these associations.

The Investor Relations section on the website (www.bnlinvestor.it)

BNL has had a very widespread shareholder base ever since its privatisation, with a high proportion of international institutional investors and 300,000 private investors.

And it is for this reason that the Bank decided to diversify its channels of communication as part of a corporate strategy designed to guarantee visibility and transparency vis-à-vis all categories of investors.

Of the main communication channels, mention has to be made of the Bank's institutional website (www.bnl.it) and above all of the Investor Relations section

(www.bnlinvestor.it). The Bank has always devoted a great deal of time and effort to its development, updating and renewal.

Indeed, BNL's financial communication strategy has always been based on the awareness that Internet was an ideal way of ensuring access to full and up-to-date information.

The development of this information channel reflects the evolution of international best practice in on-line Investor Relations, as well as new and specific needs dictated by changes in domestic regulations (e.g. the introduction to Italy of *the Code of Conduct of Listed Companies*).

The mission of the Investor Relations website, which has been communicated to investors ever since 2001, is:

"Our mission is constant renewal of the Investor Relations area, with a view to creating an open, effective and timely dialogue with all investors, both institutional and individual".

As regards how the site is run, all official documents and press releases are made available on the website at the same time that they are announced to the market through Borsa Italiana.

Moreover, during 2004, we upgraded the range of interactive tools made available on the site for retail and institutional investors alike; a section on social responsibility has also been added.

Lastly, the section on corporate governance has been expanded to provide further information on the composition of the shareholder structure, documentation concerning the AGM and information on the self-regulation codes, particularly the one on internal dealing.



03



The Community

Ever since its foundation in 1913, BNL has played a key role in the growth and development of Italy's entire country system.

Over the years, the Bank has developed an awareness of its particular role in contributing to Italy's economic, social and cultural development.

For BNL, promoting a culture of corporate social responsibility means working for the development of a healthy entrepreneurship, which can become the real engine of social well-being.

Social commitment

In line with its mission and values, BNL gave rise to various initiatives during 2004 at a national and international level. These were designed to give form and emphasis to the Bank's adoption of ethical principles and behaviour, from both an economic and a social and environmental point of view.

The main ones include:

Membership of the Global Compact

Global Compact is the initiative launched by UN Secretary General Kofi Annan in July 2000 which brings together businesses, agencies of the United Nations, labour organizations and civil society to promote social responsibility through 10 principles that relate to respect for human rights, the labour market and the environment.

In September 2004, BNL and more than 1,200 other large firms from all over the world adhered to the project, confirming the steps already taken over the years towards ethical and social responsibility on the part of the business world. This was the start of a process designed to integrate these guiding principles in the strategies and implementation of day-to-day activities.

Joining the project means promoting the 10 principles laid down in the Global Compact. Of the more important ones, we would mention the following: the promotion of and respect for human rights, support for the freedom of association of workers and recognition of the right to collective bargaining, a commitment to fight child labour, forced labour and any form of discrimination in employment.

The project requires a preventive approach on the part of companies with respect to environmental challenges, the promotion of initiatives for more environmental responsibility and the development and diffusion of technologies that respect the environment.

Setting up Fondazione BNL

In October 2004, the Board of Directors approved the plan to set up Fondazione BNL for the purpose of supporting, promoting and carrying on initiatives of social utility in particular sectors, namely art, culture, social solidarity and healthcare

The Fondazione is a non-profit making entity which follows the principles and legal format of a "fondazione di partecipazione" (investment holding foundation).

Participation in ANIMA

BNL is one of the leading members of ANIMA, a not-for-profit association that intends to promote a culture of social responsibility among local companies, based on the concepts of sustainable growth and corporate citizenship. This will be done within the

Industrialists' Union of Rome with the complete approval of the founders and of the member firms.

ANIMA's objective is to encourage firms to consider corporate social responsibility as a lever for the development of intangible assets such as stakeholder value, trust, know-how and reputation as part of a new entrepreneurial culture that is able to combine profit with benefits for the community as a whole.

Inclusion in the FTSE4Good

In 2002 BNL was selected and inserted in the FTSE4Good, an independent global index which certifies the adoption of the principles of Social Responsibility for those firms that work with criteria of environmental sustainability, develop relationships with their stakeholders and respect universal human rights.

BNL's insertion in the FTSE4Good Index Series clearly reflects the success of the Bank's commitment to responsible business practices and its adoption of management policies and systems able to govern questions of sustainability and corporate social responsibility.

Investors are paying more and more attention to the way that companies handle the social, environmental and ethical aspects of their activities and the close relationship that these aspects have with the companies' core business.

Adoption of the Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an initiative of the Rockefeller Philanthropy Advisors Foundation to encourage companies to give more importance to their CO2 emissions and, at the same time, to help institutional investors analyse the impact of climate changes on the value of their investment portfolios in a more appropriate way. The CDP, which brings together the top 500 companies in the world by market capitalization, is studying portfolio value from the point of view of the potential risks and opportunities deriving from climate change, so as to understand better the implications for the investment portfolio.

CDP gives BNL, which takes part in the project as one of its signatories, the chance to test a single, effective method of gathering information that can be used to evaluate the impact of climate change on the stock exchange value of companies.

BNL and its awards

BNL won a series of awards in the field of social responsibility during 2004.

Of the more significant, we would mention the following: the Sodalitas Social Award and Aretê Award.

Sodalitas Social Award

In April 2004, thanks to the "*BNL for Telethon*" project, the Bank was awarded a special prize in the "Social Marketing" category during the second edition of the Sodalitas Social Award. This is an award that is given by Sodalitas (Assolombarda) to companies that have distinguished themselves in carrying out initiatives with a high social content and value.

95 projects presented by 84 companies took part in the Sodalitas Social Award; the projects were split into 5 categories:

- Internal Social Responsibility Processes;

- The Best Community Partnership programme;
- The Best Social Marketing campaign;
- The Best Socially Responsible Finance project;
- The Best Corporate Social Responsibility project carried out by an SME.

The "BNL for Telethon" project was considered by the judges as particularly important both for the continuity of BNL's commitment and the extent to which more and more people are getting involved in Telethon.

In awarding the prize, the jury took into account the effectiveness, originality and social value of the initiatives undertaken vis-à-vis the various stakeholders.

Particular attention was paid to initiatives able to generate a spirit of emulation among businesses or which featured actions that could be repeated over time.

BNL qualified in all these areas: the social value created with results that are measurable, sustainable and subject to ongoing improvement.

Aretè Award

On 1 October 2004, during the *Responsible Communication System* convention, BNL was awarded the *City of Siracusa Aretè Prize* for its "BNL for Telethon" project.

The Aretè Prize, which is at its first edition, was founded with a view to drawing the attention of public opinion to those companies and institutions that communicate in a responsible manner, while at the same time stimulating those that have not yet shown that they are as sensitive or as active in this area.

Sponsorship of the Socialis Prize

BNL is a sponsor of the Socialis Prize, which is the only Italian award for the best university graduation theses on Corporate Social Responsibility.

The prize, which was created for the purpose of training the "ethical managers" of the future and creating a bridge between university and business, is promoted by Errepi Comunicazione with the patronage of CRUI (Conference of the Rectors of Italian Universities) and UNESCO Italy, with the support of 15 international corporations. The award is restricted to graduates and students about to graduate and offers placements with some of the 15 firms that support the initiative, BNL included.

BNL's solidarity initiatives

During 2004, solidarity in its various forms acted as an objective that the Bank shared and pursued constantly as part of a new culture of social sustainability.

In fact, the BNL Group gave active support to various social situations where people find themselves in serious difficulty, cooperating with the non-profit world through donations, fund-raising and awareness campaigns designed to relieve discomfort and to spread and stimulate a culture of solidarity.

Telethon: a commitment that has lasted more than 10 years

BNL's partnership with Telethon is the most important solidarity project not only in Italy, but in Europe as well.

For the last 13 years, BNL has worked alongside Comitato Telethon Fondazione Onlus to raise funds for scientific research into genetic diseases.

A partnership that has made it possible to raise a total of more than 127 million euro .

In 2004, the Bank again beat all records and the results of its efforts are now close to an all-time high: it raised more than 15 million euro (56% of the total amount collected for Telethon), thanks to 17,000 employees who volunteered to organize 1,500 events, together with the donations made by 130,000 customers, including 110,000 private individuals and 20,000 companies and public entities.

The substantial amounts of money raised to date have made it possible to carry out more than 130 research projects of huge scientific value.

No private enterprise in Europe has achieved similar results in fund raising and social marketing to sustain a good cause.

This is a first in the field of corporate social responsibility and, as such, a model that the Bank's own corporate customers share more and more by joining the "Dulbecco Telethon Institute", enabling them to adopt an Italian doing research abroad and making it possible for him or her to work in Italy.

As part of this, BNL is financing Stefano Bertuzzi who is performing important research into genetic pathologies of the eye.

BNL has a constant and ongoing commitment to help Telethon. Donations can be made all year round at branches of the Bank and through BNL's telephone and on-line banking services.

Numerous fund-raising events are also organized: institutional initiatives, as well as sporting, cultural and folkloristic events with important guests.

Each year, hundreds of Italian city squares come alive thanks to the creativity of BNL's staff, along with the help of numerous customers, consultants and suppliers.

The main institutional events that the Bank organized during 2004 include the following:

- the cycle of eight "*BNL for Telethon*" roundtables (held in Asti, Florence, Vicenza, Bologna, Pescara, Taormina, Rome and Naples), which focused on the correlation between corporate social responsibility and the promotion of scientific research. These roundtables were also organized to give recognition to those customers, public entities and companies that stood out the most for their contribution to Telethon;
- the *Golda Roma* event (held in Castel Sant'Angelo) dedicated to the ten most generous corporate customers, which were thanked personally by BNL's top management and by the Telethon Committee.

Alongside this main activity involving the corporate world, BNL also organizes events geared to private individuals and households: concerts, film projections, country festivals, sports competitions and cultural events designed to attract customers and other members of the general public, so that they can be invited to make a donation towards scientific research into genetic diseases.

All these events have "BNL for Telethon" fund-raising stands that help make the public more aware of the marathon long before it actually takes place.

More than 1,500 itinerant events were organized during 2004, including:

- the concert by Anna Oxa in Milan at the same time as Telethon, which acted as a dress rehearsal for her 2005 tour;
- the concert by Riccardo Muti and the Luigi Cherubini Youth Orchestra in Piacenza;
- the concert by soprano Katia Ricciarelli at the Teatro Piccinni in Bari;

- the Ferrari Show: a parade of 25 Ferrari cars that drove through the centre of Rome with comedian Antonio Giuliani as testimonial;
- the Fanfare of the Bersaglieri which ran up Rome's Via Veneto to BNL's head office, where a concert by Rev, one of the Italy's more promising melodic pop rock groups and a show by Roman comedian Antonio Giuliani took place;
- the sale of autographed prints at the art gallery *Il Segno di Roma* of two works of art by Gregorio Botta and Maurizio Pierfranceschi, chosen for their topic, which has to do with research.

BNL also organized a great many children's shows (puppets by Ferrari in Parma, a Salgari exhibition in Bologna, mimes and clowns in various places around Italy), sporting events (sailing regattas in Naples and Palermo, wheelchair basketball competitions, Burraco tournaments), tastings of olive oil, wine and local produce all over Italy (at one of which, in Battipaglia, a 200 kilo buffalo mozzarella, the largest in the world, was shown off).

BNL for the Italian Cystic Fibrosis League

Since 2004, BNL has taken another step forwards in the fight against genetic diseases, helping the social welfare and health care institutions to support patients by sustaining the Italian Cystic Fibrosis League in the development of the first telemedicine project. This initiative, which is unique in the world in terms of scientific innovation and the first in Italy in this particular field, aims to improve the quality of life of persons affected by Cystic Fibrosis, thanks to an advanced system of 'homecare' based on self-diagnosis. The project, which will permit remote clinical monitoring of people suffering from cystic fibrosis, will link up the houses of 200 patients to the nearest clinic via Internet through an advanced system that monitors the illness's key biomedical parameters, normally measured by specialized medical centres.

BNL for the Community of San Patrignano and the Sant'Egidio Foundation

BNL's activity is designed to achieve maximum involvement on the part of the general public in the aims of the projects being promoted, while also supporting the Community of San Patrignano in a concrete way.

It takes part in organising the annual Rainbow International Meeting and, since 2005, sponsors the "Squisito" exhibition as part of the "Italian Food Festival".

BNL also sustains the Sant'Egidio Foundation for Peace and various NGOs involved in the protection of human rights.

BNL and the "Parco Scuola del Traffico" initiative

In November 2004, BNL launched the "Parco Scuola del Traffico" initiative, which is a road safety education project aimed at youngsters between the ages of 4 and 16.

With this initiative, the Bank yet again helps spread a positive information culture: an initiative devoted to training and support for the community.

The "Parco Scuola" is an authentic roadway on a 1:2 scale where everything is similar to reality. It is suitably equipped with crossroads, roundabouts, traffic lights, street signs and pedestrian crossings, allowing young "drivers" to be educated on how to drive using special cars, with a combination of theoretical lessons and a practical test, helped and followed by Parco Scuola instructors and retired traffic police.

During the lessons, genuine scenes of city traffic are simulated and at the end of the course each child receives teaching material and a "driving licence".

BNL has its own area providing basic information about money and banking in general ("what does a bank do" and "what does one do in a bank").

The children can personally try out a number of simple transactions using specially designed forms, such as bank cheques.

Another unit talks about the three fundamental uses of money (spending, saving and donating to charity), with brief information on the Bank's social activities and support for Telethon.

Many BNL members of staff have been involved in this initiative.

BNL's support for other associations

Each year, BNL provides support for a large number of initiatives involving social and healthcare assistance, humanitarian aims and the promotion of culture and scientific research.

The main ones include: support for FAI (Fondo per l'Ambiente Italiano), Lega del Filo d'Oro, Caritas, AIL (Associazione Italiana contro le leucemie), ENS (Ente Nazionale Sordomuti), Fondazione ASM per la salute dell'infanzia, ALT (Associazione per la lotta alla trombosi), Fondazione Villa Maraini-Italian Red Cross, ANIMO (Associazione nazionale incontro malati oncologici e trapiantati Roberto Laganà), ANPAD (Analisi progetti e attività per il disagio sociale e minorile) and ARECO (Associazione per la ricerca europea in chirurgia oncologica).

BNL branches contribute every year to the fund-raising campaigns launched, from time to time, by the Italian Red Cross, ACNUR, UNICEF and by other national and supranational non-profit organisations.

BNL for Art

BNL has always sustained the art world ever since its foundation, both by promoting initiatives to protect and conserve the national heritage and genuine patronage of the arts, and by caring for and enhancing the value of its own artistic heritage.

The Bank has always considered this to be a task of particular ethical and social relevance, a way of creating a positive relationship of trust with the general public.

The Bank's purchasing policy has over time built up an important collection: more than 5,000 works of art that cover all the main periods, from classical Rome to modern art, including the most diverse schools and cultures.

Worth pointing out in particular are the works of Canaletto, Lorenzo Lotto and Federico Barocci. And more recently, Camille Corot, Gino Severini and Giorgio Morandi.

There are two distinct aspects to managing these art collections: on the one hand, the conservation and restoration of the works; and on the other, their enhancement and the promotion of exhibitions open to the general public.

In carrying out these activities, the Bank acts in close collaboration with the Cultural Heritage Ministry and the regional Art Superintendencies.

BNL takes part in the "*Invito a Palazzo*" initiative, which has ABI as its patron, the purpose being to open up the head offices of major Italian banks so that the public can visit the premises and see the works of art that they contain.

In October 2004, the buildings visited were BNL's head office in Via Veneto, designed by architect and urbanist Marcello Piacentini, which harbours some of the Bank's most prestigious art collections, and Palazzo Trucchi di Levaldigi in Turin, the head office of the North-West Area Organization.

The palace, a novelty of the 2004 edition, is the architectural pride and joy of the Piedmontese capital, with its imposing 17th Century facade, enriched by a magnificent carved wooden door, and its splendid stuccoed rooms of the Baroque era on the main floor, harbouring paintings and ornamental works of art worthy of a genuine royal palace of the 1700s.

This initiative, now at its third edition, was very successful, attracting a total of more than 2,400 visitors.

In the wake of this success, numerous cultural associations have requested authorization for their members to visit the Bank's head office.

Another initiative, "*Una collezione in viaggio*", aims to exhibit fifty paintings of Rome in BNL branches located in Italy's main cities, thereby facilitating contact between art and the local population.

The first stage of the journey took place in November 2004, when the collection was exhibited for a week in the BNL offices in Milan's Piazza San Fedele.

Subsequent stages, which are planned for 2005, will take in Naples, Florence and Genoa.

Appreciation of modern art has in recent years led to a mutually beneficial relationship directly with the artists.

Thirty-two works have in fact been purchased and hung in the Private Banking offices of many important Italian cities: Milan, Turin, Bergamo, Pesaro, Florence, Bologna and Naples.

The Bank has also lent contemporary works of art by Alessandro Giovannoni and a sculpture in marble and chord by Mario Dompè for the exhibition "*Roma Collezione*" (Rome Collects) organised by the American Academy in Rome, and two sculptures by Roberto Almagno and Salvatore Cuschera for a meeting held at the "Circolo Antico Tiro a Volo" dedicated to the topic of "Cultural Heritage and the Economy" organised by the Italian Accounting Profession.

In 2004, BNL sponsored the exhibition entitled "*Velazquez, Bernini, Luca Giordano. Le Corti del Barocco*" at the Stables of the Quirinale Palace, one of the most important cultural events of the year, both for the variety and quality of the works on show, and for its considerable importance from an institutional point of view.

BNL also sponsored an exhibition on new trends in art entitled "*Where is our place?*" designed by Russian artists Ilya and Emilia Kabakov, who are considered among the most significant exponents of contemporary world art;

Of the more important contributions made by the Bank in 2004 towards the protection and enhancement of Italy's artistic heritage, mention should also be made of the following sponsorships, where BNL acted as treasurer:

- the exhibition featuring "*Mario Mafai*" held in Rome at Palazzo Venezia with a showing of more than 100 works from Italy's more important museums and prestigious private collections;

- the exhibition held in Rome at Palazzo Braschi entitled "*Papi in posa – Dall'Impero Romano al Neoclassicismo*" showing a series of painters and sculptures by major artists including: Raffaello, Bernini, Guercino, Reni, Velázquez, Mengs, Tenerani and Messina;
- the exhibition "*La Roma del Luce*", a review of cinema newsreels and documentaries produced by the Istituto Luce on Roman life between 1926 and 1943;
- sponsorship of the third edition of the Photography Festival held in Rome.

The Bank was the main sponsor of "*Cortina, Cultura e Natura 2004*", a summer happening with a full calendar of more than 60 appointments, events, prelaunch showings, book presentations and debates led by prestigious Italian journalists, involving more than 130 personalities.

It also took part, again as main sponsor, in the 25th edition of the "*Premio Ischia di Giornalismo*" (Ischia Journalism Prize), which for the last quarter century has judged the best interpreters of the world of information.

Then there was our sponsorship of the Third Italian Conference on Localization, fruit of the collaboration between Glocal Forum and the Municipality of Rome.

BNL for Music

Again in 2004, the Bank stood out for its vocation in favour of the arts and culture in general and for a renewed interest in spreading musical culture and awareness, from classical music to jazz, new experimental sounds, pop music and the various contaminations that have been taking place in the new century.

The Bank was main sponsor for the Auditorium Parco della Musica and of the events programmed for 2004, with the objective of creating a strong partnership with a structure that is considered one of the most prestigious in the world, as well as to reinforce BNL's long-standing and mutually beneficial relationship with the Accademia Nazionale di Santa Cecilia.

BNL collaborates with Santa Cecilia in organizing the more important events.

Free sponsorships as founding member included the Beethoven concerts by Andràs Schiff, Wolfgang Sawallisch's conducting of Schubert's 6th Symphony and the piano concert given by Christian Zacharias.

Among other events, BNL participated in "*Maggio dei Monumenti - Maggio della Musica*" in Naples, sponsoring the inaugural concert held at Castel Sant'Elmo with *the Philharmonische Camerata Berlin* and the "*Quartertango*" concert by Astor Piazzolla.

Among the other initiatives, we would like to mention:

- sponsorship of the extraordinary concert given by Franco Battiato accompanied by the *Royal Philharmonic Orchestra* at the Teatro dell'Opera of Rome organised by FAI (Fondo per l'Ambiente Italiano);
- sponsorship, as Treasurer of the Municipality of Rome, of the concert by the Orchestra London Sinfonietta, considered one of the best, most dynamic and eclectic contemporary music orchestras in the world;
- sponsorship of the "*Jazz all'Ambra*" and the "*Fandango Jazz Festival*".

BNL for Cinema and Theatre

For years BNL has been helping the world of entertainment through its *Film and Theatre Industry Credit Section*, granting loans for the production, distribution and export of films and for the purchase and restructuring of cinemas and theatres: this commitment has enabled the production of more than 5,000 films in almost 70 years.

BNL's management of public funds in support of the film industry and live entertainment has obtained ISO 9001:2000 quality certification from DNV (Det Norske Veritas), guaranteeing the principles of transparency and fairness that the Bank applies in carrying on its activity.

Of the main events during 2004, there was the partnership with the *Taormina BNL FilmFest* (at its 50th edition), which for the third year in a row confirmed BNL's interest in the world of cinema and new audiovisual languages.

BNL's support became even more important in 2004: the "*Premio BNL Opera Prima 2004*" awarded a prize of 25,000 euro to the best debut film presented for the first time during the festival; the "*Premio BNL Corti Siciliani 2004*" awarded a prize of 5,000 euro to the Sicilian author of the best short film.

BNL has also signed an agreement with the National Association of Cinema Operators to project a selection of films from the Taormina BNL FilmFest in Rome.

The Bank participated in the Venice Film Festival, sponsoring Authors' Day, a parallel section dedicated to independent cinema. This was introduced by neodirector Marco Müller and organized by ANAC (Associazione Nazionale Autori Cinematografici) and API (Autori Produttori Indipendenti).

The Bank took part, as special partner, in *Capri Hollywood*, an important international film festival that has been organized on the island of Capri since 1955.

A cultural event that the international media and operators consider to be the second most important industry event in Italy after the Venice Film Festival.

Organized by the Istituto Capri nel Mondo, it has the patronage of the Cultural Heritage Ministry, the Superintendency for the Campania Region, the Naples Chamber of Commerce and the municipalities of the island of Capri.

The festival projects new international and Italian films as well as reviews of the most appreciated Italian films and shorts of the season, granting the much sought-after *Capri Awards*.

BNL is present in the world of the theatre with *Sipario Romano*, during which it acts as co-treasurer for the Municipality of Rome. It is an original system that provides information and multimedia promotion of the theatre activities and proposals taking place in the Rome area.

The initiative involves 49 theatres, large and small, more than 4,000 artists and 1,000 support staff, who in the past season alone put on more than 1,000 shows.

Collaboration has been of fundamental importance between the Municipality of Rome, Agis Lazio, which represents the Rome theatres, and the Associazione Roma Caput Mundi, which finds precious service partners.

Lastly, we would mention the sponsorship of the first showing of *Serata d'Onore*, a show to celebrate the forty-year artistic career of Gigi Proietti, which brought together BNL, Banca di Roma and Monte dei Paschi di Siena for the first time.

BNL for Sport

In 2004, BNL wanted yet again to demonstrate its interest in the world of sport.

The objectives that the Bank successfully pursued were to sponsor the sports clubs of the best Italian teams, and to support the activities of smaller clubs as well.

We would mention, in particular, the Bank's sponsorship of the *BNL Vercelli Cup*, held at the Salasco Golf Club (which took on the name of "*pro Telethon*"), and of the *61st Telecom Italia Open Golf Championship*, one of the main events on the European professional golf circuit.

Other initiatives included: participation by BNL's basketball team in the tournament organized by UISP Tuscany on the Isle of Elba; participation as treasurer in the 1st "Palio di Roma" 5-a-side soccer tournament, which involves all municipalities in the Rome area. The Gruppo Sportivo BNL reached the quarter finals of the play-offs.

Environment

The integrated management system for quality, the environment, health and safety

Various initiatives have been launched to improve the direct and indirect impact of the Bank's activities on the environment.

Of these, we would like to mention:

- maintenance and extension of certification by Det Norske Veritas in accordance with the OHSAS 18001:1999 and UNI EN ISO 14001:1996 Health/Safety and Environment standards at the Lombardy Area Organization (with 62 locations currently involved).
- new collaboration with ENEA (the agency for new technologies, energy and the environment) to develop and implement energy saving criteria and to acquire innovative technologies with a low environmental impact, which will be adopted in the Rome offices in Via degli Aldobrandeschi;
- a plan to develop "green procurement" guidelines for internal use, i.e. purchasing products and services geared to environmental sustainability.

As far as energy consumption and polluting emissions are concerned, there are no reliable estimates of the world's effective reserves of non-renewable energy sources, in other words of the fossil fuels that are used as the primary source.

At this stage, however, it is clear that these reserves are limited and have to be managed carefully.

It is well-known that many energy transformation processes, combustion in particular, involve releasing substances into the environment that can have negative effects on the ecosystem generally and on the climate of planet Earth.

The recent implementation of the Kyoto Protocol, which ties participating governments to precise objectives in terms of reducing and controlling greenhouse gas emissions, is forcing all sectors of the economy to adopt adequate systems that take accounts of such emissions, as well as to moderate the use of carbon-based energy sources.

It is fair to say that CO₂ emissions by the Bank's individual operating units around the country are negligible. However, the fact that we have a high number of operating units means that in total the volume of emissions caused by heating and air conditioning plants (direct impacts) and from power production processes (indirect impacts) is quite significant. Other emissions are caused by Bank staff using company cars and by the procurement of products and services from suppliers.

Energy

BNL's energy consumption in 2004 was as follows:

- total energy (electricity, gas, oil, fuel oil): 150,300,000 KWh, of which 109,600,000 KWh of electricity;
- consumption of total energy per employee (15,766): 9,533 KWh/year;
- consumption of electricity per employee: 6,952 KWh/year

Emissions into the atmosphere were therefore:

- indirect (consumption of electricity): 60,280 t of CO₂;
- direct (heating/air conditioning): 1,100,000 lt of oil equal to 10,800,000 KWh, or 2,880 t of CO₂;

- natural gas: 2,970,000 cubic meters, equal to 28,500,000 KWh, or 5,757 t of CO₂;
- fuel oil: 120,000 Kg, equal to 1,400,000 KWh, or 390 t of CO₂;

Total CO₂ emissions amount to 69,307 t.

To calculate the indirect emissions, we took into consideration the figure for energy procurement, using the coefficient provided by ENEL to allow for generation mix, which came to 0.550 Kg of CO₂/KWh.

For the emission coefficients, we referred to the parameters given in The GHG Indicator: UNEP Guidelines for Calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations, issued in 2000.

Water

The Bank uses water mainly for hygiene and sanitary uses, with a minor amount being used for irrigating internal gardens and for heating and cooling purposes.

Water is supplied almost entirely by aqueduct.

- total consumption: 867,130 cubic meters;
- consumption per employee: 55 cubic meters/year (net of consumption by General Management).

Waste

The various types of waste are classified in accordance with current law and disposed of by means of specialist firms in compliance with the regulations.

Much of the waste produced by the Bank (such as toner cartridges that are handed over to specialist firms) is recycled.

The recycling of plastic bottles consumed in the five Rome canteens, which was commenced towards the end of 2003 together with the municipal refuse collectors (AMA), made it possible in 2004 to recycle around 380,000 bottles, the equivalent of 19 t of PET.

Buildings and Environment

When new branches are being prepared and existing buildings restructured, the Bank not only adopts solutions that are in full compliance with current health, safety and environmental regulations, but also makes sure that the materials and furnishings used do not contain substances that could be a health hazard or a threat to the environment. Moreover, where possible, BNL makes every effort to convert heating or air conditioning plant from diesel to natural gas.

Safety in the Workplace

As regards health and safety in the workplace, all safety activities are handled by the Prevention, Protection and Environment Unit, which is a staff function of General Management's Operations Department.

In addition to the specific duties of the Prevention and Protection Department (as laid down in Decree Law 626/94), thanks to its specialist staff and sophisticated instrumentation, this structure has also given a further boost to the monitoring of physical/environmental parameters (illumination, micro-climate, ergonomics) in the various workplaces that the Bank has throughout the country.

This is not just to verify constant compliance with the legal parameters, but also to ensure that they fall within the so-called "wellness range", to the extent that this is possible given the technical and structural conditions of the unit in question.

One of the main steps involved in improving the ergonomic conditions of workstations has been to replace the old cathode ray tube (CRT) videoterminals with thin film transistor (TFT) liquid crystal displays throughout the branch network and part of General Management. This has led to benefits in terms of both sight tiredness and energy savings.

958 installations were replaced during 2004.

As regards safety training, courses continued for those in charge of firefighting and first aid, in implementation of Decree 626/94.

Firefighting courses were attended by 371 emergency crew members during 2004.

Lastly, 227 people attended first-aid training courses.

Media relations

Mission and organization

The mission of the Media Relations Department is to ensure that dealings with the media are handled in such a way as to raise and consolidate the visibility of the Bank and of other Group companies in the media, emphasising the value of its strategies, activities and results of operations, as well as its business policies.

The department has been split into three areas to ensure immediate and effective dealings with the media, raising the level of information transparency and accuracy in complete agreement with the criteria laid down by the market supervisory bodies.

These are:

- Corporate Communication, which guarantees, in close coordination with the head office functions, a correct flow of information on matters relating to the business and the results of operations, as well as the Group's strategic orientations.
- Institutional Communication, which ensures visibility in the media of institutional activities - events, cultural projects, sponsorships - so as to consolidate BNL's brand name; it also handles media communication relating to matters of an ethical and social nature;
- Business Communication, which handles all aspects connected with the core business, enhancing the value of products, initiatives and special events linked to marketing and the Bank's commercial policies.

Activities and Instruments

The activity of media relations is based on the integrated use of various instruments (press releases, interviews, events/meetings with the press, one-to-one talks with journalists) which permits various levels of communication towards stakeholders and the sources of information.

The target is represented by the main Italian and foreign press agencies, national and international newspapers, both specialist and generalist (with particular attention to local papers), the main periodicals, business related or otherwise, top radio and TV programmes and on-line publications.

A dedicated section of the website, known as Press Room, has been reserved for press relations; this makes it possible for journalists to gather all of the main facts and figures on the Bank and other Group companies as rapidly and completely as possible.

The Media Relations Department realizes for the staff a *daily Press Review* and a *Product Press Review*, which are information/training tools that are accessible through the intranet, as well as the periodic reviews sent out by press agencies during the course of the day; For private and institutional investors there are the Press Releases that are published on our website, both in the Press Room and in the Investor Relations section.

2004 Results

Considerable efforts were made in media relations during 2004 - a difficult year for the banking system - to ensure continuous and increasingly punctual information, performing crisis management to the best of our ability.

The period featured a high level of communication designed to make the strategies contained in the business plan clearer and more incisive.

Corporate communication focused on presenting the operating results of the Bank and its subsidiaries, as well as the strategies being followed to implement the 2003-2005 operating plan.

Particular importance was given to the increase in capital carried out in December and to communicating the new principles and rules of corporate governance adopted by the Bank to make its activities more transparent.

Business communication was designed above all to project a positive image for the Group's products, services and commercial initiatives in local and national media.

Dedicated articles and background information aimed to highlight the distinctive and competitive characteristics of the products or services being offered.

Communication also concerned initiatives on economic or financial matters organized by the various market segments so as to demonstrate the know-how of the Group's managers and analysts, often backed up by more detailed articles.

Lastly, there was a whole activity of awareness building based on events regarding important topical matters, such as Basel 2.

Institutional communication helped create greater value for a series of socio-economic and cultural events promoted and sponsored by the Bank.

An important part of communication was geared to building awareness about questions of social responsibility: indeed, the partnership with Telethon again involved not only the effort of fund-raising, but also the organization of numerous roundtables all over Italy involving public entities and companies in active support of scientific research, which generated considerable visibility in the press, especially at a local level.

Also worth mentioning is the help that communication made to enhancing the value of the *Taormina BNL FilmFest* at its third edition and preparation of the *XXII Report on Savings and Investors in Italy*, together with the Centro Einaudi, which constitutes an important point of reference for anyone wanting to understand the current savings and investment trends of Italian households.

2004 press releases

| | |
|-----------------------------|----|
| Corporate communication | 42 |
| Business communication | 24 |
| Institutional communication | 23 |

Conferences/press events in 2004

| | |
|-----------------------------|----|
| Corporate communication | 7 |
| Business communication | 12 |
| Institutional communication | 15 |

Press interviews of top management in 2004

| | |
|-----------------------------|----|
| Corporate communication | 7 |
| Business communication | 21 |
| Institutional communication | 14 |

BNL and the institutions

Relationships with consortiums and associations

The Institutional Activities Department handles public relations with leading figures in the world of economics, finance and culture, looking after the organization and sponsorship of institutional events and initiatives and preparing external publications on cultural or economic matters.

It also monitors regulatory compliance, coordinates anti-money laundering activities, runs any investigations required by the authorities and handles relationships with institutional associations.

Consortio Abi Lab

Abi Lab is the R&D centre for banking technologies set up by the Italian Banking Associations (ABI) with a view to generating cooperation among banks, financial intermediaries, technology partners and institutions.

Abi Lab's mission is to extract measurable economic value from the technologies applied to banking processes.

In other words, it offers itself as an operative support tool to make the most of the advantages that come from using technology, to optimize internal processes and develop new products and services for customers, which banks can use autonomously, maintaining their competitive environment.

Abi Lab's activities consist of banks and technology partners meeting and making comparisons: each one contributes its own know-how to common projects that may involve joint analyses, conceptual models, experiments and pilot schemes: in the end of the day, the purpose is to create knowledge.

Abi Lab was initially a project that was part of ABI's Technologies and Security sector. Then, in December 2002, it was set up as a consortium and today wants to assert itself as the technology research and training hub for banks.

The members of the consortium are banks, financial intermediaries and ICT companies with particular experience in the banking field. They have to have their own research structures and be used to experimentation and the sharing of experience in the technological area, focusing on the needs of the world of finance. BNL joined in 2003.

Cotec: Foundation for technological innovation

At a time when bilateral relations between Italy and Spain were becoming increasingly important, Fondazione Cotec Italiana was set up on the suggestion of the Presidency of the Council of Ministers. Its purpose is to encourage and promote activities, studies and training courses in the field of technological research and innovation with a view to improving Italy's competitiveness in these areas.

To fulfil its mission, the Fondazione analyses problems and offers solutions, promoting understandings with institutions, associations, scientific, cultural and educational bodies in Italy and abroad. The Bank joined in 2002.

Consortio Abi Energia

The impact of the recent changes affecting the global structure of the electricity and gas market, which is also being deregulated, have been largely felt by the financial sector as well.

The banking system has perceived a need to raise its level of knowledge of energy matters, to gain an overall vision of the Italian energy market and where it is going, as well as a detailed analysis of the real advantages that can be obtained from it.

In order to provide an effective response to these needs, ABI has created the ABI Energy Consortium, whose purpose is to define the steps required to ensure optimal use and procurement of energy. The Bank joined the Consortium in 2004.

Consortio PattiChiari

PattiChiari is a project that ABI set up in June 2003 to put bank/customer relationships on a new footing.

Later, on 9 September 2003, a non-profit making consortium with the name of *Consortio per la gestione del marchio PattiChiari*, generally abbreviated to *Consortio PattiChiari*, was set up to handle the project from a procedural and promotional point of view. The Bank joined in September 2003.

Association for the protection of investors in Argentine securities (Task Force Argentina, TFA)

This Association was constituted in September 2002, its main purpose being to represent the interests of Italian investors in Argentine securities, free of charge and on the basis of a specific mandate, providing advice and assistance and making contact with the Argentine and Italian authorities, the IMF and any other bodies as required. The Bank joined in 2004.

Association for the development of IT projects for the handicapped (Associazione per lo sviluppo di progetti informatici per gli handicappati - ASPHI)

The Bank has taken part as an Ordinary Member of this Association since 1981. ASPHI provides disabled youngsters with professional skills through the use of ITC technologies, helping them to integrate with society in general.

In 2005, the Bank reviewed its membership of external organizations and has decided to limit its involvement to those that are strictly linked to its business activities.

Interbank Deposit Protection Fund

The Fund is a private consortium among banks for the purpose of guaranteeing the members' deposit-holders. The Bank joined in 1987.

Institutional relations

The Parliamentary Relations Office, which was already set up as part of the External Relations Department in 1981, had and still has as its mission keeping BNL close to the democratic institutions.

The Office briefs BNL's staff and structures on how legislative processes work in practice. This is both useful and necessary to fully understand and comply with the laws approved by Parliament.

It handles relationships with Members of Parliament, with the offices of the various parliamentary groups, with the secretariats of the main parliamentary commissions and with the research offices of both houses of Parliament; with the President of the Council of Ministers (the prime minister), with the cabinets and legislative offices of the various Ministries (in particular Economy and Finance, Productive Activities, Welfare, and Cultural Heritage) for an advance review of bills currently going through Parliament. An extensive network of daily contacts, which reflects the Bank's institutional level and importance, its ability to serve the country and its democratic representation. The Office manages institutional events organized by the Bank, above all receiving political, religious and military authorities.

It is involved in training and updating the staff based on *Infolex*, a database that includes legislation regarding all sectors of the economy and the finance industry. It also keeps an archive covering the progress of legislative provisions through Parliament up to when they are published in the *Official Gazette*.

Activities and tools: Infolex

The *Infolex* portal, which was completely revamped and expanded in 2004, is the electronic version of the legislative review that was created in paper form during the '90s. It is used as a tool for training BNL members of staff.

Infolex comprises two sections.

- the *Legislation* section, which makes it possible to follow the progress of key provisions through Parliament on a day-to-day basis up to their publication in the *Official Gazette*. In this section it is possible to consult the legislative decrees presented and approved by the Council of Ministers, bills, decree laws, EU proposed directives, as well as the policy and supervisory circulars sent to the various government representatives;
- the *Institutional* section, which provides updated lists of members of the Government and of Parliament, the Italian members of the European Parliament, of the EU Commissions and of other institutions and bodies appointed by Parliament.

Using *Infolex* means being able to access a formidable source of information, which goes from a summary of the *Official Gazette* for the last ten days to regional laws, from the latest decisions by CONSOB to the most important provisions issued by the Privacy Ombudsman and other Authorities. Lastly, it provides complete information on parliamentary hearings and enquiries that are of particular interest to the Bank.



04



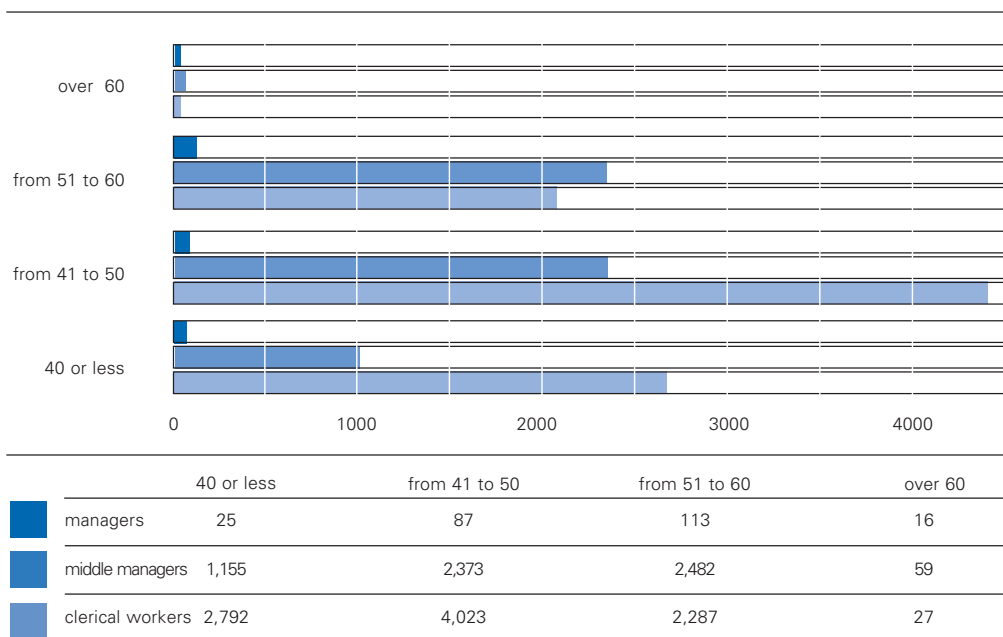
Personnel

Composition and breakdown

The Parent Company employs 15,689 people. 1.6% of them live abroad and 31.3% of them are women, 1.3% more than last year.

The average age of BNL's staff is 46 with an average period of service of 20 years and 2 months.

Overall, 15.3% of the staff have less than 5 years service, whereas for managers only this percentage rises to 20.3%.

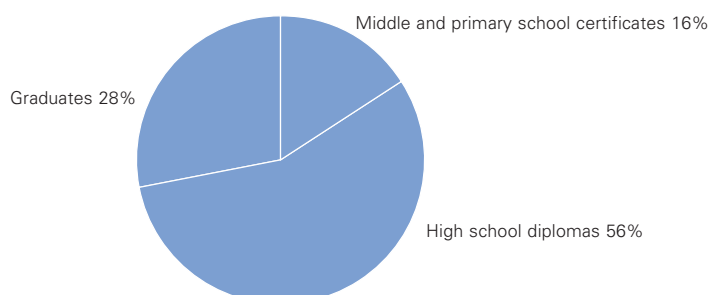


The educational background of employees is as follows: 28% of employees have university degrees, 56% high school diplomas and 16% middle and primary school certificates.

The proportion of the Parent Company's senior managers (1.6%) and middle managers (39.3%) is also significant, as it reflects the emphasis given by the Group to the professional development of its human resources.

| Italian staff | 2004 | 2003 |
|----------------|---------------|---------------|
| Men | | |
| executives | 5,059 | 4,938 |
| non-executives | 5,574 | 5,802 |
| Total | 10,633 | 10,740 |
| Women | | |
| executives | 1,251 | 1,073 |
| non-executives | 3,555 | 3,468 |
| Total | 4,806 | 4,541 |

The educational level of BNL SpA employees



The staff breakdown by area of activity according to the ABI model shows that 79% of personnel work in the distribution and business units.

Breakdown of BNL SpA personnel

| AGGREGATES | AREAS | 2004 (no. employees.) | 2003 (no. employees.) |
|----------------------|---|--------------------------|--------------------------|
| DISTRIBUTION | Traditional network | 10,118 | 11,119 |
| | Innovative channels | 1,060 | 32 |
| BUSINESS UNITS | Finance | 407 | 299 |
| | Credit and Loans | 361 | 221 |
| | Commercial Banking and Market Supervision | 259 | 337 |
| STAFF FUNCTIONS | H.R. Planning and Development | 277 | 246 |
| | Strategic Planning | 103 | 197 |
| | General Affairs | 375 | 318 |
| OPERATIONAL SERVICES | Administration and Control | 140 | 1,269 |
| | Information Systems | 1,816 | 623 |
| | Logistics | 181 | 216 |
| OTHER Specify: | ancillary services - pension fund - personnel on sec. | 342 | 404 |
| Total | | 15,439 | 15,281 |

The following table gives a breakdown of BNL SpA personnel by nationality.

BNL S.p.A. personnel by nationality

| | | | |
|----------|----|--------------|---------------|
| American | 58 | Irish | 1 |
| Austrian | 1 | Polish | 3 |
| British | 87 | Rumanian | 1 |
| Czech | 2 | Russian | 3 |
| Chinese | 34 | Spanish | 43 |
| French | 2 | German | 1 |
| Jamaican | 1 | Italian | 15.435 |
| Indian | 14 | | |
| Iranian | 3 | Total | 15.689 |

The following table splits employees by type of employment:

| Type of employment: | | | |
|----------------------------|------------------|-------------------|--------------|
| | part-time | fixed-term | temps |
| Men | 79 | 14 | 21 |
| Women | 958 | 33 | 42 |
| Total | 1,037 | 47 | 63 |

Staff changes

2004 again saw the need to apply selective hiring policies and targeted redundancy incentives to encourage the necessary turnover, especially in the branch network, raising the proportion of commercial staff.

During 2004, the Parent Company hired 763 people; 670 people left, of whom 539 had accrued sufficient pension rights to retire and were given an incentive to leave. New hires include 449 people from BNL Group companies.

Total staff turnover during the period, calculated as the net difference to the total number of employees, net of new hires from other BNL Group companies, was a reduction of 2.51%.

New hires

| | |
|--------------|------------|
| Men | 462 |
| Women | 301 |
| Total | 763 |

(excluding overseas local hires)

Leavers

| | |
|--------------|------------|
| Men | 594 |
| Women | 76 |
| Total | 670 |

(excluding overseas local hires)

Equal Opportunity Policy

Female employees represent 31% of the Parent Company's total workforce and 32.8% of the Group's.

An important figure in terms of Equal Opportunities is the current increase in female executives: in one year they have gone from 1,073 to 1,238 (+15%).

BNL People and Social Commitment

Telethon 2004

For the 2004 edition of Telethon, the HR Department handled various initiatives and events in support of the marathon held towards the end of the year. This included organizing tours for top management and executives around the Area Organizations, offering updates on fund-raising by sms and publishing the principal events in Italian towns on Opera, the company intranet.

News and information on BNL's efforts on behalf of Telethon were published throughout the year.

Differentiated waste collection

The project for *differentiated collection of the plastic (PET) water bottles used in BNL's canteens in Rome*, which was launched on 1 June 2004, is a further step forwards in the promotion of a corporate culture on ethical and environmental matters, one that directly involves the staff.

New napkins were printed for the Rome canteens with a message inviting people to dispose of their plastic bottles in separate containers. The project was also discussed on *Opera* in a section entitled "*BNL e sociale*".

Adoption of the Code of Ethics

In October 2004, the Board of Directors authorized adoption of the Code of Ethics by the Bank and its subsidiaries.

The Code of Ethics is of general interest as it contains a series of principles of professional conduct that the BNL Group recognizes as its own and which it believes ought to be observed by all of its employees, including those such as external collaborators who work towards the same company goals.

The Code of Ethics, with its principles and norms, is born of the need to offer a concrete and objective basis for judgements that could involve BNL's reputation.

It is the most suitable instrument for governing relationships between the firm and its stakeholders as it defines the duties that the company undertakes to observe.

It also provides participants in the life of the firm parameters by which they can exercise their authority and powers in a fair manner. At the same time, it can act as a self-regulation tool that extends the rules of corporate governance from the sphere of relations with the shareholders and investors to a wider sphere that involves all stakeholders.

All members of staff of the BNL Group will have to know the Code and respect its principles and values, actively contributing towards its diffusion and people's awareness of it. In order to encourage this process, a series of initiatives has been planned for 2005 to provide information and training to make all Group personnel aware of the importance of the Code of Ethics.

Last but not least, in accordance with Decree 231/2001 on the administrative liability of legal persons and based on ABI's Guidelines, BNL's Board of Directors decided to approve the "*Organizational and Operational Model*" designed to prevent certain specific crimes that could be committed while carrying on company business.

Internal communication

One of the key features of BNL's internal communication has been the central status of each member of staff, both as a worker and as an individual.

During 2004, particular importance was given to spreading awareness of operating processes and corporate values, without overlooking the communication needs of the individual and the involvement of our people in the various solidarity and social commitment initiatives in which the Bank takes part.

This is why we have adopted a multichannel approach to our internal communication, which is able to reach people through a variety of tools designed to contact the entire corporate population or specific individuals.

Three areas were identified for communication initiatives:

- an institutional/information area;
- an operations area;
- an area for the individual.

The institutional/information area includes all those activities involved in communicating corporate strategies, spreading information about the company, its products and its markets, making people aware of management and personnel development systems, helping to improve the corporate image and to foster participation on the part of all employees in the Bank's social activities.

The most important initiatives in this area during 2004 concerned the following topics:

- 2003 – 2005 Operating Plan
- institutional information (press review, press releases, etc.);
- Area Organization Model and role descriptions;
- customer segmentation approaches and criteria;
- 2003 Social Responsibility Report including the mission and values of the Bank;
- BNL's corporate identity;
- BNL for Telethon.

The operations area includes all those activities designed to accompany and support the processes of change and business development, favouring communication flows between the Bank's structures and personnel and providing information about its operating processes.

The most important information and tools (inserted or extended and restructured) concerned the following topics:

- internal rules of the Bank;
- banking transparency
- commercial information on Retail and Corporate products;
- marketing campaigns;
- macroeconomic and economic-financial studies and analyses (daily, weekly and monthly);
- anti-money laundering
- the Network's 2004 bonus plan;
- historical archives and library;
- direct distribution channels.

The area for the individual includes initiatives that provide useful information for the staff's working and non-working life, such as the special benefits and conventions offered by the Bank, as well as personnel management and development tools.

The objective is to encourage the staff's collaboration and participation in the life of the company, to improve the organizational climate, promoting the development of a sense of belonging and contributing towards employees' professional training and education.

Initiatives on behalf of the individual during 2004 concerned the following matters:

- conventions;
- benefits;
- insurance;
- training;
- professional assessment;
- information on modules and forms (tax returns (CUD, 730), expense reports, etc.);
- pay packet;
- company bonus;
- pension;
- monthly tax deadlines.

Each of these initiatives was organized starting from the objectives and targets for each area and implemented through a variety of communication methods according to multichannel communication plans, using tools that were both innovative (intranet, newsletter, sms, etc.) and traditional (events, brochures, letters, etc.).

Diagram that shows the use of various channels for the three areas of reference and the related target group.

| Communication channel | Institutional/information | Operations | For the individual |
|--|---------------------------|------------|--------------------|
| Opera (Intranet) | ● | ● ○ | ● |
| Newsletter | ● | | |
| Email | ● ○ | ○ | ● ○ |
| Sms | ○ | | |
| Multicast Film | ● ○ | | |
| Call Center | | ● | ● |
| Events (meeting, workshops, conventions) | ○ | | ○ |
| House organ | ● | | ● |
| Brochures | ● | | ● |
| Paper | ● ○ | ○ | ● ○ |

● all employees

○ specific targets

The principal channel for internal communication is *Opera*, the corporate intranet, which was launched at the end of 2003 and added to in 2004 with information. Employees visit it every day and use it as a work tool for information of personal interest or to take part in the Bank's social initiatives.

Opera has four main information channels: *La mia azienda*, *Per il mio lavoro*, *Per me*, *Per il sociale*.

La mia azienda (My company) and *Per il sociale* (For the community) are channels for communicating institutional-type information. *Per il mio lavoro* (For my job) is the channel for operational communication and *Per me* (For me) is the channel devoted to information for the individual.

BNL Noi Insieme (We together)

2004 was a particularly intense year for *BNL Noi Insieme*, the Group's house organ since 1993, in terms of both contents and editorial innovation. A year full of investigations, news and discussions.

Noi Insieme is distributed bi-monthly with a print-run of around 30,000 copies that are sent to all current and retired employees, as well as to all Group companies. It has the merit of fostering discussion of the main topics concerning BNL's world, and of economic and social themes that are of common interest.

The pages of *Noi Insieme* have carried readers' points of view on the topics that interest them most, in an attempt to meet the needs of the various categories of stakeholder. We have also taken this objective into account in the distribution of the magazine. Personal copies are sent to more than 15,000 employees currently in service, to those of the international network and of the various Group companies, as well as to a targeted mailing list of journalists, economists, company managers, university professors and operators. This is a good example of the effort made to reach the many different people that have an interest in the Bank's activities.

To these readers have to be added around 8,000 pensioners who receive *Noi Insieme*. They see it as a strong and constant link with the Bank, which encourages them to carry on taking an interest in its activities and developments.

Important topics that were discussed in 2004 included the following: the confidence of small investors in the banking system, the increase in the cost of living and the impoverishment of the average Italian family, pensions and social security reform, and the many different aspects of Basel 2.

Articles were written not only by employees of the Bank, but also by external opinion leaders and journalists.

2004 was also a year of innovation with the development of a multichannel strategy for BNL's house organ.

The development and preparation of an on-line version of the magazine on the intranet has had the merit of making old and new articles available anywhere and at any time to all readers. This has helped strengthen the bond that has always existed between the magazine and its readers.

Development of the individual

A new model for professional development was designed during 2004 with the following objectives:

- to ensure the development at all levels of the specialist technical and behavioural skills required by the Bank's business strategy;
- to facilitate the process of change within the company by means of effective internal communication;
- to create a system of performance assessment that is objective, transparent and shared by all;
- to develop a system of recognition (financial bonuses, career promotion, etc.) in line with the role and the value-added created by each person;
- to set up compensation policies that are considered fair within the Bank and competitive compared with the market;
- to improve staff motivation, enthusiasm and sense of satisfaction;
- to identify in advance the resources to be allocated in the medium term to positions of responsibility and to implement specific programmes of individual development on a timely basis;
- to give people a clear picture of the professional opportunities open to them;
- to involve people as much as possible in the setting up of development processes and tools to ensure that they are fully shared and digested, helped by clear communication of the "rules".

Performance assessment for 2003 was carried out in 2004 for 98% of the staff, as was job planning for 2004 for 96% of the staff, and 13,638 feedback interviews were held (the equivalent of 88% of the staff).

Specific management development initiatives were also launched using various tools (development centre and individual coaching) which involved both Network and General Management personnel.

In the last quarter of the year, we also started up various projects geared to full implementation of the new professional development model for personnel in Commercial and Operations positions in the Network.

Training

Training is structured in programmes (made up of a number of modules) which can be taken over a period of several months and which envisage various teaching methods and access channels (classroom, workshop, e-learning).

These programmes, which have been designed to enhance the development of the Bank's and the Group's human resources, are split as follows:

- role training: to develop specialist technical and behavioural skills needed to interpret the specific professional role in the best way possible;
- management training: to develop management skills and behavioural in people to

- hold key positions in the Bank and the Group;
- new graduate training: to develop the specialist technical and behavioural skills needed to hold positions of responsibility within the firm, by means of a learning process that involves a combination of classroom lessons and on-the-job mentoring by someone who already has experience;
- ad hoc training: to cope with particular topics in response to specific requirements (e.g. training in agricultural credit);
- training in support of company projects: to handle organizational and process changes that imply personnel retraining (e.g. re-engineering of organizational processes);
- institutional training: envisaged by law or by contract.

On-line training added 50 new courses in 2004: some of them form part of "blended" training programmes (classroom and e-learning), with a part freely available in self-training mode, while others have been designed specifically to respond to particular needs.

In addition to the courses, there are also various learning tools in the on-line training environment: most courses have tests that allow pupils to monitor their progress; there are discussion forums, chat lines and a virtual classroom, with various operating modes, which help to optimize on-line learning as they encourage participants to share their views on matters of common interest that are also useful for professional purposes. In 2004, in line with training requirements and corporate objectives, once the Network's organizational model had stabilized, training concentrated mainly on providing support for the Bank's business activities. This meant providing professional training courses that were mainly designed to develop technical and specialist know-how and behavioural skills for the main Network roles; in fact, role training involved around 7,700 days of training, a significant increase on the previous year (1,350 days in 2003).

Training in support of corporate projects also involved certain high-impact initiatives:

- training for *PattiChiari*, with around 3,200 days training, helped spread a service culture increasingly based on the concepts of clarity and transparency;
- personnel retraining, with around 2,000 days training, enabled the requalification of staff in certain offices, thereby contributing towards a significant increase in the efficiency and effectiveness of Group operations;
- training for the new Liabilities Cycle management model, with around 1,700 days training, favoured change not only from a technological, organizational and process point of view, but also in terms of long-standing practices and habits.

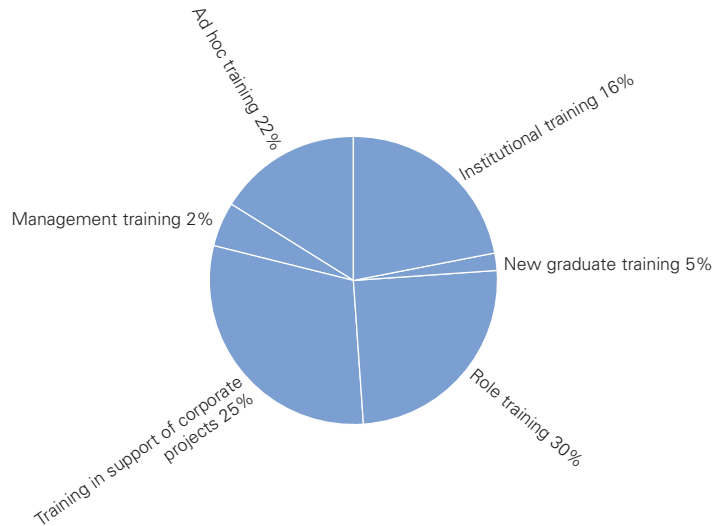
Around 4,600 days training were given in the institutional area to new hires. The programme is modular, it takes place on a number of occasions over a period of two months and classroom training is supplemented by e-learning.

In the second half of the year, new graduate training was revamped, providing around 1,700 days training, when training courses for resources already included in the project were restarted; next year, the project ought to be further expanded to new resources, both internal and external.

The following chart shows the breakdown of training activities in the various areas during 2004:

Training activity in 2004
(% of total days training)

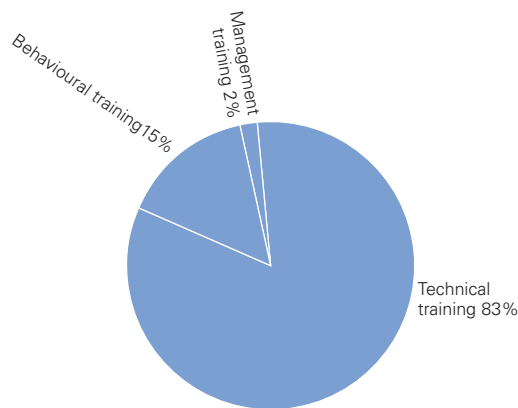
- Ad hoc training 22%
- Management training 2%
- Training in support of corporate projects 25%
- Institutional training 16%
- New graduate training 5%
- Role training 30%



The entire training activity in 2004, split by theme areas, was designed to develop the specialist technical skills needed by the various organizational roles of the Bank as explained in the following chart:

Training activity in 2004
(% by theme area)

- Behavioural training 15%
- Management training 2%
- Technical training 83%

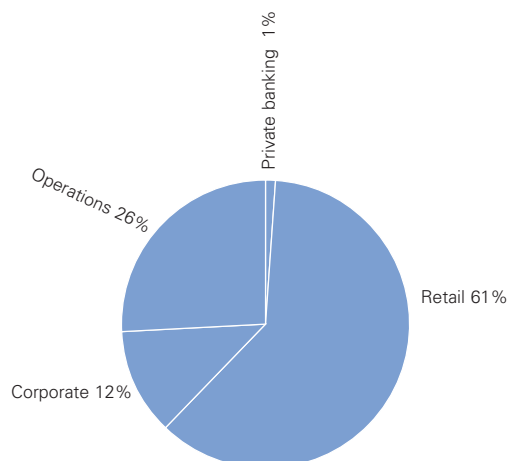


In 2004, training involved a total of around 6,000 people, i.e. 39% of the Bank's workforce (around 37% of General Management and 44% of Network staff) for a total of some 28,000 days.

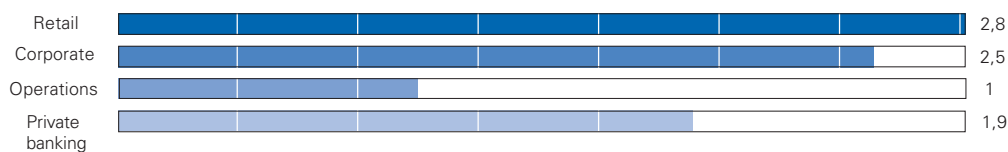
The following chart gives a summary of the training given to the Network Resources (around 20,000 days in total), with a breakdown between the various markets.

Training activity in 2004 (Area organizations)

Operations 26%
Corporate 12%
Retail 61%
Private banking 1%



The following is a calculation of the average hours training per person given to Network personnel in 2004 compared with the staff of the various markets.



Other initiatives

Pontificia Università Lateranense

In 2004 BNL helped reinforce collaboration between the Bank and the Pontificia Università Lateranense by promoting the creation of a series of scholarships. Numerous foreign students will be able to stay for the time needed for their training at the University.

This is an investment not only in raising one's academic and cultural knowledge, but also in the acquisition of more fundamental values by young men and women who will be called upon to fill positions of responsibility in their own countries.

Scholarships for employees' children

The children of employees with good results at high school or university can benefit from scholarships made available by the Bank. During the year there were hundreds of beneficiaries.

Compensation policies

The main objective of BNL's compensation policies is to enhance the value of its human capital through recognition of their abilities and skills, and by acknowledging the results that they achieve both individually and as a team. They are designed to accompany individuals' career paths and to support a results-based approach, ensuring the constant satisfaction and motivation of human resources and favouring behaviour in line with the company's objectives.

The compensation policies are structured to favour staff retention, particularly of key resources, ensuring adequate levels in terms of internal pay equity and competitive salaries compared with the market in general.

Average gross annual remuneration (GAR)

| | Average GAR by category |
|--------------------|--------------------------------|
| Managers | 113,000 |
| Middle managers | 48,800 |
| Professional areas | 29,900 |

The average payroll cost came to around 58,500 euro.

Bonuses in the form of a stock grant were proposed in 2004 with a view to get all personnel more directly involved in meeting the company's objectives.

Receiving one's bonus in the form of shares is entirely voluntary, though acceptance of the proposal was widespread in 2004, with 88% participation, more than 8 percentage points higher than in 2003.

In recent years, more and more use has been made of variable forms of remuneration. Compared with the fixed portion, the average amount of variable remuneration as a proportion of total salaries has risen from 5.4% in 2000 to more than 11% in 2004, also considering the market value of the shares assigned as the bonus.

The most frequently used form of variable remuneration is the so-called "structured incentive scheme" offered to the Network.

This is a tool aimed principally at commercial roles and is linked to the achievement of certain business objectives.

The structured incentive scheme does in fact aim to align Network personnel behaviour with the sales and marketing strategies of the Retail, Private Banking and Corporate Markets and to encourage convergence between the commercial actions of individuals and team objectives at all levels of the organization.

The incentive scheme is based on the degree of achievement of profitability and volume objectives, and on certain parameters of operating efficiency and effectiveness, orienting Network resources towards commercial activity throughout the year.

By means of this tool, the firm intends to ensure that Network resources gain recognition for their performance, guaranteeing overall consistency of the incentive system among the various roles with the Bank's remuneration policy and an adequate level of competitiveness with the market.

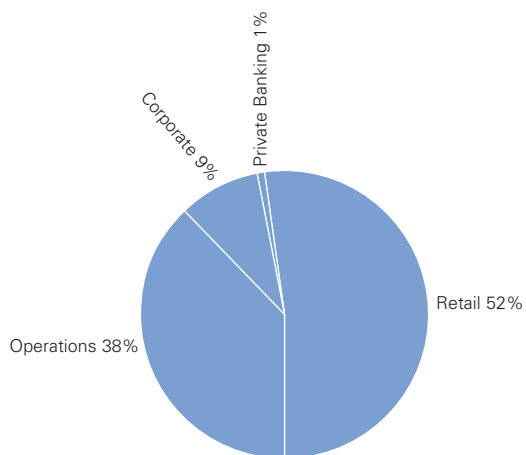
Thirteen different roles are involved, as shown below, split by market:

| RETAIL | PRIVATE | CORPORATE | OPER. |
|--|----------------|------------------------------|-------------------------|
| Private banking customer manager | Private banker | Corporate customer manager | Teller |
| Public administration and entities manager | | Corporate customer assistant | Head of branch services |
| Business customer manager | | Product specialist | |
| Public administration and entities assistant | | Product consultant | |
| Product specialist | | | |
| Product consultant | | | |

Around 8,000 people were involved in the scheme, split as follows by market:

- 52%, around 4,160, are in Retail;
- 9%, around 720, are in Corporate;
- 1%, around 80, are in Private Banking;
- 38%, around 3,040, are in Operations.

Operations 38%
Retail 52%
Corporate 9%
Private Banking 1%



Overall, around 6,500 were awarded bonuses, split as follows by market:

| RETAIL | PRIVATE | CORPORATE | OPERATIONS* | TOTAL |
|--------|---------|-----------|-------------|-------|
| 81% | 50% | 78% | 97% | 86% |

% of total participants

*The resources in Operations participate indirectly in the Network's sales campaigns.

Industrial relations

In accordance with the objectives mentioned in the 2003 Report, in other words "to improve and develop the methods of dialogue with internal stakeholders", the main topics discussed with the Trade Unions concerned the handling of personnel made redundant by organizational rationalization and training.

As regards personnel redundancies, all of the Trade Unions involved signed the agreement for voluntary access on the part of BNL personnel to the "Solidarity Fund for income support, employment, reconversion and professional requalification of banking staff" (the so-called "ABI Fund").

BNL joined the Fund because of the need to manage the situations of surplus personnel that derive from the reorganization of General Management, the restructuring of the Operations Department and the current process of closing the Bank's offices abroad.

The particular purpose of the Fondo ABI is to help in the change and renewal of professional skills, as well as to develop active policies of income support and job creation. This new agreement replaced the previous one signed in 1998, which expired in April 2004.

A new form of negotiations with the Trade Unions gave rise to the Training project completed in 2004 with the signing of an agreement for the preparation of a training plan.

The purposes of the new agreement are:

- to guarantee and promote continuous training throughout one's professional life, also encouraging people to choose individual growth patterns;
- to support the achievement of objectives that involve creating value for the company;
- to maintain and develop each individual's portfolio of skills and to ensure support for the current processes of change, favouring interchangeability;
- to overcome the distinction between contractual and corporate training to create a single flexible instrument that is able to focus, from time to time, on the effective needs of the Bank and of its employees.

These goals are in line with the company's principles of ethics and social responsibility.

Lifelong training is in fact one of the key factors in the European development plan based on the knowledge society. Other agreements were also signed during the year in connection with BNL's absorption of Coopercredito and the sale of the shares in BNL Eventi.

These two transactions form part of a wider process of rationalization of the BNL Group's investment portfolio; at the same time they are an opportunity for these companies to be relaunched and for the specialist skills of their employees to be enhanced.

The creation of value for BNL, to be achieved by means of training and attention to human resources, both at work and outside their working life, represents the ultimate purpose of the firm's labour policies and the main field of constructive confrontation with the Trade Unions.

As of 31 December 2004 the percentage of people enrolled in the nine Trade Unions present in BNL (Fisac/Cgil, Fiba/Cisl, Uilca/Uil, Dircredito, Fabi, Sinfub, Falcri, Ugl Credito and Silcea) came to around 58%.

During 2004, seventeen agreements were signed with Trade Unions. 11 strikes of variable length were announced, though none of them were related to in-house disputes.

The total number of hours lost due to strikes amounted to 145,139 with an average participation of 32.70%.



05



Suppliers

Suppliers

Communication and information

BNL wants to base its relationship with partners and suppliers on the principles of openness and comparability.

For this reason, its strategy is based on:

- clarity and standardization of economic terms and conditions with supply contracts that indicate the level of service required;
- continuous communication/information and constant monitoring of performances and of the services rendered.

Supply contracts have been standardized for economic terms and conditions and for the levels of service required of partners and suppliers.

As regards the methods of communicating with individual suppliers and obtaining certain kinds of information, BNL distributes specific questionnaires that have to be filled in and returned. This is required for registration during the periodic updates of BNL's official list of suppliers. It is also laid down in internal regulations.

The information gathered by means of these questionnaires and with the help of certain additional elements that can be obtained from public sources (such as Chambers of Commerce), it is possible for the company to check in advance if a supplier complies with BNL's requirements.

The Bank has also adopted certain IT systems for monitoring supplier performances. For example, for Global Service contracts we have activated call center services that make it possible to monitor the level of service based on feedback and requests for intervention.

Qualification and analysis of suppliers

The process of qualification and analysis of suppliers is completely transparent, following criteria designed to reconcile BNL's business needs with any social or environmental aspects.

Thanks to constant updating of the Suppliers List, in collaboration with BNL's Network, suppliers are registered by acquiring not only the certifications that attest to the fact that they comply with the standards of the Ministry of Labour and Social Security, but also any Quality certifications (e.g. UNI, UNI EN, ISO), the implementation of local health authority regulations and the recommendations of the various entities in matters concerning safety in the workplace and protection of the environment.

For example, when choosing who would be our suppliers of office equipment, we also considered among the various selection criteria, the adoption of energy saving technology and the use of ecological materials.

Adoption of green procurement

In 2004 the Bank decided to adopt policies of green procurement, i.e. environmentally aware purchasing systems.

The aim is to create economic and social value within the ambit of existing systems of production and consumption.

This decision aims, on the one hand, to get suppliers directly involved in questions of saving resources (raw materials, water and energy) and producing lower levels of waste;

and, on the other, it tends to promote more virtuous models and lifestyles, improving the Bank's reputation and increasing respect for the BNL brand.

The system of green procurement adopted by the Bank does not necessarily mean buying goods and services that are preferable from an environmental point of view. What it does represent is a valid set of guidelines for choosing products that do have these requisites.

Moreover, the introduction of elements that reflect attention and sensitivity in this direction will take on more and more importance in our choice of suppliers.

To this end, BNL has equipped itself with a tool that not only complies with current legislation (D.Lgs. 626/94, D.L. 22/97, etc.), but also summarizes the voluntary targets for products and services to be adopted when buying logistics, IT material, etc.

By applying these principles, BNL expects to acquire a competitive advantage that is measurable in terms of a better corporate reputation.

Four objectives which BNL aims to achieve have been identified:

- to protect work environments by purchasing products that do not represent a health hazard;
- to promote appropriate methods of waste disposal, including differentiated waste collection within the company;
- to contribute actively to energy saving, also by promoting the use of renewable energy sources;
- to promote the use of recycled materials and products.

The methodology used to identify the characteristics of products that are preferable from an environmental point of view is based on national and international regulatory references that take account of the following factors:

- toxicity of materials
- impact on air/climate
- protection of water
- waste reduction

Green procurement will be applied in the following macro-areas: green desk, green power, green fleet, green cleaning, of which, at the moment, only the first has been developed and applied.

The products that form part of these four macro-areas have been split into the following sectors:

| | | | |
|--------------------|--|-----------------------|---|
| Green Desk | Office machines Paper products Furnishings and fittings | Green Fleet | Fuel Vehicle maintenance Motor vehicles |
| Green Power | Electricity Lightbulbs and illumination Water/gas supply | Green Cleaning | Differentiated waste collection Cleaning services and products Building maintenance |

These principles were again applied during 2004 in the purchase of hardware.

These have to feature:

- the adoption of energy saving technologies (the supplier utilizations does in fact use technologies that comply with America's Energy Star standard for energy savings, which has now been recognized in the EU by resolution 2001/468/CE);
- the use of internal components (e.g. toner) that are not toxic and easily recyclable;
- the use of recyclable packaging materials (e.g. cardboard instead of polystyrene).

Recycling of materials for educational and ecological purposes

BNL is particularly sensitive about the direct or indirect impact that its activities might have. By joining an initiative promoted by the Ministry of Justice, BNL has been able to participate in an interesting project that focuses on the detainees in Bollate Prison, in the province of Milan, the purpose of which is to improve their chances of finding a job once they have done their sentence,

Initially (in 2003) BNL made available, free of charge, around 2,500 obsolete personal computers in poor condition, which made it possible to commence an activity involving the recovery of IT material and training for computer repairers.

Local authorities and politicians have been much appreciative of the rapidity with which BNL signed up for this initiative and for its willingness to carry on in 2005.

e-Ordering systems

BNL's policy is to discourage the use of paper-based tools in favour of communication and transmission systems that are exclusively electronic.

In fact, during 2004, almost all internal requests and orders to firms were handled on-line.

During the same period, more than 100 tenders were carried out for the purchase of goods and services, 92% of which were on-line.

Of the initiatives in favour of the environment, one that should be mentioned is the use of recycled paper (around 130 tonnes of it).



Fourth Part



Objectives and guidelines for growth

General objectives

In line with the 2002-2005 business plan, we are following the path laid down in 2002, which has been added to over the years, integrating our social responsibility strategies more and more with our day-to-day activities.

Having defined and implemented the policy regarding the arms market, having joined the Global Compact, having defined and approved the Group's Code of Ethics and Professional Conduct, having raised the level of dialogue with all stakeholders and monitored its success with the principal internal and external stakeholders, BNL has set itself two main objectives for 2005:

- to create an Ethical Policy Committee with the participation of authoritative exponents of the world of culture and of the service sector for a constant analysis and debate on the development programmes undertaken or about to be undertaken by the Group;
- to set up a new unit devoted to the governance of the entire process of CSR for the Bank and the Group.

In 2005, the new unit will focus on defining the overall strategic direction of the BNL Group with a view to making Corporate Social Responsibility a systematic part of its operations, at the same time developing a general strategy for the medium to long term. In particular, the unit will foster the systematic gathering of data as a point of reference for the opinions and needs of the principal internal and external stakeholders in order to consolidate ongoing open dialogue with all of them.

Initiatives designed to improve relations with individual stakeholders

Towards customers

- A further strengthening of the listening policy by:
 - customer satisfaction surveys also for the Small Business and Public Administration segments;
 - regular contact with the main consumer associations;
 - faster average response times for complaints.
- To continue identifying any critical elements, recording and leave a trace of all feedback from customers (at the pre-sale, sale and after-sale stages), to improve the quality of service offered.
- To relaunch the offer of sustainable finance products and take steps to expand the range.
- To develop with the help of civic participation movements a project designed to improve the understanding and use of product contracts.
- To continue evaluating proposals for ethical project financing, satisfying the needs of customers and guaranteeing due consideration of the social impact.
- To confirm the commitment to limit financial activities related to the arms trade exclusively to EU countries and NATO.

Towards investors

- To continue in the development of on-line tools for the diffusion of data and information to maintain the parallelism in the provision of information to a wider public.

Towards the community

- To confirm support for the scientific community performing research into genetic diseases, both prevention and cure/assistance, reiterating BNL's partnership with the Comitato Telethon Fondazione Onlus and setting up new relations with other leading research entities and non-profit associations.
- To renew the contribution made to the development of art, the cinema and culture in general, capitalizing on consolidated partnerships such as those with the Accademia di Santa Cecilia, the Taormina BNL FilmFest and the Auditorium Parco della Musica of Rome.
- To participate actively in the conscious growth of a CSR culture, promoting initiatives and special events locally and nationally, as well as opportunities for discussion and debate with the business community and opinion leaders.

Towards the environment

- To develop environmentally compatible purchasing systems.
- To improve the integrated management system for quality, the environment, health and safety.
- To implement a system of monitoring direct and indirect environmental impact to reduce consumption and increase recycling.
- To involve environmental groups with a listening session.

Towards personnel

- To encourage awareness of the principles, values and rules laid down in the Code of Ethics through information and training tools geared to the individual.
- To spread a culture of Corporate Social Responsibility, raising the visibility of the current intranet channel devoted to social matters.
- To consolidate the system of professional development to enhance as much as possible the skills and experience of each individual and to plan coherent paths of professional growth and development.
- To continue fostering dialogue with internal stakeholders by means of clear and open communication of activities, decisions and results so as to favour a complete awareness of the values and objectives pursued by the company, developing more and more an informed and attentive relationship with the Trade Unions and the staff in general in a context of full involvement and shared objectives.
- To develop synergies with solidarity initiatives promoted by members of staff.



Professional
opinion



PROFESSIONAL OPINION ON THE SOCIAL RESPONSIBILITY REPORT OF BANCA NAZIONALE DEL LAVORO S.p.A.

We have carried out the agreed audit procedures on the Social Responsibility Report as of 31 December 2004 (hereinafter “the Report”) of Banca Nazionale del Lavoro S.p.A. Responsibility for preparing the Report lies with the Directors of Banca Nazionale del Lavoro S.p.A.

Our work has been carried out according to established auditing standards within the limits applicable to the following audit procedures which were agreed with you:

- we recorded and analysed the internal procedures used to collect accounting data and other information for inclusion in the Report;
- we compared the data and information included in the Report with those shown in the financial statements of Banca Nazionale del Lavoro S.p.A. as of 31 December 2004 and test checked on a sample basis the other figures and information with other supporting documentation made available to us by the Bank.
- we checked that the methods of preparation of the Report complied with the guidelines laid down in the “Model for the Preparation of the Social Responsibility Report for the Banking Sector” published in 2001 by the Italian Banking Association (ABI) together with the European Institute for the Social Responsibility Report.

The procedures mentioned above do not constitute a full audit in accordance with established auditing standards. This opinion is therefore limited to the results of applying the procedures explained above and we cannot exclude that other matters worth reporting to you may have come to light if we had carried out additional procedures.

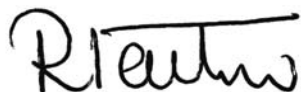
Applying the agreed audit procedures permitted us to observe that:

- the internal procedures used by Banca Nazionale del Lavoro S.p.A. to collect accounting data and other information for inclusion in the Report are adequate;
- the data and information included in the Social Responsibility Report of Banca Nazionale del Lavoro S.p.A. as of 31 December 2004 agree with those shown in the Bank’s financial statements as of 31 December 2004 or with other documentary sources made available to us;

- the methods of preparation of the Report complied with the guidelines laid down in the “Model for the Preparation of the Social Responsibility Report for the Banking Sector” published in 2001 by the Italian Banking Association (ABI).

Rome, 25 June 2005

DELOITTE & TOUCHE S.p.A.

A handwritten signature in black ink, appearing to read 'R. Tentori', with a stylized, cursive script.

Roberto H. Tentori
Partner



The 2004 Social Responsibility Report has been prepared thanks to the passion and precious contribution of colleagues in all sectors of the Bank. Every year, they help us with their professionalism and enthusiasm in the process of gathering and processing a wealth of data and information.

This edition is available on BNL's website www.bnl.it and can be requested via e-mail, by writing to: responsabilitasociale@bnlmail.com

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