



# Presentation of 1H2005 Group Results

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*September 2005*

# Disclaimer

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# Agenda

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## ■ Executive Summary

1H2005 Results

Highlights

Revenues

Asset Quality

Costs

Argentina

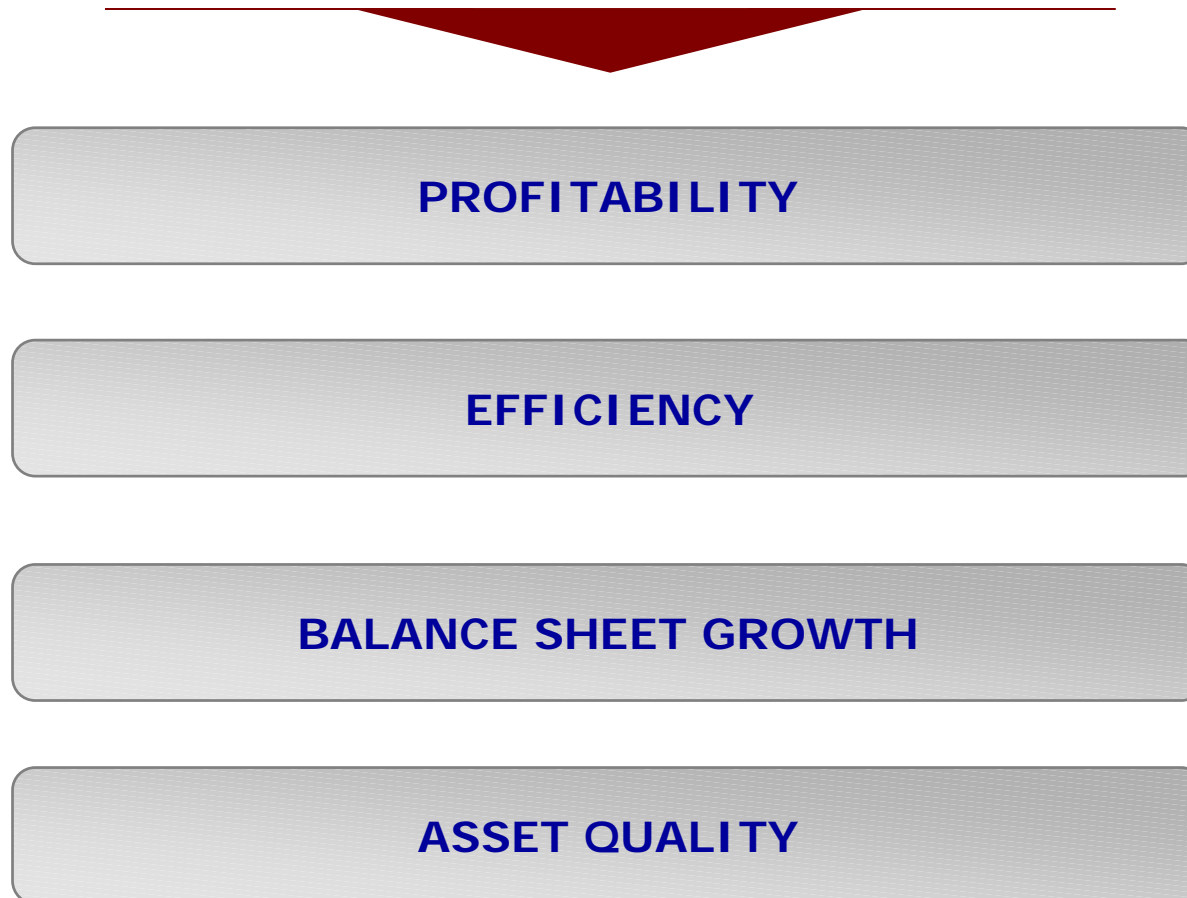
Main Ratios

*Appendix*

# Executive Summary

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**BNL Group's first half results show improvements in all key areas**



# Executive Summary

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## PROFITABILITY

**Current results confirm a return to substantial profitability**



**NET PROFIT** €277mIn  
(+82.2% YoY)



**ROE** 12.3%

## EFFICIENCY

**Effective overall cost control**



**COST TO INCOME RATIO**  
60.6%

# Executive Summary

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## BALANCE SHEET GROWTH

Growth resumed after completion of restructuring process



**LOANS TO CUSTOMERS**  
+2.4% on 1/01/2005



**DIRECT DEPOSITS FROM CUSTOMERS**  
+13.2% on 1/01/2005

## ASSET QUALITY MANAGEMENT

Actions implemented result in a tangible improvement in asset quality



**COST OF CREDIT: 0.45%**  
(0.67% in 1H04)



**NET NPL/LOANS TO CUSTOMERS**  
2.1% (3.9% at 30/06/04)



**NPL COVERAGE: 69.2%**

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# 1H2005 Results: Balance Sheet Highlights

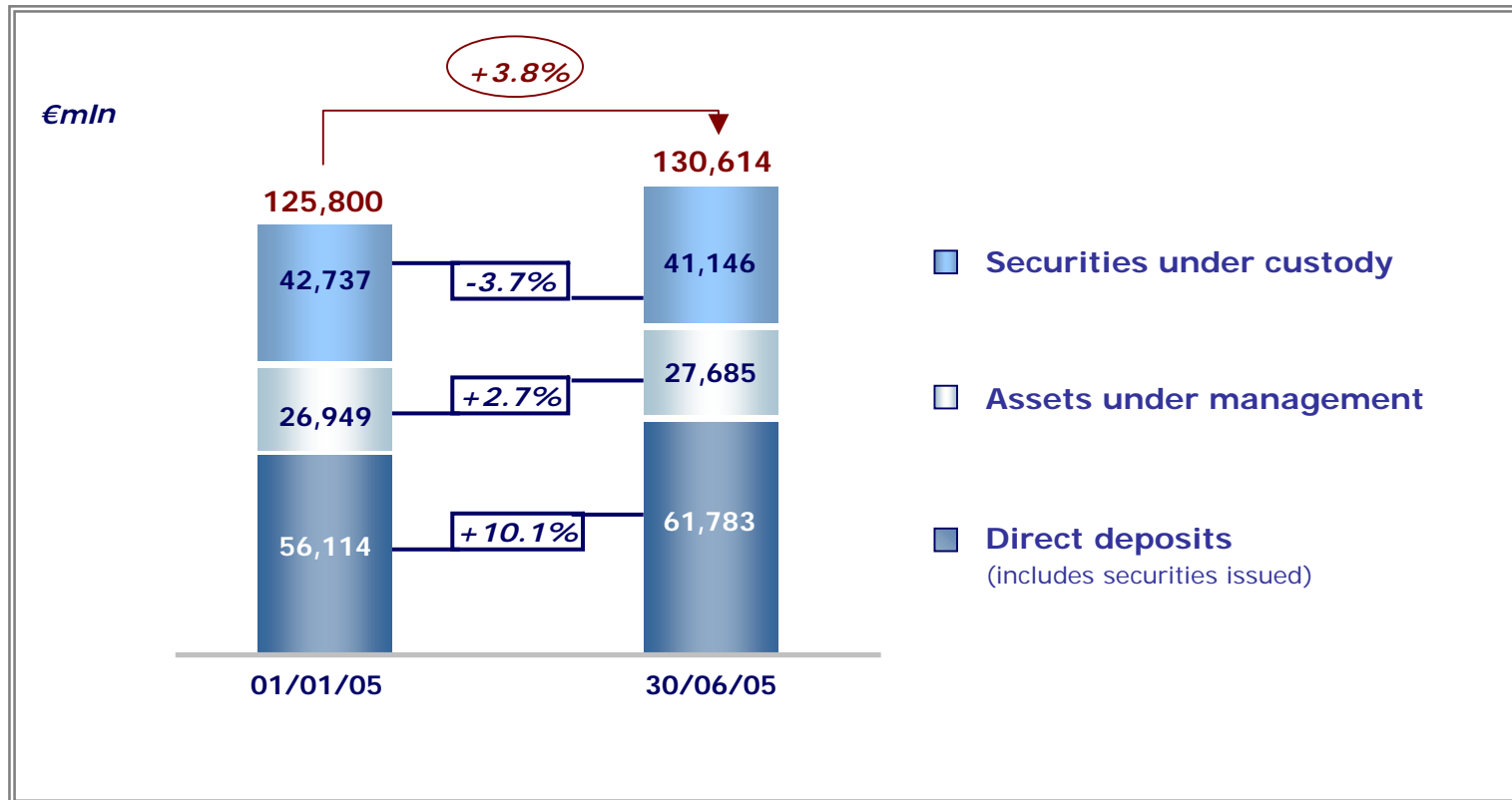
**Completion of restructuring process allows resumption of balance sheet growth in all main asset components and in customer deposits**

	<i>(Euro million)</i>	<i>30/06/2005</i>	<i>1/01/2005</i>	<i>% change on 1/01/2005</i>
<b>TOTAL ASSETS</b>		<b>88,626</b>	<b>81,466</b>	<b>+8.8%</b>
Loans to Customers		61,327	59,903	+2.4%
Loans to Banks		8,200	6,456	+27.0%
Financial Assets Held for Trading		7,488	4,553	+64.5%
<b>TOTAL LIABILITIES</b>		<b>88,626</b>	<b>81,466</b>	<b>+8.8%</b>
Deposits from Customers & Securities issued		61,783	56,114	+10.1%
Deposits from Banks		11,390	12,346	-7.7%
Net Worth		4,781	4,468	+7.0%



# BNL Group: Total Deposits from Customers<sup>(1)</sup>

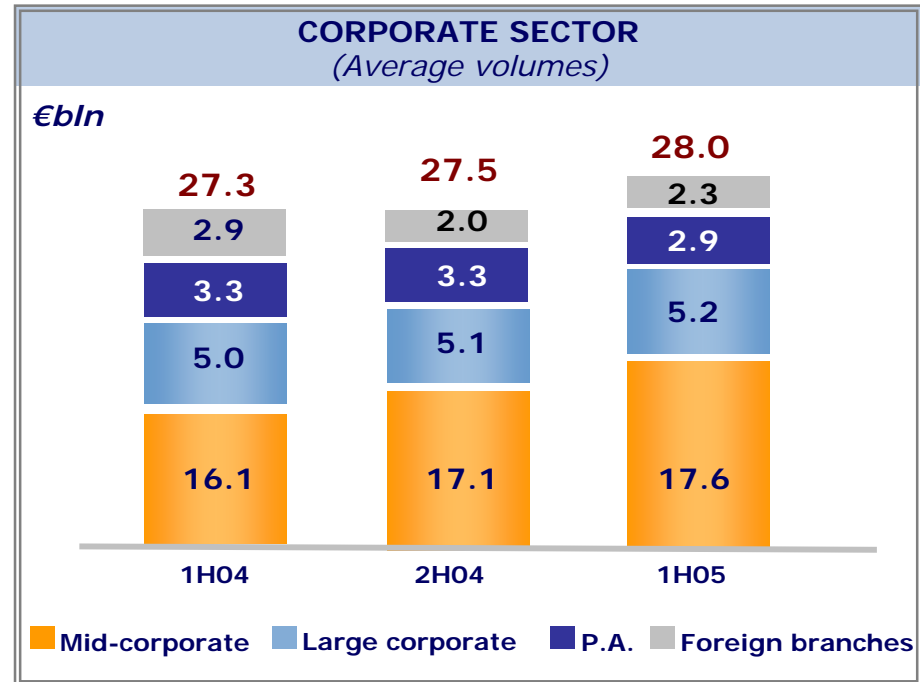
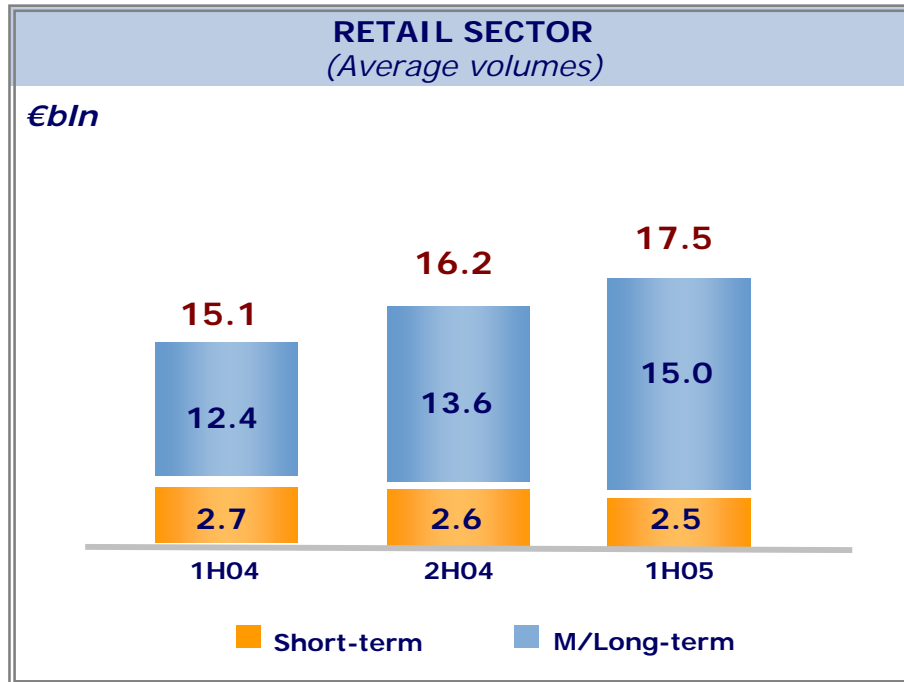
Growth in customer deposits mainly due to sizeable increase in direct deposits in the half-year



<sup>(1)</sup> Includes securities issued

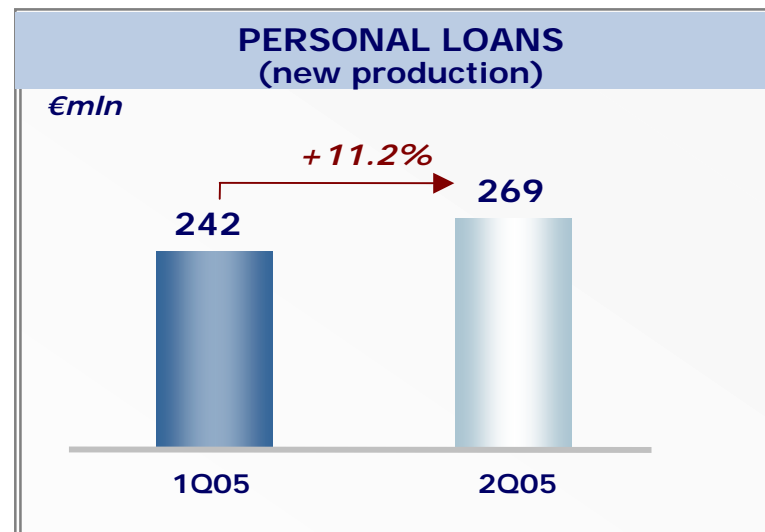
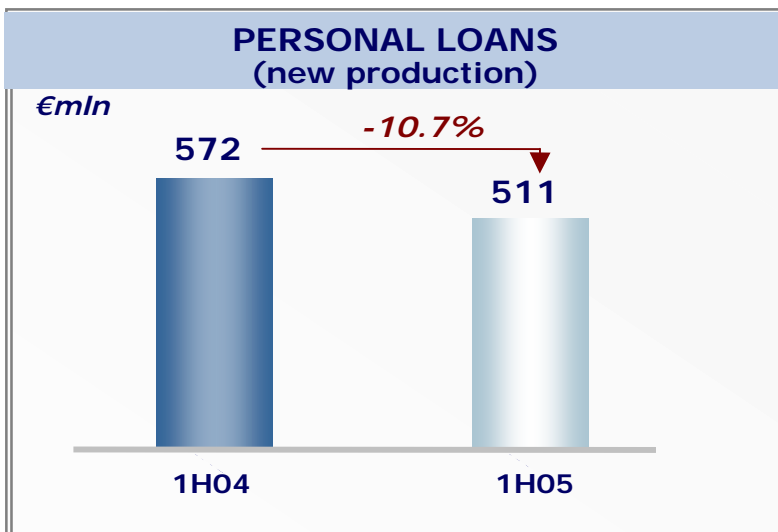
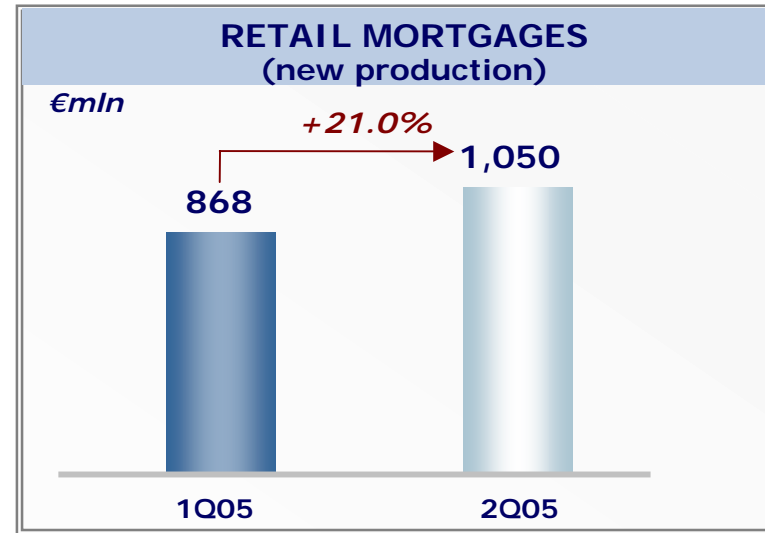
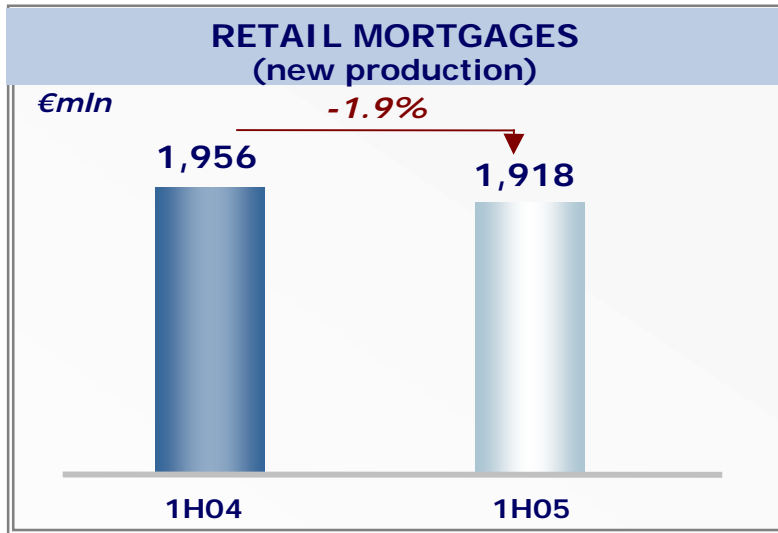
# BNL SpA: Loans to Customers

Selective growth in medium/long-term retail and mid-corporate components



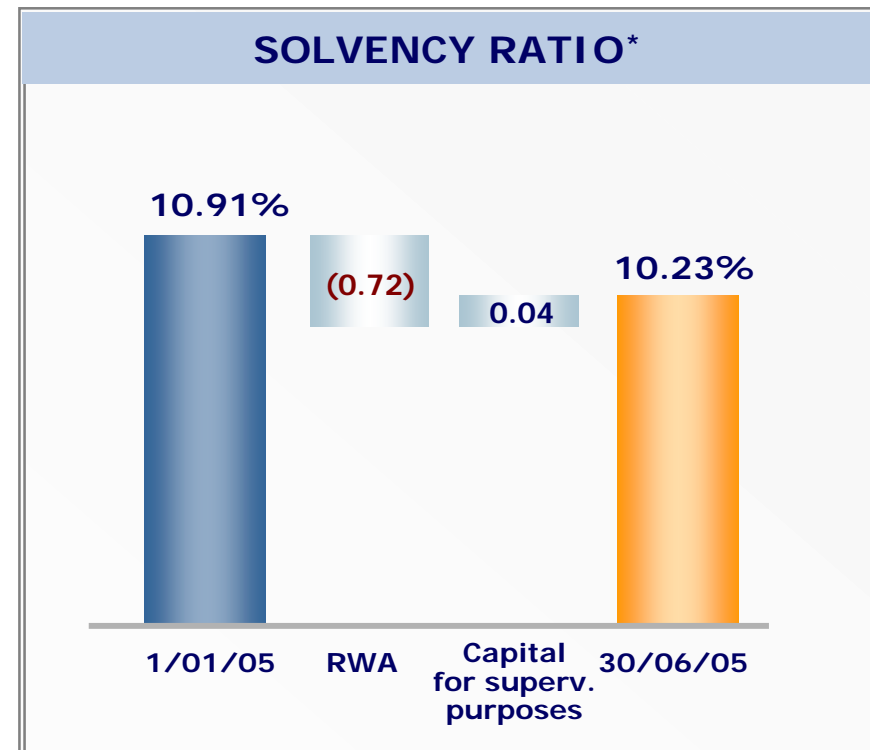
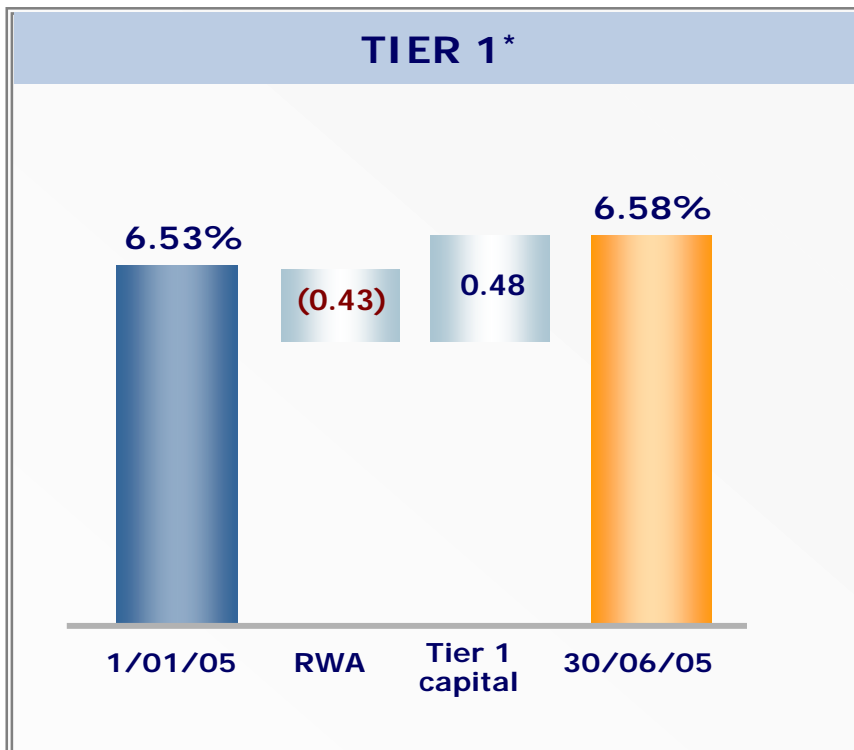
# BNL SpA: Mortgages and Personal Loans

Retail lending activity remains sustained with a pick-up in 2Q05



# BNL Main Ratios: Tier 1 and Solvency Ratio


- ❑ Tier 1 improves as earnings in the period more than compensate commercial loan growth
- ❑ Solvency ratio above 10% in spite of reduction in more costly capital instruments



(\*) Based on current understanding of IAS-related supervisory guidance development

# 1H2005 Results: Income Statement Highlights

Marked improvement in profitability (even excluding IAS impact) generates an annualised ROE in excess of 12%

<i>(Euro million)</i>	<b>1H2005</b>	<b>% var. on 1H04</b>	
<b>OPERATING PROFIT</b>	<b>456</b>	<b>+86.1%</b>	<b>+45.7%</b> <i>Excl. IAS 32 - 39</i>
<b>NET PROFIT</b>	<b>277</b>	<b>+82.2%</b>	<b>+40.1%</b> <i>Excl. IAS 32 - 39</i>
			
<b>ROE</b>	<b>12.3%</b>		

# 1H2005 Results: Income Statement Highlights

Improved profitability driven by core revenues, operating costs control and lower cost of credit

<i>(Euro million)</i>	<b>1H2005</b>	<b>% var. on 1H04</b>	
<b>NET INTEREST INCOME + NET COMMISSIONS</b>	<b>1,367</b>	<b>+11.2%</b>	<b>+5.3%</b> <i>Excl. IAS 32 - 39</i>
<b>OPERATING COSTS</b>	<b>(893)</b>	<b>-1.4%</b>	
<b>NET VALUE ADJUSTMENT FOR IMPAIRMENT OF LOANS</b>	<b>(136)</b>	<b>-30.3%</b>	<b>-35.9%</b> <i>Excl. IAS 32 - 39</i>

The significance of the results achieved is further increased taking into account one-off income included in 1H2004 results: €78mln from active management of medium-term interest rate positions and €74mln from the sale of Banca BNL Investimenti

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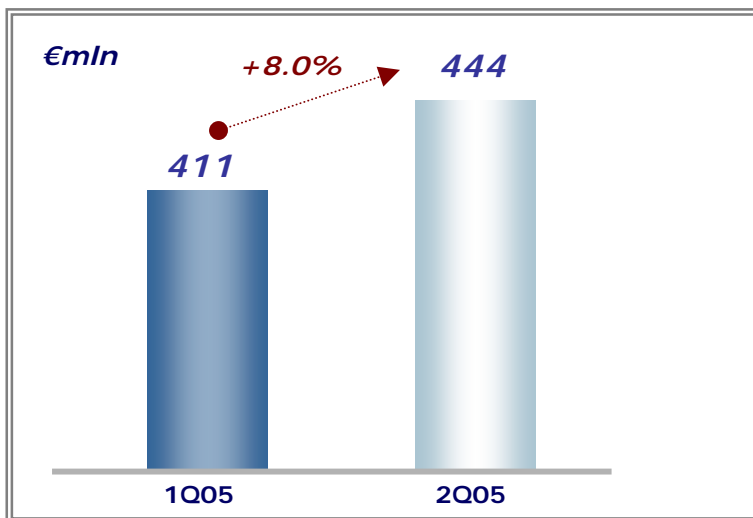
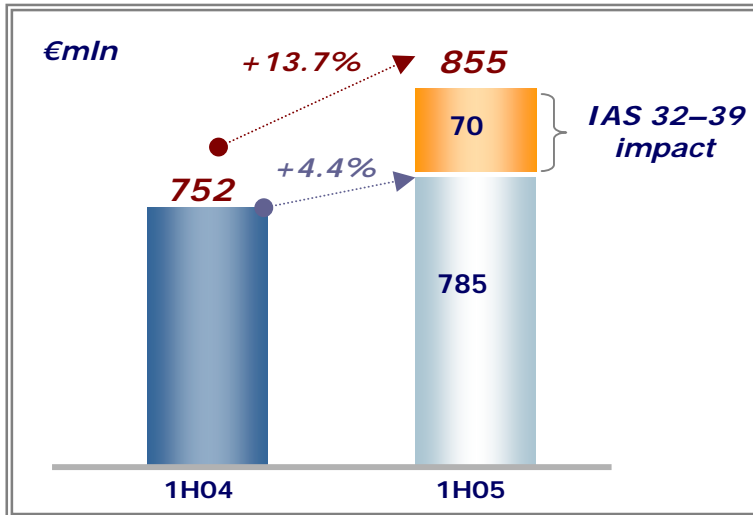
Argentina

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# BNL Group: Net Interest Income

Marked improvement in net interest income driven by volume growth



## Components of YoY variation

### IAS/IFRS

Full adoption of IAS 39 impacts interest income for €70mln mainly resulting from revaluation of impaired loans

### Lending activity

Growth in domestic commercial volumes:

- retail (medium-term)
- mid-corporate (mainly short-term)

Spreads remain substantially stable

### Funding

Increase in deposits, especially short-term

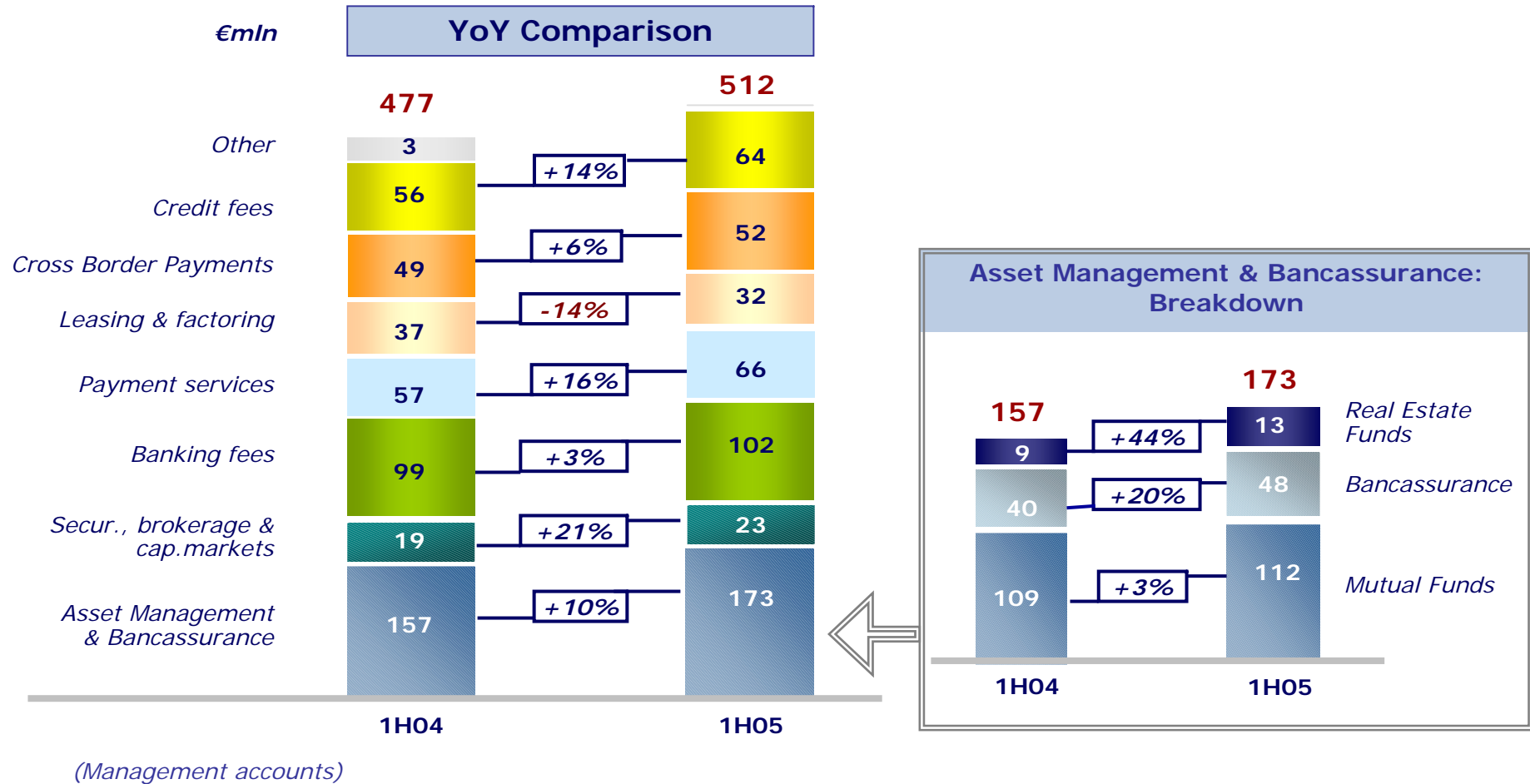
### Treasury

Positive contribution from active A/L management



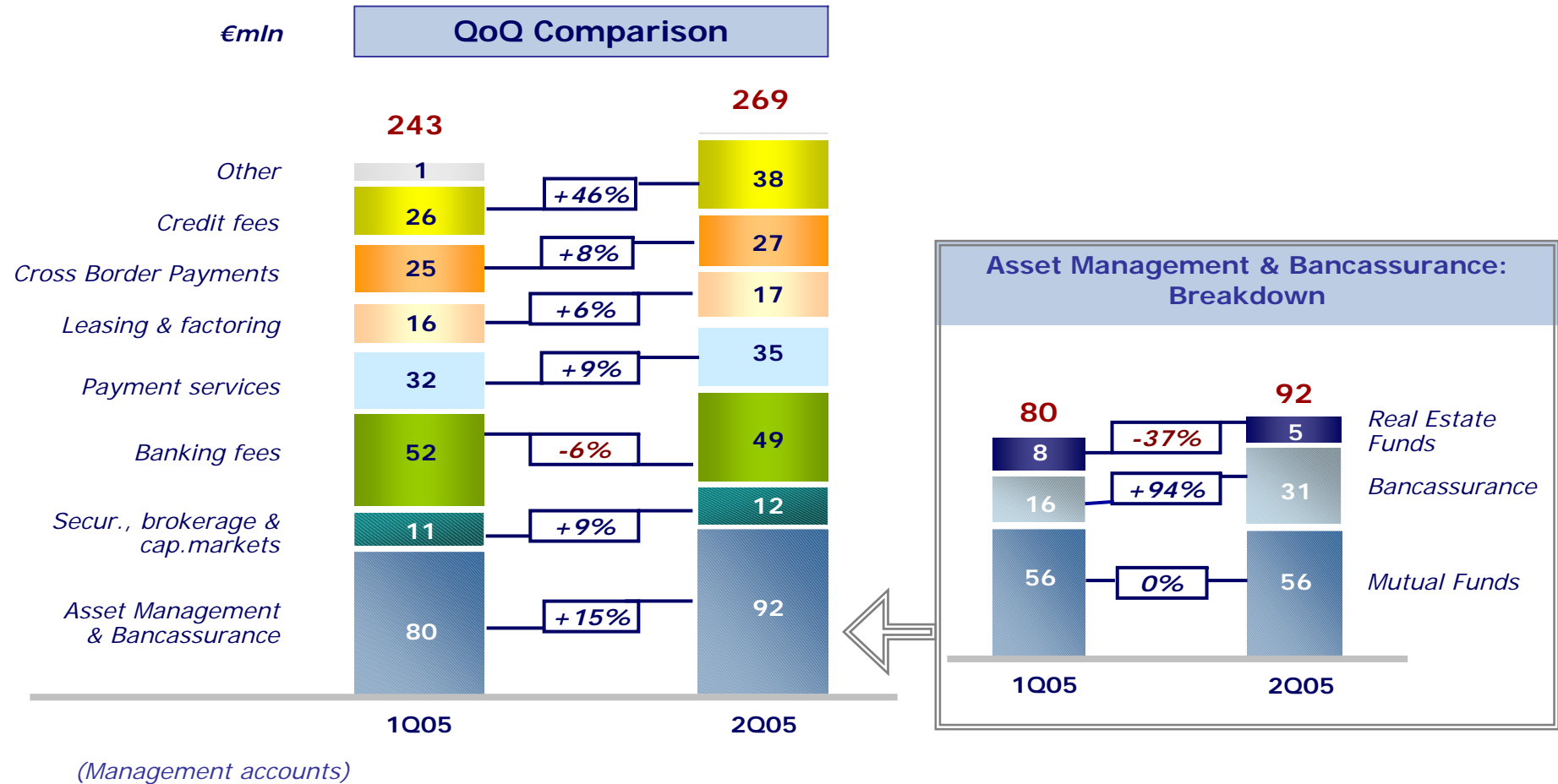
# BNL Group: Net Commissions – 1H2005

Improvement in all main components with particular emphasis on traditional banking & financial fees and asset management/bancassurance



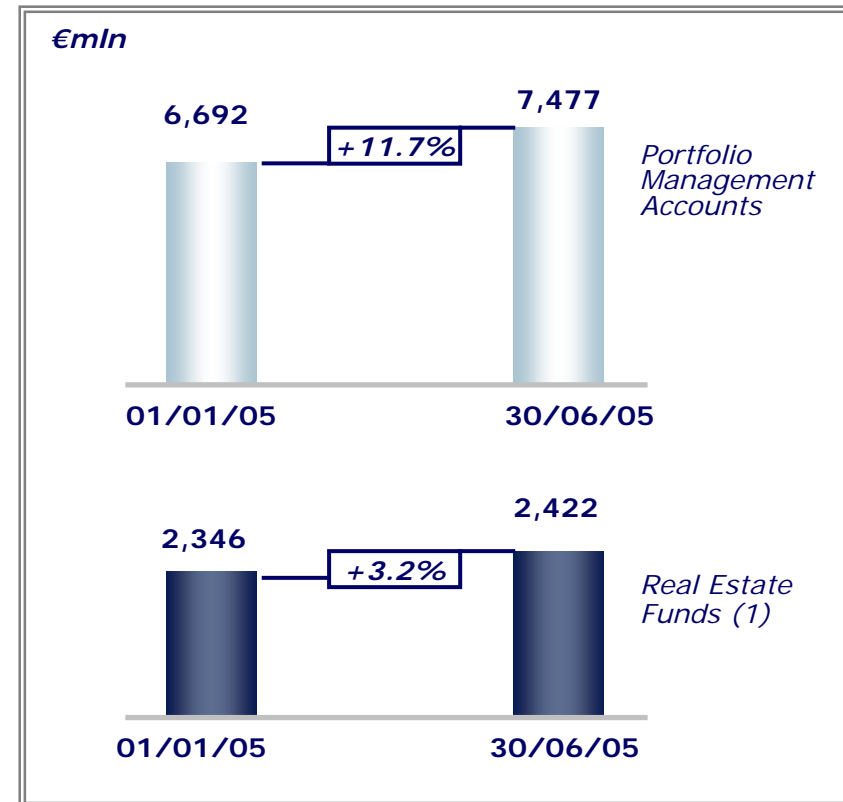
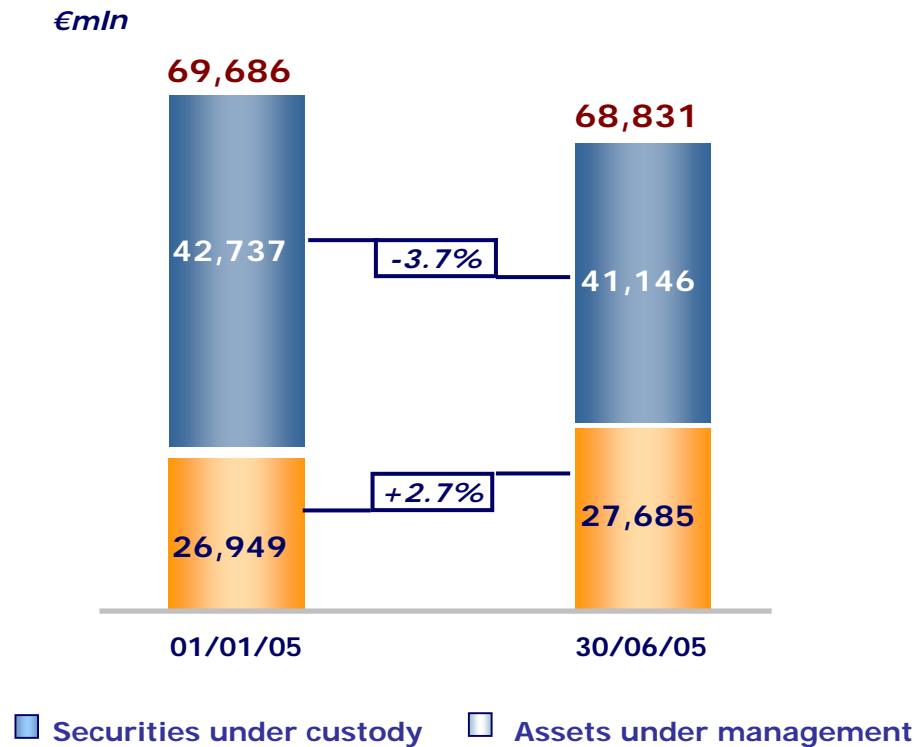
# BNL Group: Net Commissions – 2Q2005

Positive momentum in the quarter mainly supported by credit fees and bancassurance contribution



# BNL Group: Indirect Deposits

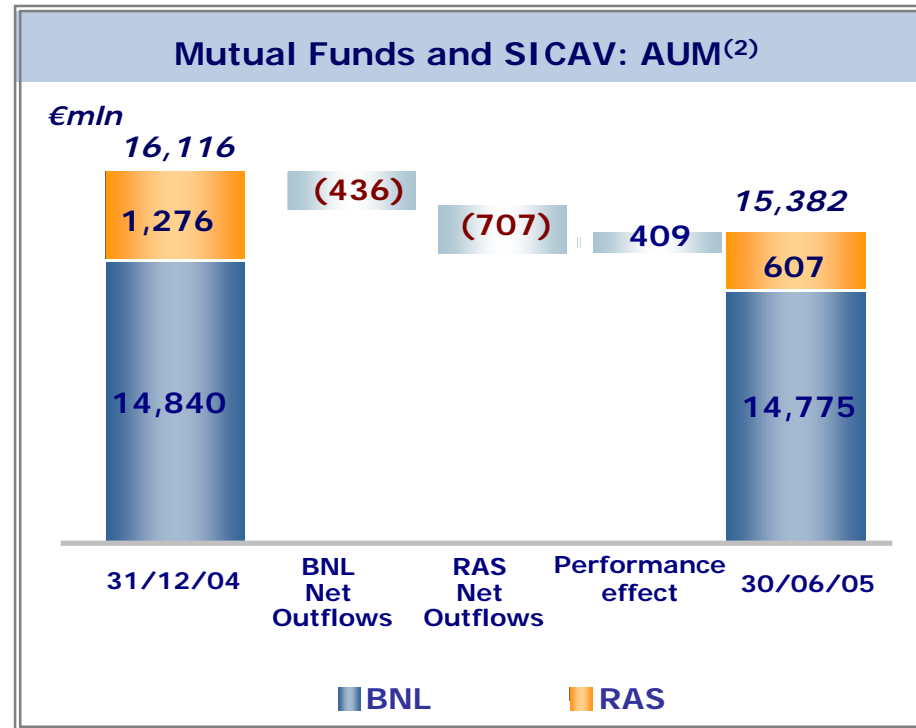
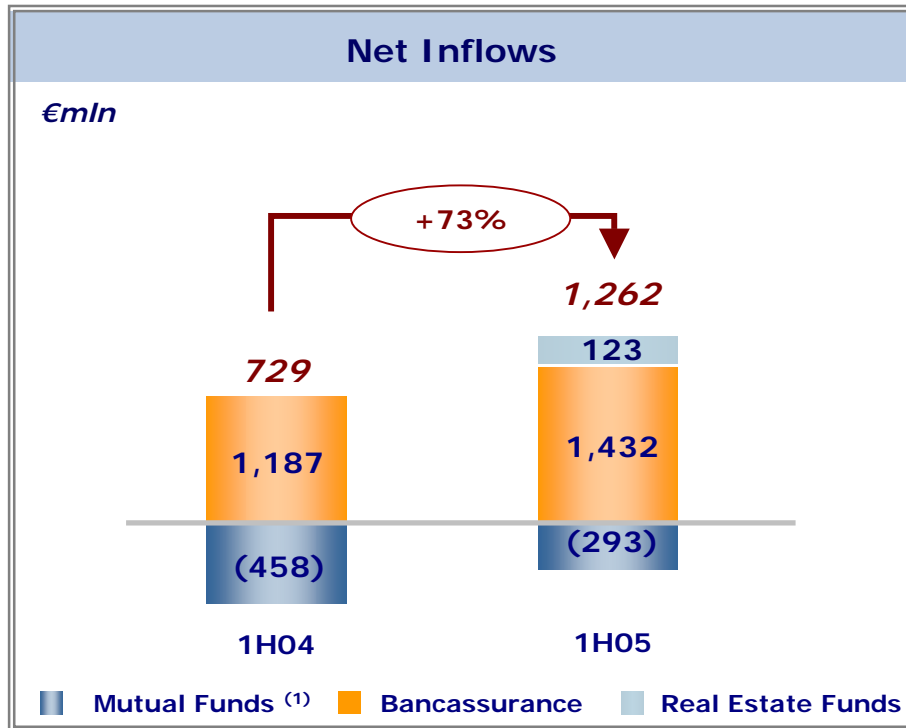
**AUM increase by 2.7% driven by portfolio management accounts and real estate funds**



(1) Includes leverage

# Asset Management & Bancassurance

- Positive net inflow from bancassurance and real estate funds more than offset outflow from mutual funds
- Mutual funds stocks remain substantially stable after allowing for expected outflow from RAS



**BNL Vita's technical reserves amount to €8,528mln (+9.3% on 1/01/2005)**

(1) Mutual Funds, SICAV, Portfolio Management Accounts. Excludes impact of BNL Investimenti / RAS

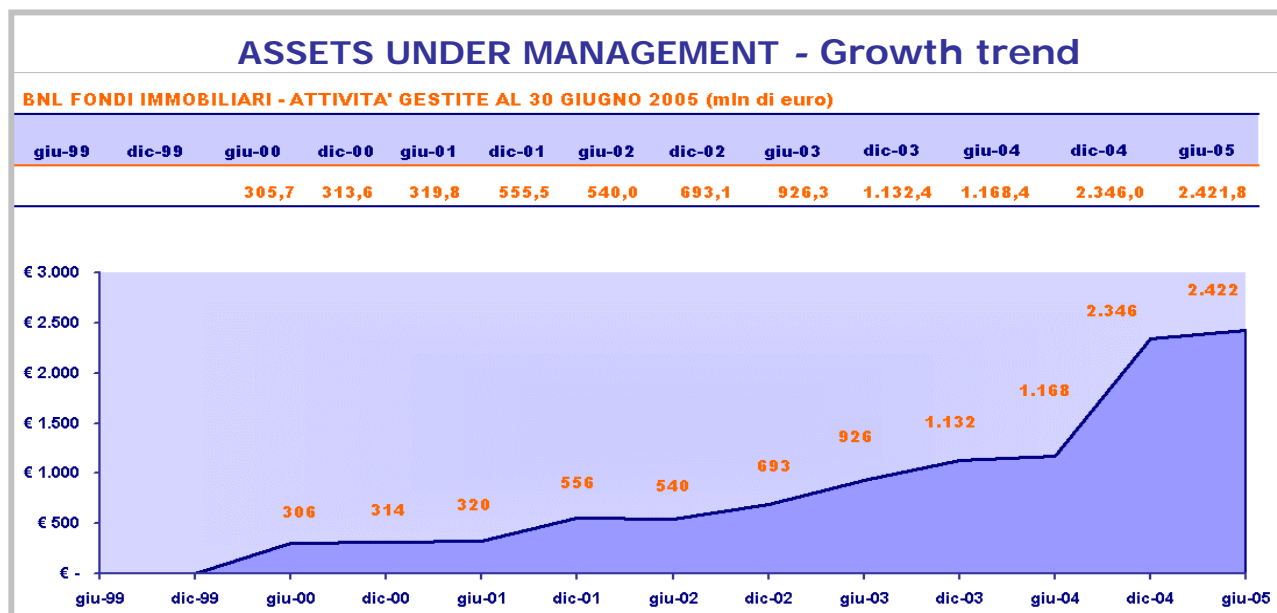
(2) BNL Gestioni SGR: excludes Portfolio Management Accounts

# BNL Group: Real Estate Investment Trusts

- Confirming market leading position whilst growing trend in AUM continues
- BNL Fondi Immobiliari SGR to manage one of the three portfolios of the State Property Investment Fund

Market share: **17.3%**<sup>(1)</sup>

(1) Source: Internal estimates based on Net Asset Value

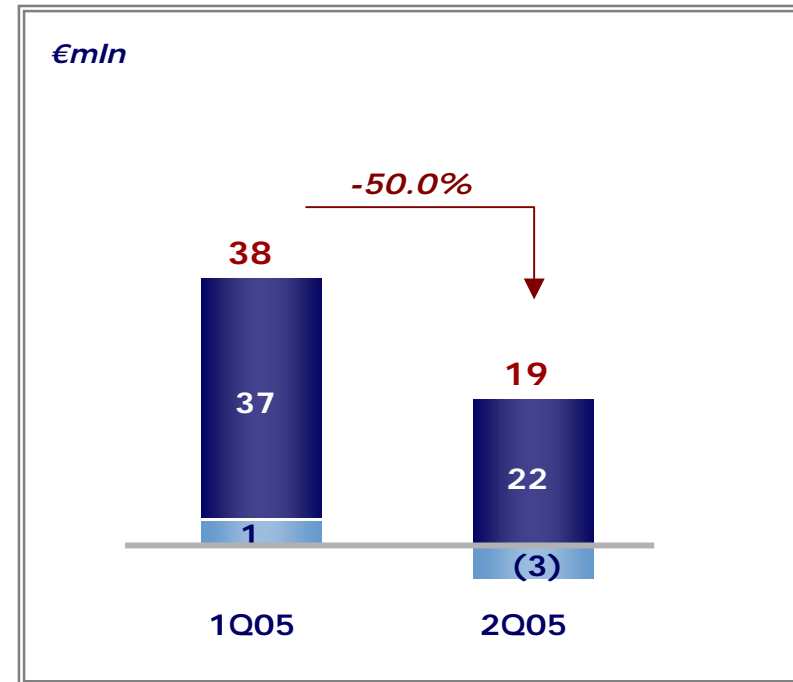
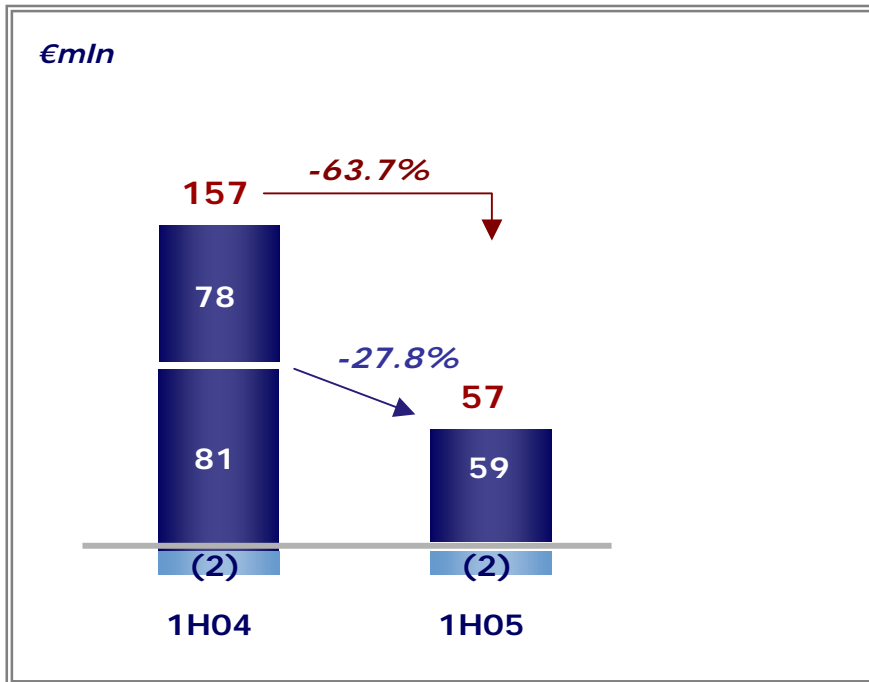


**ASSETS UNDER  
MANAGEMENT**  
at 30/06/2005

'BNL Portfolio Immobiliare':	514.5	} <b>2,422</b>	€mln
'Portfolio Immobiliare Crescita':	287.1		
'Estense-Grande Distribuzione':	220.4		
'Fondo Lazio':	185.1		
'Immobiliare Dinamico':	130.8		
Delegation agreements:	1,083.5		

# BNL Group: Financial Activities

- ❑ Unfavourable market scenario impacts profitability
- ❑ YoY comparison affected by one-off trading income of €78m in 1H04

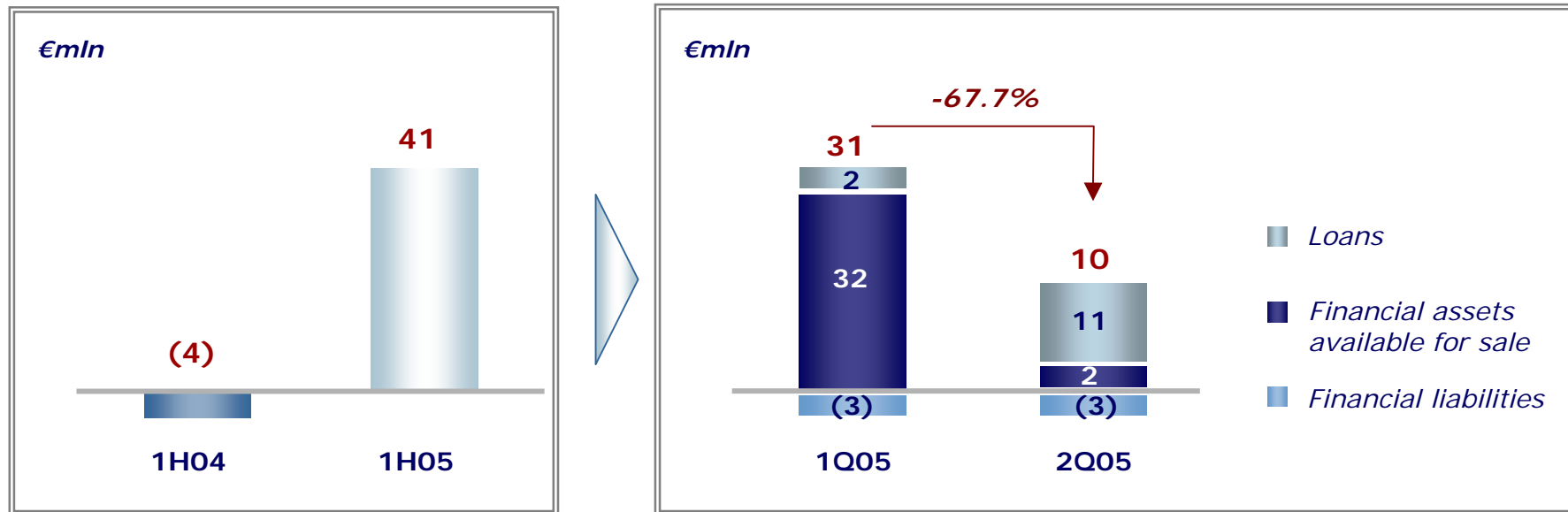


■ Net trading result

■ Net hedging result

# BNL Group: Sale/Purchase of Financial Assets

The sales of problem loans generate a positive contribution of €13mIn



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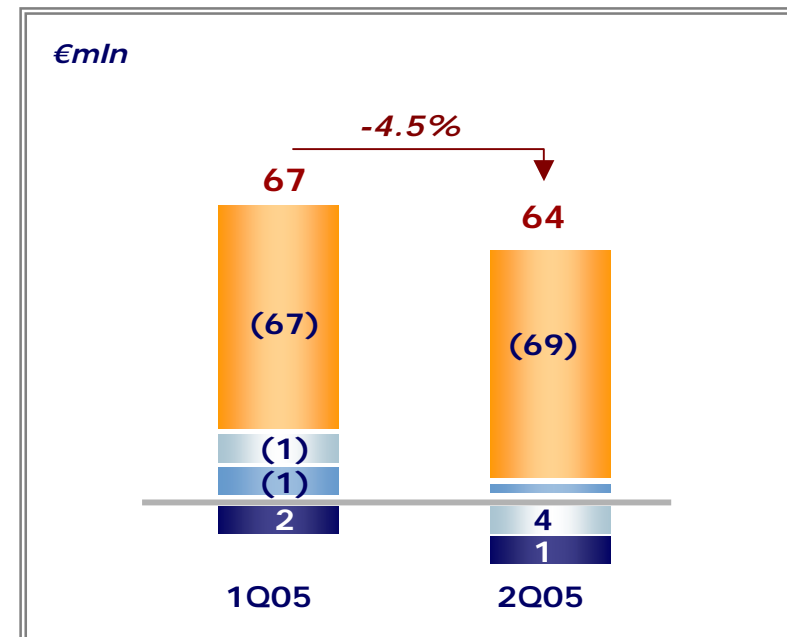
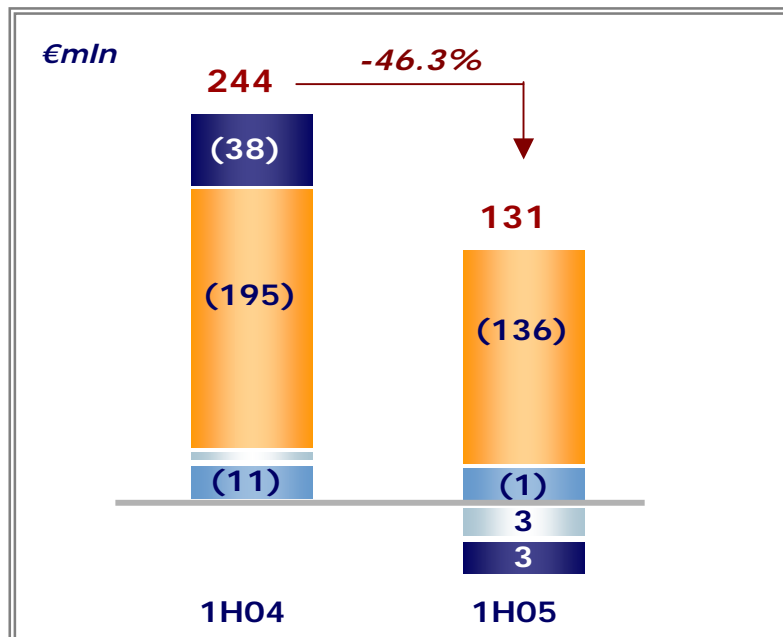
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# BNL Group: Total Provisions & Adjustments

- Completion of restructuring actions taken in prior years allows a sizeable reduction in provisioning level
- The quarterly comparison shows an overall stability in the aggregate



■ Net provisions for contingencies and other charges

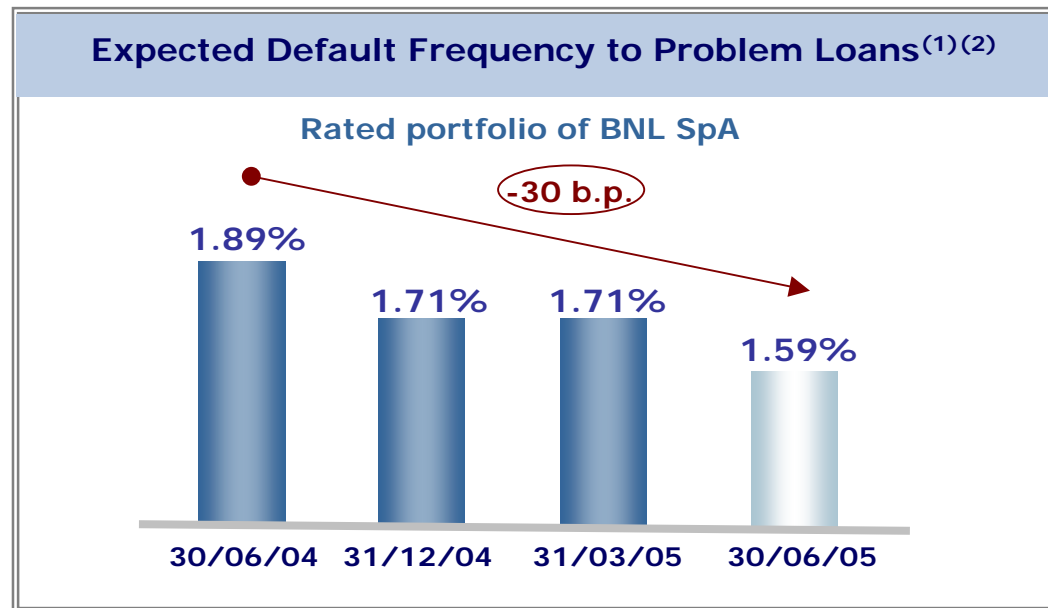
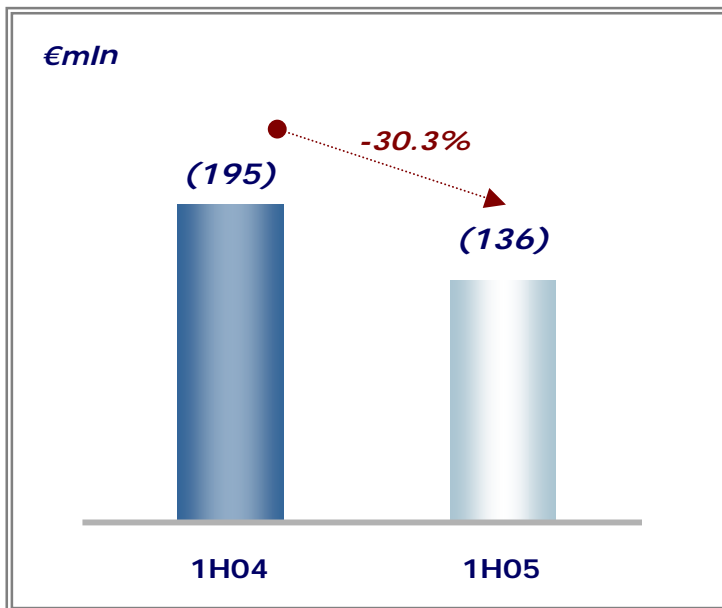
■ Net adjustments on loans

■ Net adjustments on other financial assets

■ Net adjustments on financial assets available for sale

# BNL Group: Credit Risk Provisions & Write-downs

- Active asset quality management and improved recoveries positively impact cost of credit
- Continuing improvement in loan book quality confirmed by 30 b.p. reduction in rated portfolio's EDF

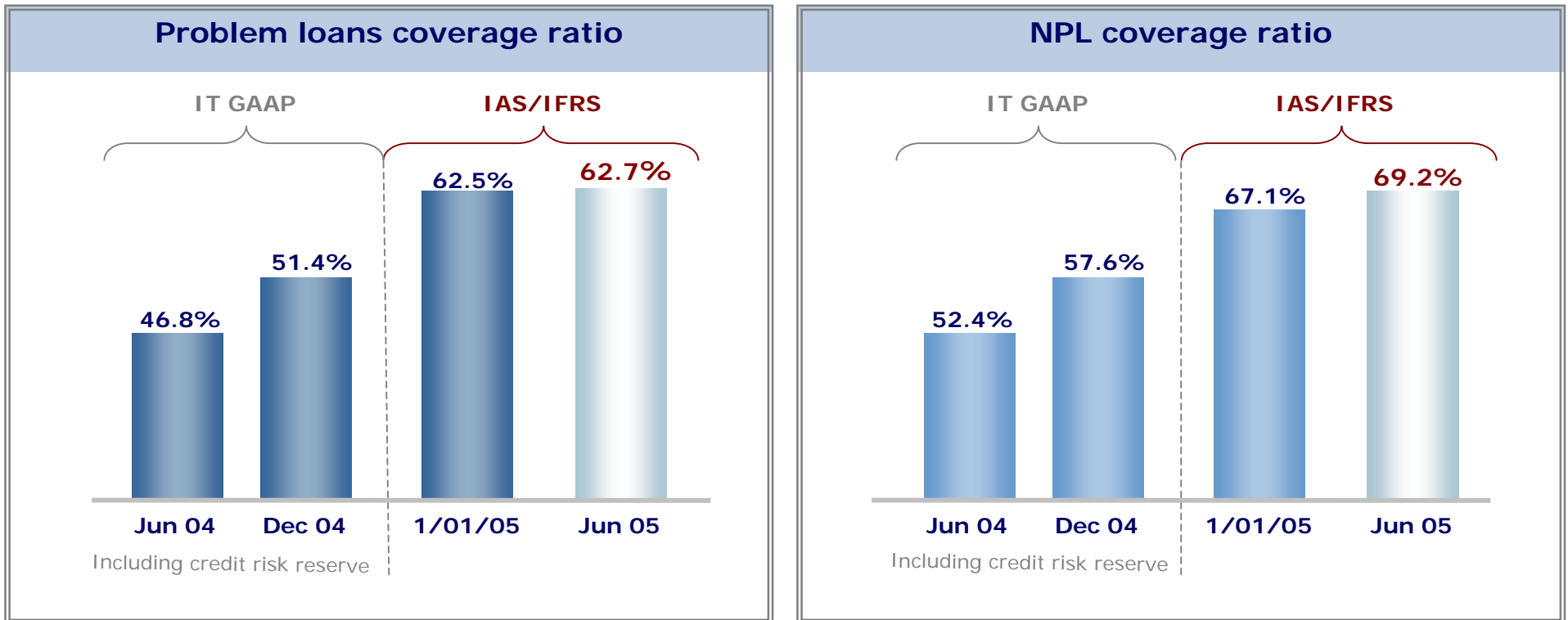


**Net annualised cost of credit: 45 b.p.\***

\* Calculated on actual number of days (181/365)

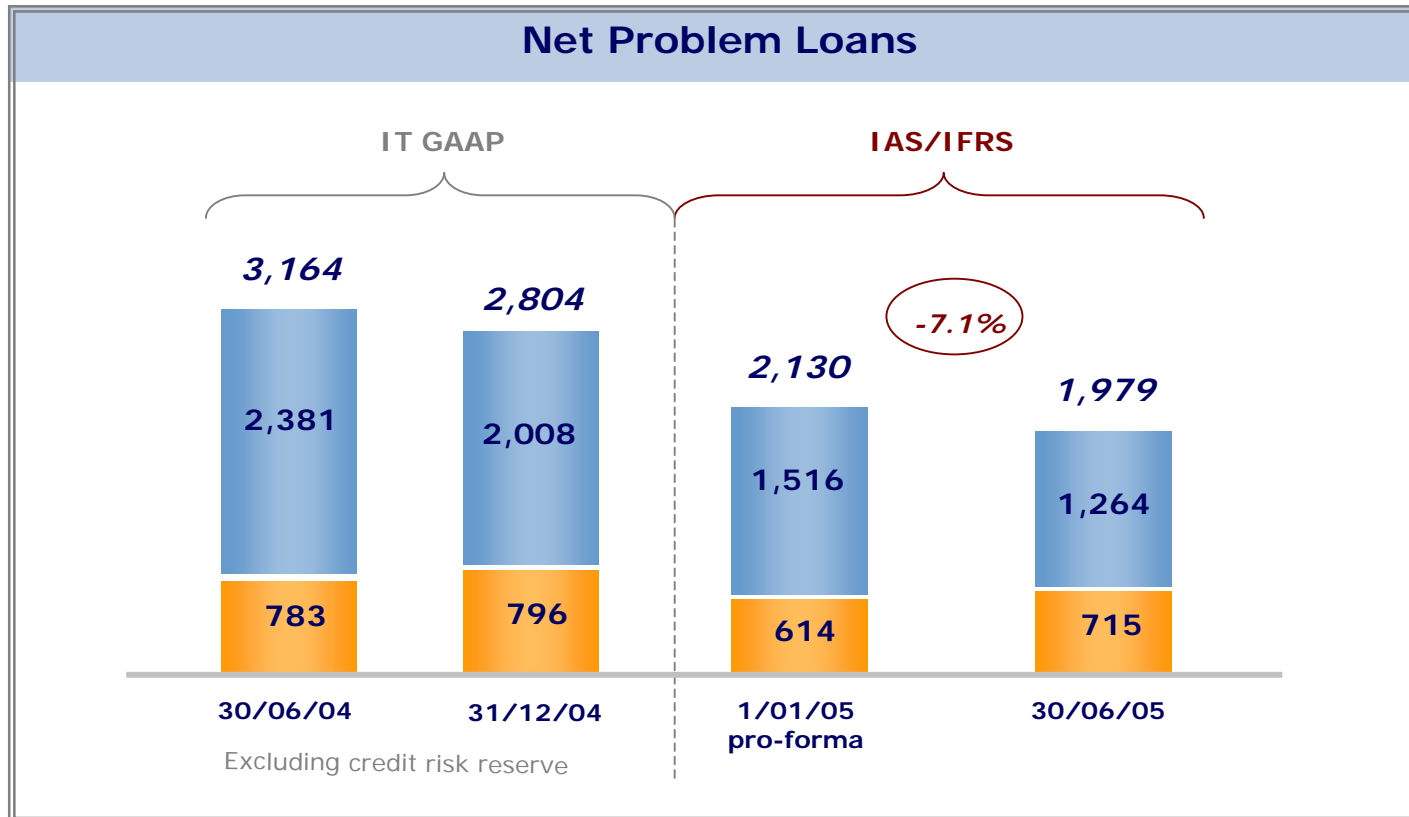
# BNL Group: Asset Quality

Coverage ratios increase despite lower provisioning



# BNL Group: Asset Quality

Net problem loans mark a 7% reduction in the period driven by lower net non-performing loans (-17%)



■ Non-Performing Loans ("Sofferenze")    ■ Substandard Loans ("Incagliati")

# Asset Quality: Sales of Problem Loans

**Commitment to improve asset quality and reduce financial risk profile confirmed by ongoing sale of problem loans**

Gross Asset Value

**€430mIn**  
(finalised on  
30/12/2004)

Sale without recourse to Morgan Stanley and  
Pirelli R.E. of corporate loans

**€174mIn\***  
(finalised on  
18/02/2005)

Sale without recourse to Goldman Sachs  
group of small ticket short-term credits

Reduction in number of  
problem loan positions by  
>25%

**€287mIn\***  
(finalised on  
28/06/2005)

Sale without recourse to Goldman Sachs  
group of mortgages and unsecured credits

Reduction in number of  
problem loan positions by a  
further 20%

Since December 2004  
gross problem loans reduced  
by nearly €900mIn

Drastically lowered number  
of problem loans positions  
by 53,000 (-30%)

\* Amounts refer to actual balances sold

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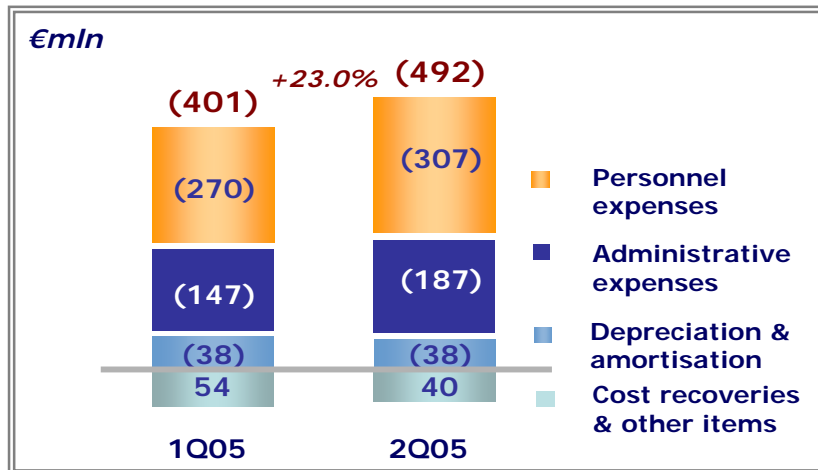
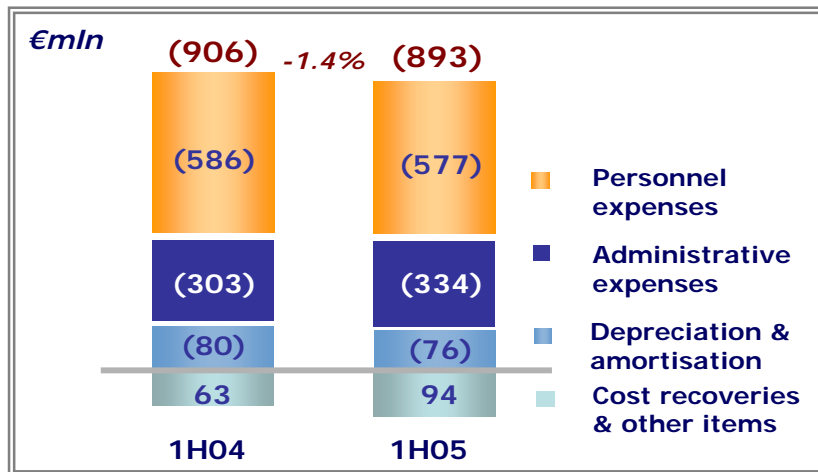
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# BNL Group: Operating Costs

- New labour contract increase is more than offset by headcount reduction and lower lay-off charges
- 2Q05 administrative expenses include one-off IT and advisory costs (~€20m) and additional business development costs (€10m)



YoY change

Operating costs	-1.4%
Personnel expenses	-1.5%
Administrative expenses	+10.2%
Depreciation & amortisation	-5.0%
Cost recoveries & other items	+49.2%

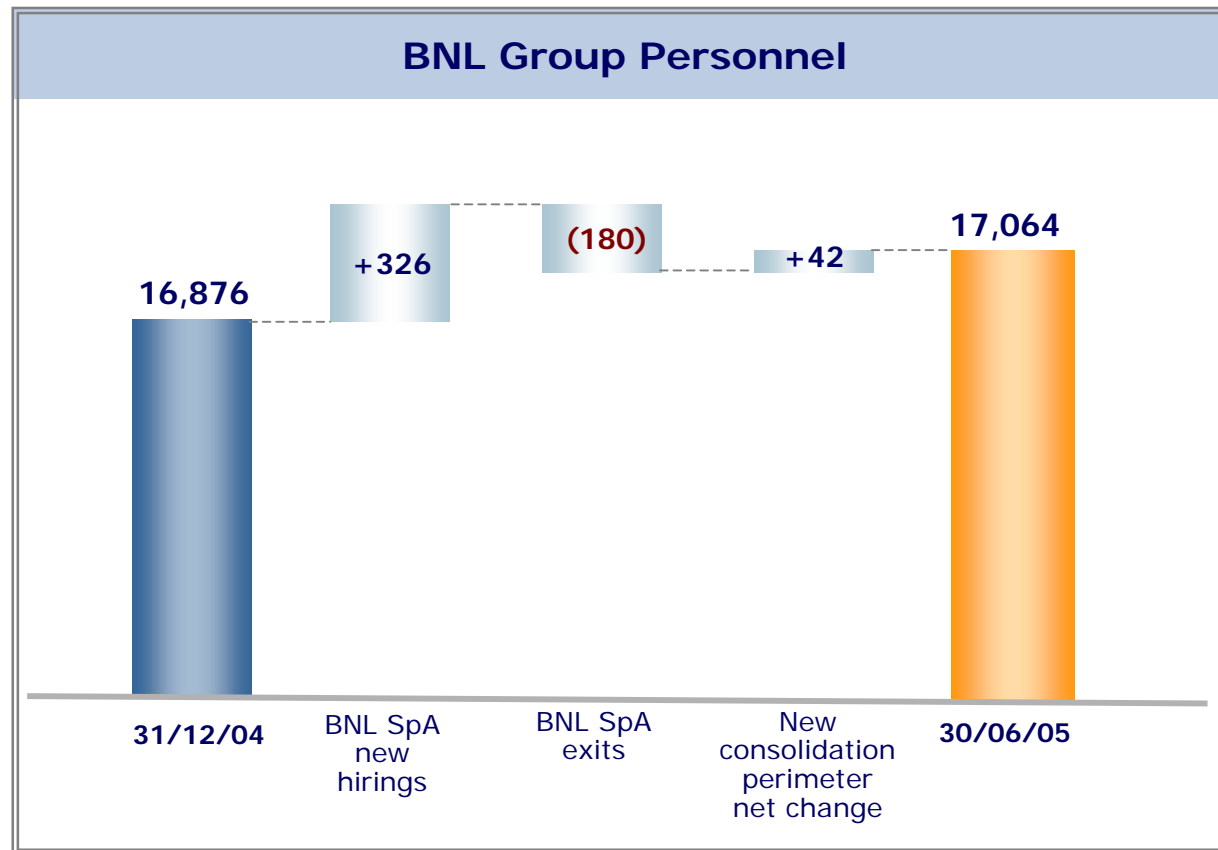
**COST/INCOME**  
(as at 30/06/2005)

60.6% (incl. D&A)  
55.4% (excl. D&A)

IAS ACCOUNTING RESULTS IN HIGHER QUARTERLY VOLATILITY ALSO IN COSTS ACCOUNTING

# BNL Group: Personnel

- ❑ Continuing headcount reduction more than counterbalanced by selective recruitment and change in the consolidation perimeter
- ❑ Total exits in excess of 550 envisaged for BNL SpA in 2005





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# Argentina

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## Argentina

The Argentinean Group has been accounted in accordance with IFRS 5, which regulates Activities Held for Sale; the relative balance sheet and P&L items have been separately presented in the consolidated accounts and impact the balance sheet and P&L account through the following entries:

<b>Assets:</b>	“Non-current assets held for sale and discontinued operations”	<b>€1,457mln</b>
<b>Liabilities:</b>	“Liabilities related to discontinued operations”	<b>€1,339mln</b>
<b>Net Worth:</b>	“Capital and Reserves”	<b>€54mln</b>
<b>P&amp;L account:</b>	“Profit/loss after tax of non-current assets held for sale”	<b>€6.2mln</b>

At 30/06/05 intra-group credit lines have been reduced to €29.8mln (BNL Inversiones Argentinas) and US\$32mln (BNL S.A.); the latter was repaid in July 2005

The initial opportunity of sale to Banco Hipotecario has not been pursued due to delays in the decision-making process of the prospective purchaser

BNL is currently evaluating alternative opportunities which on the basis of the improved situation in Argentina and in consideration of the repayments of intra-group lines received could result in an improvement of the sale conditions initially foreseen

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# BNL Main Ratios

Data at 30/06/2005

EFFICIENCY	COST/INCOME (incl. D&A) COST/INCOME (excl. D&A)	<b>60.6%</b> <b>55.4%</b>
ASSET QUALITY	NPL COVERAGE PROBLEM LOANS COVERAGE NET NPL/NET LOANS TO CUSTOMERS COST OF CREDIT (annualised)	<b>69%</b> <b>63%</b> <b>2.1%</b> <b>45 b.p.</b>
CAPITAL BASE	TIER 1 RATIO*	<b>6.6%</b>
PROFITABILITY	ROE (annualised)	<b>12.3%</b>

(\*) estimate pending publication of new calculation criteria for this indicator by Regulatory Authorities

# Forward Looking Statement

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## Outlook for the second half of 2005

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The economic scenario suggests a substantially unchanged interest rates environment. Thus no significant contribution is expected from interest rates changes.

Such context, different from the one originally envisaged, should result in growth of the operating income, on a annual comparable basis, though lower than targeted.

However, the offsetting effect of a lower cost of risk and moderate growth in operating costs should still permit the achievement of the targets for overall profitability and ROE.

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# Accounting Notes

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## IAS/IFRS

Adoption of IAS/IFRS principles at 1/01/2005.  
BNL has opted to exclude from restatement of 2004 results the impact of IAS 32 and 39

## 1/01/05 Balance Sheet and 1Q05 Income Statement review

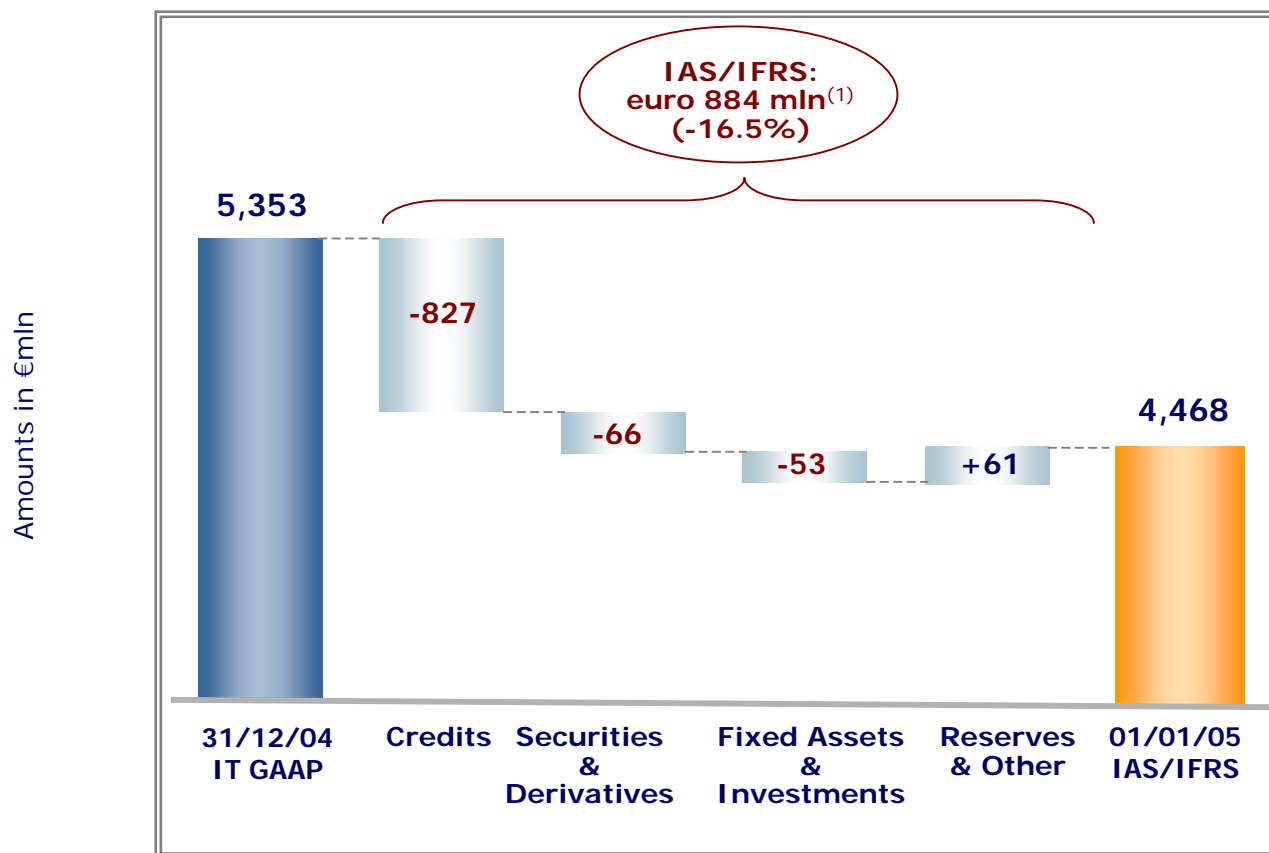
At the time of definition of the semi-annual accounts, the accounting methodology under First Time Adoption, reclassifications and consolidation adjustments have been fine-tuned, resulting in a review of balance sheet data at 1/01/05 and income statement at 31/03/05  
All comparisons in this presentation refer to the reviewed data  
(details are included in the Appendix)

## Argentina

In compliance with IAS 27, the Argentinean subsidiaries have been included in the consolidation area in accordance with IFRS 5

# IAS/IFRS First Time Adoption: Net Equity

After full review of First Time Adoption the total negative impact of €884mln on Net Equity at 31/12/2004 is confirmed



*Components' data differs from that published in conjunction with 1Q2005 results*

(1) Calculated on exact amounts



# BNL Group: 1H2005 Income Statement

<i>€mln</i>	1 H 2005	Of which IAS 32-39	1 H 2004 Restated <sup>(1)</sup>	% Change	%Ch. net of IAS 32-39
<b>NET INTEREST INCOME</b>	<b>855</b>	<b>70</b>	<b>752</b>	<b>13.7%</b>	<b>4.4%</b>
Net commissions	512		477	7.3%	
Dividend and similar income	9		6	50%	
Net trading/hedging result	57		157	(63.5%)	
Profit/loss on sale & purchase of financial assets	41		(4)	n.m.	
Change in value on financial assets carried at fair value	0		0	-	
<b>OPERATING INCOME</b>	<b>1,474</b>	<b>111</b>	<b>1,388</b>	<b>6.2%</b>	<b>-1.8%</b>
Net value adjustment for impairment of loans	(136)		(195)	(30.3%)	
Net value adjustment for impairment of financial assets	2		(11)	n.m.	
Net provisions for risks and contingencies	3		(38)	n.m.	
Operating costs	(893)		(906)	(1.4%)	
- Personnel expenses	(577)		(586)	(1.5%)	
- Other administrative expenses	(334)		(303)	10.2%	
- Deprec. and amortization of fixed and intang. assets	(76)		(80)	(5.0%)	
- Other operating income/expense	94		63	49.2%	
Profit on investments carried at net equity	6		7	(14.3%)	
<b>OPERATING RESULT</b>	<b>456</b>	<b>99</b>	<b>245</b>	<b>86.1%</b>	<b>45.7%</b>
Profit from disposal of investments	0		77	(100.0%)	
<b>PROFIT BEFORE TAX</b>	<b>456</b>	<b>99</b>	<b>322</b>	<b>41.6%</b>	<b>10.9%</b>
Tax for the period	(185)		(168)	10.1%	
Profit/loss after tax from non-current assets held for sale	6		-	n.m.	
Profit/loss attributable to minority interests	0		(2)	n.m.	
<b>NET PROFIT FOR THE PERIOD</b>	<b>277</b>	<b>64</b>	<b>152</b>	<b>82.2%</b>	<b>40.1%</b>

(1) restated according to IAS/IFRS, with the exclusion of IAS 32 and 39, and on a pro-forma basis to take account of changes in the consolidation perimeter

# BNL Group: Quarterly Income Statement

<i>€mln</i>	2 Q 2005	1 Q 2005 (reviewed)	Change	% Change
<b>NET INTEREST INCOME</b>	<b>444</b>	411	33	8.0%
Net commissions	269	243	26	10.7%
Dividend and similar income	7	2	5	250.0%
Net trading/hedging result	19	38	(19)	(100.0%)
Profit/loss on sale & purchase of financial assets	10	31	(21)	(67.7%)
Change in value on financial assets carried at fair value	0	0	0	-
<b>OPERATING INCOME</b>	<b>749</b>	725	24	3.3%
Net value adjustment for impairment of loans	(69)	(67)	(2)	3.0%
Net value adjustment for impairment of financial assets	4	(2)	6	n.m.
Net provisions for risks and contingencies	1	2	(1)	(50.0%)
Operating costs	(492)	(401)	(91)	22.7%
- Personnel expenses	(307)	(270)	(37)	13.7%
- Other administrative expenses	(187)	(147)	(40)	27.2%
- Deprec. and amortization of fixed and intangible assets	(38)	(38)	0	-
- Other operating income/expense	40	54	(14)	(25.9%)
Profit on investments carried at net equity	4	2	2	100.0%
<b>OPERATING RESULT</b>	<b>197</b>	259	(62)	(23.9%)
Profit from disposal of investments	0	0	0	-
<b>PROFIT BEFORE TAX</b>	<b>197</b>	259	(62)	(23.9%)
Tax for the period	(64)	(121)	(57)	(47.1%)
Profit/loss after tax from non-current assets held for sale	6	0	6	n.m.
Profit/loss attributable to minority interests	0	0	0	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>139</b>	138	1	0.7%

# BNL Group: Restated 2004 Income Statement

<i>€mln</i>	1 Q 2004 Restated <sup>(1)</sup>	2 Q 2004 Restated <sup>(1)</sup>	1 H 2004 Restated <sup>(1)</sup>
<b>NET INTEREST INCOME</b>	377	375	752
Net commissions	236	241	477
Dividend and similar income	0	6	6
Net trading/hedging result	37	120	157
Profit/loss on sale & purchase of financial assets	(4)	0	(4)
Change in value on financial assets carried at fair value	0	0	0
<b>OPERATING INCOME</b>	646	742	1,388
Net value adjustment for impairment of loans	(101)	(94)	(195)
Net value adjustment for impairment of financial assets	(1)	(10)	(11)
Net provisions for risks and contingencies	(5)	(33)	(38)
Operating costs	(448)	(458)	(906)
- Personnel expenses	(283)	(303)	(586)
- Other administrative expenses	(150)	(153)	(303)
- Deprec. and amortization of fixed and intangible assets	(43)	(37)	(80)
- Other operating income/expense	28	35	63
Profit on investments carried at net equity	3	4	7
<b>OPERATING RESULT</b>	94	151	245
Profit from disposal of investments	74	3	77
<b>PROFIT BEFORE TAX</b>	168	154	322
Tax for the period	(63)	(105)	(168)
Profit/loss after tax from non-current assets held for sale	0	0	0
Profit/loss attributable to minority interests	(1)	(1)	(2)
<b>NET PROFIT FOR THE PERIOD</b>	104	48	152

(1) restated according to IAS/IFRS, with the exclusion of IAS 32 and 39, and on a pro-forma basis to take account of changes in the consolidation perimeter

# BNL Group: Balance Sheet

€ mln	30/06/05	01/01/05 Restated*	% change
<b>ASSETS</b>	<b>88,626</b>	<b>81,466</b>	<b>8.8%</b>
Financial Assets	8,358	5,447	53.4%
Loans to banks	8,200	6,456	27.0%
Loans to customers	61,327	59,903	2.4%
Equity investments	133	121	9.8%
Fixed Assets and intangibles	2,619	2,593	1.0%
Non-current assets held for sale and discontinued operations	1,457	1,146	27.1%
Other Assets	6,533	5,801	12.6%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>88,626</b>	<b>81,466</b>	<b>8.8%</b>
Deposits from banks	11,390	12,346	(7.7%)
Customer deposits	34,461	30,443	13.2%
Securities issued	27,322	25,671	6.4%
Financial liabilities	1,909	1,155	65.2%
Allowances for contingencies, risks and retirement indemnities	1,120	1,171	(4.3%)
Liabilities related to discontinued operations	1,339	1,023	30.9%
Capital and reserves	4,504	4,468	0.8%
Net profit	277	-	n.m.
Other liabilities	6,303	5,189	21.5%

(\*) restated on a pro-forma basis to take account of changes in the consolidation perimeter

# BNL Group: Reviewed 1Q05 Income Statement

<i>€mln</i>	1 Q 2005 (reviewed)	1 Q 2005 (published)	Change
<b>NET INTEREST INCOME</b>	<b>411</b>	<b>433</b>	<b>(22)</b>
Net commissions	243	235	8
Dividend and similar income	2	2	
Net trading/hedging result	38	32	6
Profit/loss on sale & purchase of financial assets	31	31	
Change in value on financial assets carried at fair value	0	0	
<b>OPERATING INCOME</b>	<b>725</b>	<b>733</b>	<b>(8)</b>
Net value adjustment for impairment of loans	(67)	(68)	(1)
Net value adjustment for impairment of financial assets	(2)	(1)	(1)
Net provisions for risks and contingencies	2	2	
Operating costs	(401)	(411)	10
- Personnel expenses	(270)	(272)	(2)
- Other administrative expenses	(147)	(147)	
- Deprec. and amortization of fixed and intangible assets	(38)	(40)	(2)
- Other operating income/expense	54	48	6
Profit on investments carried at net equity	2	1	1
<b>OPERATING RESULT</b>	<b>259</b>	<b>256</b>	<b>3</b>
Profit from disposal of investments	0	0	
<b>PROFIT BEFORE TAX</b>	<b>259</b>	<b>256</b>	<b>3</b>
Tax for the period	(121)	(120)	(1)
Profit/loss after tax from non-current assets held for sale	0	0	
Profit/loss attributable to minority interests	0	0	
<b>NET PROFIT FOR THE PERIOD</b>	<b>138</b>	<b>136</b>	<b>2</b>

# Investor's Contacts

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## Banca Nazionale del Lavoro Group Finance

Via Veneto, 119  
00187 ROMA

Tel.: +39 06 4702 7887

Fax: +39 06 4702 7884

e-mail: [investor-relations@bnlmail.com](mailto:investor-relations@bnlmail.com)

<http://www.bnlinvestor.it>