



22 November 2005

Banca Nazionale del Lavoro

(Incorporated as a *Società per Azioni* in the Republic of Italy)

Euro 10,000,000,000

Euro Medium Term Note Programme

for the issuance of Euro Medium Term Notes by

Banca Nazionale del Lavoro S.p.A.

and

Banca Nazionale del Lavoro International S.A.

(Incorporated as a *Société Anonyme* in the Grand Duchy of Luxembourg)
unconditionally and irrevocably guaranteed by

Banca Nazionale del Lavoro S.p.A.

Arrangers

UBS Investment Bank

Banca Nazionale del Lavoro

Dealers

ABN AMRO

Banca Nazionale del Lavoro

Banco Bilbao Vizcaya Argentaria, S.A.

Lehman Brothers

Merrill Lynch International

Morgan Stanley

UBS Investment Bank

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IMPORTANT NOTICES

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue during the period of twelve months after the date hereof of non-equity securities within the meaning of Article 22 No. 6(4) of Commission Regulation (EC) No. 809/2004 of 29 April 2004 ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus. This Base Prospectus comprises two base prospectuses (one for each Issuer) for the purposes of Article 5.4 of the Prospectus Directive. Application has been made for Notes issued under the Programme to be admitted to trading and listing on the regulated market of the Luxembourg Stock Exchange which is a regulated market for the purpose of Directive 2004/39. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. Notes issued under the Programme which are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange or on any other regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, shall always have a minimum denomination of at least Euro 50,000 (or its equivalent in other currencies at the time of issue).

This Base Prospectus supersedes and replaces the offering circular dated 21 July 2004 as supplemented by a supplemental offering circular dated 10 February 2005 and a supplemental offering circular dated 28 June 2005, relating to the Programme.

Each of Banca Nazionale del Lavoro S.p.A. (the "**Bank**" or "**BNL**") and Banca Nazionale del Lavoro International S.A. ("**BNL International**") in their respective capacities as issuer (each, an "**Issuer**" and together, the "**Issuers**") may from time to time offer Notes pursuant to the Programme and which are constituted under the trust deed dated 3 March 1993 as supplemented and/or amended and restated by supplemental trust deeds dated 6 July 1994, 24 August 1994, 8 March 1995, 10 July 1995, 8 March 1996, 22 May 1998, 12 October 1999, 19 December 2001, 25 June 2003, 22 December 2003, 21 July 2004 and on or about the date of publication of this Base Prospectus (together, the "**Trust Deed**", which expression shall include any further amendments or supplements thereto and/or any restatements thereof) made between The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. in its capacity as such), the Bank, BNL International and the Guarantor (as defined below). The obligations of BNL International under the Programme will be

unconditionally guaranteed by the Bank in its capacity as guarantor (in such capacity, the "**Guarantor**").

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes which is the subject of Final Terms (as defined herein), should be read and construed together with the relevant Final Terms.

The Issuers and the Guarantor have confirmed to the dealers (the "**Dealers**") named under "Plan of Distribution" and the persons named as arrangers (the "**Arrangers**") on the front cover of this Base Prospectus that this Base Prospectus (including for this purpose, each relevant set of Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes and the guarantee of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Bank or BNL International or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Bank, BNL International, any Arranger or any Dealer.

None of the persons named as Arrangers, Dealers (save for, in each case, the Bank in its capacities as Issuer and Guarantor), nor the Trustee has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made or implied and no responsibility or liability is accepted by the Arrangers, the Dealers (save for, in each case, the Bank in its capacities as Issuer and Guarantor) or the Trustee nor any of their respective affiliates as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto. The Trustee accepts no responsibility for the contents of this Base Prospectus and the Trustee will not have any obligation except as specifically set out or referred to herein.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Bank or BNL International since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time

subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Bank, BNL International, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Plan of Distribution". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank, BNL International, the Arrangers, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank and BNL International.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed Euro 10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Master Note Issuance Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Master Note Issuance Agreement as defined under "Plan of Distribution".

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, and references to "**EUR**", "**Euro**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References to the "**Guarantor**" and the "**Bank**" are to Banca Nazionale del Lavoro S.p.A., references to "**Banca Nazionale del Lavoro S.p.A.**" are, unless the context otherwise requires, to it in its capacities as Guarantor and as Issuer and references to the "**BNL Group**" are references to the Bank and its consolidated subsidiaries and affiliates.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes (provided that, in the case of any tranche of Notes to be admitted to trading on the Luxembourg Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes.

RISK FACTORS

Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

The Notes may be redeemed prior to maturity.

Unless in the case of any particular tranche of Notes the relevant Final Terms specify otherwise, in the event that the relevant Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or the Grand Duchy of Luxembourg or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the terms and conditions of the Notes (the "**Conditions**").

In addition, if in the case of any particular tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the relevant Issuer's option in certain other circumstances the relevant Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

An optional redemption feature of Notes is also likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Index Linked Notes and Dual Currency Notes

Each Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies, which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;

- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly paid Notes

Each Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multiplier or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issue at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Subordinated Notes and Subordinated Guarantee

If in the case of any particular tranche of Notes the relevant Final Terms specify that the Notes are subordinated obligations of the relevant Issuer and the Guarantor (if applicable) and the relevant Issuer or the Guarantor (if applicable) is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the relevant Issuer and the Guarantor (if applicable) may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.

In addition, payment of interests and/or principal under the BNL Upper Tier II Subordinated Notes or the BNLI Upper Tier II Subordinated Notes, as the case may be, may be deferred or suspended in certain circumstances as set out in the Conditions. Any deferral and suspension of payments of principal and interest will likely have an adverse effect on the market price of such Notes. The market price of such Notes may, in any case, be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and suspensions and may be more sensitive generally to adverse changes in the financial condition of the Bank or BNL International, as the case may be.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Trust Deed and the Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer or the Guarantor, in circumstances described in Condition 13 of the Notes.

Taxation on the Notes

Neither the Bank nor BNL International shall be liable to pay any additional amounts to Noteholders in relation to any payment or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended, on account of *imposta sostitutiva* in relation to interest, principal or other proceeds of any Note issued by the Bank.

In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, principal or other amounts relating to Notes issued by the Bank, a holder of such Notes is required to declare, prior to delivery of the Notes, that such Noteholder

meets the exemption requirements provided for by Articles 6 and 7 of Legislative Decree 239/96. In the absence of the foregoing certification, payments of interest, principal or other amounts relating to Notes issued by the Bank are subject to *imposta sostitutiva* of 12.5 per cent.

Notes issued by the Bank with an original maturity of less than 18 months are subject to a withholding tax at a rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Bank will not be liable to pay any additional amounts to Noteholders in relation to such withholding.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the relevant Issuer, the Guarantor (if applicable) nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuers will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

The aforesaid Directive was implemented in Italy by Legislative Decree No. 84 of 18 April 2005, and in Luxembourg by Law of 21 June 2005, and applies to payments of interest made starting from 1 July 2005.

Change of law

The Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Procedures for transfer, payment and communication with the Issuers

Notes issued under this Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream

Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuers and the Guarantor will discharge their respective payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. Neither Issuer nor the Guarantor has any responsibility or liability for the records, relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

No active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular tranche, such tranche is to be consolidated with and form a single series with a tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer and the Guarantor (if applicable). Although application has been made for the Notes issued under the Programme to be admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, there is no assurance that such application will be accepted, that any particular tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular tranche of Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Denomination of the Notes

Although Notes which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a Member State of the European Economic

Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum denomination of €50,000 (or, where the Specified Currency is not euro, its equivalent in the Specified Currency), it is possible that the Notes may be traded in the clearing systems in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case, should definitive Notes be required to be issued, a holder who does not have an integral multiple of €50,000 (or its equivalent) in his account with the relevant clearing system at the relevant time may not receive all of his entitlements in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of €50,000 (or its equivalent).

The Conditions of the Notes provide that Notes issued in a currency, which, subsequent to the issue of the Notes, participates in the third stage of European economic and monetary union may be redenominated in euro. In the event of such redenomination, Noteholders will be required for so long as they hold their Notes to maintain a holding of at least euro 50,000.

Risks regarding the Bank and BNL International

Risks connected with geographical concentration of business

The Bank's business is concentrated in Italy and BNL International's business in Luxembourg. Although the BNL Group has a number of investments and subsidiaries with substantial business in other countries, a downturn in demand in the Italian or Luxembourg economy could have a material adverse effect on the business of the Bank or BNL International, as the case may be.

Risks connected with the creditworthiness of customers

Each Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the relevant Issuer's business and financial results.

Risks connected with information technology

Each Issuer's business relies upon integrated information technology systems. It relies on the correct functioning and reliability of such system and on its ability to protect the network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers, or other information central to business, such as credit risk control, or material interruption in the service could have a material adverse effect on its results of operations. In addition, upgrades to the information technology of either Issuer

required by law or necessitated by future business growth may require significant investments.

Risks connected to the pending lawsuits under the Parmalat Group insolvency procedure

A number of claw-back actions and actions for damages are outstanding against BNL and its subsidiary Ifitalia S.p.A. in connection with the insolvency procedure opened in relation to the Parmalat Group in 2004. The aggregate amount claimed in these procedures brought by the Official Receiver of Parmalat, Enrico Bondi against BNL and Ifitalia S.p.A. amounts to about Euro 510 million. Based on the information currently available and considering the legal advice that BNL has obtained, BNL believes that there are valid grounds for the defence of the BNL Group in these lawsuits. In any case, provision has been made in the balance sheet of the BNL Group for risks covering, *inter alia*, potential liabilities which may arise from the above pending proceedings.

Risks connected with the introduction of new accounting principles.

The Bank has prepared its consolidated financial statements as at and for the two years ended 31 December 2004 and 31 December 2003 and for the six month period ended 30 June 2004 in accordance with Italian GAAP. Following the adoption by the European Parliament and the European Council of European Union Regulation No. 1606/2002, and the adoption in Italy of Legislative Decree No. 38 of 28 February 2005, from the financial year ending 31 December 2005, like all companies with securities admitted to trading on a regulated market of the European Union, the Bank will be obliged to prepare its consolidated financial statements on the basis of international accounting principles set forth in the International Financial Reporting Standards ("**IFRS**") and the International Accounting Standards ("**IAS**").

The Bank has prepared its consolidated financial statements as at and for the six month period ended 30 June 2005 and as at and for the nine month period ending 30 September 2005 in accordance with IFRS. The first full financial year during which consolidated financial statements will be prepared in accordance with IFRS will be the financial year ending 31 December 2005.

The use of IFRS in the preparation of the Bank's consolidated financial statements have a significant impact on the individual line items in those statements and make any comparison with the consolidated financial statements from previous financial years or periods within financial years extremely difficult.

BNL International has prepared its financial information as at and for the six-month period ended 30 June 2005 in accordance with IFRS for consolidation purposes at BNL Group level. BNL International does not publish interim statements.

The first full financial year during which financial statements of BNL International will be prepared in accordance with IAS/IFRS for consolidation purposes at BNL Group level, will be the financial year ending 31 December 2005.

Risk regarding the BNL Group's business sector

Competition

Each Issuer is subject to competition from a large number of companies who may offer the same financial products and services and other forms of alternative and/or novel forms of borrowing or investment. Such competitors include banks and other financial intermediaries. In addition, the formation of increasingly large banking groups, and the entry of foreign financial institutions into its local banking market, may allow such companies to offer products and services on terms that are more financially advantageous than those which it is able to offer as a result of their possible economies of scale. As a result of this competition, it may not be able to attract and retain new clients or sustain the rate of growth that it has experienced to date, which may adversely affect its market share and results of operations.

Risks associated with the legislative, accounting and regulatory context

The Bank's business is subject to specific legislation and supervision by the Bank of Italy and BNL International's business is subject to specific legislation and supervision by the CSSF. Each Issuer's ability to continue practising its business is dependent upon its ability to retain authorizations to do so. Any changes to the legislative and/or regulatory context in which it operates, including with respect to fiscal or accounting matters, could have a material adverse effect on its business.

RESPONSIBILITY STATEMENT

Each of the Bank (in its capacities as Guarantor and Issuer) and BNL International accepts responsibility for the information contained in this Base Prospectus. The Issuers and the Guarantor declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (i) the published audited consolidated annual financial statements (including the auditors' report thereon and notes thereto) of the Bank in respect of the years ended 31 December 2003 and 31 December 2004, the interim unaudited consolidated financial statements of the Bank for the six months ended 30 June 2005 and the interim unaudited consolidated financial statements of the Bank for the three months ended 30 September 2005;
- (ii) the published audited annual financial statements (including the auditors' report thereon and notes thereto) of BNL International in respect of the years ended 31 December 2003 and 31 December 2004;
- (iii) the by-laws (*statuto*) of the Bank (for information purposes only); and
- (iv) the articles of association of BNL International (for information purposes only).

Copies of documents incorporated by reference in this Base Prospectus may be obtained from the registered office of the Bank or BNL International, as the case may be, or from the principal office of the Listing Agent in Luxembourg for the time being and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In connection with the listing of the Notes in the Luxembourg Stock Exchange, the Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes and which arises or is noted between the time when the prospectus is approved and the final closing of the offer to the public or, as the case may be, the time when trading on a regulated market begins, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

For ease of reference:

- (a) the consolidated balance sheet, the income statements, the notes to the consolidated financial statements, the cashflow statements and the auditor's report in respect of the consolidated financial statements of the Bank can be found on pages:

Year 2003	Pages
Balance sheet	115-117
Income statements	118-119
Notes to consolidated financial statements	121-233

Cashflow statement	176
Auditors' report	111-114

Year 2004	Pages
Balance sheet	272-273
Income statements	274-275
Notes to consolidated financial statements	154-233
Cashflow statement	210
Auditors' report	145-146

- (b) the consolidated balance sheet, the income statements, the notes to the consolidated financial statements, the cashflow statements and audited reconciliation tables of the Bank for the six months ended 30 June 2005 can be found on pages:

30 June 2005	Pages
Balance sheet	96-97
Income statements	98-99
Notes to consolidated financial statements	110-153
Cashflow statement	106-107
Audited reconciliation tables showing effects of transition to IFRS at 1 January 2004, 31 December 2004 and 1 January 2005	169-174

- (c) the consolidated balance sheet and the income statements of the Bank for the three months ended 30 September 2005 can be found on pages:

30 September 2005	Pages
Balance sheet	25-26
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- (d) the balance sheet, the income statements, the notes to the financial statements, and the auditor's report in respect of the financial statements ended on 31 December 2003 and 31 December 2004 of BNL International can be found on pages:

Year 2003	Pages
Balance sheet	7-8
Income statements	10-11
Notes to financial statements	12-31
Auditors' report	6

Year 2004	Pages
Balance sheet	9-10
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Any information contained in the documents incorporated by reference which is not cross-referred in the above tables, is given for information purposes only.

GENERAL DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of a particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in the "Terms and Conditions" shall have the same meanings in this description.

- Issuers:** Banca Nazionale del Lavoro S.p.A., incorporated as a Società per Azioni in the Republic of Italy (the "**Bank**").
- Banca Nazionale del Lavoro International S.A., incorporated as a Société Anonyme in the Grand Duchy of Luxembourg ("**BNL International**").
- Guarantor:** Banca Nazionale del Lavoro S.p.A. (in respect of Notes issued by BNL International).
- Arrangers:** UBS Limited and Banca Nazionale del Lavoro S.p.A.
- Dealers:** ABN AMRO Bank N.V.
Banca Nazionale del Lavoro S.p.A.
Banco Bilbao Vizcaya Argentaria, S.A.
Lehman Brothers International (Europe)
Merrill Lynch International
Morgan Stanley & Co. International Limited
UBS Limited
and any other dealer appointed from time to time by the relevant Issuer either generally in respect of the Programme or in relation to a particular tranche of Notes.
- Listing Agent:** Kredietbank S.A. Luxembourgeoise.
- Trustee:** The Law Debenture Trust Corporation p.l.c.
- Issuance in Series:** Notes will be issued in series (each, a "**Series**") comprising one or more tranches of Notes of that Series. The Notes of each Series will be interchangeable among themselves and will all be subject to identical terms, whether as to currency, interest, maturity or otherwise, or terms which are identical except that the issue dates, the amount of the first payment of interest and/or the denomination(s) thereof may be different.
- Programme Amount:** The sum of the aggregate principal amounts outstanding in respect of Notes under the Programme shall not exceed Euro 10,000,000,000 (or its equivalent in other currencies at the date of issue of any Notes).

Authorisations:

The annual update of the Programme by the Bank has been authorised by a resolution of the Board of Directors of the Bank passed on 15 July 2005. The annual update of the Programme by BNL International has been authorised by resolutions of the Board of Directors of BNL International passed on 3 October 2005.

The giving of the guarantee by the Guarantor of the obligations of BNL International in respect of the Notes issued under the Programme has been authorised by a resolution of the Board of Directors of the Guarantor passed on 15 July 2005.

Form of Notes:

Notes will be issued in bearer form only.

In respect of each Series of Notes, the relevant Issuer will initially deliver a temporary global Note which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Such temporary global Note will be exchangeable for a permanent global Note or for Notes in definitive bearer form in accordance with its terms. Each permanent global Note will be exchangeable for Notes in definitive bearer form in the circumstances set out under "Summary of Provisions Relating to the Notes while in Global Form - 1. Exchange", as specified in the relevant Final Terms.

Interest-bearing Notes will have interest coupons and, if applicable, a talon for further coupons attached.

Notes, the redemption amount of which is repayable in instalments, will have one or more instalment receipts for the payment of such instalments attached.

Interest:

Notes may be interest bearing or non-interest-bearing. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.

Fixed Interest Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms and on the date of final maturity of the Notes.

Floating Rate Notes:	Floating Rate Notes will bear interest by reference to EURIBOR, EUROBBA LIBOR, LIBOR, LIBID or LIMEAN (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest Periods will be agreed by the relevant Issuer with the relevant Dealer prior to the issue of the relevant Notes and specified in the relevant Final Terms. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Index Linked Notes:	The Final Terms issued in respect of each issue of Index Linked Notes will specify the basis for calculating the amounts of interest and/or Redemption Amount payable, which may be by reference to a stock or commodity index, a currency exchange rate or any other index or as otherwise provided in the relevant Final Terms.
Redemption:	Notes may be redeemable at their principal amount or at such other redemption amount as may be specified in the relevant Final Terms.
Early Redemption:	Early redemption will be permitted for taxation reasons, as described in Condition 6(b) (Redemption for Taxation Reasons), but will otherwise be permitted only to the extent specified in the relevant Final Terms and subject to all applicable legal and/or regulatory requirements.
Other Notes:	Terms applicable to any other type of Notes which the relevant Issuer may agree to issue under the Programme, subject to compliance with all relevant laws, regulations and directives, will be set out in the relevant Final Terms.
Status of the Notes:	Notes may be issued on an unsubordinated or a subordinated basis. Notes issued on an unsubordinated basis (" Unsubordinated Notes ") will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and rank <i>pari passu</i> among themselves and at their date of issue rank at least equally with all unsecured and unsubordinated obligations of the relevant Issuer, except as provided under Condition 2(a) (Unsubordinated Notes).

Notes issued on a subordinated basis ("**Subordinated Notes**") will constitute direct, unconditional, subordinated and unsecured obligations of the relevant Issuer and rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the relevant Issuer, other than those which rank junior or senior to such Subordinated Notes.

Guarantee: The Guarantor has covenanted to the Trustee in the Trust Deed to guarantee (the "**Guarantee**") unconditionally and irrevocably all the obligations of BNL International under all Notes issued by BNL International. Performance by the Guarantor of its obligations under the Guarantee shall, to the relevant extent, discharge the relevant obligation of BNL International in respect of which such performance is effected.

Status of the Guarantee: The Guarantee may be given on an unsubordinated or a subordinated basis.

When the Guarantee is given on an unsubordinated basis (the "**Unsubordinated Guarantee**"), the obligations of the Guarantor under the Unsubordinated Guarantee will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor ranking at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, except as provided under Condition 3(a) (Unsubordinated Guarantee).

When the Guarantee is given on a subordinated basis (the "**Subordinated Guarantee**"), the obligations of the Guarantor under the Subordinated Guarantee will constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and will rank *pari passu* among themselves and *pari passu* with all other present and future subordinated obligations of the Guarantor, other than those which rank junior or senior to such Subordinated Guarantee.

Negative Pledge: None.

Events of Default: The events of default under the Notes are as specified under Condition 11 (Events of Default).

Cross Default: In the case of Unsubordinated Notes only, the events of default in respect of the Unsubordinated Notes of any Series will contain a cross default provision covering indebtedness in respect of borrowed money of the relevant Issuer and, where applicable, the Guarantor.

Currencies: Notes may be denominated in any currency (including, without limitation, the Australian Dollar, the Canadian Dollar, the Danish Krone, the euro, the Hong Kong Dollar, the Japanese Yen ("**Yen**" or "¥"), the New Zealand Dollar, the Pound Sterling ("**Sterling**" or "£"), the Swedish Krona and the United States Dollar ("**U.S.\$**" or "**U.S. Dollar**")), subject to compliance with all applicable legal and/or regulatory requirements. Notes may, subject to compliance as aforesaid, be issued as dual currency Notes. Payments in respect of Notes may, subject in each case to compliance as aforesaid, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Where so specified in the relevant Final Terms, the Notes may be redenominated into euro in accordance with the Conditions.

Issue Price: Notes may be issued at their principal amount or at a discount or premium to their principal amount, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer, the Guarantor (if applicable) and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Any maturity, subject to compliance with all applicable legal and/or regulatory requirements. This limit may be subject to change as a result of legal and/or regulatory changes.

Any Notes in respect of which the issue proceeds are received by the relevant Issuer in the United Kingdom and having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the relevant Issuer.

Denominations:

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements.

No Notes issued under the Programme which have a minimum denomination of less than Euro 50,000 (or equivalent in another currency at the their issue date) may be admitted to trading on the regulated market of the Luxembourg Stock Exchange or admitted to trading on any other regulated market within the European Economic Area nor may such Notes be offered to the public in a Member State of the European Economic Area in circumstance which require the publication of a prospectus under the Prospectus Directive.

Taxation:

Save as provided in Condition 8 (Taxation), payments in respect of Notes will be made without withholding in respect of taxes imposed by the Republic of Italy, in the case of the Bank, by Luxembourg, in the case of BNL International; or, if such taxes are required to be withheld, will be increased, subject to certain exceptions, as set out in Condition 8 (Taxation).

For further information in relation to the tax treatment under the laws of the Republic of Italy and Luxembourg of Notes issued by the Bank or BNL International respectively, see "Taxation".

Governing Law:

The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.

- Listing:** Each Series may be admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange or may be admitted to listing, trading and/or quotation by such other listing authority, stock exchange and/or quotation system as may be agreed between the relevant Issuer and, where applicable, the Guarantor and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued. The Final Terms relating to each issue will state whether or not the Notes are to be admitted to listing, trading and/or quotation and, if so, by which listing authority, stock exchange and/or quotation system.
- Ratings:** Notes issued pursuant to the Programme may be rated or unrated.
- Risk Factors:** Investing in the Notes involves certain risks. Risks identified included general business risks which may affect the Issuers' ability to fulfil their obligations under the Notes issued by each of them under the Programme. These general business risks include credit risk and market risk, liquidity risk, exchange rate risk and interest rate risk.
- Other risk factors identified by the Issuers are specific to the Notes and include risks related to the structure of particular issue of Notes (e.g. Index Linked Notes, variable rate Notes with a multiplier or other leverage factor, etc.) and risks related to Notes generally, such as risk relating to changes in currency or interest rates and changes of law.
- Terms and Conditions:** The Conditions applicable to each Series will be as agreed between the relevant Issuer and, where applicable, the Guarantor and the relevant Dealer or other purchaser with the written approval of the Trustee at or prior to the time of issuance of such Series.

Final Terms or Drawdown Prospectus: Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a drawdown prospectus (each, a "**Drawdown Prospectus**") prepared in connection with a particular tranche of Notes.

For a tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that tranche only, supplement the Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular tranche of Notes which is the subject of Final Terms are the Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form."

Banca Nazionale del Lavoro S.p.A. (the "**Bank**") and Banca Nazionale del Lavoro International S.A. ("**BNL International**") each in its respective capacity as issuer (each, an "**Issuer**" and together, the "**Issuers**") and the Bank in its capacity as guarantor (in such capacity, the "**Guarantor**") have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to Euro 10,000,000,000 in aggregate principal amount of notes (the "**Notes**") by the Bank or by BNL International and guaranteed by the Bank.

The Notes of each Series (as defined below) are constituted by a trust deed dated 3 March 1993 as supplemented and/or amended and restated by supplemental trust deeds dated 6 July 1994, 24 August 1994, 8 March 1995, 10 July 1995, 8 March 1996, 22 May 1998, 12 October 1999, 19 December 2001, 25 June 2003, 22 December 2003, 21 July 2004 and on or about the date of publication of this Base Prospectus (together, the "**Trust Deed**", which expression shall include any further amendments or supplements thereto and/or restatements thereof) made between the Issuers, the Guarantor and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. in its capacity as such). The Notes will have the benefit of an Issuing and Paying Agency Agreement dated 3 March 1993, as amended and restated on 6 July 1994, 22 May 1998, 12 October 1999, 25 June 2003, 21 July 2004 and on or about the date of publication of this Base Prospectus and as the same may be further amended, supplemented and/or restated from time to time (together, the "**Agency Agreement**") between the Issuers, the Guarantor, Kredietbank S.A. Luxembourgeoise as issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor to Kredietbank S.A. Luxembourgeoise in its capacity as such) and Kredietbank S.A. Luxembourgeoise as paying agent (together with the Issuing and Paying Agent and any additional or successor paying agents, the "**Paying Agents**"). The calculation agent (if any) (the "**Calculation Agent**") is specified in the relevant Final Terms (as defined below). The holders of the Notes ("**Noteholders**"), the holders ("**Couponholders**") of the coupons (the "**Coupons**") appertaining to interest bearing

Notes and, where applicable, the holders (the "**Talonholders**") of talons (the "**Talons**") for further Coupons and the holders (the "**Instalment Receiptholders**") of the instalment receipts (the "**Instalment Receipts**") appertaining to the payment of principal by instalments are deemed to have notice of, and to be bound by, all of the provisions of the Trust Deed and the Agency Agreement in so far as they relate to the relevant Notes.

The statements in these Conditions are subject to, and include summaries of, the provisions in the Trust Deed and the Agency Agreement. The Notes will be issued in series (each, a "**Series**"), and each Series will be the subject of at least one set of final terms (each, a set of "**Final Terms**"). The Notes of any Series are subject to, and have the benefit of, the Conditions set out herein, as amended, adapted and specified on the face of the relevant Notes and in the relevant Final Terms.

In relation to Notes issued by BNL International, the Guarantor has, in the Trust Deed, guaranteed the due and punctual payment of all amounts due by BNL International under or in respect of the Notes and the Trust Deed as and when the same shall become due and payable (the "**Guarantee**").

Copies of the Trust Deed and the Agency Agreement are available for inspection at the principal office for the time being of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the relevant Issuer (being Via Vittorio Veneto 119, 00187 Rome, Italy in respect of the Bank and 51, rue des Glacis, L-1628 Luxembourg in respect of BNL International), of the Listing Agent (being 43 Boulevard Royal, L-2955 Luxembourg), and www.bnl.it and copies may be obtained from such offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the prospectus directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meaning where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed, and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. **Form, Denomination and Title**

The Notes are issued in bearer form in the denominations (the "**Denomination(s)**") specified in the relevant Final Terms and are serially numbered. Notes of one Denomination are not exchangeable for Notes of another Denomination.

Notes are issued, where appropriate, with Coupons and Talon(s) attached. Any Note the principal amount of which is redeemable in instalments is issued with the requisite number of Instalment Receipts attached.

Title to the Notes and the Instalment Receipts, Coupons and Talons shall pass by delivery and, except as ordered by a court of competent jurisdiction or as required by law, the relevant Issuer, the Guarantor (where applicable), the Trustee and the Paying Agents shall be entitled to treat the bearer of any Note, Instalment Receipt, Coupon or Talon as the absolute owner thereof and shall not be required to obtain any proof thereof or as to the identity of the bearer.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Interest Notes, Dual Currency Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be Index Linked Redemption Notes, Instalment Notes, Dual Currency Notes, Partly Paid Notes or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

In these Conditions, "**Noteholder**" means the bearer of any Note and the Instalment Receipts and Coupons relating to it, "**holder**" means the bearer of, as the case may be, any Note, Instalment Receipt, Coupon or Talon.

2. **Status of the Notes**

(a) ***Unsubordinated Notes***

This Condition 2(a) is applicable in relation to the Notes specified in the relevant Final Terms as being unsubordinated or not specified as being subordinated ("**Unsubordinated Notes**").

Unsubordinated Notes constitute direct, unconditional, unsubordinated and (without prejudice to the other provisions of these Conditions) unsecured obligations of the relevant Issuer and rank *pari passu* without any preference or priority among themselves. At their date of issue, the payment obligations of the relevant Issuer under the Notes, Instalment Receipts and Coupons rank (subject to any applicable statutory exceptions) at least equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.

(b) ***Subordinated Notes***

This Condition 2(b) is applicable in relation to the Notes specified in the relevant Final Terms as being subordinated ("**Subordinated Notes**").

(i) *Status and ranking of Subordinated Notes issued by the Bank*

Notes issued as Upper Tier II Subordinated Notes by the Bank (*Strumenti Ibridi di Patrimonializzazione*, as defined in the banking regulations issued by the Bank of Italy) ("**BNL Upper Tier II Subordinated Notes**") constitute direct,

unconditional and unsecured obligations of the Bank subordinated as described here below. Each Series of BNL Upper Tier II Subordinated Notes rank *pari passu* and rateably without any preference among themselves.

Notes issued as Lower Tier II Subordinated Notes by the Bank (*Passività Subordinate*, as defined in the banking regulations issued by the Bank of Italy) ("**BNL Lower Tier II Subordinated Notes**") constitute direct, unconditional and unsecured obligations of the Bank subordinated as described here below. Each Series of BNL Lower Tier II Subordinated Notes rank *pari passu* and rateably without any preference among themselves.

Notes issued as Tier III Subordinated Notes by the Bank (*Prestiti Subordinati di 3° livello*, as defined in the banking regulations issued by the Bank of Italy) ("**BNL Tier III Subordinated Notes**") constitute direct, unconditional and unsecured obligations of the Bank subordinated as described in here below. Each Series of BNL Tier III Subordinated Notes rank *pari passu* and rateably without any preference among themselves.

The Bank has covenanted in the Trust Deed, in relation to each Series of Subordinated Notes issued by it, that it will treat all the Subordinated Notes of such Series equally and that all amounts paid by it in respect of principal and interest on such Series of Subordinated Notes will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of bankruptcy, dissolution or winding up of the Bank, the right to receive any payment under the Subordinated Notes issued by the Bank will rank after its unsubordinated, unsecured creditors, but will rank *pari passu* with all other present and future subordinated obligations of the Bank other than those which rank junior or senior to such BNL Subordinated Notes and in priority to the claims of shareholders of the Bank, including holders of savings shares. In particular, in the event of bankruptcy, dissolution or winding up of the Bank:

- (A) holders of BNL Lower Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Bank whose claims are equally subordinated to the BNL Lower Tier II Subordinated Notes (including the holders of the BNL Tier III Subordinated Notes), (b) senior to creditors of the Bank holding securities, notes and other instruments that are more subordinated by their terms than the BNL Lower Tier II Subordinated Notes including the BNL Upper Tier II Subordinated Notes, and (c) junior to the claims of creditors of the Bank which are unsubordinated or that are less subordinated by their terms than the BNL Lower Tier II Subordinated Notes;
- (B) holders of BNL Upper Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Bank whose claims are equally subordinated to the BNL Upper Tier II Subordinated Notes, (b) senior to the shareholders of the Bank, and (c) junior to creditors of the Bank holding securities, notes and other

instruments that are more subordinated by their terms than the BNL Upper Tier II Subordinated Notes, including BNL Lower Tier II Subordinated Notes and BNL Tier III Subordinated Notes; and

- (C) holders of BNL Tier III Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Bank whose claims are equally subordinated to the BNL Tier III Subordinated Notes, including the BNL Lower Tier II Subordinated Notes), (b) senior to the shareholders of the Bank and to creditors of the Bank holding securities, notes and other instruments that are more subordinated by their terms than the BNL Tier III Subordinated Notes, including the BNL Upper Tier II Subordinated Notes; and (c) junior to the claims of creditors of the Bank which are unsubordinated or that are less subordinated by their terms than the BNL Tier III Subordinated Notes.

(ii) *Special provisions applicable to BNL Tier III Subordinated Notes*

BNL Tier III Subordinated Notes shall be subject to the same provisions as the BNL Upper Tier II Subordinated Notes or the BNL Lower Tier II Subordinated Notes provided that BNL Tier III Subordinated Notes shall (1) have a different minimum maturity period as specified in the relevant Final Terms, and (2) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal cannot be made if such payments or repayment would reduce the total value of the Bank's assets below the minimum capital then required by applicable Italian laws and regulations.

(iii) *Status and ranking of Subordinated Notes issued by BNL International*

Notes issued as Upper Tier II Subordinated Notes by BNL International ("**BNLI Upper Tier II Subordinated Notes**") constitute direct, unconditional and unsecured obligations of BNL International subordinated as described here below. Each Series of BNLI Upper Tier II Subordinated Notes will rank *pari passu* and rateably without any preference among themselves.

Notes issued as Lower Tier II Subordinated Notes by BNL International ("**BNLI Lower Tier II Subordinated Notes**") constitute direct, unconditional and unsecured obligations of BNL International subordinated as described here below. Each Series of BNLI Lower Tier II Subordinated Notes will rank *pari passu* and rateably without any preference among themselves.

BNL International has covenanted in the Trust Deed, in relation to each Series of Subordinated Notes issued by it, that it will treat all the Subordinated Notes of such Series equally and that all amounts paid by it in respect of principal and interest on such Series of Subordinated Notes issued by BNL International will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of bankruptcy, dissolution or winding up of BNL International, the right to receive any payment under the Subordinated Notes issued by BNL International will rank junior to its unsubordinated, unsecured creditors, but will rank *pari passu* with all other present and future subordinated obligations of BNL

International other than those which rank junior or senior to such Subordinated Notes and in priority to the claims of shareholders of BNL International. In particular, in the event of bankruptcy, dissolution or winding up of BNL International:

- (A) holders of BNLI Lower Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of BNL International whose claims are equally subordinated to the BNLI Lower Tier II Subordinated Notes, (b) senior to creditors of BNL International holding securities, notes and other instruments that are more subordinated by their terms than the BNLI Lower Tier II Subordinated Notes, including the BNLI Upper Tier II Subordinated Notes, and (c) junior to the claims of creditors of BNL International which are unsubordinated or that are less subordinated by their terms to the holders of the BNLI Lower Tier II Subordinated Notes; and
- (B) holders of BNLI Upper Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of BNL International whose claims are equally subordinated to the BNLI Upper Tier II Subordinated Notes, (b) senior to the shareholders of BNL International, and (c) junior to creditors of BNL International holding securities, notes and other instruments that are less subordinated by their terms than the BNLI Upper Tier II Subordinated Notes, including the BNLI Lower Tier II Subordinated Notes.
- (iv) *Deferral of Payments on BNL Upper Tier II Subordinated Notes or BNLI Upper Tier II Subordinated Notes*

In the case of BNL Upper Tier II Subordinated Notes or BNLI Upper Tier II Subordinated Notes, the Bank, either as Issuer or the Guarantor (if applicable) shall be entitled, by at least 5 business days' prior notice in writing to the Trustee (a "**Deferral Notice**"), to defer the due date for payment of any repayment of principal or payment of interest in respect of such Notes. Upon the giving of such Notice, the due date for payment of the relevant repayment or payment (the "**Deferred Payment**") shall be so deferred and the Bank, either as Issuer or Guarantor (if applicable) of such Notes shall be obliged to make such repayment or payment on the original due date thereof and such deferral of payment shall not constitute a default by the Bank, either as Issuer or Guarantor (if applicable). The Bank, either as Issuer or Guarantor, may not give a Deferral Notice except in circumstances where the Bank determines that were payment of the relevant Deferred Payment to be made on the original due date thereof, the Bank would not satisfy any capital adequacy ratio applied by the Bank of Italy to the Bank. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable in accordance with the previous provisions of this Condition 2(b)(iv). Promptly upon being satisfied that the Bank of Italy will not object to the payment of the whole or any part of any Deferred

Payment decided upon by the Bank and unless the Bank determines that were payment thereof to be made the Bank would not satisfy any applicable capital adequacy ratio, the Bank shall give to the Trustee written notice thereof (the "**Payment Notice**") and the relevant Deferred Payment (or the appropriate part thereof) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such notice to the Trustee.

The Bank, either as Issuer or Guarantor (if applicable), shall promptly give notice to the holders of the relevant Series of Subordinated Notes in accordance with Condition 16 of any Deferral Notice or Payment Notice given by it.

(v) *Special provisions applicable to BNL Upper Tier II Subordinated Notes - Loss Absorption*

To the extent that the Bank at any time suffers losses which, in accordance with Italian laws and regulations would require the Bank to reduce its capital to below the required minimum capital as provided for by the Bank of Italy from time to time for the issuance or maintenance of the banking licence in Italy and as determined by external auditors of the Bank (the "**Minimum Capital**"), the obligations of the Bank in respect of payments of interest and principal under the BNL Upper Tier II Subordinated Notes, whether or not matured, will be reduced to the extent necessary to enable the Bank to maintain at least the Minimum Capital.

The amount by which the obligations of the Bank have been reduced in accordance with this Condition will be reinstated, whether or not the maturity date of the relevant obligation has occurred, in the following circumstances:

- (a) in whole, in the event of a bankruptcy, dissolution, liquidation or winding-up of the Bank or in the event that the Bank becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding-up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Bank were not so reduced in accordance with this Condition; and
- (b) in whole or in part, from time to time, to the extent that the Bank, by reason of its having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and therefore would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition.

The Bank is not required to pay interest on the Upper Tier II Subordinated Notes on any Interest Payment Date if (1) no annual dividends have been approved, paid or set aside for payment by the shareholders of the Bank in respect of any class on share of the Bank during the 12-month period ending on and including the day which is three business days preceding such Interest Payment Date; or (2) the Board of Directors of the Bank has announced, at the time of publication of interim accounts of the Bank published during the six-month period ending on

and including the day which is three business days preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for payment of interim dividends.

The Bank shall give notice to the Trustee and the Noteholders in reasonable advance of the occurrence of the events under this Condition 2(b)(v) in accordance with Condition 16 (*Notices*).

(vi) *Special provisions applicable to BNLI Upper Tier II Subordinated Notes - Loss Absorption*

To the extent that BNL International at any time suffers losses that would, in accordance with the applicable provisions of any applicable law, prevent BNL International from continuing to trade (as determined by BNL International, acting reasonably and having take such professional advice as it considers appropriate), the obligations of BNL International in respect of interest and principal under the BNLI Upper Tier II Subordinated Notes, whether or not matured, will be reduced to the extent necessary to enable BNL International to continue to trade in accordance with the requirements of law (as determined by the directors of BNL International, acting reasonably and having taken such professional advice as it considers appropriate). Such obligations shall be reinstated if BNL International would, after such reinstatement and by reason of the occurrence of any event, be entitled to continue to trade (as determined by the directors of BNL International, acting reasonably and having taken such professional advice as it considers appropriate). Such obligations shall, subject to the below, be reinstated if BNL International become, and for so long as it remains, subject to any bankruptcy or liquidation proceedings or process. If, at any time during such bankruptcy or liquidation proceedings or process, reduction of the obligations would enable such proceedings or process to be dismissed, discharged, stayed, restrained or vacated and BNL International continue to trade (as determined by the directors of BNL International, acting reasonably and having taken such professional advice as it considers appropriate), the obligations of BNL International under the BNLI Upper Tier II Subordinated Notes shall be deemed to be reduced. The Trustee shall be entitled to rely on certificates of BNL International in this regard without further investigation.

BNL International shall give notice to the Trustee, the Guarantor and the Noteholders in reasonable advance of the occurrence of the events under this Condition 2(b)(vi) in accordance with Condition 16 (*Notices*).

3. **Status of the Guarantee**

(a) ***Unsubordinated Guarantee***

This Condition 3(a) is applicable in relation to Notes issued by BNL International where it is specified in the relevant Final Terms that the Guarantee is given on an unsubordinated basis or not specified as being given on a subordinated basis (the "**Unsubordinated Guarantee**").

The obligations of the Guarantor under the Unsubordinated Guarantee in respect of the Notes of the relevant Series issued by BNL International constitute direct, unconditional, unsubordinated and (without prejudice to the other provisions of these Conditions) unsecured obligations of the Guarantor ranking (subject to any applicable statutory exceptions) at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

(b) **Subordinated Guarantee**

This Condition 3(b) is applicable in relation to Notes issued by BNL International where it is specified in the relevant Final Terms that the Guarantee is given on a subordinated basis (the "**Subordinated Guarantee**").

The obligations of the Guarantor under the Subordinated Guarantee in respect of the Subordinated Notes of the relevant Series issued by BNL International as the case may be, constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor and rank *pari passu* and rateably without any preference among themselves and equally with all other present and future subordinated obligations of the Guarantor other than those which rank junior or senior to such Subordinated Guarantee.

In the event of bankruptcy, dissolution or winding up of the Guarantor, the Subordinated Guarantee given in respect of BNLI Lower Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Guarantor whose claims are equally subordinated to the BNLI Lower Tier II Subordinated Notes, (b) senior to creditors of the Guarantor holding securities, notes and other instruments that are more subordinated by their terms than the BNLI Lower Tier II Subordinated Notes, including the BNL Upper Tier II Subordinated Notes, in each case in respect of the Subordinated Guarantee and (c) junior to the claims of creditors of the Guarantor which are unsubordinated or that are less subordinated by their terms than the BNLI Lower Tier II Subordinated Notes in respect of the Subordinated Guarantee.

In the event of bankruptcy, dissolution or winding up of the Guarantor, the Subordinated Guarantee given in respect of the BNLI Upper Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Guarantor whose claims are equally subordinated to the BNLI Upper Tier II Subordinated Notes in respect of the Subordinated Guarantee (b) senior to the shareholders of the Guarantor including holders of savings shares, and (c) junior to creditors of the Guarantor holding securities, notes and other instruments that are less subordinated by their terms than the BNLI Upper Tier II Subordinated Notes in respect of the Subordinated Guarantee, including the BNLI Lower Tier II Subordinated Notes in respect of the Subordinated Guarantee.

The Guarantor has covenanted in the Trust Deed, in relation to each Series of Subordinated Notes, that it will treat all the Subordinated Notes of such Series issued by BNL International equally and that all amounts paid by the Guarantor in respect of principal and interest on such Series of Subordinated Notes issued

by BNL International will be paid *pro rata* on all the Subordinated Notes of such Series.

The obligations of the Guarantor to make any payment under the Subordinated Guarantee shall not be accelerated by reason of the obligations of BNL International being accelerated for the occurrence of an Event of Default attributable to BNL International and the Guarantor shall therefore be obliged to make payments under the Subordinated Guarantee only on the due dates specified under the relevant Final Terms, without acceleration of the guaranteed Notes.

To the extent that the Guarantor at any time suffers losses which, in accordance with Italian laws and regulations would require the Guarantor to reduce its capital to below the required Minimum Capital, the obligations of the Guarantor under the Subordinated Guarantee as to payment of interest and principal under the BNLI Upper Tier II Subordinated Notes, whether or not matured, will be reduced to the extent necessary to enable the Guarantor to maintain at least the Minimum Capital.

The amount by which the obligations of the Guarantor have been reduced in accordance with this Condition will be reinstated, whether or not the maturity date of the relevant obligation has occurred, in the following circumstances:

- (a) in whole, in the event of a bankruptcy, dissolution, liquidation or winding-up of the Guarantor or in the event that the Guarantor becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding-up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Bank were not so reduced in accordance with this Condition; and
- (b) in whole or in part, from time to time, to the extent that the Guarantor, by reason of its having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and therefore would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition.

The Guarantor is not required to pay under the Subordinated Guarantee any amount as interest on the Upper Tier II Subordinated Notes on any Interest Payment Date if (1) no annual dividends have been approved, paid or set aside for payment by the shareholders of the Guarantor in respect of any class on share of the Guarantor during the 12-month period ending on, and including the day which is three business days preceding such Interest Payment Date; or (2) the Board of Directors of the Bank has announced, at the time of publication of interim accounts of the Bank published during the six-month period ending on, and including the day which is three business days preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for payment of interim dividends.

The Guarantor shall give notice to the Trustee and the Noteholders in reasonable advance of the occurrence of the events under this Condition 3(b) in accordance with Condition 16 (*Notices*).

4. **Negative Pledge**

The Notes do not have the benefit of a negative pledge.

5. **Interest**

(a) ***Interest Rate and Accrual***

Unless otherwise so stated, each Note bears interest from the Interest Commencement Date (as defined in Condition 5(k)) at the rate(s) per annum (expressed as a percentage) equal to the Interest Rate (as defined in Condition 5(k)) payable in arrears on each Interest Payment Date (as defined in Condition 5(k)) and the Maturity Date specified in the relevant Final Terms (the "**Maturity Date**") and in the currency or currencies and in the amounts or proportions specified in the relevant Final Terms.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(b) ***Business Day Convention***

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Relevant Business Day (as defined in Condition 5(k)), then, if the Business Day Convention specified is (i) the Floating Rate Convention, such date shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which event (A) such date shall be brought forward to the immediately preceding Relevant Business Day and (B) each subsequent such date shall be the last Relevant Business Day of the month in which such date would have fallen had it not been subject to adjustment, (ii) the Following Business Day Convention, such date shall be postponed to the next day which is a Relevant Business Day, (iii) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Relevant Business Day or (iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Relevant Business Day.

(c) ***Interest Rate on Floating Rate Notes***

If the Interest Rate is specified as being Floating Rate, it will be determined by the Calculation Agent on the basis of the following provisions:

- (i) At or about the Relevant Time (as defined in Condition 5(k)) on the Interest Determination Date (as defined in Condition 5(k)) in respect of each Interest Accrual Period (as defined in Condition 5(k)), the Calculation Agent will:
- (A) in the case of Notes which specify that the Primary Source for Interest Rate Quotations shall be derived from a specified page, section or other part of a particular information service (each as specified on such Notes the "**Relevant Screen Page**"), determine the Interest Rate for such Interest Accrual Period which shall, subject as provided below, be (x) the quotation for the Benchmark for a representative amount (being an amount that is representative for a single transaction in the relevant market at the time at which such quote is obtained) of the relevant currency for a period (if applicable) equal to the Specified Duration as defined in Condition 5(k) (a "**Relevant Rate**") so appearing in or on the Relevant Screen Page (where such Relevant Rate on the Relevant Screen Page is a composite quotation or interest rate per annum or is customarily supplied by one entity) or, in any other case, (y) the arithmetic mean (rounded, if necessary, to the next one-hundred thousandth of a percentage point) of the Relevant Rates of the persons at that time whose Relevant Rates so appear in or on the Relevant Screen Page and, in each case, as adjusted by the Spread or Spread Multiplier (if any); and
 - (B) if the Relevant Screen Page specified as a Primary Source for Interest Rate Quotations permanently ceases to quote the Relevant Rate(s), but such quotation(s) is/are available from another page, section or other part of such information service (the "**Replacement Page**"), the Replacement Page shall be substituted as the Primary Source for Interest Rate Quotations and, if no Replacement Page exists but such quotation(s) is/are available from a page, section or other part of a different information service (the "**Secondary Replacement Page**"), the Secondary Replacement Page shall be substituted as the Primary Source for Interest Rate Quotations; and
 - (C) in the case of Notes which specify that the Primary Source for Interest Rate Quotations shall be the Reference Banks specified on such Note or, in the case of Notes falling within paragraph (i)(A)(x) above, but in respect of which no Relevant Rate appears on the Relevant Screen Page at or about the Relevant Time or, as the case may be, paragraph (i)(A)(y) above, but in respect of which less than two or no Relevant Rates appear on the Relevant Screen Page at or about the Relevant Time, request the principal offices in the Relevant Financial Centre of each of the Reference Banks or, as the case may be, the financial institutions (or, if more than four, four of them selected by the Calculation Agent) whose quotations

would have been used for the Relevant Rate(s) on the Relevant Screen Page (which shall be the Reference Banks for the purpose of this Condition) (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to paragraph (i) below) to provide the Calculation Agent with its Relevant Rate quoted to leading banks. Where this paragraph (i)(C) shall apply, the Interest Rate for the relevant Interest Accrual Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, to the next higher one-hundred thousandth of a percentage point) of such Relevant Rates as adjusted by the Spread or Spread Multiplier (if any) as calculated by the Calculation Agent.

- (ii) If, at or about the Relevant Time on any Interest Determination Date where the Interest Rate falls to be determined pursuant to paragraph (i)(C) in respect of a Note, two or three only of such Reference Banks provide such quotations, the Interest Rate for the relevant Interest Accrual Period shall, subject as provided below, be determined as aforesaid on the basis of the Relevant Rates quoted by such Reference Banks.
- (iii) If, at or about the Relevant Time on any Interest Determination Date where the Interest Rate falls to be determined pursuant to paragraph (i)(C) in respect of a Relevant Currency, only one or none of such Reference Banks provides such quotations, the Interest Rate for the relevant Interest Accrual Period shall be, subject as provided below, whichever is the higher of:
 - (A) the Interest Rate in effect for the last preceding Interest Accrual Period to which paragraphs (i)(A) or (C) or (ii) above shall have applied (after readjustment for any difference between any Spread or Spread Multiplier applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period); and
 - (B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded, if necessary, to the next higher one-hundred thousandth of a percentage point) of the rates (being the nearest equivalent to the Benchmark) in respect of a representative amount of the Relevant Currency which leading banks (being at least two, but not more than four, in number) in the principal financial centre of the country of the Relevant Currency (which shall be London where the Relevant Currency is euro) selected by the Calculation Agent (after consultation with the relevant Issuer and the Guarantor, if applicable) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the first day of the relevant Interest Accrual Period for a period equivalent to the Specified Duration to leading banks carrying on business in that principal financial centre, as

adjusted by the Spread or Spread Multiplier (if any) except that, if fewer than two of the banks so selected by the Calculation Agent are, or no banks are, quoting as aforesaid, the Interest Rate shall, subject as provided below, be the Interest Rate specified in paragraph (iii)(A) above.

(d) ***Interest Rate on Fixed Rate Notes***

If the Interest Rate is specified as being Fixed Rate, the Notes will bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on the basis of such Day Count Fraction as specified or on such other basis as may be specified in the relevant Final Terms.

(e) ***Interest Rate - ISDA Rate Indices***

If the Interest Rate is specified as being determined by reference to ISDA Rate Indices, the Notes will bear interest from their date of issue (as specified on the relevant Note) or from such other date as may be specified on the relevant Note. Such interest will be payable on such dates and in such amounts as would have been payable (regardless of any event of default or termination event or tax event thereunder) by the relevant Issuer had the relevant Issuer entered into an interest rate swap transaction with the holder of such Notes under the terms of an agreement incorporating the ISDA Definitions and under which:

- the Reset Date (as defined in the ISDA Definitions) was the first day of the relevant Interest Period;
- the Fixed Rate Payer or, as the case may be, the Floating Rate Payer (each as defined in the ISDA Definitions) was the relevant Issuer;
- the Effective Date (as defined in the ISDA Definitions) was such date of issue or such other date as may be specified in the relevant Final Terms;
- the Calculation Amount (as defined in the ISDA Definitions) was the principal amount of such Notes; and
- all other terms were as specified in the relevant Final Terms.

(f) ***Interest Rate on Index Linked Notes***

If the Interest Rate is specified as being Index Linked Interest, the Notes will bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise) as determined by the Calculation Agent in accordance with the relevant Final Terms. Such interest will be payable in arrear

on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof.

(g) ***Minimum Interest Rate, Maximum Interest Rates, Spread and Spread Multipliers***

If any figure is expressed to be as adjusted by a Spread or Spread Multiplier, such adjustment shall be made by adding or subtracting any Spread specified on the Note or multiplying by any Spread Multiplier specified on the Note, subject always to the next paragraph.

If a Maximum Interest Rate or Minimum Interest Rate is specified on the Note, the Interest Rate shall in no event exceed the maximum or be less than the minimum.

(h) ***Calculations***

If not already specified on the relevant Coupon or elsewhere in the Conditions, the amount of interest (if any) payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding principal amount of such Note by the Day Count Fraction and rounding, if necessary, the resultant figure to the nearest minimum unit of the relevant currency (half of such unit being rounded upwards) or otherwise in accordance with applicable market conventions. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) ***Determination and Publication of Interest Rate and Interest Amounts by the Calculation Agent***

If a Calculation Agent is provided for, it will, as soon as practicable on or after the Relevant Time on each Interest Determination Date, determine the Interest Rate and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Denomination of the Notes for the relevant Interest Accrual Period and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified forthwith to the Trustee, the Issuing and Paying Agent, the relevant Issuer, the Guarantor (if applicable), each of the Paying Agents, (in the case of Notes listed on the regulated market of the Luxembourg Stock Exchange) the Luxembourg Stock Exchange (or such other stock exchange on which the Notes of the relevant Series are listed) and the Noteholders as soon as possible after their determination, but in no event later than the second Relevant Business Day thereafter. The Interest Amounts and the Interest Payment Date so published may (with the consent of the Trustee) subsequently be amended (or appropriate alternative arrangements satisfactory to the Trustee made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If for any reason the Calculation Agent does not, at any time, determine or calculate any matter required to be determined by it, the Trustee shall determine or calculate the relevant matter in

such manner as, in its absolute discretion, it thinks fit (having such regard as it shall think fit to the procedures described above, but subject always to any minimum or maximum interest rate which may be prescribed) or, as the case may be, the Trustee shall calculate or determine the relevant matter in the manner specified above and any such determination or calculation shall be deemed to have been made by the Calculation Agent. If the Notes become due and payable under Condition 11, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously by the Calculation Agent or the Trustee in accordance with this Condition, but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of the Interest Rate and the Interest Amounts by the Calculation Agent or, as the case may be, the Trustee shall (in the absence of manifest error) be final and binding upon all parties.

(j) ***Calculation Agent and Reference Banks***

The relevant Issuer will procure that there shall at all times be four Reference Banks with offices in the Relevant Financial Centre and a Calculation Agent, in each case if provision is made for them in the Conditions applicable to the Note and for so long as the Note is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, the relevant Issuer will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts, the relevant Issuer will (with the prior written approval of the Trustee) appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) ***Definitions***

As used in these Conditions:

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Accrual Period, the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) where the relevant period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the relevant period is longer than one Regular Period, the sum of:

- (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if "**Actual/365**" or "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the relevant period divided by 365 (or, if any portion of that relevant period falls in a leap year, the sum of (A) the actual number of days in that portion of the relevant period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the relevant period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the relevant period divided by 365;
- (iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the relevant period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the relevant period is the 31st day of a month but the first day of the relevant period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the relevant period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period).

"**euro**" and "**Euro**" means the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty.

"**Interest Accrual Period**" means the period beginning on, and including the Interest Commencement Date and ending on and excluding the first Interest Period Date and each successive period beginning on, and including, an Interest

Period Date and ending on, and excluding, the next succeeding Interest Period Date.

"Interest Commencement Date" means the date of issue of the Note (the **"Issue Date"**) or such other date as may be specified in the relevant Final Terms as such date.

"Interest Determination Date" means, in respect of any Interest Accrual Period, that number of Relevant Business Days prior to the first day of such Interest Accrual Period or to the relevant Interest Payment Date as is specified in the relevant Final Terms.

"Interest Payment Date" means each date specified as such in the relevant Final Terms.

"Interest Period" means the period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date.

"Interest Period Date" means an Interest Payment Date unless otherwise specified in the relevant Final Terms.

"Interest Rate" means the rate of interest payable from time to time in respect of the Note and which is either specified in the relevant Final Terms, or calculated in accordance with the Conditions applicable to the Note.

"ISDA Definitions" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first tranche of the Notes of the relevant Series (as specified in the applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.).

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Benchmark.

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and

- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Business Day" means:

- (A) in the case of a specified currency other than euro, a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centres, and
- (B) in the case of euro, a TARGET Settlement Day.

"Relevant Financial Centre" means London or such other principal or additional financial centre or centres as may be specified in the relevant Final Terms.

"Relevant Time" means the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified or in the case of Condition 5(c)(iii)(B), the local time in the Relevant Financial Centre or the relevant principal financial centre in the case of Condition 5(c)(iii)(B) at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in that Relevant Financial Centre or relevant principal financial centre.

"Specified Duration" means the relevant Interest Period unless otherwise specified in the relevant Final Terms.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System is open.

"Treaty" means the Treaty establishing the European communities, as amended.

(l) ***Interest Rate on Zero Coupon Notes***

Where a Note, the Interest Rate of which is specified as being Zero Coupon, is repayable prior to the Maturity Date, the amount due and payable prior to the Maturity Date shall be the Redemption Amount of such Note as determined in accordance with Condition 6(d)(iii). As from the Maturity Date (or, if the principal amount of the Note is repayable in instalments, the dates from which the relevant instalment is due and payable), the Interest Rate for any overdue amount of principal shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield shown on such Note.

(m) ***Interest Rate on Dual Currency Notes***

Where a Note is specified as being a Dual Currency Note, the rate or amount of interest on such Dual Currency Note shall be determined by reference to an exchange rate determined in accordance with the relevant Final Terms.

(n) ***Interest Rate on Partly Paid Notes***

Where a Note is specified as being a Partly Paid Note, interest will accrue as aforesaid on the paid-up nominal amount of such Note and otherwise as specified in the relevant Final Terms.

6. **Redemption, Purchase and Options**

(a) **Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to the relevant Issuer's or Noteholder's option in accordance with Condition 6(e) or (f), the Notes will be redeemed at their Redemption Amount (which, unless otherwise provided, is their principal amount (the "**Redemption Amount**"), on the Maturity Date specified in the relevant Final Terms. The redemption of the BNL Upper Lower Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy.

(b) ***Redemption for taxation reasons***

If either (i) the relevant Issuer satisfies the Trustee that, on the occasion of the next payment in respect of the Notes, it would be unable to make such payment without having to pay additional amounts as described in Condition 8, or, if applicable, (ii) the Guarantor satisfies the Trustee that, on the occasion of the next payment in respect of the Notes, it would be unable to procure BNL International duly to make any payment of principal or interest in respect of the Notes so that it would be required to make payment under the Guarantee and that it would be unable to make such payment without having to pay additional amounts as provided in Condition 8, and in any such case such requirement arises by reason of a change in the laws of the Republic of Italy or the laws of Luxembourg (as the case may be) or any political sub-division thereof or taxing authority therein or thereof or in the interpretation or application thereof or in any applicable double taxation treaty or convention, which change becomes effective on or after the Issue Date, and such compulsion cannot be avoided by the relevant Issuer or (as the case may be) the Guarantor taking reasonable measures (such measures not involving any material additional payments by, or expense for, the relevant Issuer or the Guarantor), the relevant Issuer may (save in the case of Subordinated Notes in respect of which the consent of the Bank of Italy to such early redemption must be obtained), at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, having given not less than 30 nor more than 45 days' notice to the Noteholders in accordance with Condition 16, redeem all, but not some only, of the Notes at their Redemption Amount together with interest accrued to the date of redemption provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the relevant Issuer or the Guarantor (if

applicable) would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the relevant Issuer or, as the case may be and if applicable, the Guarantor shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or (as the case may be and if applicable) the Guarantor stating the compulsion referred to above cannot be avoided by the relevant Issuer or (as the case may be and if applicable) the Guarantor taking reasonable measures available to it, setting forth a statement of facts in reasonable detail showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred and an opinion of independent legal advisers of recognised standing in the relevant jurisdiction (satisfactory to the Trustee) to the effect that the relevant Issuer or, as the case may be and if applicable, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Any notice of redemption given to Noteholders by the relevant Issuer under this Condition 6(b) shall be irrevocable.

(c) ***Purchases***

The relevant Issuer, the Guarantor (if applicable) and any of their Subsidiaries (as defined in the Trust Deed) may at any time purchase or otherwise acquire Notes in the open market or otherwise at any price. The relevant Issuer may not at any time purchase Subordinated Notes otherwise than in the ordinary course of business of dealing in securities or as nominee without the prior approval of the Bank of Italy having been obtained.

(d) ***Early redemption of Zero Coupon Notes***

- (i) The Redemption Amount payable in respect of any Note the Interest Rate of which is specified to be Zero Coupon upon redemption of such Note pursuant to Condition 6(b) or, if applicable, Condition 6(e) or (f), or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note.
- (ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the sum of (A) the Reference Price shown in the relevant Final Terms and (B) the aggregate amortisation of the difference between the Reference Price and the principal amount of such Note for the period from its Issue Date to the date on which such Note becomes due and payable at a rate per annum (expressed as a percentage) equal to the Amortisation Yield shown in the relevant Final Terms compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.
- (iii) If the Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(b) or, if applicable, Condition 6(e) or (f), or upon it becoming due and payable as provided in Condition 11 is

not paid when due, the Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph will continue to be made (as well after as before judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the principal amount of such Note together with any interest which may accrue in accordance with Condition 5(k).

(e) ***Redemption at the option of the relevant Issuer and Exercise of relevant Issuer's option***

If so provided in the relevant Final Terms, the relevant Issuer may (save in the case of Subordinated Notes in respect of which the consent of the Bank of Italy to such early redemption must be obtained) on giving irrevocable notice to the Trustee, the Issuing and Paying Agent and the Noteholders within the relevant Issuer Option Period redeem all or, if so provided in the relevant Final Terms, some of such Notes on the date or dates specified in the relevant Final Terms. Any such redemption of Notes shall be at their Redemption Amount, together with interest (if any) accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the serial numbers of the Notes (except where the Notes are in global form) to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deemed appropriate, subject to compliance with any applicable laws and stock exchange requirements.

If the relevant Final Terms provides for Instalment Amounts and Instalment Dates, then the relevant Issuer may (subject to such limits on extension of the period for redemption as may be set out in the relevant Final Terms), if so specified in the relevant Final Terms, by the exercise of the relevant Issuer's option during the relevant Issuer Option Period extend the period for the redemption of this Note by changing the Instalment Dates on which Instalment Amounts becomes due and payable and shall give notice thereof to the Noteholders in accordance with Condition 16.

(f) ***Redemption at the option of holders of Unsubordinated Notes and exercise of such Noteholders' options***

If so specified in the relevant Final Terms and provided that this Note does not form part of a Series of Subordinated Notes, the relevant Issuer shall, at the option of the holder of such Note, redeem such Note on the date or dates so

provided at its Redemption Amount together with interest (if any) accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option which may be specified in the relevant Final Terms, the holder must deposit such Note with any Paying Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent within the Noteholders' Option Period. No Note so deposited and option so exercised may be withdrawn (except as provided in the Trust Deed) without the prior consent of the relevant Issuer.

If in the relevant Final Terms provides for Instalment Amounts and Instalment Dates, then the Noteholder may (subject to such limits on extension of the period for redemption as may be set out in the relevant Final Terms), if so specified in the relevant Final Terms, by the exercise of the Noteholder's option during the Noteholder Option Period extend the period for the redemption of this Note by changing the Instalment Dates on which Instalment Amounts become due and payable.

(g) ***Redemption by Instalments***

Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified on this Note) is extended pursuant to the relevant Issuer's or Noteholder's option in accordance with Condition 6(e) or (f), each Note which provides for Instalment Dates and Instalment Amounts will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Note shall be reduced by the Instalment Amount for all purposes.

(h) ***Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the relevant Final Terms.

(i) ***Cancellation***

All Notes redeemed by the relevant Issuer, and all Notes purchased by, or on behalf of, the relevant Issuer, the Guarantor (if applicable) or any of their Subsidiaries may, at the option of the relevant Issuer, be cancelled forthwith (together with all unmatured Instalment Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). All Notes redeemed or purchased and cancelled as aforesaid may not be reissued or resold and the obligations of the relevant Issuer and/or the Guarantor (if applicable) in respect of any such Notes (and all Instalment Receipts, Coupons and Talons relating thereto) shall be discharged.

7. **Payments and Talons**

(a) **Payments**

Payments of principal and interest in respect of Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Instalment Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Instalment Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(e)(v)) or Coupons (in the case of interest, save as specified in Condition 7(e)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or (at the option of the holder) by transfer to an account denominated in that currency with, a bank in the principal financial centre of that currency (or, if that currency is euro, any such cheque shall be drawn on, and such transfers may be to any other account to which euro may be credited or transferred maintained by the payee with, a bank in the principal financial centre of any member state of the European Union).

(b) **Payments in the United States**

Notwithstanding the foregoing, if any Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the relevant Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payments in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the relevant Issuer or the Guarantor (if applicable), adverse tax consequences to the relevant Issuer or (as the case may be and if applicable) the Guarantor.

(c) **Payments subject to law etc**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders, Instalment Receiptholders or Couponholders in respect of such payments.

(d) **Appointment of Agents**

The Issuing and Paying Agent and the Paying Agents initially appointed by the Issuers and the Guarantor and their respective specified offices are listed below. The relevant Issuer and the Guarantor (if applicable) may appoint a Calculation Agent in respect of a Series of Notes. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuers and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuers and the Guarantor reserve the right (but with the

prior written approval of the Trustee) at any time to vary or terminate the appointment of the Issuing and Paying Agent, any Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents or Calculation Agents, provided that the Issuers will at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent having a specified office in a continental European city, (iii) a Calculation Agent where the Conditions so require one and (iv) so long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange and/or are admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system and the rules of such stock exchange, listing authority and/or quotation system so require, a Paying Agent(s) having a specified office in Luxembourg and/or, as the case may be, in such place as may be required by the rules of such other listing authority, stock exchange and/or quotation system. As used in these Conditions, the terms "**Issuing and Paying Agent**", "**Calculation Agent**" and "**Paying Agent**" include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition.

In addition, the Issuers and the Guarantor shall forthwith:

- (i) appoint a Paying Agent having a specified office in New York City in the circumstances described in the paragraph (b) above; and
- (ii) if the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, appoint (if necessary) and maintain a Paying Agent in a Member State of the European Union which will not be obliged to withhold or deduct tax pursuant to any European Union Directive on taxation of savings implementing such conclusions.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 16.

(e) ***Unmatured Coupons and Instalment Receipts and unexchanged Talons***

- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Notes shall be surrendered for payment together with all unmatured Coupons and Talons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).

- (ii) If the relative Notes so provide, upon the due date for redemption of any such Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Upon the due date for redemption of any Note which is redeemable in instalments, all Instalment Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (v) Where any Note which provides that the relative Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provisions of such indemnity as the relevant Issuer and the Guarantor (if applicable) may require.
 - (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Note.
- (f) **Non-Business Days**
- If any date for payment in respect of any Note, Instalment Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Business Day Jurisdictions**" on the Note and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) a TARGET Settlement Day.
- (g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

8. **Taxation**

All payments in respect of the Notes, the Instalment Receipts and the Coupons or, as the case may be, under the Guarantee will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy (in respect of payments to be made by the Bank), the Grand Duchy of Luxembourg (in respect of payments to be made by BNL International) or any political subdivision thereof, respectively, or any authority of the Republic of Italy or the Grand Duchy of Luxembourg, as the case may be, having power to tax, unless the withholding or deduction of such taxes is compelled by law. In that event, the relevant Issuer or, as the case may be and if applicable, the Guarantor will pay such additional amounts as will result in the payment to the Noteholders, Instalment Receiptholders or, as the case may be, the Couponholders of the amounts which would otherwise have been receivable in respect thereof had no withholding or deduction been made, except that no such additional amount shall be payable in respect of any Note, Instalment Receipt or Coupon presented for payment:

- (i) in the case of Notes issued by the Bank in the Republic of Italy, in the case of Notes issued by BNL International, in the Republic of Italy or in the Grand Duchy of Luxembourg; or
- (ii) by, or on behalf of, a person who is liable to such taxes or duties in respect of such Note, Instalment Receipt or Coupon by reason of his having some connection with the Republic of Italy or the Grand Duchy of Luxembourg other than the mere holding of such Note, Instalment Receipt or Coupon; or
- (iii) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or
- (iv) in relation to any payment or deduction of any interest, principal or other proceeds of any Note, Instalment Receipt or Coupon issued by the Bank, on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996:
 - (A) in respect of any payment or deduction of interest, principal and premium (if any) on any Notes issued by the Bank, having an original maturity of less than 18 months, where such withholding or deduction is required pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended; or

- (B) by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.
- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, "**Relevant Date**" in respect of any Note, and the Instalment Receipts or Coupons (if any) appertaining thereto, means the date on which payment in respect thereof first becomes due and payable or (if any amount of the money then payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note, Instalment Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it, and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition.

9. **Redenomination**

(a) **General**

Where redenomination is specified in the relevant Final Terms as being applicable and if the country of the Relevant Currency becomes, or announces its intention to become, a Participating Member State, the relevant Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 16, designate a Redenomination Date.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Relevant Currency converted into euro at the rate for the conversion of the relevant Relevant Currency into euro established by the Council of the European

Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); *provided, however, that* if the relevant Issuer determines, with the prior approval of the Trustee, that the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the relevant Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendments;

- (ii) if Notes are in definitive form:
 - (A) all unmatured Coupons denominated in the Relevant Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the relevant Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Relevant Currency will become void on the Euro Exchange Date but all other obligations of the relevant Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Relevant Currency in such manner as the Trustee may approve and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Relevant Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Relevant Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Union; and
- (iv) such other changes will be made to the terms and conditions of the Notes as the relevant Issuer may decide, with the prior written approval of the Trustee, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other change will not take effect until after they have been notified to the Noteholders in accordance with Condition 16.

None of the Issuers, the Guarantor, the Trustee, or any Paying Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any payment by euro cheque or from the credit or transfer or euro or any currency conversion or rounding effected in connection therewith.

(b) **Interest**

Following redenomination of the Notes pursuant to 9(a) above:

- (i) where Notes are in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder; and
- (ii) if the Interest Rate is specified as being Floating Rate and the relevant Final Terms specifies that the Primary Source for Interest Rate Quotations shall be derived from the Relevant Screen Page, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

(c) **Definitions**

As used in these Conditions:

"Participating Member State" means any member state of the European Union that adopts the euro as its lawful currency in accordance with the Treaty.

"Redenomination Date" means a date which:

- (i) in relation to interest-bearing Notes, shall be a date on which interest in respect of such Notes is payable;
- (ii) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (iii) falls on or after such date as the country of the Relevant Currency becomes a Participating Member State.

10. **Prescription**

Notes and any applicable Instalment Receipts and Coupons appertaining thereto (which, for this purpose, shall not include Talons) shall become void unless presented for payment within ten years (in the case of Notes and Instalment Receipts) or five years (in the case of Coupons) from the appropriate Relevant Date in respect thereof.

11. **Events of Default**

The Trustee may, and if so requested in writing by the holders of Notes relating to at least one-fifth of the principal amount of the Notes outstanding or by an

Extraordinary Resolution of the Noteholders shall (but, in the case of the happening of any of the events mentioned in paragraphs (1)(b), (c), (e), (f), (g), (h), (i) and (j) below, only if the Trustee shall have certified to the relevant Issuer and the Guarantor (if applicable) that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders) give notice to the relevant Issuer and the Guarantor (if applicable) that the Notes are, and they shall accordingly immediately become, due and repayable at their Redemption Amount (together, in the case of interest-bearing Notes, with accrued interest) as provided in the Trust Deed if any of the following events (each, an "**Event of Default**") has occurred:

- (i) In the case of Unsubordinated Notes:
 - (a) there is default for more than seven days in the payment of any principal or 15 days in the case of any interest due in respect of the Notes; or
 - (b) the relevant Issuer or the Guarantor (if applicable) shall be adjudicated or found bankrupt or insolvent or shall stop or threaten to stop payment or shall be found unable to pay its debts generally, or any order shall be made by any competent court or administrative agency for, or any resolution shall be passed by the relevant Issuer or the Guarantor (if applicable) for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the relevant Issuer or (as the case may be and if applicable) the Guarantor; or
 - (c) the Bank becomes subject to an order for "*Amministrazione straordinaria*", "*Gestione provvisoria*" or "*Liquidazione coatta amministrativa*" (within the meanings ascribed to those expressions by the Italian Banking Act of 1993 and the other laws of the Republic of Italy); or
 - (d) the relevant Issuer or the Guarantor (if applicable) fails to pay a final judgment of a court of competent jurisdiction within 60 days from the entering thereof or an execution is levied on or enforced upon or sued out pursuant to any such judgment against any substantial part of the assets or property of the relevant Issuer or the Guarantor (if applicable); or
 - (e) the relevant Issuer or the Guarantor (if applicable) shall be wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by the Trustee); or
 - (f) the relevant Issuer shall cease to carry on business or the Guarantor (if applicable) shall cease or threaten to cease to carry on all or a substantial part of its business (otherwise than for the

purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by the Trustee); or

- (g) the security for any debenture, mortgage or charge of the relevant Issuer or (as the case may be) the Guarantor shall become enforceable and the holder or holders thereof shall take any legal proceedings to enforce the same; or
 - (h) any indebtedness for borrowed money of the relevant Issuer or (as the case may be) the Guarantor either (i) shall become repayable prior to the scheduled date for payment thereof by reason of default or (ii) shall not be repaid on the due date as extended by any applicable grace period and, in either case, steps shall have been taken to obtain repayment; or
 - (i) any guarantee (other than a guarantee given in the ordinary course of its banking business or in respect of which the relevant Issuer or the Guarantor (if applicable) shall have satisfied the Trustee that it is *bona fide* contesting its liability in respect thereof) given by the relevant Issuer or the Guarantor (if applicable) of any indebtedness for borrowed money shall not be honoured when due and called; or
 - (j) default is made by the relevant Issuer or the Guarantor (if applicable) in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (other than, in the case of the relevant Issuer, any obligation for payment of any principal moneys or interest in respect of the Notes) and such default continues for 30 days after written notice thereof by the Trustee to the relevant Issuer or (as the case may be) the Guarantor requiring the same to be remedied.
- (ii) In the case of Subordinated Notes:
- (a) the Bank becomes subject to an order for "*Liquidazione coatta amministrativa*" (within the meanings ascribed to that expression by the Italian Banking Act of 1993 and the other laws of the Republic of Italy); or
 - (b) the relevant Issuer or the Guarantor (if applicable) shall be wound up, liquidated or dissolved (otherwise than for the purposes of an amalgamation, merger, reconstruction or reorganisation on terms approved by the Trustee).

12. **Enforcement, Indemnification and Liability of the Trustee**

(a) **No direct actions**

Only the Trustee may enforce the obligations of the relevant Issuer and the Guarantor (if applicable) arising under the Notes and the Trust Deed and no Noteholder or Couponholder shall be entitled to proceed against the relevant

Issuer or the Guarantor (if applicable), unless the Trustee, having become bound to do so in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

(b) ***Provisions for the Trustee***

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment of the Notes unless indemnified to its satisfaction. The Trustee will be entitled to enter into business transactions with the Bank or any Subsidiary of the Bank or BNL International without accounting for any profit resulting therefrom.

(c) ***Steps for enforcement***

The Trustee shall not be bound to take any steps (other than, if required under the provisions of Condition 11, to give notice that the Notes of any Series are immediately redeemable) to enforce the performance of any of the provisions of the Trust Deed, the Notes, the Instalment Receipts or the Coupons of the relevant Series unless (i) it shall have been directed to do so by an Extraordinary Resolution or requested in writing to do so by the holders of Notes relating to at least one-fifth in principal amount of the Notes of such Series then outstanding and (ii) it shall have been indemnified by or on behalf of the Noteholders or some or one of them, to its satisfaction, against all proceedings, claims, demands and liabilities to which it may be liable and all costs, charges and expenses which may be incurred by it in connection therewith.

13. **Meetings of Noteholders, Modification of Conditions; Waiver and Substitution**

(a) ***Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interest, including the modification by Extraordinary Resolution of the Notes (including these Conditions insofar as the same may apply to such Notes) and the Trust Deed. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest thereon, (ii) to reduce or cancel the principal amount or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Interest Amount in respect thereof, (iv) if there is shown on the face of the Notes a Minimum Interest Rate and/or a Maximum Interest Rate, to reduce or (as the case may be) to increase such Minimum Interest Rate and/or such Maximum Interest Rate, (v) to change any method of calculating the Redemption Amount, (vi) to change the currency or currencies of payment of the

Notes, (vii) to modify, in a manner which is, or may be, prejudicial to the interests of any Noteholder, or terminate the Trust Deed, (viii) to take any steps which this Note specifies may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (ix) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass any Extraordinary Resolution, will only be binding if passed at a meeting of the Noteholders (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present. A resolution in writing signed by the holders of not less than 95 per cent. in principal amount of the Notes will be binding on all Noteholders and Couponholders. The relevant Issuer, the Guarantor (if applicable) or the Trustee may convene a meeting of Noteholders jointly with the holders of all other Notes issued pursuant to the Trust Deed and not forming a single Series with the Notes, and at which meeting the provisions referred to above shall apply as if all such Notes formed part of the same Series, provided that the proposals to be considered at such meeting affect the rights of the holders of the Notes of each Series attending the meeting in identical respects (save only insofar as the Conditions applicable to each such Series are not identical).

(b) ***Substitution***

The Trustee may also agree with the relevant Issuer, or any previous substituted company, and the Guarantor (if applicable) at any time, without the consent of the Noteholders, the Couponholders or the Instalment Receiptholders, to the substitution as principal debtor in place of the relevant Issuer under the Notes, the Coupons, any Instalment Receipts and as obligor in respect of any Talons of any company (the "**Substitute**") which is the Bank, or a Subsidiary of the Bank, provided that no payment in respect of the Notes of such Series, the Trust Deed, the Instalment Receipts or the Coupons is at the relevant time overdue for payment and no other Event of Default or Potential Event of Default (as defined in the Trust Deed) shall have happened and be continuing. The substitution shall be made by a deed supplemental to the Trust Deed, and may take place only if (i) the Substitute shall give an undertaking or covenant corresponding to the provisions of Condition 8 containing, in substitution for or (as the case may require) in addition to the references to the Republic of Italy or Luxembourg, references to the territory or territories in which the Substitute is incorporated, domiciled or resident or to the taxing jurisdiction of which, or of any political subdivision thereof or of any authority therein or thereof, the Substitute is otherwise generally subject, (ii) an indemnity for the costs or expenses relating to the substitution, (iii) where the Substitute is not the Bank, the obligations of the Substitute under the Trust Deed, the Notes, Coupons, Instalment Receipts and Talons shall be unconditionally guaranteed by the Bank on the same basis, (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Trust Deed, the Notes, Coupons, Instalment Receipts and Talons (if any) represent valid and legally binding obligations of the Substitute and, in the case of the Guarantor, of the Guarantor have been taken, fulfilled and done and are in full

force and effect, (v) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it has been an original party thereto, (vi) legal opinions addressed to, and in form and substance satisfactory to, the Trustee, shall have been delivered from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this paragraph and other matters, (vii) there shall have been such amendment of the Trust Deed and the execution of such other documents, deeds and agreements as the Trustee may require as would have been necessary as if the Substitute had been the issuer of the Notes in place of the relevant Issuer (or any previous Substitute), (viii) the Trustee is satisfied that all governmental, regulatory and other approvals, consents and licences in respect of the substitution shall have been obtained and are in full force and effect, and (ix) the Trustee is satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

The relevant Issuer, or any Substitute, and the Guarantor (if applicable) may (with the prior consent of the Trustee, but without the consent of the Noteholders, Couponholders or Instalment Receiptholders) consolidate with, merge or amalgamate into any successor company (as defined in the Trust Deed) provided that (i) immediately after giving effect thereto no Event of Default or Potential Event of Default shall have happened and be continuing and (ii) unless the relevant Issuer (or Substitute) or, as the case may be, the Guarantor is the surviving company, transferee, or successor company, the relevant Issuer (or Substitute) or, as the case may be, the Guarantor shall procure that the surviving company, transferee or company assumes its respective obligations under the Trust Deed and all of the Notes, Coupons and Instalment Receipts and Talons (if any) in place of the relevant Issuer (or Substitute) or, as the case may be, the Guarantor (iii) in the case of an assumption of the obligations of the relevant Issuer (or Substitute) by a surviving company, transferee or successor company, the guarantee of the Guarantor is fully effective on the same basis (iv) such surviving company, transferee or successor company gives an undertaking or covenant corresponding to the provisions of Condition 8 containing, in substitution for or (as the case may require) in addition to the references to the Republic of Italy or Luxembourg, references to the territory or territories in which such surviving company, transferee or successor company is incorporated, domiciled or resident or the taxing jurisdiction of which, or of any political subdivision thereof or of any authority therein or thereof, such surviving company, transferee or successor company is otherwise generally subject, (v) an indemnity for the costs or expenses relating to the substitution and (vi) certain other conditions are met. Upon the assumption of the obligations of the relevant Issuer (or Substitute) or of the Guarantor by such surviving company, transferee or successor company, the predecessor relevant Issuer (or Substitute) or, as the case may be, the Guarantor shall (subject to the provisions of the Trust Deed) have no further liabilities under, or in respect of, the Trust Deed or the Notes. Any such assumption shall be subject to the relevant provisions of the Trust

Deed and to such amendment thereof and such other conditions as the Trustee may require.

The Trust Deed provides that any such substitution or assumption shall be notified to the Noteholders in accordance with Condition 16.

No Noteholder, Couponholder, Talonholder or Instalment Receiptholder shall, in connection with any such substitution, assumption or succession, be entitled to claim from the relevant Issuer (or Substitute) or the Guarantor any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed as provided in this Condition and in the Trust Deed.

(c) **General**

The Trustee may agree, without the consent of the Noteholders, Couponholders, Instalment Receiptholders or Talonholders, to any modifications (except as aforesaid) of these Conditions, the Trust Deed, the Notes or the Coupons or Instalment Receipts and may waive or authorise any breach or proposed breach by the relevant Issuer or the Guarantor (if applicable) of any of the provisions of these Conditions, the Trust Deed, the Notes or the Coupons which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or any modification which is of a formal, minor or technical nature or is made to correct a manifest error. No such modification shall be effective unless and until evidenced by execution and delivery of an appropriate deed supplemental to the Trust Deed.

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any proposed modification, waiver, authorisation, replacement, transfer, substitution or assumption), the Trustee shall not have regard to the consequences of such exercise for individual Noteholders resulting from such Noteholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory.

Any such modification, waiver, authorisation, replacement, transfer, substitution or assumption shall be binding on the Noteholders, Couponholders, Instalment Receiptholders and Talonholders and, unless the Trustee agrees otherwise, any such modification, replacement, transfer, substitution or assumption shall be notified to the Noteholders as soon as practicable thereafter.

14. **Replacement of Notes, Instalment Receipts, Coupons and Talons**

If a Note, Coupon, Talon or Instalment Receipt is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange regulations, at the specified office of the Issuing and Paying Agent and/or such other Paying Agent as may from time to time be designated by the relevant

Issuer for the purpose and notice of whose designation is given to Noteholders in accordance with Condition 16, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon, Talon or Instalment Receipt is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the relevant Issuer on demand the amount payable by the relevant Issuer in respect of such Notes, Coupons, Instalment Receipts or further Coupons) and otherwise as the relevant Issuer and the Guarantor (if applicable) may require. Mutilated or defaced Notes, Coupons, Talons or Instalment Receipts must be surrendered before replacements will be issued.

15. **Further issues**

The relevant Issuer may from time to time without the consent of the Noteholders, Couponholders or Instalment Receiptholders of any Series create and issue further notes and (if applicable) having Coupons, Instalment Receipts and Talons attached having the same terms and conditions as the Notes (or the same save for the amount and date of the first payment of interest, if any, on them and/or the denomination thereof) and (where such Notes have been issued by BNL International) having the benefit of the Guarantee and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

16. **Notices**

All notices to the Noteholders will be valid if published in a daily English language newspaper of general circulation in London or if, in the opinion of the Trustee, such publication is not practicable, in another leading daily English language newspaper of general circulation in Europe approved by the Trustee. It is expected that such publication will be made in the *Financial Times* in London. All notices regarding any Note listed on the Luxembourg Stock Exchange shall also be published in one leading daily newspaper with circulation in Luxembourg, which is expected to be the *d'Wort* or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, if neither of such publications is practicable, in another appropriate English language newspaper having general circulation in Europe, and as may be required by the rules of any other applicable listing authority, stock exchange and/or quotation system. Any such notices will, if published more than once, be deemed to have been given on the date of the first publication, as provided above.

Couponholders, Instalment Receiptholders and Talonholders shall be deemed for all purposes to have notice of the contents of any notice to the Noteholders in accordance with this Condition.

17. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all

percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all U.S. Dollars amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

18. **Governing Law and Jurisdiction**

(a) ***Governing Law***

The Notes, the Coupons, the Talons, the Instalment Receipts, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***

Each of the Issuers and the Guarantor have in the Trust Deed for the benefit of the Trustee, the Noteholders, Couponholders, Talonholders and Instalment Receiptholders (i) agreed that the courts of England are to have jurisdiction to hear and settle any dispute, suit or action which may arise out of or in connection with any Notes, Coupons, Talons or Instalment Receipts and, accordingly, any legal action or proceedings arising out of or in connection with any Notes, Coupons, Talons or Instalment Receipts ("**Proceedings**") may be brought in such courts; (ii) irrevocably submitted to the jurisdiction of the courts of England; (iii) waived any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum; and (iv) agreed that such submission shall not affect the right of any of the Trustee, the Noteholders, the Couponholders, the Talonholders and the Instalment Receiptholders to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) ***Service of Process***

Each of the Issuers and the Guarantor have, in the Trust Deed, irrevocably appointed the General Manager for the time being of the London branch of the Bank to receive, for it and on its behalf, service of process in any Proceedings in England. The Trust Deed provides that such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the relevant Issuer or the Guarantor, if applicable). Nothing shall affect the right to serve process in any other manner permitted by law.

(d) ***Stamp duties***

If the Trust Deed or the Guarantee (if applicable) were to be enforced in Italy against the Bank and a judgment were rendered by an Italian court, certain nominal stamp taxes might be required to be paid on the documents submitted to the court and a registration tax would be payable on any amount awarded in the judgment. A further tax would be payable on the amount then outstanding under any of the documents relating to the issue of the relevant Series of Notes if any of them were referred to in the judgment. The Bank has agreed in the Trust Deed to indemnify the Trustee and the Noteholders, Couponholders and Instalment Receiptholders against any liability to such registration taxes.

FORM OF FINAL TERMS

The Final Terms in respect of each tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

[LOGO, if document is printed]

[Banca Nazionale del Lavoro S.p.A./

Banca Nazionale del Lavoro International S.A.

[Guaranteed by **Banca Nazionale del Lavoro S.p.A.**]

Series Number: []

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

under the

Euro 10,000,000,000

Euro Medium Term Note Programme

of

Banca Nazionale del Lavoro S.p.A.

and

Banca Nazionale del Lavoro International S.A.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [] (the "**Base Prospectus**") [and the supplemental Prospectus dated []] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. This Final Terms contains the final terms of the Notes and must be read in conjunction with the Base Prospectus.

Full information on the Issuer[, the Guarantor] and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [[*address*] [and] [*website*]] and copies may be obtained from [*address*].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the [Information Memorandum][Base Prospectus] dated [original date]. This document constitutes the Final Terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated [date]] ([together] the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the [Information Memorandum][Base Prospectus] dated [original date] and are attached hereto.]

Full information on the Issuer[, the Guarantor] and the Notes described herein is only available on the basis of a combination of these Final Terms and the [Information Memorandum][Base Prospectus] dated [original date] and the Base Prospectus dated [current date] [and the supplemental Prospectus dated [date]]. The [Information Memorandum][Base Prospectus] dated [original date] and the Base Prospectus dated [current date] [and the supplemental Prospectus dated [date]] are available for viewing at [[address] [and] [website]] and copies may be obtained from [address].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: [Banca Nazionale del Lavoro S.p.A./Banca Nazionale del Lavoro International S.A.]
(ii) [Guarantor: Banca Nazionale del Lavoro S.p.A.]
2. [(i) [Series Number:] []
(ii) [Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
[(i) [Series:] []
[(ii) [Tranche: []]
5. [(i) Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of

fungible issues only, if applicable)]

[(ii) Net proceeds: [] (*Required only for listed issues*)]

6. Denominations: []
[]

[N.B. If an issue of Notes is (i) not admitted to trading on any regulated market within the European Economic Area; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.]

7. [(i) Issue Date: []

[(ii) Interest Commencement Date: []]

8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*

If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors or (ii) another applicable exemption from section 19 of the FSMA must be available.

[Maturity Date to be chosen in accordance with current laws, regulations, directives and/or central bank requirements]

9. Interest Basis: [[]] % Fixed Rate]

[[specify reference rate] +/- []%

[Floating Rate]

- [Zero Coupon]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Dual Currency]
[Partly Paid]
[Instalment]
[Index Linked Redemption]
[Other (*specify*)]
(N.B. If the Redemption Amount is not 100% of the nominal value of the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
12. Put/Call Options: [Investor Put on Unsubordinated Notes]
[Issuer Call]
[(further particulars specified below)]
13. (i) Status of the Notes: [Unsubordinated/Subordinated]
[If Subordinated Notes specify whether BNL Upper Tier II Subordinated Notes/BNL Lower Tier II Subordinated Notes/BNL Tier III Subordinated Notes/BNLI Upper Tier II Subordinated Notes/BNLI Lower Tier II Subordinated Notes]
- (ii) Status of the Guarantee: [Unsubordinated Guarantee/Subordinated Guarantee]
- [(iii)] [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]

14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Interest Rate[(s)]: [] per cent. per annum
[payable [annually/semi-annually/quarterly/monthly] in arrear]

(ii) Interest Date(s)/Interest Date(s): Payment Period [] in each year

(iii) Fixed Coupon Amount[(s)]: [] [per Note of [] Specified Denomination and per Note of [] Specified Denomination]

(iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount (s)]*

(v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]

(vi) Other terms relating to the method of calculation interest for Fixed Rate Notes: Not Applicable/*give details*] (*Consider if day count fraction, particularly for Euro denominated issues, should be on Actual/Actual basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes*)

16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Interest Period(s)/Specified Duration(s) []

(ii) Interest Dates)/Interest Payment Period []

- Date(s):
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
- (iv) Relevant Financial Centre(s): [Not Applicable/*give details*]
- (v) Primary Source for Interest Rate Quotation(s): [Screen Rate Determination/ISDA Rate Indices/other (*give details*)]
- (vi) Party responsible for calculating the Interest Rate and Interest Amount(s) (if not the Calculation Agent): [[*Name*] shall be the Calculation Agent (*no need to specify if the Calculation Agent is to perform this function*)]
- (vii) Screen Rate Determination:
- Benchmark: [*For example, LIBOR or EURIBOR*]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [*For example, Telerate page 3750/248*]
- (viii) Relevant Time: [*For example, 11.00 a.m. London time/Brussels time*]
- (ix) ISDA Rate Indices:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
 - Effective Date []
- (x) Spread(s)/Spread Multiplier(s): [+/-][] per cent. per annum
- (xi) Minimum Interest Rate: [] per cent. per annum
- (xii) Maximum Interest Rate: [] per cent. per annum
- (xiii) Day Count Fraction: []
- (xiv) Reference Banks: []
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method []

of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 5]
 []
18. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
[Include a description of market disruption or settlement disruption events and adjustment provisions.]
- (iv) Interest Payment Dates)/Interest Period Date(s): []
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (vi) Relevant Financial Centre(s): []

(vii) Minimum Interest Rate: [] per cent. per annum

(viii) Maximum Interest Rate: [] per cent. per annum

(ix) Day Count Fraction: []

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Rate of exchange/method of calculating rate of exchange: [Give details or annex]

(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []

(iii) Provisions applicable where calculation by reference to rate of exchange impossible or impracticable: []
[Include a description of market disruption or settlement disruption events and adjustment provisions.]

(iv) Person at whose option Relevant Currency(ies) is/are payable: []

(v) Interest Payment Date(s)/ Interest Period Date(s) []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Issuer Option Period(s): []
[to be chosen in accordance with current laws, regulations, directives and/or central bank requirements]

(ii) Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Note of [] specified denomination

(iii) Notice period: []

(N.B. If setting notice periods which are different to those provided in the

Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or Trustee.)

21. Put Option

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Noteholders' Option []
Period(s):
[to be chosen in accordance with current laws, regulations, directives and/or central bank requirements, and in any case for Unsubordinated Notes only]

(ii) Redemption Amount(s) and method, if any, of calculation of such amount(s): []

(iii) Notice period: []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or Trustee.)

22. Redemption Amount of each Note

[[] per Note of specified denomination/other/see Appendix]

(N.B. If the Redemption Amount is not 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation

will apply.)

In cases where the Index Linked Redemption Notes:

- (i) Index/Formula/variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the Redemption Amount:
- (iii) Provisions for determining Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:
- (iv) Provisions for determining Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (v) Other provisions relating to Index Linked Redemption Notes

23. Redemption Amount on redemption for tax reason

[Not Applicable/give details]

Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [] days'

notice.]

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

[Registered Notes]

25. Relevant Financial Centre(s) or other special provisions relating to Interest Payment Dates: [Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates*]
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
29. Redenomination: [Not Applicable/The provisions [in Condition 9 (*Redenomination*)] [annexed to this Final Terms] apply]
30. Consolidation provisions: [Not Applicable/The provisions [in Condition 15 (*Further Issues*)] [annexed to this Final Terms] apply]
31. Other terms or special conditions: [Not Applicable/*give details*]
(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

32. (i) If syndicated, names and addresses and underwriting commitments of Managers: [Not Applicable/give names] *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Date of [Subscription Agreement] []
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
34. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
35. Additional selling restrictions: [Not Applicable/give details]

[ADMISSION TO TRADING

This Final Terms comprises the final terms required for the Notes described herein to be admitted to trading on the regulated market of the Luxembourg Stock Exchange pursuant to the Euro 10,000,000,000 Euro Medium Term Note Programme of Banca Nazionale del Lavoro S.p.A. and Banca Nazionale del Lavoro International S.A. guaranteed by Banca Nazionale del Lavoro S.p.A..]

RESPONSIBILITY

[Each of the [The] Issuer [and the Guarantor] accepts responsibility for the information contained in this Final Terms [[] has been extracted from []. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].] [Not Applicable.]
- (iii) Estimate of total [].
expenses related to
admission to trading:

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: []]

[Moody's: []]

[[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. [NOTIFICATION]

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES¹**

(i) Reasons for the offer []
(See ["Use of Proceeds"] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii)] Estimated net proceeds: [].
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: []. [Include breakdown of expenses.]
(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

6. **[FIXED RATE NOTES ONLY -YIELD**

Indication of yield: [].
[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[INDEX-LINKED OR OTHER INDEX-LINKED NOTES ONLY - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

8. **[DUAL CURRENCY NOTES ONLY - PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

¹ Required for derivative securities to which Annex Xii to the Prospectus Directive Regulation applies

9. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): []

SCHEDULE TO THE FINAL TERMS

Further information relating to Notes issued by the Bank

[The information set out in this Schedule may need to be updated if, at the time of the issue of the Notes, any of it has changed since the date of the Base Prospectus]

1. **Name:** Banca Nazionale del Lavoro S.p.A.
2. **Objects:**

The objects of the Issuer, as set out in Article 4 of its by-laws, are as follows:

The Issuer's corporate purpose is the collection of savings and the granting of credit in its various forms, in Italy and abroad. The Bank may undertake, in accordance with applicable regulations, all other financial activities, as well as all other instrumental or related activities. The Bank may issue bonds and other securities in accordance with applicable regulations and any, in addition, establish open pension funds in accordance with Article 9 of Legislative Decree No. 124 of 21 April 1993.
3. **Registered office:** [Via Vittorio Veneto 119 - 00187 Rome]
4. **Company registration:** Registered at the Companies' Registry of the Chamber of Commerce of Rome, Italy under registration No. 00651990582
5. **Amount of paid-up share capital and reserves:**

paid-up share capital: Euro [●], consisting of No. [●] ordinary shares and No. [●] savings shares with a nominal value of Euro [●] each.

Reserves: Euro [●]

Further information relating to Notes issued by the BNL International

[The information set out in this Schedule may need to be updated if, at the time of the issue of the Notes, any of it has changed since the date of the Base Prospectus]

1. **Name:** Banca Nazionale del Lavoro International S.A.
2. **Date of constitutional documents and publication thereof:** 2 April 1968; publication in the Luxembourg Mémorial, Recueil Spécial des Sociétés et Associations No. 70 of 15 May 1968

3. **Duration of the Company:** Unlimited duration
4. **Amount of paid-up share capital and number of shares:** paid-up share capital: Euro [25,000,000], consisting of No. [100,000] ordinary shares and with a nominal value of Euro [250] each.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Series or, as the case may be, tranche will initially be represented by a temporary global note (the "**Temporary Global Note**"), in bearer form without Coupons, which will be deposited on behalf of the subscribers of the relevant Notes with a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg on or about the issue date of the relevant Notes. No interest will be payable in respect of a Temporary Global Note, except as provided below. Upon deposit of the Temporary Global Note(s) with the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note represented by a Temporary Global Note or, as the case may be, a permanent global Note (the "**Permanent Global Note**") (each a "**Global Note**") must look solely to Euroclear or, as the case may be, Clearstream, Luxembourg for his share of each payment made by the relevant Issuer or, as the case may be and if applicable, the Guarantor to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the relevant Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the relevant Issuer or the Guarantor will be discharged by payment to the Trustee or to the bearer of such Global Note in respect of each amount so paid.

Any payment due in respect of a Global Note will be made to each of Euroclear and Clearstream, Luxembourg in respect of the portion of the Global Note held for its account. An accountholder with Euroclear or Clearstream, Luxembourg with an interest in a Temporary Global Note will be required, in order to have credited to its account any portion of any payment, to present a certificate in the form set out in the Trust Deed substantially to the effect that the beneficial owner of the relevant interest in the Temporary Global Note is not within the United States or a U.S. person as such terms are defined by the U.S. Internal Revenue Code and the regulations thereunder.

Each Temporary Global Note and Permanent Global Note contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

1. Exchange

Each Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note after the date falling 40 days after the completion of the distribution of the Notes represented by such Temporary Global Note upon certification as to non-U.S. beneficial ownership in the form set out therein and in the Trust Deed.

Interests in a Permanent Global Note may be exchanged for definitive notes ("**Definitive Notes**"), duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms) in whole but not in part only, as specified in the relevant Final Terms (and free of charge to the bearer):

- (i) upon not less than such number of days' written notice as specified in the relevant Final Terms from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent; or
- (ii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then only upon the occurrence of the following:
 - (1) an event of default (as set out in Condition 11) has occurred and is continuing; or
 - (2) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (3) the relevant Issuer or the Guarantor (if applicable) has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by such Permanent Global Note in definitive form.

The relevant Issuer will notify the Noteholders of the occurrence of any of the events specified in paragraphs (i) or (ii) above as soon as practicable thereafter.

2. **Payments**

No payment falling due more than 40 days after the completion of the distribution of any tranche of Notes represented by a Temporary Global Note will be made on that Temporary Global Note unless exchange for an interest in a Permanent Global or a Definitive Note is improperly withheld or refused. Payments on any Temporary Global Note during the period of 40 days after the completion of the distribution of the relative tranche will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Second Schedule to the Trust Deed. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

3. **Notices**

Notwithstanding Condition 16, except in the case where any Series of Notes is listed and traded on the regulated market of the Luxembourg Stock Exchange or any other stock exchange, so long as any Series of Notes is represented in its entirety by a

Global Note and such Global Note is deposited with, or with a depository for on behalf of, Euroclear and/or Clearstream, Luxembourg and/or any other clearing system or depository, notices to Noteholders of that Series may be given solely by delivery of the relevant notice to the relevant clearing system or depository for communication by it to entitled accountholders.

4. **Prescription**

Any claim against the relevant Issuer in respect of Notes which are represented by any Global Note will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

5. **Meetings**

The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum denomination of Note for which such Global Note may be exchanged.

6. **Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

7. **Issuer's option**

No drawing of Notes will be required under Condition 6(e) in the event that the relevant Issuer exercises any option relating to those Notes while all such Notes which are outstanding are represented by a Global Note. In the event that any option of the relevant Issuer is exercised in respect of some, but not all, of the Notes of any Series, the rights of accountholders with Euroclear and Clearstream, Luxembourg in respect of the Notes will be governed by the standard procedures of Euroclear and Clearstream, Luxembourg.

8. **Noteholders' option**

Any Noteholders' option may be exercised by the holder of a Global Note giving notice to the Issuing and Paying Agent of the principal amount of Notes in respect of which the option is exercised and presenting such Global Note for endorsement of exercise within the time limit specified in the Conditions. Any such notice will be irrevocable and may not be withdrawn.

BNL GUARANTEE

If so specified in the relevant Final Terms, Notes may be issued by BNL International and guaranteed on an unsubordinated or subordinated basis by the Guarantor (the "**Unsubordinated Guarantee**" or the "**Subordinated Guarantee**", as the case may be, and together the "**Guarantee**") pursuant to the provisions of the Trust Deed (as defined in the Conditions).

Pursuant to the Trust Deed, the Guarantor has unconditionally and irrevocably guaranteed to the Trustee the due and punctual payment of the principal and interest in respect of the Notes of each Series issued from time to time by BNL International and all amounts due by it under the Trust Deed as and when the same shall become due and payable and has agreed unconditionally to pay to the Trustee, forthwith upon demand by the Trustee and in the manner and currency prescribed by such Note for payments by BNL International thereunder, any and every sum or sums of money which BNL International shall at any time be liable to pay under or pursuant to such Note or the Trust Deed and which BNL International shall have failed to pay at the time such demand is made, provided that every payment of such amount shall, *pro tanto*, be deemed to cure such default by, and to discharge to the relevant extent the relevant obligations of, BNL International and shall be deemed for the purposes of the Guarantee to have been paid to, or to the order of, or for the account of, the Trustee, except to the extent that there is failure in the subsequent payment thereof to the Noteholders, Instalment Receiptholders or the Couponholders in accordance with the Conditions.

The Guarantor has agreed in the Trust Deed that its obligations thereunder shall be unconditional and irrevocable (it being liable as if it were the principal debtor and not merely a surety), irrespective of the validity, regularity or enforceability of any Note issued by BNL International or other provision of the Trust Deed, the absence of any action to enforce the same, any waiver or consent by the Trustee with respect to any provisions thereof, the recovery of any judgment against BNL International or any action to enforce the same, any time or indulgence granted to BNL International or any dealings or transactions between BNL International and the Trustee of any relevant Series, BNL International being prevented from making payment by foreign exchange provisions applicable at its place of registration or incorporation, and consolidation, merger, conveyance or transfer by BNL International, or any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor. In addition the Guarantor has waived in the Trust Deed, with respect to any Note of any Series issued by BNL International or the Trust Deed or the indebtedness evidenced thereby, diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of BNL International, any right to require a proceeding first against BNL International, protest, notice and all demands whatsoever and covenants that the Guarantee will not be discharged except by complete performance of the obligations contained in each Note, in the Trust Deed and in the Guarantee.

The Unsubordinated Guarantee constitutes a direct, unconditional, unsecured and unsubordinated of the Guarantor ranking (subject to any such exceptions as are from

time to time applicable under the laws of the Republic of Italy) *pari passu* without any preference or priority among themselves. The payment obligations of the Guarantor in respect of the Unsubordinated Guarantee rank (subject to any applicable statutory exceptions) at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

The Subordinated Guarantee constitutes a direct, unconditional, unsecured and subordinated of the Guarantor ranking (subject to any such exceptions as are from time to time applicable under the laws of the Republic of Italy) *pari passu* without any preference or priority among themselves. The payment obligations of the Guarantor in respect of the Subordinated Guarantee rank (subject to any applicable statutory exceptions) at least equally with all other present and future unsecured and equally subordinated obligations of the Guarantor.

In relation to Notes issued by BNL International specified in the relevant Final Terms as being guaranteed on a subordinated basis, the obligations of the Guarantor to make any payment under the Subordinated Guarantee shall not be accelerated by reason of the obligations of BNL International being accelerated by reason of a default or otherwise and the Guarantor shall therefore be obliged to make payments under the Subordinated Guarantee only at the times and dates stipulated as due dates under the Conditions of the Notes without giving effect to any acceleration of their maturity. In addition, in certain circumstances, the payment of the Guarantor under the BNLI Upper Tier II Subordinated Notes may be deferred in accordance with the Conditions, by giving a 5 business days' prior notice to the Trustee.

The rights and claims of the Trustee and of the Noteholders and Couponholders against the Guarantor under the Subordinated Guarantee in relation to BNLI Lower Tier II Subordinated Notes, in the event of bankruptcy, dissolution or winding up of the Guarantor, the Subordinated Guarantee given in respect of BNLI Lower Tier II Subordinated Notes will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Guarantor whose claims are equally subordinated to the BNLI Lower Tier II Subordinated Notes, (b) senior to creditors of the Guarantor holding securities, notes and other instruments that are more subordinated by their terms than the BNLI Lower Tier II Subordinated Notes, including the BNL Upper Tier II Subordinated Notes, in each case in respect of the Subordinated Guarantee and (c) junior to the claims of creditors of the Guarantor which are unsubordinated or that are less subordinated by their terms than the BNLI Lower Tier II Subordinated Notes in respect of the Subordinated Guarantee.

The rights and claims of the Trustee and of the Noteholders and Couponholders against the Guarantor under the Subordinated Guarantee in relation to BNLI Upper Tier II Subordinated Notes, in the event of bankruptcy, dissolution or winding up of the Guarantor, will rank *pari passu* with each other and (a) *pari passu* with other creditors of the Guarantor whose claims are equally subordinated to the BNLI Upper Tier II Subordinated Notes in respect of the Subordinated Guarantee (b) senior to the shareholders of the Guarantor including holders of savings shares, and (c) junior to creditors of the Guarantor holding securities, notes and other instruments that are less subordinated by their terms than the BNLI Upper Tier II Subordinated Notes in respect

of the Subordinated Guarantee, including the BNLI Lower Tier II Subordinated Notes in respect of the Subordinated Guarantee.

In addition, to the extent that the Guarantor at any time suffers losses which, in accordance with Italian laws and regulations would require the Guarantor to reduce its capital to below the required Minimum Capital (as defined in the Conditions), the obligations of the Guarantor under the Subordinated Guarantee as to payment of interest and principal under the BNLI Upper Tier II Subordinated Notes, whether or not matured, will be reduced to the extent necessary to enable the Guarantor to maintain at least the Minimum Capital.

The amount by which the obligations of the Guarantor have been reduced in accordance with the Conditions will be reinstated, whether or not the maturity date of the relevant obligation has occurred, in the following circumstances:

- (a) in whole, in the event of a bankruptcy, dissolution, liquidation or winding-up of the Guarantor or in the event that the Guarantor becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding-up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Bank were not so reduced in accordance with this Condition; and
- (b) in whole or in part, from time to time, to the extent that the Guarantor, by reason of its having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and therefore would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition.

The Guarantor is not required to pay under the Subordinated Guarantee any amount as interest on the Upper Tier II Subordinated Notes on any Interest Payment Date if (1) no annual dividends have been approved, paid or set aside for payment by the shareholders of the Guarantor in respect of any class on share of the Guarantor during the 12-month period ending on, and including the day which is three business days preceding such Interest Payment Date; or (2) the Board of Directors of the Bank has announced, at the time of publication of interim accounts of the Bank published during the six-month period ending on, and including the day which is three business days preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for payment of interim dividends.

Pursuant to the Trust Deed, if any payment received by the Trustee of any relevant Series shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar events of BNL International, be avoided or set aside under any laws relating to bankruptcy, insolvency, corporate reorganisation or other such similar events, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and the Guarantee shall continue to apply as if such payment had at all times remained owing by BNL International and the Guarantor shall indemnify the Trustee in respect thereof provided that the obligations of the Guarantor under the Guarantee shall, as regards each payment made to the Trustee which is avoided or set

aside, be contingent upon such payment being reimbursed to BNL International, or other persons entitled through BNL International.

The Guarantor shall be subrogated to all rights of the Noteholders or Couponholders of any Series outstanding in respect of any amounts paid by the Guarantor pursuant to the provisions of the Guarantee; provided, however that the Guarantor shall not be entitled to enforce or to receive any payments arising out of, or based upon, such right of subrogation so long as any amounts which shall have become payable by the Guarantor under the Guarantee remain unpaid.

The Guarantee shall continue in full force and effect until all amounts due in respect of the Notes of any Series of BNL International outstanding and in respect of the Trust Deed shall be paid in full.

All payments by the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or of any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders or Couponholders of any applicable Series of Notes outstanding after such withholding or deduction shall equal the respective amounts in respect of principal and interest which would have been receivable in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any payment in respect of Noteholders or Couponholders of any applicable Series outstanding and presented for payment:

- (a) by, or on behalf of, a Noteholder of any applicable Series outstanding who is liable to such taxes, duties, assessments or governmental charges by reason of his having some connection with the Republic of Italy other than merely being a Noteholder; or
- (b) by, or on behalf of, a Noteholder of any applicable Series outstanding who is entitled to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (c) more than 30 days after the Relevant Date (as defined in Condition 8) except to the extent that the Noteholder would have been entitled to additional amounts on making a claim under the Guarantee on such thirtieth day.

BANCA NAZIONALE DEL LAVORO S.P.A. AND THE BNL GROUP

GENERAL

Banca Nazionale del Lavoro S.p.A. (the "**Bank**" or "**BNL**") is the BNL Group's largest operating entity and the parent company of the BNL Group.

The Bank is validly incorporated and existing as a joint stock company with limited liability (*Società per Azioni*) under the laws of the Republic of Italy and has a duration until 31 December 2050. The Bank is registered with the Register of Companies of Rome under number 00651990582. The Bank's registered office is at Via Vittorio Veneto 119, 00187 Rome, Italy, its principal place of business is at its registered office and the telephone number at the registered office is +39 06 47021/31.

The Bank's corporate purpose, as provided by Article 4 of its by-laws, is the collection of savings and the granting of credit in its various forms, in Italy and abroad. The Bank may undertake, in accordance with applicable regulations, all other financial activities, as well as all other instrumental or related activities. The Bank may issue bonds and other securities in accordance with applicable regulations and any, in addition, establish open pension funds in accordance with article 9 of Legislative Decree No. 124 of 21 April 1993.

HISTORY

The Bank was incorporated on 15 August 1913, by Royal Decree No. 1140 of 15 August 1913, under the corporate name of Istituto Nazionale di Credito per la Cooperazione as an entity designated to support the growth of the co-operative movement. In 1929, the Istituto Nazionale di Credito per la Cooperazione was transformed into a government-owned commercial bank and changed its corporate name into Banca Nazionale del Lavoro S.p.A. In 1936, after the Italian banking reform which set forth the separation of the short-term credit from the medium-to-long term lending activities, the Bank began to supplement its ordinary short-term lending activities with medium-to-long term special credit transactions such as subsidised loans and other special lending transactions. In the 1960s the Bank increased its lending activities to public and private companies up to reaching the top of the Italian banking industry. In the 1970s, following the centralisation at the Bank of Italy of the treasury services, the Bank gradually entered into the retail banking business and in 1992 it was transformed into a limited liability company pursuant to the Banking Act No. 218 of 30 July 1990. In 1998 the Bank completed its privatisation process and after being admitted to the official listing of the Milan Stock Exchange, it positioned itself amongst the first 10 largest banking Italian groups and the 100 largest banks worldwide. Today, the Bank is the holding company of the BNL Group which includes 23 companies and financial institutions (directly or indirectly controlled by it) and is responsible for managing, co-ordinating and supervising the BNL Group's activities and maintaining its relationship with the Bank of Italy.

OWNERSHIP AND CAPITAL STRUCTURE

As at 31 October 2005, the Bank's authorised and issued share capital was Euro 2,215,635,924.24. The following table sets out, based on communications received and other information, the shareholders/groups which appear to own more than 2% of the share capital of the Bank (ordinary and saving shares nominal value: Euro 0.72 per share):

Shareholders/Group	Subscribed and Paid Capital (Euro)	Number of Shares	% Total Interest	
			Interest % on Ordinary Shares	Interest % on Share capital 3.076.979.617
1 HOLMO SPA	325,310,400.00	451,820,000	14.79401	14.68248
2 BANCO BILBAO VIZCAYA ARGENTARIA S.A.	319,704,610.32	444,034,181	14.53908	14.42947
3 GRUPPO GENERALI ASSICURAZIONI GENERALI SPA	188,560,255.68	261,889,244	8.57508	8.51044
4 HOPA SPA	108,833,401.44	151,157,502	4.94937	4.91206
5 NOMURA HOLDINGS INC	108,414,724.32	150,576,006	4.93033	4.89317
6 DELLA VALLE DIEGO DORINT HOLDING S.A.	108,000,000.00	150,000,000	4.91147	4.87445
7 GRUPPO MONTE DEI PASCHI DI SIENA BANCA MONTE DEI PASCHI DI SIENA S.P.A.	95,724,501.84	132,950,697	4.35322	4.32041 (1)
8 CREDIT SUISSE GROUP	92,714,468.40	128,770,095	4.21634	4.18455
9 DEUTSCHE BANK	89,407,783.44	124,177,477	4.06596	4.03531
10 BANCA POPOLARE DELL'EMILIA ROMAGNA	86,394,110.40	119,991,820	3.92891	3.89929
11 BANCA POPOLARE DI VICENZA	85,743,705.60	119,088,480	3.89933	3.86994
12 BONSIGNORE VITO GEFIP HOLDING S.A.	61,830,452.88	85,875,629	2.81184	2.79064
Total	1,670,638,414.32	2,320,331,131	75.97495	75.40221
Other Shareholders	528,294,711.60	733,742,655	24.02505	23.84393
Share capital represented by ordinary shares	2,198,933,125.92	3,054,073,786	100	99.24614
Share capital represented by saving shares	16,702,798.32	23,198,331		0.75386
Total share capital	2,215,635,924.24	3,077,272,117		100

(1) of which No. 264,702 share with voting rights.

Shareholders' Agreements

The following is a summary of the shareholders' agreements of which the Bank has knowledge as of 31 October 2005. Abstracts of existing shareholders agreement in respect of BNL's shares are published on the website of CONSOB (www.consob.it). For more details on the shareholders agreements and ancillary agreements entered into in relation to shares of BNL, reference should be made to the information published on CONSOB website.

- (a) *Shareholders' agreement with Banco Bilbao Vizcaya Argentaria S.A., Assicurazioni Generali S.p.A. and Dorint Holding S.A. of 28 April 2004, as subsequently amended.*

The shareholders' agreement was entered into on 28 April 2004 between Banco Bilbao Vizcaya Argentaria S.A., Assicurazioni Generali S.p.A. and Dorint Holding S.A.. The agreement has a duration of three years running from 9 September 2004 and represents 844,270,669 shares, equal to 28.042% of the then ordinary share capital of the Bank.

The objects of the shareholders' agreement are the syndication and the blocking of vote of the shares held in BNL which comprise the exercise of voting rights at BNL's shareholders meetings on certain agreed matters (such as the appointment and number of directors and the submission of lists of directors and auditors candidates), the limitations on acquisition of new shares in BNL and the disposal restrictions of syndicated shares.

The managing committee is the only body of this shareholders' agreement and consists of four members. The managing committee approves resolutions with at least five votes except for the following items which require seven votes: amendments to the by-laws which impact on the corporate object of the Bank, capital increases, transfers of assets, mergers, de-mergers, the removal of the chairman of the board of directors, the appointment and removal of the managing director or the general manager and amendments of the shareholders' agreement.

In relation to the limitation on shareholdings, the parties to this agreement agree not to carry out direct or indirect acquisitions of new shareholdings in BNL without the prior consent of the managing committee. Such restriction does not apply to all trading activity on BNL shares: each party can purchase shares within the limit of 5% of its own syndicated shares and in compliance with the provisions on compulsory public purchase offers.

The disposal restrictions commit the parties to this agreement not to transfer, even partially, the shares contributed to the shareholders' agreement, although transfers within the trading activity and within the group are permitted.

In case of breach of the syndicated voting in the shareholders' meeting and of the limitations on shareholdings and disposal restrictions, the defaulting party shall pay 3% of the market capitalisation of its syndicated shares to the non defaulting parties, as penalty.

- (b) *Shareholders' agreement between Compagnia Assicuratrice Unipol S.p.A., Coop Adriatica S.c.a r.l., Coop Estense Società Cooperativa S.c.a r.l., Talea Società di Gestione Immobiliare S.p.A., Nova Coop Società Cooperativa, Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, Nomura International Plc and Hopa S.p.A. of 18 July 2005*

This shareholders' agreement was entered into on 18 July 2005 between Compagnia Assicuratrice Unipol S.p.A. ("**Unipol**"), Coop Adriatica S.c.a r.l., Coop Estense Società Cooperativa S.c.a r.l., Talea Società di Gestione Immobiliare S.p.A., Nova Coop Società Cooperativa, Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, Nomura International Plc and Hopa S.p.A. Such agreement has a duration of three years and represents 934,682,434 ordinary shares equal to 30.86% of the then ordinary share capital of the Bank.

The object of the shareholders' agreement are the cooperation in the launch of a public purchase offer on BNL's shares, the transfer of syndicated shares and the bodies governing the agreement.

Pursuant to this agreement the parties have agreed that Unipol shall be the only party responsible for the launch of the public purchase offer on BNL's ordinary shares and that all the costs relating thereto shall be borne by Unipol. Each of Coop Adriatica S.c.a r.l., Coop Estense Società Cooperativa S.c.a r.l., Nova Coop Società Cooperativa, Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, Nomura International Plc and Hopa S.p.A. has undertaken to Unipol not to adhere to the public purchase offer launched by Banco Bilbao Vizcaya Argentaria S.A. on BNL's ordinary shares and that the shares object of the agreement shall not be accounted for the purpose of the public offer launched by Unipol.

Each of Coop Adriatica S.c.a r.l., Coop Estense Società Cooperativa S.c.a r.l., Nova Coop Società Cooperativa, Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia, Nomura International Plc and Hopa S.p.A. have agreed not to sell their shares in BNL prior to the expiry of the public purchase offer launched by Unipol. Upon expiry of such lock up period Unipol has a pre-emption right on the syndicated shares of the parties of this agreement willing to sell such shares in the market. The parties to this agreement have undertaken not to pledge their syndicated shares to third parties if the share pledge transfers the voting rights attached to the syndicated shares to third parties. This limitation does not apply to Unipol to the extent that the security interest is created in favour of obligations undertaken in the context of the public offering launched by it. Under this agreement Unipol has a call option on the syndicated shares of the other parties to acquire a number of shares which would give Unipol ownership of 51% of the ordinary share capital of BNL.

The main bodies of this agreement are the consulting committee.

- (c) *Put option agreement with Compagnia Assicuratrice Unipol S.p.A. and Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia of 18 July 2005.*

The put option agreement was entered into on 18 July 2005 between Unipol and Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia. Such agreement has a

duration of 30 days and represents 1.99% of the then ordinary share capital of the Bank (3,029,192,165 shares).

The shareholders' agreement provides *inter alia* for a put option in favour of Unipol and describes the exercise of the put option, the price of such exercise and the conditions precedent to it.

Pursuant to this agreement, Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia shall have an irrevocable put option in favour of Unipol upon satisfaction of certain conditions precedent. Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia shall have the power to exercise such put option at any time during the 30 calendar days following the expiry of the shareholders' agreement described under (b) above. Unipol's put option rights were assigned, with the agreement of Banca Carige S.p.A. to Ariete S.p.A., FIN.AD Bologna S.p.A., Nova Coop Società Cooperativa, Talea Società di Gestione Immobiliare S.p.A. and Coop Estense Società Cooperativa.

The expiry of the shareholders' agreement described under (b) above is a condition precedent to the exercise of the put option. The granting of the necessary authorisations by the competent supervisory authority in favour of Unipol is a condition precedent to the execution of the purchase and sale of the shareholdings.

The shareholders' agreement will be terminated early in the event of breach by Banca Carige S.p.A. - Cassa di Risparmio di Genova e Imperia of (i) the obligations not to adhere to the public purchase or exchange offers and (ii) the obligations in connection with the lock up period, the pre-emption right and the call option both in favour of Unipol.

(d) *Shareholders' agreements between Compagnia Assicuratrice Unipol S.p.A. and Alvaro Pascotto and between Compagnia Assicuratrice Unipol S.p.A. and Banca Popolare Italiana - Banca Popolare di Lodi - Società Cooperativa*

The shareholders' agreements were entered into on 18 July 2005 respectively between Unipol and Alvaro Pascotto and Unipol and Banca Popolare Italiana - Banca Popolare di Lodi - Società Cooperativa ("**BPL**").

The shareholders' agreement between Unipol and Alvaro Pascotto represents 15,145,000 shares equal to 0.50% of the then ordinary share capital of the Bank. The shareholders' agreement between Unipol and BPL represents 1.67% the then ordinary share capital of the Bank (3,029,192,165 shares).

Each of the shareholders' agreement is effective from 18 July 2005 until the date on which the call option is exercised or, in the event the call option is exercised, until the sale of syndicated shares.

The shareholders' agreement provides for the cooperation in relation to the public offer launched by Unipol, restrictions on the syndicated shares (lock up) and a call option in favour of Unipol. The lock up provision commits Alvaro Pascotto and BPL not to transfer the syndicated shares until the 30th business day following the closing date of the offer period for the public purchase offer launched by Unipol. Unipol can exercise

the call option on the syndicated shares until the 30th day following the closing of the offer period for the public purchase offer.

Alvaro Pascotto and Banca Popolare Italiana - Banca Popolare di Lodi - Società Cooperativa undertook not to adhere to the public exchange and purchase offers on the ordinary shares of BNL and not to buy ordinary shares of BNL at a higher price than the one paid for the public purchase offer on all the shares of BNL during the period of time running from the entering into of the shareholders' agreement to the payment date of the consideration of the public purchase offer launched by Unipol. Unipol undertook to bear the relevant costs.

(e) *Shareholders' agreements between Unipol Assicurazioni S.p.A., Credit Suisse First Boston International and Credit Suisse*

The shareholders' agreement was entered into on 18 July 2005 between Unipol, Credit Suisse First Boston International and Credit Suisse. The agreement has a duration of three years. The objects of this shareholders' agreement are the development of the cooperation between the parties of this agreement in view of some commercial and financial projects within 12 months of the execution date of this agreement, and the pre-emption right of Unipol on shares held by the Credit Suisse entities in BNL. The shareholders' agreement does not provide for any bodies for the management of the said agreement. Pursuant to this agreement the parties have agreed that Unipol shall be the only party responsible for the launch of the public purchase offer on BNL's ordinary shares and that the costs relating thereto shall be borne by Unipol. This shareholders' agreement does not provide for consultation obligations in relation to the exercise of voting rights in BNL's shareholders meetings.

On 18 July 2005 the above parties have entered into in a put and call option agreement pursuant to which Unipol may purchase and the Credit Suisse entities may sell to Unipol the BNL shares, subject to the prior satisfaction of certain conditions precedent.

(f) *Shareholders' agreement between Compagnia Assicuratrice Unipol S.p.A. and Banca Popolare di Vicenza - Società Cooperativa per Azioni*

This shareholders' agreement was entered into between Unipol and Banca Popolare di Vicenza - Società Cooperativa per Azioni on 18 July 2005. Such agreement represents 3.93% the then ordinary share capital of the Bank (3,029,192,165 shares).

The object of the shareholders' agreement are the cooperation in relation to the public offer launched by Unipol, the restrictions on the syndicated shares (lock up) and the call option in favour of Unipol. Banca Popolare di Vicenza - Società Cooperativa per Azioni undertook not to adhere to the public exchange and purchase offers on the ordinary shares of BNL and not to buy ordinary shares of BNL at a higher price than the one paid for the public purchase offer launched by Unipol on all the shares of BNL during the period of time running from the entering into of the shareholders' agreement to the payment date of the consideration of the public purchase offer launched by Unipol.

The lock up provision commits Banca Popolare di Vicenza - Società Cooperativa per Azioni not to transfer the syndicated shares until the 30th business day following the closing date of the offer period for the public purchase offer. The lock up provision was provided for the exercise of the call option. The dates on which the Unipol can exercise a call option on the syndicated shares depends on the beginning of the public offer.

(g) *Shareholders' agreement with Compagnia Assicuratrice Unipol S.p.A. and Società Iniziative Autostradali e Servizi S.p.A.*

The shareholders' agreement was entered into on 18 July 2005 between Unipol and Società Iniziative Autostradali e Servizi S.p.A.. Such agreement represents 0.50% the then ordinary share capital of the Bank (3,029,192,165 shares).

The object of the shareholders' agreement are the cooperation in the public offer launched by Unipol, by not adhering to such public offer or the other public offer launched by Banco Bilbao Vizcaya Argentaria S.A., the restrictions on the syndicated shares (lock up) and the call option and put option in favour of Unipol and Società Iniziative Autostradali e Servizi S.p.A., respectively. The lock up provision commits the Società Iniziative Autostradali e Servizi S.p.A. not to transfer the syndicated shares until the 30th business day following the closing date of the offer period for the public purchase offer. The lock up provision was provided for the exercise of the call option. Unipol can exercise a call option on the syndicated shares as of the beginning of the offer period until the 30th day following the closing date of such offer period. Pursuant to this shareholders' agreement, Unipol granted to Società Iniziative Autostradali e Servizi S.p.A. an irrevocable put option agreement upon satisfaction of certain conditions precedent.

(h) *Shareholders' agreement with Deutsche Bank AG London Branch*

Unipol and Deutsche Bank AG London Branch entered into a two call and put options on 18 July 2005. The first call and put option represents 2.15% (65,281,000 shares) and the second one represents 2.83% (85,875,629 shares) the then ordinary share capital of the Bank.

Performance of Shares of Bank

The ordinary and savings shares of the Bank were listed in 1998 on the Milan Stock Exchange (Blue Chips segment).

Quotation at 30 June 2005: Ordinary and Savings Shares

Ordinary Shares of the Bank	Closing	Volumes in euro
<i>High</i>	2.89	174,888,900
<i>Low</i>	2.01	5,086,578
<i>Average</i>	2.39	24,751,062
Savings Shares of the Bank	Closing	Volumes in euro
<i>High</i>	2.50	3,022,968
<i>Low</i>	1.78	15,575
<i>Average</i>	2.15	258,455

During the first half of year 2005, the quotation of the ordinary shares of the Bank increased by 30% in respect of the quotation at the end of 2004. After the announcement of the exchange public offering on the Bank's shares launched by Banco Bilbao Vizcaya Argentaria on BNL's shares at the end of March 2005, the quotation of the ordinary shares increased up to its highest levels in the second half of June. The highest level of the ordinary shares quotation in the first half of 2005 was Euro 2.89 per share with a quotation at the end of the six-month period of Euro 2.85. The quotation of the savings shares reflected that of the ordinary shares in the period reaching Euro 2.50 per share at the beginning of April 2005 and Euro 2.43 at the end of June 2005.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the financial information contained in this Base Prospectus in relation to the Bank or the BNL Group has been derived from and should be read in conjunction with, and is qualified by reference to:

- the consolidated financial statements of the BNL Group as at and for the year ended 31 December 2004, audited by Deloitte & Touche S.p.A., independent accountants;
- the consolidated financial statements of the BNL Group as for the year ended 31 December 2003, audited by Deloitte & Touche S.p.A., independent accountants;
- the interim unaudited consolidated financial statements of the BNL Group as at and for the six months ended 30 June 2005, subject to limited review by Deloitte & Touche S.p.A., independent accountants.

The 2003 and 2004 consolidated financial statements of the Bank were prepared in compliance with the provisions of Italian Legislative Decree No. 87 of 27 January 1992, and supplemented by the accounting principles issued by the Italian accounting professional bodies, the Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri (together, "**Italian GAAP**"). Following the adoption by the European Parliament and the European Council of European Union Regulation No. 1606/2002, and the adoption in Italy of Legislative Decree No. 28 of 28 February 2005, from the financial year ending 31 December 2005, the Bank, like all companies with securities admitted to trading on a regulated market of the European Union, shall be obliged to prepare its consolidated financial statements on the basis of international accounting principles set forth in the International Financial Reporting Standards ("**IFRS**") and the International Accounting Standards ("**IAS**"). The interim unaudited consolidated financial statements of the BNL Group for the period ended 30 June 2005, pursuant to Article 81 of CONSOB resolution No. 14990 of 14 April 2005, were prepared, for the first time, on the basis of the international accounting standards (IAS) No. 34 - interim financial reporting. There may be certain significant differences between Italian GAAP and IAS as they apply to the Bank's financial statements.

In particular, conversion to the new accounting principles took place in accordance with IFRS 1: "First-Time Adoption of International Financial Reporting Standards", including the option given in paragraph 36 A, c), as amended by IAS 39, not to apply IAS 32 and

39 to financial instruments retrospectively. These have therefore been applied from 1 January 2005. It follows that as far as the valuation of financial instruments (including loans) is concerned, the figures at 30 June 2005 are not entirely comparable with the 2004 ones, whereas a straight comparison can be made for all other cost and revenue items. However the reconciliation tables (shareholders' equity at 1/1/2004, results for 2004, shareholders' equity at 31/12/2004) required by paragraphs 39 and 40 of "IFRS 1: First-Time Adoption of International Financial Reporting Standards", accompanied by explanatory notes, are provided in a separate Appendix of the interim consolidated financial statement, in accordance with IFRS 1. Moreover, the same Appendix contains a reconciliation of shareholders' equity at 1/1/2005, which shows the adjustments deriving from first-time application of IAS 32 and 39.

So long as any of the Notes remain outstanding, copies of the above-mentioned audited annual financial statements and unaudited semi-annual consolidated financial statements will be made available at the office of the Issuing and Paying Agent and the Paying Agent in Luxembourg and at the registered office of the Bank, in each case free of charge.

More information on the BNL Group, including annual reports and press releases, in Italian and in English, is available at the BNL Group website: www.bnl.it.

CAPITALISATION OF THE BANK

The following table sets out the consolidated capitalisation of the Bank and its consolidated subsidiaries as at 30 June 2005 and as at 30 June 2004 (information derived from the unaudited consolidated financial statements of the Bank as at 30 June 2004, restated in order to make it comparable to the financial information as at and for the six months ended 30 June 2005).

There has been no material change in the capitalisation or indebtedness of the Bank since 30 June 2005.

	<i>As at 30 June 2005 (unaudited)</i>	<i>As at 30 June 2004 (unaudited)</i>
	<i>(in thousands of Euro)</i>	
Share capital		
a) ordinary shares	2,182,474	1,576,244
b) other	16,703	16,703
Additional paid-in capital	2,181,388	1,517,308
Reserves	92,438	1,015,992
Revaluation reserves	40,262	45,043
Minority interests	44,414	103,300
Treasury shares	(54,004)	(48,881)
Net profit (loss)	277,229	152,890
Shareholders' equity at 30 June 2005	4,780,904	4,378,598

CAPITAL ADEQUACY, RESERVES FOR GENERAL BANKING RISKS AND SUBORDINATED DEBT

Capital adequacy

The Bank of Italy, which is the Italian banking supervisory authority on banks and financial intermediaries operating in Italy, has adopted risk-based capital ratios ("**Capital Ratios**") pursuant to the EC capital adequacy directives. The Capital Ratios set forth core (Tier I) and supplemental (Tier II) capital requirements relative to a bank's assets and certain off-balance sheet items weighted according to risks ("**Risk Weighted Assets**").

The Bank calculates and reports its Capital Ratios on a consolidated basis. In accordance with Bank of Italy regulations, the BNL Group is required to maintain a total capital ratio of at least 8.0 per cent.

The following table sets forth the capital levels for banking supervisory purposes of the BNL Group as at 30 June 2005 and 1 January 2005.

	<i>As at 30 June 2005</i>	<i>As at 1 January 2005</i>
A. Consolidated capital for supervisory purposes		
Tier 1	4,378	4,058
Tier 2	2,310	2,553
Elements to be deducted	-45	-88
Capital for supervisory purposes	6,643	6,523
Risk-weighted assets		
Credit risks	4,752	4,491
Market risks	570	480
Total Assets	5,322	4,971
Tier 3 Subordinated Loans	164	258
Risk-weighted assets	66,527	62,139
Tier 1 ratio	6.58%	6.53%
Total Risk ratio	10.23%	10.91%

On 30 June 2005, regulatory capital, revised in accordance with the requirements of IAS and considering the prescribed elements to be deducted, to 6,160 million euro, while the Bank's solvency ratio, based on the risk-weighted assets, came to 8.90%.

BUSINESS OF THE BANK

General

The Bank is responsible for managing, co-ordinating and supervising the activities of the BNL Group and maintaining its relationship with the Bank of Italy. The BNL Group is involved principally in a wide range of banking services, principally corporate and retail banking, international banking, asset management, securities brokerage and trading, leasing, factoring, sale of life insurance products and e-services.

Strategy of the Bank

At the same time of completion of the capital increase in November 2004, the BNL Group confirmed the decisions already taken on the Industrial Plan and the Operating Plan of 2005 to launch, after having taken material action on the main elements of the capital adequacy ratios, an enlargement and reorganisation of its activities. To this end, the commercial and business priorities of the Operating Plan are:

- developing the retail lending, particularly on the consumer credit and residential mortgage loans sectors;
- strengthening the activities for the reduction of the risks/yield of lendings;
- increasing the range of financial products and services tailored to the needs of Italian corporate clients of medium size; and
- meeting the demand for insurance products and real estate funds.

Commercial Banking Activities

RETAIL

Individual Customers (Mass Market, Affluent and Private Banking Customers)

The expansion of business activities with individual and private banking customers is partly the result of a higher return on existing clients and partly an improvement in the ability to attract new clients through a specific programme of commercial development launched in the fourth quarter last year.

Putting the emphasis on customer satisfaction with the help of new models for sales and marketing has raised the level of customer satisfaction measured by means of specific surveys, while increasing the productivity of the BNL network.

The contribution made to operating income by individual and private banking customers during the first half of 2005 exceeded 500 million euro. More than half of this figure was interest, mainly due to the increase in volumes and despite the slight contraction in spreads.

Mass Market Customers

As a result of the intense activity of upgrading to higher net worth segments, the mass-market sector now represents 87% of individual relationships, looks after 28% of their wealth and 91% of their loans, and generates 62% of what they contribute.

During the course of the first half of 2005, various activities were carried out to pursue the expected growth in business results and to improve the efficiency and effectiveness of sales and marketing efforts. This was done by means of careful supervision of the operating processes applied to traditional and direct sales channels, as well as training and internal communication aimed at the distribution chain, which consists of around 1,350 private customer managers devoted to mass market customers at the branches throughout Italy.

The initiatives undertaken have helped to consolidate BNL's positioning in the field of lending to households (mortgages and personal loans).

In particular, the Bank has continued in its policy of converting traditional accounts into fee-paying accounts with a view to simultaneously building customer loyalty and increasing the opportunities for cross selling. The stock at the end of June 2005 of package accounts aimed at individual customers came to 445,000 accounts, an increase of 18,000 on the end of 2004.

With a view to progressively improving the cost/income ratio of the customers served, 34,000 new direct channel relationships were activated in the first half of 2005, making possible a further reduction in the "cost to serve" of branch services.

Affluent Customers

At 30 June 2005, the affluent customers sector represented 13% of individual customers, handles 72% of their wealth and 9% of their loans, and generated 38% of what they contribute.

The first half of the year was a particularly intense period for the affluent customers sector, full of activities related to organizational, process and commercial aspects, all designed to increase distribution efficiency and to raise the amount of income that the segment produces.

In this context, the "ace growth" initiative developed within the ambit of "ace", the complex project designed to strengthen the model for services dedicated to affluent customers, involved the whole wealth management area (asset management, pensions, BNL bonds), also by offering pension-related products (Index Linked, Unit Linked and "Conto Sicuro Elite") devoted exclusively to affluent customers.

On the funding side, in the first half of 2005 the Bank continued to gradually reallocate customer portfolios from bonds and asset management products to pension funds. This has continued to turn in high performances in terms of production. The result achieved by all of the Bank's sectors came to 1,395 million euro (+30.5% compared with the same period of 2004), increasing its market share once again to 6.76% at the end of the half-year 2005, putting BNL among the leaders in the field of bancassurance.

Again within the "ace growth" initiative, the shift in mix from liquidity funds to asset management products that are more profitable for the Bank and offer customers an opportunity for higher returns, was particularly effective with a marked impact on profitability.

Private Banking Customers

Thanks to the process of transferring all customers with sufficient assets to make use of the private banking services, the financial endowment of the market increased from 6.9 billion euro at the end of 2004 to 8.5 billion euro in January 2005. As a result of the transfer of stock worth 1.6 billion euro, the average return per customer initially went from 70 basis points at the end of 2004 to 66 basis points at the beginning of 2005, rising again to 70 basis points in June 2005 thanks to the commercial efforts of private

banking BNL. This growth in the average return per customer took place mainly thanks to the use of products with a recurring contribution.

During the first half of 2005, the Private Banking sector generated a net inflow of assets under management of around 70 million euro, allocated mainly to the new range of funds of funds, featuring active management and VAR-based risk control of the portfolio (GP Portfolio Model). As a result, funds of funds have gone from having a stock of 786 million to 1,040 million euro, with positive net inflows of 220 million euro. GP Portfolio Model, launched in May 2004, reached a stock of 650 million euro by June 2005.

There was a significant switch in net assets under management during the half-year ended in June 2005, through which it was possible to improve the financial profile of customers' portfolios. The Stock Exchange made it possible to leverage the performance effect to facilitate growth in the stock of assets under management, which in total rose from 2.76 to 2.9 billion euro (+4.9%).

Gross inflows to the bancassurance sector came to 52 million euro, equally split between index-linked and traditional policies.

Development of the product range by stipulating partnership agreements with leading financial institutions for the distribution of hedge funds of funds, signed at the end of 2004, made it possible to start developing inflows (7 million euro at 30 June 2005) also to these kinds of assets, which are particularly suitable for more sophisticated customers as they can raise the overall efficiency of their portfolios.

Small Business Customers

In the first half of 2005, the sector designed to look after the needs of small business customers was involved in a process of redesigning the distribution chain so as to improve its market and customer orientation.

The organizational model that BNL adopted when the area organizations were set up not only helped achieving the objectives of improving credit quality and reducing the customer risk index, but also laid the bases for a greater focus on Small and Medium-sized Enterprises (SMEs), also in light of the growing competitive pressure and considerable need for territorial supervision.

Activity in the SME sector has seen an overall increase in its margin, driven above all by commissions. This has, on the one hand, helped offset the unfavourable trend in interest rates and, on the other, continued improving the quality of the margin with a view to optimizing the revenue structure.

The period June 2004 to June 2005 also coincided with a radical, structured process of re-qualification of credit assets, which managed to reduce the average level of risk of the rated portfolio from 3.61% to 2.64%, i.e. by 97 basis points.

CORPORATE

Mid-Corporate

Sales and marketing efforts continued with a view to constantly improving market shares in the mid-corporate segment, in line with the Bank's risk management policies which aim to reduce the risk inherent in the rated loan portfolio.

From March 2005 various customer relationship management tools were introduced to provide support for the network's marketing, particularly towards those customers more likely to produce a higher return.

Analysing the sector's growth potential was assisted with the acquisition of new customers.

Public Administration

The business developed with public administration customers maintained a strong rate of growth during the first half of 2005.

Worth noting in particular is:

- the increase in direct deposits (+13.5%), and
- the increase in short-term loans (+10.8%).

Among the significant results, are:

- the completion of over 120 transactions to restructure the debt of local authorities and related entities for a notional value of over 1.5 billion euro, confirming BNL's leading position in terms of market share and volumes handled in this segment;
- the acquisition of important cash management mandates from: the Senate, Municipality of Genoa, Province of Verona, Province of Pesaro, Finlombarda Spa, Fondazione Musica per Roma/Auditorium; and
- sole right to operate an electronic tax payment service and a valuables acceptance point at the offices of the Agency for the Territory (nationwide more than 200 former Cadastral and Land Registry offices); and
- the five-year renewal of the agreement with INPDAP to run its cashier and treasury service, with BNL acting as lead manager of a pool made up of the top six Italian banks.

The economic result as of 30 June 2005 in terms of the sector's contribution to operating income came to more than 40 million euro, due to higher volumes of loans and deposits.

Funding

The following table sets out the principal trend in deposits received from customers and banks for the first half of 2005.

Trend in deposits in thousands of Euro

	30/06/2005	01/01/2005	% variation 30/06/2005 01/01/2005
Deposits from customers	61,783	56,114	10.1%
Deposits from banks	11,390	12,345	-7.7%
Total direct deposits	73,173	68,459	6.9%
Fund management			
Portfolio management	27,685	26,949	2.7%
Trustee management	41,146	42,737	-3.7%
Real estate funds			
Asset management	27,685	26,949	2.7%
Asset administration	41,146	42,737	-3.7%
Total indirect deposits	68,831	69,686	-1.2%
TOTAL DEPOSITS	142,004	138,145	2.8%

Direct deposits

The following table shows the trend in deposits by type for the first half of 2005.

Trend in deposits by type in thousands of Euro

	30/06/2005	01/01/2005	%change 30/06/2005 01/01/2005
Current deposit accounts	42,700	35,756	19.4%
Certificates of deposit	1,395	1,895	-26.4%
Bonds	18,491	21,091	-12.3%
Repos and securities lending	4,086	2,007	103.6%
Subordinated loans	2,373	2,592	-8.4%
Other deposits	4,128	5,117	-19.3%
Total direct deposits	73,173	68,459	6.9%

Deposits from customers totalled 61,783 million (+10.1%) at 30 June 2005. Deposits from banks amounted to 11,390 million euro (-7.7%): the decrease in deposits from correspondent banks is due to the improvement in the Banks financial structure, with support from the positive trend in current account deposits from ordinary customers.

Funding of the BNL Group as of 30 June 2005 came to 73,173 million euro, up 6.9% compared with the funding as of 1 January 2005.

Indirect deposits

The following table sets out the principal trend in indirect deposits for the first half of 2005.

Trend in indirect deposits

	30/06/2005	01/01/2005	Var % 30/06/2005 01/01/2005
Funds management	17,910	18,149	-1.3%
Portfolio management	7,477	6,692	11.7%
Trustee management	2,298	2,108	9.0%
Asset management	27,685	26,949	2.7%
Asset administration	41,146	42,737	-3.7%
Total indirect deposits	68,831	69,686	-1.2%

Indirect customer deposits of the BNL Group, including both asset management and administration, amounted to 69 billion euro at 30 June 2005, slightly down on the beginning of the year 2005 (-1.2%). The total amount consisted of 40% assets under management and 60% assets under administration, the latter being down on the figure at the beginning of the year 2005 (-3.7%) mainly because of customers switching their financial assets into other kinds of investment products, above all in the insurance sector.

Assets under management (27.7 billion euro) rose during the first six months of 2005 (+2.7%), continuing the positive trend that began in the first quarter of 2005 (+2.1%). As at 30 June 2005 the overall increase derives from growth in trustee management (+9%), real estate funds (+6.2%) and portfolio management (+11.7%), as opposed to a decrease in fund management (-2.4%) which represented around 57% of the total.

The total amount of assets under collective management in mutual funds and individual portfolios (around 23.2 billion euro, net of any duplication between management schemes) showed a slight increase since the start of the year 2005 (+0.4%), due to their market performance during the period (+2.4%), offset by lower net inflows (-1.6%), mainly because of the gradual reduction in assets caused by the sale of BNL Investimenti to the RAS Group.

BNL's market share in the field of collective management (with assets of 15.4 billion euro) showed a slight contraction at the end of June 2005: 2.8% compared with 3% at the end of 2004.

Loans

The overall performance of BNL Group loans is summarized in the table below.

Loans

	30/06/2005	01/01/2005	%change 30/06/2005 01/01/2005
LOANS TO CUSTOMERS			
Short-term loans	27,161	27,059	0.4%
Medium/long-term loans	26,562	25,380	4.7%
Leasing	4,451	3,496	27.3%
Factoring	3,153	3,986	-20.5%
Total loans to customers	61,327	59,903	2.4%
- of which in euro	58,666	57,278	2.4%
- of which in foreign currency	2,661	2,625	1.4%
LOANS TO BANKS			
Total loans to banks	8,199	6,456	27.0%
- of which in euro	5,343	2,851	89.8%
- of which in foreign currency	2,856	3,641	-21.6%
	0	0	0.0%
CASH LOANS			
Total cash loans	69,526	66,359	4.8%
- of which in euro	64,009	57,513	11.3%
- of which in foreign currency	5,517	6,313	-12.6%
GUARANTEES GIVEN			
	7,856	7,244	8.4%
TOTAL LENDING	77,382	73,603	5.1%

Loans to customers totalled 61,327 million euro, an increase of 2.4%, confirming a progressive recovery in business volumes. Of this total, euro loans rose to 58,666 million euro (+2.4%), while those denominated in other currencies increased by 1.4%, to 2,661 million euro.

A closer analysis shows that short-term loans grows by 0.4% amounting to 27,161 million euro, while long-term loans rose by 4.7% to 26,562 million euro; leasing loans also rose to 4,451 million euro (+27.3%), while factoring has contracted to 3,153 million euro (-20.5%).

Loans to banks came to 8,199 million euro, 27% up on the figure of 6,456 million at 1 January 2005. Of this total, 5,343 million euro referred to euro loans (+89.8%) and 2,856 million to foreign currency loans (-21.6%).

As of 30 June 2005, total cash loans, net of write-downs for estimated losses, came to 69,526 million euro (+4.8%). Guarantees given amount to 7,856 million euro, an increase of 8.4% compared with 1 January 2005, attributable to a combination of internal and external factors.

Total cash and other loans therefore come to 77,382 million euro, 5.1% higher than at 1 January 2005.

Asset quality

In the management of non-performing loans, the BNL Group adopted new strategies which have been diversified in order to reduce the number and amount of existing non-performing loans and to manage the newly generated non-performing loans. To this end, two securitisation transactions of non-performing loans were completed and new initiatives were carried out, also through external providers, to strengthen the management and recovery of receivables, particularly at the time they arise.

According to the 2005 Operating Plan, the non-recourse securitisation transactions of non-performing were entered into with companies of the Goldman Sachs Group in February and June 2005. The February securitisation involved short term unsecured receivables against individuals for a gross net value of 173 million of euro as of 30 September 2004, while the June securitisation comprised two portfolios of mortgage loans and unsecured loans against corporate and retail clients, for an aggregate amount of 287 million of euro as of 30 April 2005. Both the securitisations were without recourse against BNL. Further to the completion of these securitisations, the pool of non-performing loans managed by the Bank has been reduced and its management and recovery has been improved in the first half of the year 2005.

The total gross exposure of non-performing and substandard loans at the end of the first half of 2005 period has decreased by 6.6% compared with the start of the year 2005.

The reduction in the net exposure of problem loans was also more marked, due to value adjustments totalling 485 million euro.

As a result, the coverage ratio increased considerably compared with the first half of 2005, coming in at 63%, remaining more or less stable compared with the figure on First-Time Adoption of IFRS at 1 January 2005, when the setting up of a discounting reserve increased coverage by around 12 percentage points.

The decrease in non-performing and substandard loans was 80% in the Bank's loan book as a consequence of the two factors mentioned above.

The BNL Group was definitively admitted as a creditor of the companies involved in the composition with creditors governed by the Italian law on insolvency procedures for large-sized companies presented by the Official Receiver of Parmalat, Enrico Bondi.

Outstanding litigation proceedings relating to the Parmalat Group insolvency procedure against the BNL Group include:

- claims for damages against Ifitalia S.p.A. by the participants in the Contal pool, which has third-party funds of 84.4 million euro;
- claims for damages against Ifitalia S.p.A. by the Official Receiver of Parmalat and Contal S.r.l.; and
- Ifitalia's involvement in the lawsuit brought by the Official Receiver of Parmalat against Giovanni Tanzi, member of the Board of Directors of Parmalat Finanziaria S.p.A. and Parmalat S.p.A.;

Allowances for future risks and contingencies were made to cover foreseeable charges that might arise from these lawsuits.

- The action for revocation brought by the Official Receiver of Parmalat S.p.A. against BNL with summons served on 20 December 2004 concerning the inefficacy and claw-back of remittances and payments under Article 67, second paragraph of the Italian Bankruptcy Law No. 267/1942;
- the "Class Action Compliant for Violation of the Federal Securities Laws" brought against BNL by institutional investors in the USA before the US District Court Southern District of New York and filed on 9 November 2004. The claims pled against the Bank consist of wrongful conduct allegedly carried out by BNL's subsidiary Ifitalia S.p.A.. The Bank deems the complaint groundless.

Based on the information currently available and considering the legal advice that BNL obtained, there are valid grounds for the Bank's defence in these lawsuits, therefore no latent charges are expected. In addition the balance sheets of the BNL Group show a fund for risks aimed at covering, *inter alia*, the potential liabilities which may arise from pending proceedings.

Trend in Loans

The following table sets out the principal trend in loans for the first half of 2005.

Trend in loans in thousands of Euro

	30/06/2005			
	Gross exposure	Write-downs	Net exposure	% coverage
Non-performing loans	4,109	2,845	1,264	69.2%
Substandard loans	1,190	475	715	39.9%
Total non-performing + substandard loans (doubtful loans)	5,299	3,320	1,979	62.7%
Restructured loans	95	26	69	27.4%
Unsecured loans to countries at risk	645	214	431	33.2%
Total problem loans	6,039	3,560	2,479	59.0%
	01/01/2005			
Non-performing loans	4,613	3,097	1,516	67.1%
Substandard loans	1,062	448	614	42.2%
Total non-performing + substandard loans (doubtful loans)	5,675	3,545	2,130	62.5%
Restructured loans	120	16	104	13.3%
Unsecured loans to countries at risk	706	277	429	39.2%
Total problem loans	6,501	3,838	2,663	59.0%

The following table sets out the change in net and gross exposure of the Bank for the first half of 2005.

Change in net and gross exposure in thousands of Euro

	Gross exposure			Net exposure		
	30/06/2005	01/01/2005	Var %	30/06/2005	01/01/2005	Var%
			30/06/2005 01/01/2005			30/06/2005 01/01/2005
Non-performing loans	4,109	4,613	-10.9%	1,264	1,516	-16.6%
Substandard loans	1,190	1,062	12.1%	715	614	16.4%
Total non-performing + substandard loans (doubtful loans)	5,299	5,675	-6.6%	1,979	2,130	-7.1%
Restructured loans	95	120	-20.8%	69	104	-33%
Unsecured loans to countries at risk	645	706	-8.6%	431	429	0.5%
Total problem loans	6,039	6,501	-7.1%	2,479	2,663	-6.9%

The book value of problem loans (including country risk) fell by 6.9% from 2,663 to 2,479 million euros. The coverage index therefore came to 59% (the same as at 1 January 2005).

More specifically, non-performing loans, at 1,264 million euro dropped by 252 million euro (-16.6%). Their degree of coverage was of 69.2% (67.1% at the beginning of the period).

Substandard loans, 715 million euro, grew by 16.4%. Their degree of coverage was 39.9% (42.2% at 1 January 2005).

The restructured loans, net of value adjustments, decreased by 33.6% in the six-month period and amount to 69 million euro.

As of 30 June 2005, the BNL Group's unsecured exposure to countries at risk (excluding those included in other positions of doubtful recoverability), net of the required general write-downs, totalled 431 million euro compared with 429 million at 1 January 2005.

Prior to general write-downs and including securities issued by countries at risk, these positions decreased during the first six months of 2005 by 7% from 723 to 672 million euros. This was mainly due to the reimbursement of the lines of credit granted by the Bank to its affiliates resident in Argentina by means of boden issued by the Argentine Central Government (the so-called "local component"), then sold by BNL on the market. The related coverage is 30.7% (39.2 at the beginning of 2005).

The loans issued by BNL include the ordinary lines of credit to subsidiaries resident in Argentina for an amount of 30 million euro, of which 24 million relates to BNL SA Buenos Aires and 6 million to BNL Inversiones Argentinas, which, for consolidation purposes, were eliminated against the Argentine companies' debt shown in their respective financial statements.

In June 2005, BNL SA Buenos Aires reimbursed 73 million US\$ of this exposure (which totalled 105 million US\$ at 31 December 2004), transferring "bonos de cobertura" (boden 2012) of an equivalent nominal value, while the residual balance of 32 million US\$ was repaid in the same way in July 2005.

Considering the difference between the nominal value of BNL's loans and BNL SA Buenos Aires' related debt, on the one hand, and the market value of the securities booked to the "available-for-sale" portfolio at BNL, on the other, the transfer of the boden led to a loss (of 6 million euro) on the portion of the loans reimbursed in June and a write-down (of 2 million euro) on those paid subsequently in July 2005.

BNL Inversiones Argentina used its own liquid funds to make an advance repayment of 14.4 million euro of the interest-free loan of 44 million euro originally granted by BNL. As a result of this operation, the Bank recorded a write-back of 12 million euro on 30 June 2005.

Lastly, the exposure based on guarantee given to these subsidiaries amounted to 1.6 million on 30 June 2005, which is covered to the extent of 1 million euro by the allowance for risks and contingencies for guarantees and commitments.

Securities portfolio

The following table sets out the portfolio of the Bank's securities as of 30 June 2005.

Portfolio of own securities

(amounts in millions of euro)

	30/06/2005	01/01/2005	% change 30/06/2005 01/01/2005
Financial assets at fair value	5,515	4,553	21.1%
Financial assets available for sale	531	569	-6.7%
Financial assets held to maturity	10	8	25.0%
Total securities	6,056	5,130	18.1%

The BNL Group's own securities, as shown in the table, total 6,056 million euro, an increase of 18.1% compared with 1 January 2005. This increase affected both securities held for trading (5,515 million), which are up by 21.1%, and financial assets held to maturity (10 million), which have risen by 25%, whereas securities available for sale (531 million) fell by 6.7%. There are no securities held to maturity.

Derivatives

The following table sets out the operations in derivatives of the BNL Group.

Operations in derivatives

	<i>(amounts in million of euros)</i>
	30/06/2005
Trading derivatives	269,871,149
Hedging derivatives	24,026,533
Total derivatives (notional amount)	293,897,682

During first half of 2005, customers tended to become even more cautious about hedging market risks. In any case, the volume of medium and long-term interest rate derivatives during the year 2005 was more or less in line with the previous year.

During first half of 2005, there was an upswing in trading in standard products traded on the main organized markets, principally the EUREX, LIFFE and CME/CBOT, with a view to optimizing management of the overall portfolio by means of instruments that absorb a low amount of capital, such as futures and options on interest rates and bonds in the main currencies.

The ordinary activity of managing the trading portfolio turned in resulted that were better than expected.

In EONIA swaps, BNL maintained its positions as market maker on the E-MIDER platform.

The overall results are also influenced by the activity carried on to manage treasury positions during the phases of IAS contingency.

The new rules under international accounting standards and the solutions adopted during the first contingency phase reduced flexibility in the use of hedging derivatives to manage interest rate risk positions as part of the management of the Short-Term and Medium/Long-Term Treasury, limiting the dynamic approach that up to 30 June 2005 made it possible to adapt the risk profile to the constant changes in the macroeconomic scenario.

Equity investments

The following table sets out the principal equity investments of the BNL Group for the first half of 2005.

Equity investments in millions of Euro

EQUITY INVESTMENTS	30/06/2005	01/01/2005	%change 30/06/2005 01/01/2005
Investments carried at net equity	133	121	9.9%
Other investments /carried at cost)	328	317	3.5%
Total equity investments	461	438	5.3%

The book value of equity investments amounted to 461 million euro, of which 328 million were classified in item "40. Financial assets available for sale" and 133 million euro in item "100. Equity investments" compared with 317 and 121 million respectively at 1 January 2005.

Capital accounts

BNL Group shareholders' equity at 30 June 2005, including the result for the period of 277 million euro, came to 4,781 million euro, 7% up on 4,468 at 1 January 2005. Taking subordinated liabilities and hybrid capital instruments (2,373 million euro) into

consideration as well, BNL Group capital and reserves came to 7,154 million euro: +1.3% on 7,254 million at 1 January 2005.

Trend in Group equity

<i>(amounts in million of euros)</i>	
30/06/2005	
Equity at 1 January 2005	4,468
Decreases	-
- <i>Dividends</i>	-
Increase	-
- <i>Capital increase</i>	21
- <i>Net profit for the period</i>	277
- <i>Exchange differences and other adjustments</i>	15
Equity at 30/06/2005	4,781

At the end of June 2005 the portfolio held 23,310,668 BNL ordinary shares of par value 0.72 euro each, of which 13,007,153 held by the BNL (with a unit value of 2.14 euro) and 10,303,515 by Artigiancassa S.p.A. (with a book value of 2.53 euro per share), resulting from purchases made in compliance with a specific resolution passed by the shareholders' meetings.

These shares are shown on the liabilities side of the balance sheet, as a direct reduction from shareholders' equity, for 54 million under item "210. Treasury shares". Item "180. Reserves" includes a reserve for the same amount.

The Distribution Network

Excluding the 107 branches of BNL SA, Buenos Aires, at the end of June 2005 the BNL Group had a multichannel distribution network of 806 offices, split between branches, agencies and specialist point of sale. In addition to BNL, whose distribution system is described below, the Italian Group companies with a network of a certain size are: Locafit, Ifitalia and Artigiancassa.

Locafit has 12 branches throughout Italy, which carry on not only commercial activities, but also administrative functions, performing valuations and making decisions about leasing transactions within defined limits according to the powers that they have been delegated. It also has 9 agencies with several employees and 28 sales points with only one employee physically located in BNL agencies.

Ifitalia has 9 branches in Italy which carry on commercial and administrative activities, as well as valuations and credit authorizations within defined limits.

Artigiancassa has 19 regional offices, one in each of the regional capitals. These 19 regional branches carry on administrative activities and valuations/credit authorizations for medium/long-term loans of relatively small amount, in any case within defined limits.

The Bank's distribution system is split into distinct channels according to the type of service offered and the target clientele that the Bank wants to reach. This multichannel distribution offers:

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

The organizational structure of the distribution model is coherent with the logic of relationship, consulting and sales specialisation delegated to the Network professionals.

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

The Network for the corporate, retail and private banking markets is organised as follows:

- **Area Organization - North West**, based in Turin and responsible for the Piedmont, Liguria and Val d'Aosta regions;
- **Area Organization - Lombardy**, based in Milan and responsible for the Lombardy Region;
- **Area Organization - Triveneto**, based in Venice - Mestre and responsible for the Trentino Alto Adige, Friuli Venezia Giulia and Veneto Regions;
- **Area Organization - Emilia Romagna**, based in Bologna and responsible for the Emilia Romagna Region;
- **Area Organization - Tuscany and Umbria**, based in Florence and responsible for the Tuscany and Umbria Regions;
- **Area Organization Lazio**, based in Rome and responsible for the Lazio Region;
- **Area Organization - Campania and Basilicata**, based in Naples and responsible for the Campania Region and the Province of Potenza (with responsibility for the whole of Basilicata as regards Public Administration customers);
- **Area Organization - Marche and Abruzzo**, based in Pescara and responsible for the Marche and Abruzzo Regions;
- **Area Organization - Puglia and Molise**, based in Bari and responsible for the Puglia and Molise Regions and the Province of Matera (except for Public Administration customers which are served by the Matera branch);

- **Area Organization - Calabria**, based in Catanzaro and responsible for the Calabria Region;
- **Area Organization - Sicily**, based in Palermo and responsible for the Sicily Region;
- **Area Organization - Sardinia**, based in Cagliari and responsible for the Sardinia Region.

The breakdown of the Area Organizations with responsibility for the Large Corporate Market in specific geographical areas is as follows:

- **North West**, based in Turin and responsible for the Piedmont, Liguria and Val d'Aosta regions;
- **Lombardy**, based in Milan and responsible for the Lombardy Region;
- **Triveneto**, based in Venice - Mestre and responsible for the Trentino Alto Adige, Friuli Venezia Giulia and Veneto Regions;
- **Emilia Romagna**, based in Bologna, is also responsible for Tuscany and Umbria;
- **Lazio**, based in Rome and also responsible for the Marche and Abruzzo Regions
- **Campania and Basilicata**, based in Naples and responsible for the Campania Region as well as Molise, Puglia, Calabria, Sicily and Sardinia Regions.

Governance Model for Equity Investments

The Equity Investments Department is the key element of the model by which BNL 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.

The Branch Network of the Bank

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

At 30 June 2005, the number of branches - dedicated to the Retail Market - covering all 103 provincial capitals totals 708, in 364 clearing areas.

In addition, there are also:

- 18 centres devoted to the “Public Administration Segment”, on a regional basis;
- 17 Centres dedicated to the “Private Banking Market”;
- 56 centres devoted to the “Corporate Market”, on a provincial basis;
- 6 macro areas devoted to the “Large Customer Market”.

On the international front, after the redefinition of the distribution network during 2004 in line with the strategies laid down in the 2003-2005 Business Plan, the Bank's foreign network now consists of 4 branches and 12 representative offices.

The activities carried out by the foreign branches and affiliates allow the BNL Group to assist Italian companies operating abroad and to serve multinational groups, especially those with direct investments in Italy.

The BNL Group's presence on the main international marketplaces the offering to customers integrated and innovative products and services, especially in the fields of structured corporate finance and private banking.

Self-Banking Terminals (ATM)

There are 1,267 ATMs, of which 408 are installed at public agencies, firms or other locations away from the Bank's branches.

During the first half of 2005, 26.1 million transactions were carried out via this channel, including: 16.5 million withdrawals; 7.3 million lists of movements; 1.2 million mobile phone top-ups and 1 million balances.

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.

Direct channels

Management of the direct channels is handled by BNL Direct Services SpA which offers services dedicated to specific customer segments; e-Family BNL and Telebanca BNL, destined to private customers; BusinessWay BNL for small business customers; Ediway BNL for Corporate and Large Corporate customers; Ediway Enti for the Public Administration and similar customers.

As regards retail customers, the beginning of the year saw the commercial roll-out of PASSBNL, a new security tool, which represents an important result in terms of technological innovation, placing the Bank's Internet Banking/Trading service among the best Italian banking websites.

New commercial initiatives involving remote multichannel sales were carried out during the whole of the first half 2005. In particular, with the support of the contact centre and external telemarketing companies, placement campaigns have been started and are still underway for BNL (TopCredit), a revolving credit card; as well as a commercial inbound telephone campaign in support of advertising (FreePress) and/or promotional

(Inpdap) initiatives. For all these campaigns, the activities that are typical of telemarketing companies now have the support of multichannel customer contact techniques (e-mail, SMS, on-line marketing), as well as innovative contract methods that simplify customer follow-up in accordance with the new rules on transparency.

These efforts resulted in the acquisition of 55,000 new contracts during the period, a figure that is in line with the budget for 2005. The customer portfolio includes more than 510 thousand customers.

The results in terms of operating volumes are also significant. The performance in terms of banking instructions issued during the period came to around 500 thousand transactions (+37% compared with the same period of 2004). Overall, the number of information requests and instructions issued during the period came to more than 5.1 million, around 28% over budget.

Trading on Line posted around 175 thousand stock exchange orders executed (+36%) for transactions worth 1.7 billion (+66%). In total, between web and phone, the orders executed during the first half came to more than 220 thousand for transactions worth more than 2.1 billion. There was also a high number of requests for information regarding the performance of equity markets and the securities portfolio (more than 8.2 million, +55% compared with 2004).

As regards the company products segment, work continued during the period on building the new on-line distribution platform (the "New Corporate" project, which was launched in October 2005 for public entities and is planned to be launched in January 2006 for companies).

Overall, at 30 June 2005, the corporate e-banking sector has more than 53 thousand customers, a growth of +3% compared with the end of 2004, due to 5 thousand new acquisitions, mainly in the Corporate Market and Small Business segments.

BusinessWay BNL, the product aimed at small and medium-sized enterprises, had more than 18,500 users at the end of the half-year; Ediway has approximately 11,500 companies on-line, while Ediway Enti has around 600 public administration customers. Corporate Banking Interbancario (CBI), a passive electronic system, reaches more than 22,500 firms.

The number of instructions issued came to 4 million, plus 3.8 million through CBI Passivo, for a total of about 7.8 million.

Customer Care

In each of the 12 Area Organizations there is a customer care unit, whose task is to supervise customer relationships also from a BNL Group point of view.

The initial phase of continuous monitoring of customer satisfaction in the retail market was carried out during the first half of 2005. The results confirm the improvement already seen in 2004, highlighting an increasingly positive climate at the branches, with almost two thirds of customers who declare that they are satisfied with the service provided.

After the test carried out at the end of 2004, the initial phase of the periodic survey of customer satisfaction has now been completed, together with the level of perceived quality on the part of those customers who contacted the BNL Call Center. Customers' appreciation of the service is high, with a percentage of satisfaction of 81.5%.

As part of the development of the remote channels, a survey was also carried out to obtain feedback on the service and on customers' use of BNL's direct channels (e-Family and Telebanca).

Surveys were also performed on corporate customers during the period. The indicators of satisfaction turned out to be extremely positive and rising, above all for large companies. Moreover, the Bank activated a "Welcome Program" to help create the best possible relationship with companies right from the start.

Companies have the chance to take part in BNL Business Focus, an on-line panel that allows customers to participate in economic seminars or cultural events promoted by BNL, as well as to respond to questionnaires via web on arguments that are relevant to the relationship between bank and company. In particular, various topics have been discussed, such as the internationalization of companies, so as to understand better the needs that companies have when they decide to expend their activity overseas.

In the field of training and refresher courses, seminars have been promoted in all Area Organizations on "Basel II: banks and businesses working together to benefit from the opportunities offered by the new regulations". For customers of the Public Administration Segment, June 2005 saw the start of a customer satisfaction survey of those entities that have entrusted their treasury and cashier services to BNL.

Without taking into account the 4,000 or so letters asking for a refund of compound interest, following the ruling on this matter by the Court of Cassation, customer complaints during the period went down by around 20% compared with the same period of 2004. The average response time is in line with the objective of 15 days.

Considerable attention is still being given to ABI's "Patti Chiari" project. The eight initiatives foreseen in the fields of Savings, Services and Lending are all up and running at BNL, as confirmed by the checks performed by the auditors, making it possible for us to continue displaying the Patti Chiari trademark already obtained in the second half of 2004.

IT systems

Management of the IT and organizational functions focused on activating important transformation programmes, according to the following lines of action:

- improvements in operating efficiency and effectiveness in order to achieve structural containment of costs. In this context, as part of a wider programme of business process reengineering launched during the course of 2004, the end to end design of the Bank's main processes has now been completed. The first half of 2005 also saw the start of a period of stabilization and consolidation of the processes and of the software platform used for the new "liabilities cycle" model;

- the creation of IT solutions designed to promote business development in particularly qualified customer segments (interventions in support of the development of potential small business and affluent customers and the development of new products). During the first half of 2005, BNL activated the new technology/applications platform for the management of interest rates and customer terms and conditions and a long-term project for the renewal of the IT system which supports the Bank's foreign trade business;
- the launch of a single, coordinated programme of interventions on lending processes and systems to ensure an evolution in line with the strategic guidelines, geared above all to improving the quality of assets. The first half saw the complete redesign of the technology/applications architecture which supports the process of disbursement, management, control and recovery of loans; this was needed to complete the long-term plan for the renewal of the IT systems;
- start-up of a long-term programme involving the structural revision of the entire "accounting model" to adjust rules, processes, organizational structures and IT systems to the new business and operating needs of the Bank and of the BNL Group. The recent amendments to the regulatory context (IFRS and Basel II), the changes in the organizational model, as well the gradual renewal of the Bank's IT system, have in fact structurally altered the general context of the Bank and the BNL Group's accounting model and accounting systems.

In line with the instructions and deadlines laid down by the relevant Authorities, during the course of the first six months of 2005 BNL took steps to adjust its regulatory structure, some of which are likely to have a major impact in terms of their implementation. In particular:

- conversion to International Financial Reporting Standards (IFRS): in line with the deadlines laid down in the programme, the various organizational and IT interventions needed for BNL Group compliance with IFRS were carried out;
- the emergency continuity plan: the activities concerning the definition and planning of the interventions needed to ensure business continuity on the part of the BNL Group in the event of an emergency were completed according to the schedule laid down by the Supervisory Authorities; as regards the disaster recovery plan for the computer systems, implementation of the operating and technology/applications architecture of the solution that BNL has identified is currently underway.

RISK MANAGEMENT AND CREDIT CONTROL

Risk management and control

The BNL Group's organizational structure makes the Bank responsible for overall risk management and control. This is delegated to the risk management department as a governance function, according to a logic of separation between business and control

functions, in line with international best practice and the criteria laid down in the new Basel accords.

Credit risk

The organizational model lays down that:

- the Risk Management Department is responsible for defining credit policies and guidelines, and the related measurement tools and methodologies that assure appropriate control over the portfolio's credit risk;
- the Credit and Loans Department has been assigned the task of evaluating and accepting the risk on specific positions, for monitoring and for managing problem loans.

As regards individual risk, the Credit and Loans Department and the Network carry out the initial review and, within the limits of their signature powers, authorise the granting of loans; the Risk Management Department provides support to the processes of granting loans and managing their performance by sharing the principles of disclosure and by maintaining and updating the methodologies, models and procedures which make up the system of internal rating (SIR).

The System of Internal Rating

The system of internal rating covers large customers, corporates, small businesses, finance companies, professionals and non-profit institutions and, together with the scoring system on banks, covers around 75% of the Bank's total loans. In the first half of 2005, a new estimate was carried out using these models, based on the definition of default, including past due balances. There is an Internal Rating Review Committee which, either on request or on its own initiative, can adjust ratings on the basis of investigative documentation; this can also throw up interesting elements for the development of the Bank's statistical models.

Standard quantification of credit risk is steadily being extended to all customers granted lines of credit by the Bank and its affiliates, especially at Locafit and Ifitalia; work is currently underway at Artigiancassa to standardize the existing scoring systems.

The System of Internal Rating is backed up by a probability of default outlook model (PD). Combining outlook and ratings with certain specific indicators are positive factors for a control system that monitors the trends in individual positions and sector/territorial segments of the portfolio.

For risk management in the retail segment, the Bank concentrated mainly on two points during the first half of 2005: a) completion of testing of the new POE acceptance strategy and its roll-out for the Bank's entire network; b) start of a complete revision of the scoring matrices for products aimed at households, to ensure that they comply with Basel II.

During the period, design work continued on estimating the Loss Given Default (the loss generated by a debtor's insolvency) at BNL Group level. At the moment, priority is being given to the retail segment.

As part of the SIR, the Risk Management Department has proposed a method for calculating the impairment of loans required by IFRS, in order to make this measurement coherent with that of credit risk developed within the Risk Management environment.

Monitoring portfolio risk

Monitoring of the EDF (Expected Default Frequency) by market and territory make it possible to verify the effectiveness of the lending policies adopted in order to improve the quality of credit and to take any corrective action that may be needed.

The sectors specifically monitored during the first half of 2005 were automobiles, telecommunications, steel and fashion. As regards the automobile and telecommunications sectors, the risk of concentration experienced in previous years has retreated, falling back to normal levels.

For retail customers, the Bank has introduced a system of monitoring the quality of mortgage loans in acceptance; instructions have been issued with a view to improving the quality of personal loans, again paying particular attention to the acceptance phase.

The Bank's portfolio model for the measurement and management of lending risks is integrated with the platform for the active measurement of market risk. At portfolio level, the model produces: expected losses, unexpected losses (Credit VaR), the expected shortfall (conditioned average value of the losses over a certain level of confidence), and the marginal contribution to risk of important clusters at a geographical and sector level. The model estimates the expected loss at individual customer level.

This model was used during the first half of 2005 to carry out stress analysis on the portfolio, considering various macroeconomic scenarios at a domestic and international level.

Country risk

The system adopted for managing country risk involves the cross-border lending activities of all BNL Group entities towards financial institutions, sovereign entities and corporate customers. Policy is laid down by the Risk Management Department, which periodically issues country ratings designed to measure the probability that a counterparty will find itself in a state of insolvency because of a financial or political crisis in its home country. On an annual basis, the Board of Directors authorizes for each country concerned a maximum short and medium-term line of credit, calibrated according to the risk category. The total of these maximum amounts is binding. Country risk exposure is concentrated 63% in investment grade countries, and 36% of countries have an internal rating included between AA and -A.

ALM risks (Asset and Liability Management)

Interest rate risk

Interest rate risk, meaning the sensitivity of income over the short term to changes in interest rates (so-called "prospective current earnings"), is measured using the SALM system (Strategic Asset and Liability Management) based on total rate-sensitive assets over a time horizon of 12 months with a parallel shock to the rate curve of 100 basis points.

The SALM system also makes it possible to monitor the interest risk in terms of the potential negative impact on the Bank's net worth (the so-called "Prospective Economic Value") by means of the shift sensitivity technique, which gives an idea of how the present value of cash flows would change following adverse movements in interest rates.

Liquidity risk

Liquidity risk, which involves the chance that the Bank might not be able to meet its obligations on maturity, is monitored in the short term through the Cash Flows Forecasting System and in the medium/long term by gap analyses of maturities, concentration and structure indices. By means of measurements, controls and reporting activities, the Finance Committee, with the support of the Risk Management Department, is responsible for guiding liquidity risk management policies in line with the propensity for risk approved by the Board and its Committees based on the financial budget.

Market risks

Generic and specific risk

Market risk is measured using an in-house model based on the Value at Risk (VaR) methodology, in addition to the standard Bank of Italy method. VaR, i.e. the maximum potential loss which a position or portfolio might suffer with a certain confidence interval and over a specific period of time, is estimated by using Monte Carlo simulation technique (5,000 scenarios).

During the first half of 2005, the pricing models for certain exotic derivatives used in the VaR calculation of the generic risk component were further refined and the project regarding the introduction of VaR for the specific risk component on equity and debt securities was completed.

During the first half of 2005, the VaR relating to the Bank's the trading portfolio - which is more or less the same as that of the BNL Group - fluctuated around an average of 2.4 million euro, net of the diversification benefit. The following table summarises the value at risk broken down into its four components

VaR of the trading portfolio (*) (millions of euro)

Risk factors	Medium	Max	Min
Interest Rate	1,48	2,33	0,44

Equity Prices	0,55	1,41	0,19
Exchange Rates	1,16	2,19	0,23
Implied Volatility	1,03	2,55	0,48
Total VaR (**)	2,39	3,81	1,36

(*) With a 99% confidence level and holding period of one day.

(**) The sum of the individual values is greater than the total, as the method used to calculate the VaR takes into account the correlations existing between the different risk factors.

Counterparty risk

The counterparty risk on over-the-counter derivatives and other so-called securities financing transactions is currently measured by using an internal model based on the daily calculation of EPE (Expected Positive Exposure), in accordance with Basel II, and in addition to the Bank of Italy's standard Current Value Method. EPE, i.e. the total potential exposure that a contract or a counterparty could have over the period of a year and with a certain level of confidence, is estimated by means of the Montecarlo Multiplier Simulations method. Netting agreements (ISDA), which constitute 2% of all contracts in portfolio, are taken into account under both methodologies.

During the first half of 2005, BNL worked on the definition of new system of limits on operating in OTC derivatives, based on total exposure values. Work has also commenced on integrating the measurements of counterparty risk with the information on the Credit Support Annex (CSA) contracts signed after the introduction of Collateral Management.

Operational risk

During the first half of 2005, work continued on the "Operational Risk Management" project, the objective of which is to create the bases for an "advanced" approach to operational risk management (AMA) by means of an integrated methodology that evaluates both quality and quantity (*Self Risk Assessment e Loss distribution approach*).

In particular:

- the quality assessment methodology, which is already in use on the operations line of the Italy Network, was extended to cover the corresponding Market lines. Its objective is to identify the risk factors inherent in the processes being analysed; quantifying expected and unexpected losses on the basis of the process owners; defining a set of anomaly indicators; outlining the most suitable corrective action to be taken under the circumstances; and
- other adjustments have been made to maximize the measurement quality and completeness of the automated Loss Collection procedure. Overall, BNL now has a measurement period that exceeds the minimum of three years required by the Supervisory Authorities for the use of "Advanced Measurement Methodologies (AMA)". Activation of the Loss Collection procedure at most BNL Group companies has made it possible for them to measure operating losses during the half-year as well; and

- by using an internal measurement model, BNL has started making calculations of the annual VaR for operating risks based on loss data for the available period of historical observation. Initial results suggest that the use of an internal measurement model would permit a capital saving of between 30% and 40% compared with the Standard Approach.

HUMAN RESOURCES

General

The main objectives of the Bank's HR management in 2004 was to hold down costs and handle turnover. At 31 December 2004, the BNL Group had 18,879 employees (– 3.6% compared with 2003), a net reduction of 704 people during the year. At 30 June 2005 the number of employees was 19,054.

After capitalising about 22 million in 2004 for the cost of personnel directly attributable to the development of software for internal use, payroll costs (996 million euro) compared with 2003 decreases by 2.7%.

ORGANISATION AND CORPORATE GOVERNANCE

Corporate governance

The BNL Group is a diversified banking group that operates on a competitive basis in those market segments that are typical of the financial and lending business.

The governance model for BNL Group companies is designed to promote the creation of value for the entire investment portfolio and to help achieve the operating objectives assigned to key subsidiaries and affiliates.

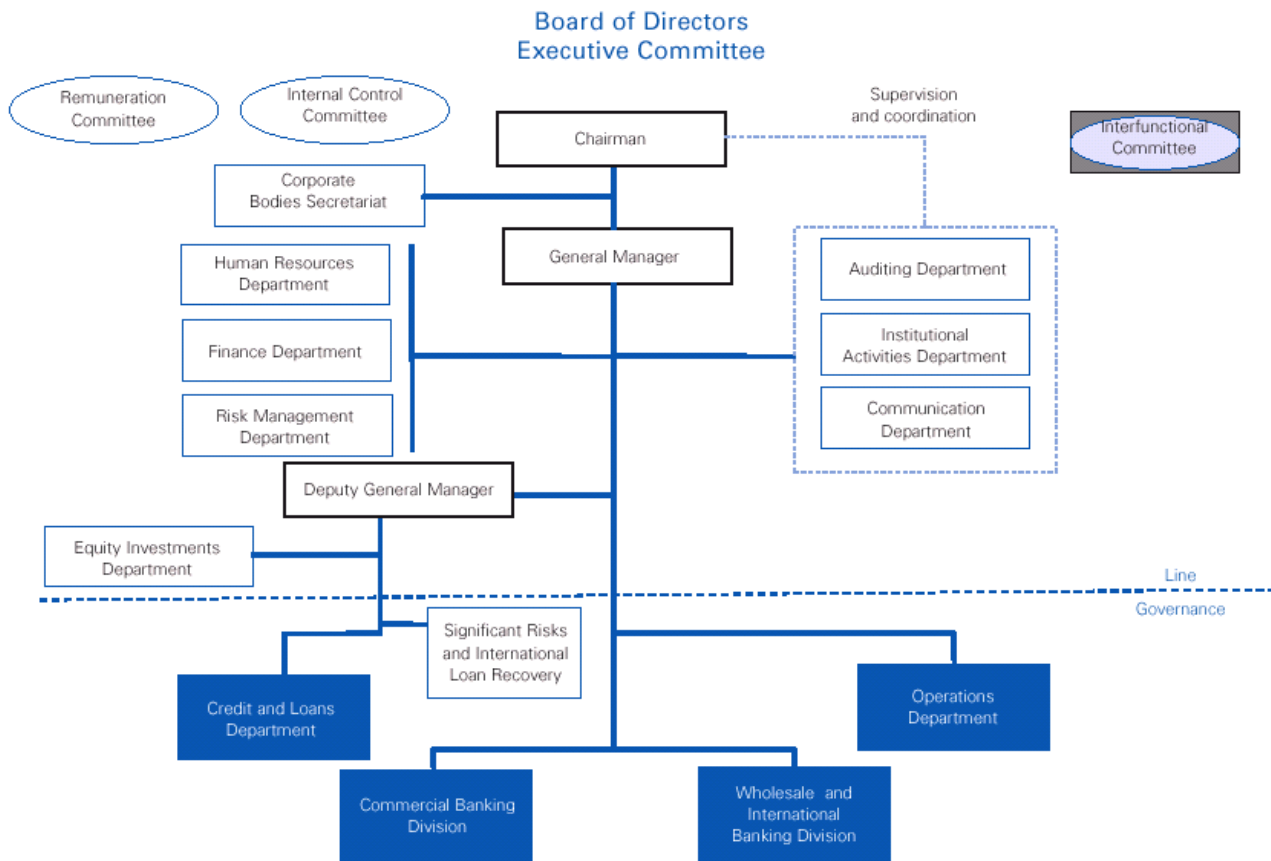
In this regard, the Equity Investments function handles the preparation and management of plans and budgets for the various companies, liaising with them and the Business Divisions in the definition of sales and marketing plans, with the Operations Department for the action plan and related costs/investments, with the Human Resources Department for the action plan and related HR costs, and with the Governance Functions for BNL Group policies and guidelines.

Further steps were taken during the first few months of 2005 to improve the Bank's organization structure, including:

- centralization, reporting directly to the Finance Manager, of the Group Service Buyer who analyzes the supply market and lays down procurement strategies for the purchase of goods and services in close collaboration with the Functions concerned. He manages, monitors and rationalizes, together with the Functions concerned, the procurement activity for the Bank and the BNL Group, optimizing its costs, service, quality and timing, while satisfying their operating and business needs.
- the creation as part of the Communication Department and in a staff function to its Manager, of a Corporate Social Responsibility (CSR) Unit, which proposes to the Bank's decision-making bodies a CSR strategy for the Bank and the BNL Group,

laying down guidelines for its implementation. It ensures the development of Social Responsibility initiatives according to a modular and systematic approach. It governs the CSR process for the Bank and for the BNL Group. It handles external communication and coordinates preparation of the corporate social responsibility report.

The current organizational model distinguishes between Governance functions and Line functions. The following is an organization chart that shows the organizational macrostructure, with a description of the missions assigned to the various functions that report to top management:



The following have governance functions:

- **Auditing:** assesses effectiveness and efficiency of operations; assesses reliability and integrity of financial and operational information; assesses the safeguarding of assets; assesses significant risk exposures at the Bank and the BNL Group level; monitors compliance with policies and regulations; supports senior management in the definition of the internal control system and evaluates the system's overall adequacy and effectiveness; recommends improvements to risk management policies, risk management procedures and risk measurement criteria;
- **Institutional Activities:** ensures the management and analysis of macroeconomic and banking scenarios for the benefit of the governance and business functions, the governance of external relations, the management of general affairs and legal advice;

- *Communication*: ensures the development of communication strategies, the definition and correct application of the Corporate Identity and Brand Architecture, the governance and implementation of institutional advertising initiatives and social responsibility projects; handles media relations to enhance the visibility of strategic orientations, business policies and results;
- *Human Resources*: defines policies and guidelines for the development and management of the Bank's and the BNL Group's human resources, in line with BNL's chosen strategies and business priorities, planning and controlling the various sectors of personnel and the related costs and duties; ensures the management of key positions in the Bank and the BNL Group, as well as the structure and provision of personnel services; supervises the evolution of the organizational model and of labour regulations and policies;
- *Finance Department*: ensures management on an integrated basis of the economic and financial levers of the Bank and the BNL Group by preparing strategic and capital allocation plans, developing capital planning policies and A&L management; supervises operational programming and budgetary control of the various responsibility centres within the Bank and the BNL 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 BNL Group; ensures the development of relations with investors and rating agencies; ensures for the Bank and the BNL Group optimization of assets and liabilities, management of the treasury pool and of the risks generated by the structural posts, as well as cash management and the definition of the related programme;
- *Risk Management*: is responsible 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 management and monitoring of risks, reporting changes in the risk profile to 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. It supports the Finance Department and top management with the allocation of capital and in the definition of the ALM plan for the Bank and the BNL Group; assists BNL Group companies with the establishment of local control units, validates their Risk Management systems - to be implemented or already in use - and ensures their functional coordination;
- *Equity investments*: promotes the creation of value in the overall portfolio of Italian and foreign equity investments, in order to achieve the BNL Group's strategic objectives and maximize the return on capital invested; supervises the achievement by BNL Group companies of their economic, capital and financial objectives and

ensures that the Regulation is applied and the administrative aspects of managing the BNL Group's equity investments are implemented.

The following have line functions:

- The *Commercial Banking 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 BNL Group context, of the various channels, products and customer portfolios;
- The *Wholesale & International Banking Division (WIBD)*, with responsibility for developing traditional, innovative and structured financial products, for maximising the risk/return profile of the Bank on financial markets, for looking after integrated market access, funding operations of the Bank and the BNL Group and capital market activities for the promotion and implementation of investment banking deals to satisfy the corporate finance needs of customers, for guaranteeing the achievement of targets in terms of volumes, market share and profitability for the Large Customer Market, handling relations with financial institutions, developing synergies with the product factories, and overseeing the activities of the Bank's International Network and topics regarding the financial marketplace of reference for the business of the WIBD, the Bank and the BNL Group, developing products and services designed to help Italian companies become more international and ensuring that the distribution network and financial institutions are adequately informed about BNL's wholesale offer;
- *Operations*, with responsibility for looking after process design and development, guaranteeing maximum operating efficiency and effectiveness on the part of the Bank and the BNL Group structures according to shared service levels, ensuring the development and management of technology infrastructures, property management, the provision of goods and services, efficient management of centralised administrative processing, running the Contact Center and corporate security in accordance with internal and external regulations;
- *Credit and Loans*, with responsibility for supervising in an organic fashion the lending process for the Bank and the BNL Group, from initial acceptance to final recovery, so as to maximise asset quality; developing a centre of excellence in the evaluation and assumption of credit risks and ensuring the monitoring of the lending activities of the Bank and the BNL Group so as to anticipate, prevent and minimize credit risks and the deterioration of individual positions; ensuring focused management of substandard positions so that they can be normalised on an effective and timely basis, as well as efficient and effective recovery of the Bank's and the BNL Group's problem loans; handling formalities related to the granting of government subsidies, providing the branch network with support in the preliminaries and finalisation of m/l term loan transactions; 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 BNL Group, and ensures their effective communication.

- The *Significant Risks and International Loan Recovery Unit*, with responsibility for recovering the International Network's problem positions, handle problem positions in developing countries and substandard and non-performing loans of a significant amount and/or involved in bankruptcy proceedings, according to the guidelines and policies defined by the Loan Recovery Department, providing specialist support in extraordinary operations relating to problem loans and in the court and out-of-court recovery activities of 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.

Acting in a staff function to the Chairman, the Corporate Bodies Secretariat ensures secretarial support for the Board of Directors, the Corporate Governance Committees and the Bank's various interfunctional decision-making committees, and provides support to the Directors and the Board of Statutory Auditors, as well as acting as the company secretary.

The organizational model of the Italy Network is made up of 12 Area Organizations, defined on the basis of the size and geographical characteristics of the markets that they supervise, as described in the following paragraph on the distribution network.

Shareholders

The Bank's by-laws provide for ordinary shares, which have the rights set out by the law, and savings shares, which have: the right to vote exclusively at a special meeting of the savings shareholders; the same rights as the other shares in the event of a distribution of reserves; a preferential dividend under specific circumstances; and first call on reimbursement of capital, for the entire nominal value, in the event that the Bank is liquidated.

According to the Bank's by-laws, a shareholders' meeting must be called at least once a year within four months from the close of the fiscal year. The ordinary shareholders' meeting approves the balance sheet, appoints the Board of Directors and the Statutory Board of Auditors, determines the remuneration for the members of the Bank's bodies and resolves upon other matters which, under these by-laws, are its responsibility. An extraordinary meeting resolves upon other matters which, under these by-laws, are its responsibility.

An extraordinary meeting resolves upon amendments to the by-laws, especially changes in capital. Each shareholder has one vote for each ordinary share of paid-up capital.

The Bank has introduced a specific set of regulations governing Shareholders' Meetings; these regulations, which are based on current best practice for Italian listed companies and on the standard format recommended by the Italian Banking Association, were adopted by a shareholders' resolution and published separately from the by-laws.

The Shareholders' Meeting appoints the Directors and the members of the Board of Statutory Auditors. Unless decided otherwise unanimously by the Shareholders' Meeting, Directors and Statutory Auditors are to be appointed by means of the voting list system, on the basis of lists presented by shareholders who represent 2% and 1% respectively of the share capital. These percentages mean that it is possible for holders of a relatively small number of shares to present voting lists. Shareholders who are members of syndicate agreements can only present a single list and will only be able to vote for that list. The by-laws reserve a presence on these boards for minority candidates. According to the by-laws Directors and Statutory Auditors remain in office for three years and can be re-elected.

Management

The management of the Bank is divided between the Board of Directors and the Executive Committee, which acts under the delegated general authority of the Board of Directors. The Bank's by-laws permit the Board of Directors to appoint a Managing Director or a General Manager, or both. If only the Managing Director is appointed, he/she shall also carry out the functions of General Manager. The General Manager implements the resolutions of the Board of Directors and the Executive Committee, exercises the powers attributed to him by such bodies and oversees the corporate structure and the management of the corporate affairs. In addition, the Italian Civil Code requires the Bank to have a supervisory body, the Board of Statutory Auditors.

In accordance with the by-laws, the Board of Directors has complete power over the ordinary and extraordinary administration of the Bank, except for actions reserved by law or by the by-laws to meeting of the shareholders

The members of the Board of Directors elect the Chairman and one or more Deputy Chairmen of the Board from among themselves.

The Chairman of the Board of Directors and the Managing Director (or the General Manager) are the legal representatives of the Bank. The Board of Directors may appoint one or more Deputy General Managers and confer powers on managers, executives and other employees of the Bank to represent the Bank, determining the scope and exercise of such powers. In matters relating to the granting of credit and to the ordinary management of the Bank, the Board may grant authority to the General Manager, managers and executives, whether individually or jointly, and to other employees of the Bank, determining the limits of such authority. The Board must be informed of any decision taken pursuant to such delegation of authority.

The Board of Directors appoints members of the Executive Committee and determines the number of its members, the term of their office and the nature and scope of the committee's activities. The Chairman and the Managing Director are members by right of the Executive Committee.

The meetings of the Executive Committee are called by the Chairman, by the person acting in his stead, or, under certain circumstances provided for by Italian law, by the Board of Statutory Auditors and may be attended via videoconference or telephone conference. In case of urgency, the Executive Committee may take decisions that are

normally within the competence of the Board of Directors, but may not take any action reserved by the in-laws only for the approval of the Board of Directors. The Board of Directors must be informed of any such decisions at its next meeting.

Board of Directors

General

The Board of Directors consists of a number of members that can vary from seven to fifteen. The General Manager may also attend Board Meetings in a consultative role. The Board of Directors met twelve times during the course of 2004 with each of the meetings being attended by at least three quarters of the directors on average.

When members of the Board of Directors are appointed, they are given exhaustive information regarding the principal legislative and regulatory provisions governing corporate office bearers, as well as the rules laid down by the Board of Directors in compliance with the Code of Conduct for Listed Companies (applicable to companies listed on the Italian regulated market) on "Internal Dealing", "Significant and Related Party Transactions", and "Communicating Price Sensitive Information to the Market".

The Board of Directors has appointed the Chairman and two Vice Chairmen, to whom no operating powers were delegated. The Board of Directors has delegated some of its powers to the Executive Committee, the main one being the granting of loans, reserving for its own exclusive competence those in favour of political parties and trade union organisations at a national level, mass media or those for an amount that exceeds 10% of the Bank's book net equity. In addition to those activities that cannot be delegated, whether by law or expressly provided for in the Bank's by-laws, the Board of Directors has retained powers over matters such as: purchasing and selling properties; acquiring and disposing of equity investments that do not modify the composition of the BNL Group; and transactions of a financial or commercial nature worth more than Euro 50,000 with parties related to the Bank.

The Chairman exercises the powers conferred upon him pursuant to the by-laws and, as part of the organisational structure adopted by the Board of Directors, supervises and coordinates corporate, institutional and representative relations, as well as auditing.

In compliance with the Code of Conduct for Listed Companies in Italy (the "**Code**"), the Board of Directors has completed the Bank's system of corporate governance by appointing Internal Control and Remuneration Committees, while a Nominations Committee has not been appointed as the voting list mechanism envisaged in the by-laws guarantees a completely transparent nomination procedure.

Management Stock Option Plan

The Board of Directors resolved stock option plans in favour of the Management of the Bank and of other companies of the BNL Group for the years 1999, 2000, 2001, 2003 and 2004.

The plans provide for the free allocation of stock options issued in the name of the holder and non-transferable: each option entitles the holder to subscribe to one ordinary BNL share carrying normal dividend rights.

On the basis of the above mentioned plans, capital increases have been resolved for an aggregate maximum of Euro 46,091,484.00, by issue of a maximum aggregate number of 64,015,959 ordinary shares, of nominal Euro 0.72 each, which may be underwritten by the management by 26 October 2014.

The number of options allocated to each participant is calculated taking into account the level attained in the organisation, the importance of the person's position, and their contribution on corporate results.

Composition of the Board of Directors

For the three-year period 2005-2007, the Shareholders' Meeting of 21 May 2005 established that there are to be fifteen members. At 31 October 2005 the following were Members of the Board of Directors of the Bank:

- Luigi Abete *
- Pier Luigi Fabrizi
- Antonio Ortega Parra *
- Diego Della Valle
- Marcello Gioscia
- Manuel Gonzalez Cid
- Tiberio Lonati
- Paolo Mazzotto
- Stefano Micossi
- Aldo Minucci *
- Juan Enrique Perez Calot *
- Giovanni Perissinotto
- Massimo Ponzellini
- Giuseppe Statuto

*Member of the Executive Committee.

Luigi Abete is Chairman for the duration of the mandate of the Board of Directors currently in office. Each of Pierluigi Fabrizi and Antonio Ortega Parra is a Deputy Chairman for the duration of the mandate of the Board of Directors currently in office.

The Directors, *inter alia*, also held office in other listed companies, financial, banking and insurance institutions or other large enterprises, as follows:

Luigi Abete

Chairman of A.BE.T.E.S.p.A - Azienda Beneventana Tipografica Editoriale and Cinecittà Studios S.p.A.; Member of the Board of Directors of: Artigiancassa S.p.A., Tod 's S.p.A.and Fineldo S.p.A. and Marcolin S.p.A.

Pier Luigi Fabrizi

Chairman of the Board of Directors and member of the Executive Committee of Banca Monte dei Paschi di Siena; S.p.A.; Member of the Board of Directors of Banca Agricola Mantovana S.p.A. and Unipol Assicurazioni S.p.A.;

Antonio Ortega Parra

Member of the Board of Directors of BBVA Bancomer (Mexico) and BBVA Banco Continental (Peru);

Diego Della Valle

Chairman and Managing Director of Tod's S.p.A.; Managing Partner and Director of Diego Della Valle &C S.a.p.a. Member of the Board of Directors of Assicurazioni Generali S.p.A; Compagnia Immobiliare Azionaria; Ferrari S.p.A; L.V.M.H.Moet Hennessy Louis Vuitton; Le Monde Europe SA; Maserati S.p.A.; RCS Mediagroup S.p.A.;

Marcello Gioscia

None

Manuel Gonzalez Cid

Deputy Chairman and Member of the Board of Directors of Repsol YPF;

Tiberio Lonati

Director of Fingruppo S.p.A.

Paolo Mazzotto

Member of the Board of Directors of B.U.C. Banca Unione di Credito

Stefano Micossi

Member of the General Council of Assicurazioni Generali

Aldo Minucci

Chairman of Genertel S.p.A. and Simgenia S.p.A., Deputy Chairman of: Assitalia - Le Assicurazioni d 'Italia S.p.A; INA Vita S.p.A.; U.M.S. - Generali Marine S.p.A., Member of the Board of Directors of: Acegas S.p.A.; Alleanza Assicurazioni S.p.A.; Banca

Generali S.p.A. Fata Assicurazioni S.p.A.; Generali Vita S.p.A.; Intesa Vita S.p.A.; La Venezia Assicurazioni S.p.A.; Nuova Tirrena S.p.A.; Uni One Assicurazioni S.p.A..

Juan Enrique Perez Calot

Member of the Board of Directors BBVA Banco Provincial (Venezuela); Deputy Member of BBVA Banco Continental (Peru);

Giovanni Perissinotto

Managing Director of Assicurazioni Generali S.p.A.; Chairman of the Board of Directors of: Banca Generali S.p.A. Belgica Insurance Holding S.A. (Belgium); Flandria Participations Financières S.A. (Belgium); Generali Asset Management S.p.A.; Generali Finances S.A. (France), Generali Properties; Member of the Board of Directors of: Alleanza Assicurazioni S.p.A; Assitalia - Le Assicurazioni d'Italia S.p.A; Banca Intesa S.p.A. BSI - Banca della Svizzera Italiana; Generali Finance B.V. (Holland) Generali Espana Holding; Generali France Holding; INA Vita S.p.A.; Participatie Maatschappij Graafschap Holland N.V., Pirelli S.p.A.; Transocean Holding Corporation (USA); Member of the Supervisory Board of Participatie Maatschappij Transhol B.V.(Holland)

Massimo Ponzellini

Vice Chairman and Managing Director of "Patrimonio Dello Stato S.p.A."

Giuseppe Statuto

Chairman and Managing Director of "Michele Amari S.r.l."

The business address for each of the Directors is at registered office of the Bank, Via Vittorio Veneto 119, Rome Italy.

Executive and Independent Directors

The independent directors are:

Pier Luigi Fabrizi

Antonio Ortega Parra

Tiberio Lonati

Paolo Mazzotto

Stefano Micossi

Massimo Ponzellini

Giuseppe Statuto

Executive Committee

The Executive Committee was appointed by the Board of Directors on 14 November 2005 with the duration of 6 months as the Board, in accordance with Article 22 of the by-laws. The Committee currently consists of the Chairman – who is an ex officio member – and the following Directors:

Antonio Ortega Parra

Aldo Minucci

Juan Enrique Perez Calot

The following powers have been delegated to the Executive Committee:

- granting loans, within the limits indicated above;
- legal matters and any litigation in Italy and abroad;
- contracts and banking-related deeds entailing outlays;
- financial activities;
- personnel and the corporate signature;
- stipulation of commercial agreements and arrangements with BNL Group companies and third parties;
- acceptance of services;
- review of the draft financial statements;
- designation of Bank representatives for the boards of direct and indirect subsidiaries;
- designation of Bank representatives for the boards of entities and companies where the Bank holds a direct and indirect interest, as defined by the supervisory authorities;
- corporate finance matters.

The Committee reports quarterly to the Board of Directors about its activity.

Chairman

The Chairman is elected by the Board of Directors from among its members (Article 23 of the by-laws). Following a resolution of the Board of Directors, the Chairman calls the Shareholders' Meeting of which he takes the chair, verifying that it has been properly called and has a quorum. He also establishes the voting procedures. He calls Board of Directors and Executive Committee meetings and prepares the agenda. The Chairman is one of the Bank's legal representatives and can sign on its behalf (Article 39 of the by-laws). On the proposal of the General Manager, he can take any measure in an emergency that would normally be decided by the Executive Committee or by the

Board of Directors, if it is impossible to wait for the Executive Committee to meet, reporting to them at the next meeting.

The Chairman, to whom no operating powers are delegated, within the organisational structure adopted by the Board of Directors, supervises and coordinates corporate, institutional and representative relations, as well as auditing. The Chairman must ensure that the Board of Directors is informed about important legislative and regulatory changes regarding the Bank and the corporate bodies (Article 1.4 of the Bank's Code of Conduct).

General Manager

The Board of Directors appoints a General Manager. The current General manager is Mario Girotti. The General Manager takes part in a consultative role at meetings of the Board of Directors and Executive Committee. In addition, he can take part in meetings of the Internal Control Committee and of the Remuneration Committee, unless there are items on the agenda regarding him. The General Manager implements the resolutions of the Board of Directors and Executive Committee, exercises the powers attributed by them and supervises the corporate structure and management of the Bank's affairs.

The General Manager makes proposals to the Chairman on matters to be put on the agenda for Board of Directors and Executive Committee meetings. The General Manager proposes to the Board of Directors the appointment of one or more Deputy General Managers who, in the exercise of their functions, report to him and assist him in supervising the corporate structure and management of the Bank's affairs.

In an emergency, the General Manager proposes to the Chairman, who, in the interest of the Bank, takes any measure that would normally be decided by the Executive Committee or by the Board of Directors, if it is impossible to wait for a meeting of the Executive Committee to exercise the power mentioned in Article 28 of the by-laws.

Both the General Manager and the Chairman are legal representatives of the Bank and can sign on its behalf, as laid down in Article 39 of the by-laws.

The General Manager has executive functions *inter alia*:

- in personnel matters;
- in matters of acceptance of services; and
- in matters of designation of Bank representatives for presence to the meetings entities and companies where the Bank holds a direct and indirect interest, as defined by the supervisory authorities.

The General Manager reports on a quarterly basis to the Board of Directors and the Statutory Auditors on his own activities, those of the managers and other employees working for him and for the branches in Italy and abroad.

In the event of any impediment, the General Manager is replaced by his Deputy.

The business address for each of the General Manager is at registered office of the Bank, Via Vittorio Veneto 119, Rome Italy.

Senior Management* of the Bank at 31 October 2005

Mario Girotti	General Manager
Ademaro Lanzara	Deputy General Manager (Credits and Investments)
Gianfranco Verzaro	Deputy General Manager
Massimo Bonciani	Credits
Davide Emilio Cefis	Communications
Francesco Colella	Operations
Pier Paolo Cotone	Corporate Secretariat
Giova Domenico Formosa	Institutional Activities
Euclide Furia	Risk Management
Stefano Libotte	Human Resources
Riccardo Lupi	Wholesale & International Banking Division
Alessandro Maida	Commercial Banking Division
Angelo Novati	Group Finance
Vittorio Oronzo	Auditing
Niccolò Pandolfini	Investments
Vittorio Ruta	Large and International Problem Loans

** The senior management includes the General Manager, the Managers reporting to the Board of Directors or the General Manager of the Bank, and the Managers of the Funzioni Centrali.*

Auditors

Statutory Auditors

Pursuant to Italian law, in addition to electing the Board of Directors, the Bank's ordinary shareholders' meeting also elects a Board of Statutory Auditors (*Collegio Sindacale*) composed of three independent experts in accounting matters, plus two alternate auditors who will automatically replace a statutory auditor who resigns or is otherwise unable to serve as a statutory auditor. Each member of the Board of Statutory Auditors is registered with the national register of auditors (*Albo dei Revisori Contabili*).

The Board of Statutory Auditors is responsible for reviewing the affairs and financial reporting and condition of the Bank and is required to review the Bank's activities in order to determine compliance with the Bank's bylaws and applicable Italian law. The

Board of Statutory Auditors, among other things, ensures (i) that the Bank is managed in a sound manner and (ii) that the Banks internal auditing, accounting and administrative procedures are adequate. The Board of Statutory Auditors issues a report to the shareholders with respect to the Banks annual financial statements.

The review of the Bank's books and records by the Board of Statutory Auditors does not constitute an audit in accordance with Italian Auditing Standards. Members of the Board of Statutory Auditors must receive notice of, and are required to attend, meetings of the Board of Directors, shareholders' meetings and meetings of the Executive Committee of the Board of Directors.

Members of the Board of Statutory Auditors are elected for a three-year term by shareholders at the ordinary shareholders' meeting and may be re-elected for consecutive terms.

The Board of Statutory Auditors, or two members thereof, have the power to call meetings of the shareholders, of the Board of Directors and of the Executive Committee.

The Board of Statutory Auditors elected by the Shareholders for the three-year period 2005/2007, consists of the following:

Tommaso Di Tanno	Chairman of the Board of Statutory Auditors
Guglielmo Frasoni (*)	Auditor
Pier Paolo Piccinelli	Auditor
Marco Pardi	Alternate Auditor

(*) On 21 September 2005 succeeded the auditor Claudio Bianchi, who resigned.

The business address for each of the Auditors is at registered office of the Bank, Via Vittorio Veneto 119, Rome Italy.

External Auditors

In accordance with Italian securities regulations regarding securities listed on Telematico, statutory financial statements of the Bank and the consolidated financial statement of the BNL Group must be audited by independent auditors appointed by the shareholders at a general meeting. CONSOB has been notified of and has approved the appointment of the independent auditors.

The stockholders' meeting of 24 April 2003 appointed the audit firm Deloitte & Touche S.p.A. as external auditor of BNL and, consequently, as principal auditor of the BNL Group for the three year period 2003-2005.

Deloitte and Touche S.p.A. is registered under No. 14182 in the Special Register (*Albo Speciale*) held by *Commissione Nazionale per le Società e la Borsa* (CONSOB) pursuant to Article 161 of Legislative Decree No. 58 of 24 February 1998, as amended, and under No.132587 in the Register of Accountant Auditors (*Registro dei Revisori*

Contabili), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992.

Committees

Nominations Committee: The Bank has resolved not to set up a Nominations Committee as envisaged by the Code, since the voting list system of electing directors, as foreseen by the by-laws, is considered to ensure adequate transparency, and the nature of the shareholders and the thresholds required for the presentation of lists do not create problems in the preparation of nominations. Definition of the professional characteristics of candidates is therefore ensured by industry regulations governing the Bank.

Remuneration Committee: Set up in March 2001 in application of the Code. It consists of: Aldo Minucci, as coordinator, Massimo Ponzellini and Juan Enrique Perez Calot. The Chairman takes part in Committee meetings, as does the General Manager, unless there are items on the agenda regarding himself.

The Remuneration Committee's task is to make proposals to the Board of Directors as regards:

- the remuneration of the General Manager;
- the overall treatment of the Bank's Senior Management, based on input from the General Manager;
- criteria for the attribution of stock options or for the assignment of shares.

The Remuneration Committee is called by the Coordinator and functions with rules that are similar to those specified in the by-laws for the Executive Committee.

During 2004, the Remuneration Committee met two times and at each meeting an average of 70% of the members were present.

Internal Control Committee: Set up in March 2001 pursuant to the Code, it consists of Giuseppe Statuto, as Coordinator, Paolo Mazzotto and Antonio Ortega Parra.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor appointed by him may take part in the Internal Control Committee's proceedings, as can the person in charge of internal control. The Chairman and the General Manager may also take part.

The Internal Control Committee meets on a monthly basis and has a consultative and propositive role *vis-à-vis* the Board of Directors, including the following:

- it helps the Board of Directors in establishing the objectives of the internal control system, periodically checking that it is adequate and that it functions in practice, ensuring that the principal risks are identified and adequately managed;
- it evaluates the work plan prepared by the person in charge of internal control and receive periodic reports from him;

- it evaluates, together with the Bank's accounting managers and independent auditors, the adequacy of the accounting principles used, as well as the use of the same accounting principles throughout the BNL Group for the purposes of preparing consolidated financial statements;
- it evaluates proposals made by the independent auditors prior to their appointment, as well as their audit plan and the results of their work as discussed in the auditors' report and management letter; and
- it reports to the Board on their activities and on the adequacy of the internal control system.
- it carries out any other tasks delegated by the Board, especially with regard to the periodic updating of the corporate governance rules and relations with the independent auditors.

During 2004, the Committee held 7 meetings with at least two-thirds of members participating. The Committee dealt with the following matters, among others:

- structure and activities of the Internal Control function and of the new Risk Management Department;
- market risk control model;
- trend in the loan book;
- significant risk positions;
- periodic reports made by the Internal Control function on the checks carried out;
- significant non-performing loans;
- the BNL Group audit model and the operating methodology in support of internal auditing.
- the Organization, Management and Control Model pursuant to D.Lgs. No. 231/2001.

In addition, the Committee reported to the Board of Directors regarding their activities and evaluated the Bank's Internal Control System and the programme of interventions planned for the current year by the person in charge of internal control, which are considered adequate for the size and operations of the BNL Group. Lastly, at the meeting held in March 2005, the Committee was in favour of the accounting principles used to prepare the financial statements of the Bank and of the BNL Group at 31 December 2004.

The Internal Control Committee is called by the Coordinator and functions with rules that are similar to those laid down in the Articles of Association for the Executive Committee.

The Internal Control Committee reported to the Board of Directors regarding their activities and evaluated the Bank's Internal Control System and the programme of interventions planned for the current year by the person in charge of internal control, which are considered adequate for the size and operations of the BNL Group.

Potential conflicts of interest may exist between certain Directors' duties to BNL and their private interests, due to the activities performed by them outside the Bank, as listed in the description above under the heading "Composition of the Board of Directors" and as certain Directors are local entrepreneurs who may wish to enter into business transactions with the Issuer (i.e. borrowing loans from the Bank). In case of such conflict of interest, pursuant to Article 2391 of the Italian Civil Code, the Director shall disclose any interest, personal or on behalf of a third party, in a specific transaction of the Bank to the other members of the board and to the audit committee. The Director shall point out the nature, origin and conditions of his private interest.

Furthermore, according to Article 136 of Legislative Decree No. 385 of 1 September 1993, as implemented by Bank of Italy banking guidelines, any person who is vested with managing/controlling powers within a bank in Italy may not assume any obligation or enter into purchase/sale agreements with such bank unless such transaction has been approved by the board of directors of the bank through a resolution passed unanimously and in accordance with article 2391 of the Italian Civil Code. Such resolution must also be approved by all the statutory auditors except for the auditor involved by the resolution. Similar restrictions are also provided for any person vested with managing/controlling powers within companies belonging to the banking group in relation to transactions entered into with companies of the group.

In addition, since 2001 the Bank complies with the provisions of the Code of Conduct adopted by the Italian Stock Exchange for listed companies and implements its principles including, among others, the granting to the Board of Directors of a key role on the most important transactions carried out by the Bank, such as those with related parties. In 2002 the Bank issued guidelines which set forth the criteria to identify and carry out "significant transactions" including those with related parties, which shall be approved exclusively by the Board of Directors. For significant transactions, whose value is below the threshold set forth by the Board of Directors, the delegated bodies have a duty to report to the Board their operations. In January 2005 the Board of Directors resolved on the inclusion among the significant transactions of any transactions with shareholders which participate to shareholders agreements representing more than 10% of the ordinary shares of the Bank, or which determine the undertaking of any obligations by the Bank against shareholders that carry out prevalently business activities in sectors other than banking or finance and which hold, directly or indirectly, more than 2% of the ordinary shares of BNL.

Save as noted above, no conflict of interests exist in relation to the above mentioned persons and their duties/obligations towards the Bank and their private interests and/or other duties.

PRINCIPAL SUBSIDIARIES OF THE BANK

Consolidation perimeter

Name	Branch	Type of Control (1)	Controlling company	%
A. Companies				
A.1 Full Consolidation				
1 Banca Nazionale del Lavoro S.p.A.	Rome	-	-	-
2 Artigiancassa S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	73.86%
3 Artigiansoa - Org. di attestazione S.p.A.	Rome	1	Artigiancassa S.p.A.	59.09%
4 Creamimpresa S.p.A.	Rome	1	Artigiancassa S.p.A.	56.80%
5 BNL Fondi immobiliari SGR PA	Milan	1	Banca Nazionale del Lavoro S.p.A.	95%
6 BNL Partecipazioni S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	100%
7 BNL Finance S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	100%
8 Vela Lease S.r.l.	Conegliano	*	Locafit S.p.A.	9%
9 Vela Home S.r.l.	Conegliano	*	BNL Partecipazioni S.p.A.	9%
10 Vela Public sector S.r.l.	Conegliano	*	-	-
11 BNL Edizioni S.r.l.	Rome	1	Banca Nazionale del Lavoro S.p.A.	100%
12 BNL Direct Services S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	99.90%
13 Locafit S.p.A.	Milan	1	Banca Nazionale del Lavoro S.p.A.	100%
14 Locatrice Italiana S.p.A.	Milan	1	Locafit S.p.A.	100%
15 Cooperleasing S.p.A.	Bologna	3	Locafit S.p.A.	20%
		3	Banca Nazionale del Lavoro S.p.A.	30%
16 Ifitalia - Int. Factors Italia S.p.A.	Milan	1	Banca Nazionale del Lavoro S.p.A.	99.15%
17 Servizio Italia S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	100%
18 BNL Gestioni SGR	Milan	1	Banca Nazionale del Lavoro S.p.A.	100%
19 BNL Broker Assicurazioni S.p.A.	Milan	1	Banca Nazionale del Lavoro S.p.A.	95.50%
20 BNL Multiservizi S.p.A.	Rome	1	Banca Nazionale del Lavoro S.p.A.	100%
21 Banca Nazionale del Lavoro International S.A.	Luxembourg	1	BNL International Investment S.A.	100%
22 Lavoro Bank AG	Zurich	1	BNL International Investment S.A.	100%
23 BNL Inversiones Argentinas SA	Buenos Aires	1	Banca Nazionale del Lavoro S.p.A.	95%
		3	BNL International Investment S.A.	5%
24 BNL International Investment S.A.	Luxembourg	1	Banca Nazionale del Lavoro S.p.A.	100%
25 Cooperleasing S.p.A.	Bologna	4	Banca Nazionale del Lavoro S.p.A.	30%

			Lavoro S.p.A.		
			Locafit S.p.A.	20%	
A.2 At net asset value					
1	Advera S.p.A.	Rome	3	Banca Nazionale del Lavoro S.p.A.	50%
			3	Banca Nazionale del Lavoro S.p.A.	9%
2	Serfactoring S.p.A.	S. Donato Milanese	3	Ifitalia - Int. Factors Italia S.p.A.	17.85%
3	BNL Vita S.p.A.	Milan	3	Banca Nazionale del Lavoro S.p.A.	50%

(1) type of control:

* SPVs consolidated pursuant to SIC 12 and IAS 39 and 27

1 majority of voting rights at the ordinary shareholders meeting

2 other forms of control

3 Joint control

4 de facto control

THE BNL GROUP

The following is a description of the BNL Group at 30 June 2005 and of business activities of each subsidiary.

Group companies operating in Italy

Artigiancassa – Cassa per il Credito alle Imprese Artigiane SpA (73.86% BNL SpA)

Capital: Euro 35,000,000

In the first half of 2005 Artigiancassa continued its activity in an economic context not dissimilar to that of the previous year.

From a commercial point of view, the stagnation in capital investment affected the company's operations as regards the traditional subsidised loan business and the development of direct lending to artisans.

In this context, the main objective was to maintain and, if possible, consolidate market positions, above all with a view to diversifying the areas of intervention and expanding the number of target firms.

In the first half of 2005, it was therefore possible to maintain operating levels of the subsidised loan business under Law No. 949 (-3% in terms of the number of transactions presented) and to offset the decline in direct lending to firms by intensifying the initiatives undertaken, including:

- the renewal of the existing Conventions with the Italian regions for the management of traditional subsidies under Law No. 949 and the guarantee fund, with an even greater emphasis on satisfying the needs of artisan firms;

- the acquisition of new subsidised funds to manage, also by being awarded public tenders for which Artigiancassa has the advantage of being the only bank in the system to have quality certification;
- the development of direct lending to firms as a complementary activity to subsidised lending.

As regards the bank's core business, the stock of outstanding loans at 30 June 2005 amounts to 632 million, with a decrease compared with the same period in 2004 of 9.6%, mainly due to the sharp slowdown in second-level interventions.

The interest-bearing liabilities increased to a total of 695 million, with an increase compared with the figure at 30 June 2004 of around 50%, following the reduction in capital of 250 million, effective as of 4 February 2005.

On 30 June 2005 the company closed the period with an operating result of 7.6 million and a net profit of 1.8 million, which marked a decline of 66% compared with the same period of 2004.

Ifitalia - International Factors Italia SpA (99.153% BNL SpA)

Capital: Euro 45,262,500

The company operates nation-wide, both directly and through the Bank's distribution network, providing products with a high service content to the corporate and large corporate market.

In accordance with the guidelines laid down in the 2004-2006 Business Plan, the company pursues a strategy that is geared to providing integrated services to customers, managing the operational, financial and guarantee side of their trade receivables, creating value out of the volumes handled on their behalf.

The activity carried on during the first half of 2005 achieved a turnover of 7.7 billion euro, with a decrease of 1.2 billion (-13.1% compared with the same period of 2004). Ifitalia concentrated mainly on products with a high service content, especially without-recourse and maturity factoring, which represent 74% of total *turnover*.

The value of acquired receivables totals 6.2 billion euro at 30 June 2005 (6.9 billion at the end of June 2004); financial exposure, excluding transactions carried out in pool, totalled 2.9 billion (3.3 billion in 2004).

The financial margin of 20.2 million euro, suffered a decline of 16% compared with June 2004. The contribution made by commission income and expense recoveries (31.3 million euro) led to a gross operating income of 46.9 million euro (-8.2% compared with the same period last year).

Operating profit was about 29.9 million euro, while the net profit for the period was 8.9 million euro (2.5 million in June 2004).

With regard to productivity and efficiency, the ratio of overhead costs to operating income was 36% as of 30 June 2005.

BNL Finance SpA (100% BNL SpA)

Capital: Euro 119,405,650

This company is mainly involved in unwinding problem loans within the BNL Group by acquiring and selling them with or without recourse.

At 30 June 2005, the company held loans to the Iraqi State, guaranteed by the Central Bank of Iraq, and to various other state banking institutions totalling 239 million euro, equal to 10.59% of the nominal value, for principal and accrued interest of 2,253 million euro.

Institutional procedures were initiated during the period to reconcile outstanding positions with the debtors, while at the same time working with the Parent Company to take all steps necessary to restructure the loans in question.

The balance sheet as of 30 June 2005 also included bonds worth 119 million euro.

The net loss for the first half of 2005 was 1,884 thousand euro (-56 thousand in the period to 30 June 2004).

Locafit – Locazione Macchinari Industriali SpA (100% BNL SpA)

Capital: Euro 110,000,000

In the first half of 2005, the company arranged 4,537 new contracts (+11.3%) with leased assets worth a total of 723.9 million (+4.6% compared with June 2004), confirming its strong industry ranking (seventh).

On 30 June 2005 the company completed a second securitisation of performing loans based on leasing contracts for a total of 1,005.9 million; this securitisation, which has a revolving period of 3 years, included an issue of securities with AAA/Aaa ratings (91.5%), entirely subscribed by institutional investors.

At the end of June 2005 fixed assets in leasing, net of accumulated depreciation, come to 4,888 million euro, while revenues from financial leasing amount to 587.1 million euro.

The first half of 2005 saw a gross operating surplus of 15.1 million euro (+11.81% compared with the same period of 2004), closing with a net result of 6.1 million (+22.1%).

Advera SpA (50% BNL Spa)

Capital: Euro 5,000,000

This company, which was incorporated in July 2004, is a 50/50 partnership with Banco Bilbao Vizcaya and since January operates in the field of consumer lending.

At 30 June 2005 loans to customers amount to 76.9 million euro, of which 65.7 million refer to the lending sector (personal loans and loans with delegation) and 11.2 million to the consumer sector (car purchase loans and other loans for specific purposes).

The lending sector turned in a positive trend due to the significant flow in disbursements under the convention signed with Inpdap, which delegated the supervision of 60 provincial offices to Advera. In the consumer sector, there were more problems given the particularly difficult moment in the market, especially in the car purchase segment.

At an economic level, all of the main aggregates turned in better results than had been budgeted in the operating plan: after booking deferred tax assets (about 1.2 million euro), the period closed with a loss of 1.5 million euro.

BNL Gestioni SGR pA (100% BNL SpA)

Capital: Euro 7,000,000

In the first half of 2005, BNL Gestioni SGR pA, which is the BNL Group's asset management company, posted negative net funding, excluding duplications, of 379 million euro.

Overall, assets under management (net of duplications in structured products such as funds of funds) come to 23,180 million euro at 30 June 2005, more or less the same as at the end of 2004 (23,086 million) with a slight increase of 0.4% entirely attributable to the increase in the value of the units (+2%), which more than offset the decline in net funding (-1.6%).

Analysing performance during the period, assets under management decreased from 16,182 million euro to 15,429 million euro, including the "BNL Investire Impresa" closed-end fund, down 753 million euro (-4.7% since the end of 2004). This decrease is entirely due to the negative trend in funding (1,144 million euro), which was largely caused by the disinvestments made by customers of Banca BNL Investimenti which was sold in 2004.

As a result of these trends, the company's market share comes to 2.8%, slightly down on the 3% at 31 December 2004.

Total fund assets managed by the SGR as of 30 June 2005 are analysed by category below:

TYPE	TOTAL (millions of euro)	%
Equity funds	2,645.9	17.2
Balanced funds	1,525.2	9.9
Bond funds	9,833.6	63.9
Liquidity funds	183.0	1.2
Flexible funds	1,194.5	7.8
TOTAL	15,382.1	100.0

During the first half of 2005, there was a decline in the weighting of equity funds (19.2% in 2004) and bond funds (64.9% in 2004). During first half of 2005, there was a considerable increase in the weighting of flexible funds (from 4.4% to 7.8%) due to the contribution made by the BNL Strategia Rendimento fund.

The company also manages “BNL Investire Impresa”, a closed-end fund with assets at the end of June of 46.6 million euro, which compared with the figure at the end of the period, takes account of the pro-quota partial reimbursement of 20 million euro following the sale of the investment in Eco SpA.

As regards the individually managed portfolios, the period saw positive net inflows of 456.5 million euro for security-based portfolios (GPM) and of 66.4 million euro for fund-based portfolios (GPF), whereas the balance for personalized portfolios (GPP) was negative (- 146.8 million).

The assets held in personal portfolios as of 30 June 2005 (including investment in the funds and segments of the BNL Group's Sicav) included 7,836 million euro held in GPMs (+8.6% since 31 December 2004) and 4,408 million held in funds (+1.9%).

The range of Italian funds was added to during the period with the launch of BNL Tesoreria Liquidità and BNL Tesoreria Rendimento, bringing their total to 34.

Despite the negative trend in funding, offset by a positive performance, the company achieved a net profit of 4.4 million euro, a decrease of 23.6% compared with 30 June 2004.

BNL Fondi Immobiliari SGR pA (95% BNL SpA)

Capital: Euro 10,000,000

The activities of the company focused principally on managing the existing funds: “BNL Portfolio Immobiliare”, “Portfolio Immobiliare Crescita”, “Estense-Grande Distribuzione” and “Lazio, as well as on concluding the placement of the “Immobiliare Dinamico” fund and launching its operations.

Investments were made on behalf of the first three funds in real estate and real estate companies, the latter concerning shopping centres owned by the funds, for a total of 62 million. Restructuring work has continued on the building in Rome's Via Cristoforo Colombo and work has begun on the building in Via Pastrengo, also in Rome, both owned by the “Portfolio Immobiliare Crescita” fund.

The first property asset owned by the “BNL Portfolio Immobiliare” fund was sold during the first half of 2005.

Management of the “Lazio” fund continued, the main event being the sale of the fund's properties which 30 June 2005 has reached 65% of the contribution value of the assets.

The company has also been involved in the setting up of new funds, such as “Italian Business Hotels”, for which an analysis of potential investments is currently underway; lastly, work has continued on starting up the “Patrimonio Uno” fund.

With five funds up and running, as well as a mandate to run part of F.I.P., a public-contribution fund, assets under management worth some 2,500 million (net funds under management of 1.6 million), at the end of first half of 2005, BNL Fondi Immobiliari has again established itself as market leader in the field of Italian real estate funds.

Management commission income for the period amounted to 14 million euro (+66% with respect to the comparative period in 2004); structure costs came to 4.7 million euro (+14%) with a net profit of 1.8 million euro (+45%).

Servizio Italia SpA (100% BNL SpA)

Capital: Euro 800,000

The company operates in the field of static fiduciary portfolio administration.

At 30 June 2005 it had assets under administration of 1,680 million, operating revenues of 1.6 million euro and a pre-tax result of 365 thousand euro. The net profit comes to 184 thousand euro, a decrease of 30.2% compared with 30 June 2004.

BNL Vita Compagnia di Assicurazione e Riassicurazione SpA (50% BNL SpA).

Capital: Euro 130,000,000

Premiums earned during the period, including assigned premiums, came to 1,245.1 million euro, a decrease of 2.9% on first half 2004 due to technical factors, as the BNL network placed an index-linked policy for 235 million euro in June 2005, but with the effective start date in early July 2005.

New policies written came to 1,200 million euro, in line with the same period of 2004, whereas there would have been an increase of 16% if the index-linked policy had been taken into consideration.

Traditional lines made an important contribution as they represent 75% of premiums booked, compared with 50% last year.

The technical reserves of the Company stand at 8,528 million euro, more than 9% higher than the figure at the end of 2004, with a change in the mix in favour of traditional products, which represent around 58% of the total.

The income statement shows a net profit of 15.4 million euro, versus 13.5 million euro in the first half of 2004.

Group companies abroad

The BNL Group's foreign investments are almost all held by two holding companies, wholly owned by the Bank: BNL International Investments, based in Luxembourg, and BNL Inversiones Argentinas, based in Buenos Aires, 95% held directly by the Bank and 5% held through International Investments.

Banca Nazionale del Lavoro International SA - Luxembourg (100% BNL Group)

Capital: Euro 25,000,000

This company specialises in international loans. It also works in private banking and corporate finance fields.

At 30 June 2005, total assets amount to 1,749.2 million euro. Operating result amounts to 1,115 thousand euro, while net profit comes to 1,046 thousand euro.

Lavoro Bank AG - Zurich (100% BNL Group)
Capital SwF 30,000,000

This subsidiary is a specialist unit operating in the field of private banking.

At 30 June 2005, total assets amount to SwF 201.1 million (Euro 129.7 million) and assets under management total SwF 1,489 million (Euro 960.7 million). The latter produced commissions of SwF 2.7 million (Euro 1.7 million). Operating profit amounted to SwF 1,093 thousand (euro 705.2 thousand). Net profit totals SwF 863 thousand (euro 556.8 thousand).

BNL Inversiones Argentinas SA - Buenos Aires (100% Group BNL)
Capital Ar \$ 52,298,296.00

This is the holding company of the banking and insurance group in Argentina, consisting of 10 operating companies, all controlled directly or indirectly, including Banca Nazionale del Lavoro SA - Buenos Aires, La Estrella SA Compañía de Seguros de Retiro, operating in the pension sector, and the sub-holding company Fidia SA - Buenos Aires, which holds interests in insurance companies.

Unlike the accounting treatment applied in the last three years, the consolidated financial statements of the Argentine group at 30 June 2005 have been included in the scope of consolidation of the BNL Group for the reasons indicated in IFRS 5, which regulates assets held for sale. At that date, the holding company reports a net profit of 21.7 million Argentine pesos (euro 6.2 million).

RECENT DEVELOPMENTS

In June 2005 Locafit S.p.A. completed a securitisation transaction of performing lease receivables of value of 1 billion euro, which was carried out for funding purposes. The BNL Group subscribed for the unrated notes and mezzanine notes issued in the context of the transaction while the senior tranche rated AAA was placed in the market. In addition, a new Euro 1.8 billion securitisation of performing residential mortgage loans originated by BNL is currently being finalised and is expected to close by the end of the year.

On 18 July 2005 Unipol Assicurazioni S.p.A. informed the Bank pursuant to Article 114 of Legislative Decree No. 58/1998, to have entered into shareholders agreement with other shareholders of the Bank and relating to a consultation and vote-blocking pact on the shares held in the Bank, and to have launched a mandatory tender offer to purchase 100% of the ordinary shares of BNL at the purchase price of Euro 2.70 per share.

On 21 July 2005 the following members of the shareholders agreement on BNL shares dated 20 July 2004 notified the Bank to have terminate the shareholder agreement with effect from 18 July 2005: Caltagirone, Coppola, Statuto, Lonati, Bonsignore and Grazioli.

On 22 July 2005 expired the term for the acceptance of the exchange tender offer launched by Banco Bilabo Vizcaya Argentaria SA on the ordinary shares of BNL which did not reach the minimum requirement for the offer to be valid. Consequently the said exchange offer ceased to be effective.

On 4 August 2005 Banca Monte dei Paschi di Siena S.p.A. and Banca Popolare di Vicenza S.c.p.a., members of the shareholders agreement on BNL shares dated 24 December 2002, notified the Bank the changes to the number of shares contributed by them to the pact.

On 16 August 2005 Unipol Assicurazioni S.p.A. rendered public pursuant to Article 37, fifth paragraph of CONSOB regulation No. 11971 of 1999, as amended, its mandatory tender offer for the purchase of 100% of the ordinary shares of BNL, equal to 59.24% of the share capital of the Bank net of the share already belonging to Unipol Assicurazioni S.p.A. and other related parties.

On 30 September 2005, the Board of Directors clarified the Bank's position in respect of the public offering launched by Unipol S.p.A. on BNL's shares. In particular the Board of Directors re-affirmed that the offer represents an independent initiative taken by Unipol S.p.A. which was not presented as a friendly or mutually agreed deal. According to the Board of Directors' resolution the offer's critical areas are, inter alia, the exclusion from the offer of savings shares and shares granted to employees as payment of the productivity bonus for 2004, the absence of legal certainty regarding Unipol's group legitimacy in acquiring control of BNL's under Italian law and regulations, the financial sustainability of the transaction on the part of Unipol's group and the stability of the new financial conglomerate, and the enterprise risks related to the implementation of BNL into Unipol. At such meeting, the Board of Directors mandated the Chairman to continue the analysis of all relevant aspects of the offer in order to provide the Board with all necessary evaluation elements to prepare the communication to be given in accordance with Article 103 of Legislative Decree No. 58/98, and to pursue the Bank's interests to continue with its development plans and initiatives, preserving the sound and prudent management of the same, and to provide the shareholders and the market in general with, inter alia, the most comprehensive information on Unipol's plans and initiatives.

On 30 September 2005 the Board of Directors approved a gratuitous capital increase aimed at granting shares to 15,968 employees of the Bank and of the BNL Group as payment of the productivity bonus for the year 2004. On 31 October 2005, BNL's share capital was increased to Euro 2,215,635,924.24 (both ordinary and savings shares of Euro 0.72 each) in execution of the above mentioned gratuitous capital increase. Finally during the same meeting, the Board co-opted as independent directors Paolo Mazzotto, Stefano Micossi and Massimo Ponzellini and acknowledged the resignation

of Claudio Bianchi from the Board of Auditors who was replaced by Guglielmo Frasoni.

On 21 October 2005 and 27 October 2005, the Board of Directors of the Bank resolved on the Bank's position in respect of the public offering launched by Unipol S.p.A. on the ordinary shares of the Bank and approved the content of the notice required to be given to the public in relation to such public offering pursuant to Article 103, paragraph 3, of Legislative Decree No. 58 of 1998. A copy of such document is available on the web page of the Bank (www.bnl.it).

On 2 November 2005 Vela Home S.r.l. launched a securitisation of performing residential mortgage loans originated by BNL for a nominal amount of 1.8 billions of euro.

On 14 November 2005 the Board of Directors of BNL acknowledged the completion of the selection process of the binding offers for the sale of BNL's insurance, pension management and banking activities in Argentina. The best offers for the three activities would imply overall sale proceeds of US\$205 million which a higher amount in comparison with the initial offer made by Banco Hipotecario, considering that such offer included also the sale of the intra-group credit lines granted by BNL to the Argentinean subsidiaries for a total amount of approximately US\$156 million. These lines have now been mostly reimbursed, while the repayment of the remaining portion (approximately US\$19 million) is expected to occur during the first month of 2006.

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

Set out below is the consolidated financial information relating to the Bank, which is derived from the consolidated financial statements of the Bank as at and for the years ended 31 December 2003 and 31 December 2004 and as at and for the six months ended 30 June 2005. The consolidated financial statements of the Bank as at and for the years ended 31 December 2003 and 31 December 2004 have been prepared in accordance with Italian accounting standards. The interim consolidated financial statements of the Bank as of 30 June 2005 were prepared, according to Article 81 of CONSOB resolution No. 14990 of 14 April 2005, for the first time, in accordance with international accounting standards (IAS) No. 34 - interim financial reporting.

The consolidated financial statements of the Bank as at and for the years ended 31 December 2003 and 31 December 2004 have been audited by Deloitte & Touche S.p.A. (independent auditors of the Bank), as indicated in their audit reports thereon, which are incorporated by reference into this Base Prospectus, together with the mentioned financial statements and the notes thereon. The consolidated financial statements of the Bank as at and for the six months ended 30 June 2005 have not been audited, however, such financial statements have been subject to limited review by the independent auditors of the Bank.

The financial information shown below as at 1 January 2005 and for the six months ended 30 June 2004 has been restated on the basis of IAS/IFRS in order to make it comparable to the financial information as at and for the six months ended 30 June 2005.

CONSOLIDATED ANNUAL BALANCE SHEET PREPARED IN ACCORDANCE WITH ITALIAN GAAP

Assets

	<i>(thousands of euro)</i>	
	31 December 2004	31 December 2003
10. Cash and deposits with central banks and post offices	462,259	512,343
20. Treasury bills and other securities allowed for refinancing at central banks	66,467	81,755
30. Loan to banks	6,529,738	10,912,771
(a) On demand	123,854	99,206
(b) Other loans	6,405,884	10,813,565
40. Loans to customers	57,083,401	56,013,836
Of which:		
- <i>loans with third parties managed funds</i>	5,781	9,138
50. Bonds and other debt securities	5,002,756	3,550,849
(a) government issue	2,286,281	1,901,045
(b) issued by banks	1,531,056	1,163,923
of which:		
- <i>securities issued by group companies</i>	745,023	665,831
(c) issued by financial institutions	1,013,459	381,752
(d) other issuers	171,960	104,129
60. Shares, quotas and other equity securities	441,163	229,585
70. Equity investments in non group companies	286,077	230,713
(a) valued at net equity	13,273	10,578
(b) other	272,804	220,135
80. Equity investments in group companies	143,087	130,494

(a) valued at net equity	134,845	94,957
(b) other	8,242	35,537
110. Intangible assets	407,687	415,640
of which:		
- set-up costs	79,969	22,068
- goodwill	7,127	8,338
120. Fixed assets	2,232,245	2,248,019
140. Treasury stocks	54,004	128,272
per value	16,784	26,723
150. Other assets	4,643,136	4,937,087
160. Accrued income and prepayments	1,540,334	1,668,353
(a) accrued income	1,377,278	1,504,947
(b) prepayments	163,056	163,406
of which		
- issue discount on securities	9,329	12,734
Total assets	78,892,354	81,059,718

Liabilities

(thousands of euro)

	31 December 2004	31 December 2003
10. Deposits from banks	12,354,345	13,200,397
(a) on demand	905,731	789,942
(b) term or with notice	11,448,614	12,410,455
20. Deposits from customers	31,173,386	31,843,749
(c) on demand	28,301,028	28,024,463
(d) term or with notice	2,872,358	3,819,286
30. Securities issued	19,621,963	19,958,439
(a) bonds	17,426,302	17,642,101
(b) certificates of deposits other securities	1,566,248	1,536,416
(c) other securities	629,413	779,922
40. Funds managed on behalf of third parties	17,753	31,871
50. Other liabilities	4,874,808	5,745,940
60. Accrued liabilities and deferred income	1,231,028	1,274,171
(a) accrued liabilities	1,075,889	1,107,893
(b) deferred income	155,139	166,278
70. Liability for termination indemnities	525,958	518,252
80. Allowances for risks and contingencies	966,968	1,132,531
(a) post-retirement benefits and other similar obligations	59,558	54,465
(b) taxation	380,594	576,482
(c) other allowances	526,816	501,584
90. Allowances for possible loan losses	104,565	357,104
100. Reserve for general banking risks	0	64,000
110. Subordinated debt	2,668,936	2,577,578
120. Negative differences on consolidation	24,399	62,948
130. Negative differences on equity method	25,364	19,023
140. Minority interests	100,572	115,856
150. Share capital	2,179,141	1,105,832
160. Additional paid-in capital	2,146,798	1,517,237
170. Reserves	862,158	858,881
(a) legal	374,088	311,548
(b) purchase of treasury stock	54,004	128,272
(c) statutory	47,079	30,882
(d) other	386,987	388,179
180. Revaluation reserves	47,753	534,486
190. Profit carried forward	639	639
200. Net income (loss) for the period	-34,180	140,784
Total liabilities	78,892,354	81,059,718

**CONSOLIDATED ANNUAL STATEMENTS OF INCOME PREPARED IN
ACCORDANCE WITH ITALIAN GAAP**

(thousands of euro)

	31 December 2004	31 December 2003
10. Interest income	2,946,513	3,281,385
of which		
- on loans to customers	2,468,406	2,816,939
- on debt securities	144,144	198,443
20. Interest expense	- 1,434,690	- 1,600,603
of which		
- on customers deposits	323,975	371,262
- on debt represented by securities	522,980	602,173
30. Dividends and other income	42,064	58,314
a) on shares, quotas and other variable	29,097	5,876
b) on equity investments	9,181	45,275
c) on investments in group companies	3,786	7,163
40. Commission income	1,043,398	1,067,798
50. Commission expense	- 142,842	- 152,125
60. Income (losses) on financial transactions	178,318	39,654
70. Other operating income	266,281	269,837
80. Administrative expenses	- 1,711,311	- 1,740,204
a) personnel costs	- 1,082,811	- 1,114,135
of which		
- wages	- 725,985	- 743,450
- social security payments	- 203,183	- 208,380
- severance indemnities	- 63,485	- 69,132
- retirement benefits and similar	- 2,844	- 14,507
b) other administrative expenses	- 628,500	- 626,069
90. Depreciation and amortization	- 212,746	- 195,830
100. Provision for risks and contingencies	- 123,529	- 164,254
110. Other operating expenses	- 30,641	- 56,363
120. Write-downs of loans and on provisions for guarantees and commitments	- 985,203	- 755,134
130. Write-backs on loans and on provisions for guarantees and commitments	138,675	157,563
140. Provisions for possible loan losses	- 2,061	- 58,558
150. Write-downs on investments	- 20,504	- 174,481
160. Write-backs on investments	590	1,383
170. Income (loss) from equity investments	34,716	17,201
180. Income (loss) before extraordinary items	- 12,972	- 4,417
190. Extraordinary income	198,533	457,699
200. Extraordinary expense	- 203,141	- 241,072
210. Net extraordinary items	- 4,608	216,627
230. Change in the reserve for general banking risks	64,000	67,000
240. Income taxes for the period	- 76,710	- 135,357
250. Net profit (loss) attributable to minority interests	3,890	3,069
260. Net consolidated profit (loss) for the period	- 34,180	140,784

UNAUDITED CONSOLIDATED HALF-YEARLY BALANCE SHEETS (1)

Assets

<i>(euro thousand)</i>	30 June 2005	1 January 2005 (2)	% change
10 Cash and cash equivalents	427,715	462,292	-7.5%
20 Financial assets - held for trading	7,488,312	4,553,361	64.5%
30 Financial assets - carried at fair value	-	-	
40 Financial assets - available for sale	859,699	885,509	-2.9%
50 Financial assets - held to maturity	9,521	7,767	22.6%
60 Loans to banks	8,199,915	6,455,803	27.0%
70 Loans to customers	61,326,655	59,903,267	2.4%
80 Hedging derivatives	388,666	88,604	338.6%
90 Change in value of financial assets recorded as part of a macro hedge	389,754	283,286	37.6%
100 Equity investments	133,287	121,345	9.8%
110 Technical reserves arising from insurance	-	-	
120 Fixed assets	2,340,147	2,299,539	1.8%
130 Intangible assets	279,088	293,281	-4.8%
<i>Of which goodwill</i>	6,729	6,728	----
140 Tax assets	2,256,626	2,477,911	-8.9%
a) current	1,156,038	1,352,940	-14.6%
b) deferred	1,100,588	1,124,971	-2.2%
150 Non-current assets held for sale and discontinued operations	1,456,597	1,145,587	27.1%
160 Other assets	3,069,868	2,488,792	23.3%
Total assets	88,625,850	81,466,344	8.8%

(1) Data are prepared in accordance with IAS/IFRS formally approved by the European union and currently in force.

(2) Data restated on a pro-forma basis to take account of changes in the consolidation perimeter.

Equity and Liabilities

<i>(euro thousand)</i>	30 June 2005	1 January 2005 (2)	% change
10 Deposits from banks	11,390,008	12,345,502	-7.7%
20 Deposits from customers	34,461,425	30,442,794	13.2%
30 Securities issued	27,321,773	25,670,890	6.4%
40 Financial liabilities - held for trading	1,909,253	1,155,427	65.2%
50 Financial liabilities - carried at fair value	-	-	
60 Hedging derivatives	748,679	489,511	52.9%
70 Change in value of financial liabilities part of a macrohedge	51,471	25,612	101.0%
80 Tax liabilities	452,863	400,398	13.1%
a) current	432,437	374,705	15.4%
b) deferred	20,426	25,693	-20.5%
90 Liabilities related to discontinued operations	1,338,893	1,022,737	30.9%
100 Other Liabilities	5,050,368	4,273,875	18.2%
110 Liabilities for retirements indemnities	593,767	583,408	1.8%
120 Allowances for risks and contingencies	526,446	587,737	-10.4%
a) Post retirement benefit obligations	61,284	60,000	2.1%
b) other	465,162	527,738	-11.9%
130 Technical reserves	-	-	
140 Valuation reserves	40,262	117,786	-65.8%
150 Shares with withdrawal rights	-	-	
160 Capital instruments	-	-	
170 Reserves	92,438	(27,565)	435.3%
180 Additional paid-in capital	2,181,388	2,146,798	1.6%
190 Share capital	2,199,177	2,179,141	0.9%
200 less: Treasury shares	(54,004)	(50,885)	6.1%
210 Minority interests (+/-)	44,414	103,177	-57.0%
220 Net Profit (loss) for the period	277,229	-	-
230 Total liabilities	88,625,850	81,466,344	8.8%

(2) Data restated on a pro-forma basis to take account of changes in the consolidation perimeter.

UNAUDITED CONSOLIDATED HALF-YEARLY STATEMENTS OF INCOME⁽¹⁾

Income Statement

(euro million)	1 H 2005 (1)	1 H 2004 (2)	% change 2005/2004
Net interest income	855	752	13.7%
Net commissions	512	477	7.3%
- of which commissions income	559	536	4.3%
- of which commission expense	-47	-59	-20.3%
Dividend and similar income	9	6	50.0%
Net result of trading	59	159	-62.9%
Net result of hedging	-2	-2	0.0%
Profit/loss on sale/purchase of:	41	-4	1,125%
- loans	13	0	----
- financial assets available for sale	34	-4	950%
- financial liabilities	-6	0	-100%
Operating income	1,474	1,388	6.2%
Net value adjustments for impairment of:	-134	-206	-35.0%
- loans	-136	-195	-30.3%
- financial assets available for sale	-1	-11	-90.9%
- other financial assets	3	0	----
Net provision for risks and contingencies	3	-38	107.9%
Operating costs	-893	-906	-1.4%
- administrative expenses	-911	-889	2.5%
- personnel expenses	-577	-586	-1.5%
- other administrative expenses	-334	-303	10.2%
- net result on fixed and intangible assets valued at fair value	-76	-80	-5.0%
- other operating income/expense	94	63	49.2%
Profit (loss) on investments carried at net equity	6	7	-14.3%
Operating result	456	245	86.1%
Profit (loss) from sale of investments	0	77	-100%
Profit (loss) before tax	456	322	41.6%
Taxes for the period	-185	-168	10.1%
Net profit (loss) after tax from non-current assets held for sale and discontinued operations	6	0	----
Net profit (loss) attributable to minority interests	0	-2	100%
Net profit (loss) for the period	277	152	82.2%

(1) Data are prepared in accordance with IAS/IFRS formally approved by the European union and currently in force.

(2) For 2004, BNL has chosen not to provide comparative information in compliance with IAS 32 and 39, as allowed by paragraph 39 A, letter c) of IFRS 1, as amended by IAS 39.

BANCA NAZIONALE DEL LAVORO INTERNATIONAL S.A.

GENERAL

Banca Nazionale del Lavoro International S.A. ("**BNL International**") is a subsidiary of the BNL Group in Luxembourg and its principal activities are in medium-term transactions and various fields of corporate financing, transactions, private banking. It has recently developed the activities of corporate consulting and administration and domiciliation of companies.

BNL International was incorporated as a joint stock company (*société anonyme*) in the Grand Duchy of Luxembourg on 2 April 1968 under the name of Banca Nazionale del Lavoro Holding. The deed of incorporation was published in the Luxembourg *Mémorial, Recueil Spécial des Sociétés et Associations* (the "**Official Gazette**") No. 70 of 15 May 1968.

Its articles were subsequently amended on several occasions and all such amendments have been published in the Official Gazette. The most important amendment was effected by deed on 28 October 1983, which deed was published in the Official Gazette No. 345 of 26 November 1983. By this amendment, BNL International's business purpose was modified to permit banking and the present name of BNL International was adopted.

On 3 November 1983, BNL International by way of merger absorbed its former subsidiary, Lavoro Bank International S.A., a company incorporated as a *société anonyme* under Luxembourg law, which had carried on banking business and whose deed of incorporation was published in the Official Gazette No. 57 of 14 March 1977.

At present, BNL International is a *société anonyme* duly incorporated and validly existing under the laws of Luxembourg with an unlimited duration. Its registered office is at 51, Rue des Glacis, 1628 Luxembourg, Grand Duchy of Luxembourg, and its principal place of business is at 51, Rue des Glacis, 1628 Luxembourg, Grand Duchy of Luxembourg and the telephone number is +352 225031. BNL International is registered with the Régistre De Commerce of Luxembourg under No. B 7953.

The entire subscribed and fully paid-in capital of BNL International, amounting to Euro 25,000,000, and divided into 100,000 share of nominal value of Euro 250 each, is held by BNL International Investments S.A., which in turn is a wholly-owned of BNL.

The corporate purpose of BNL International, as provide by Article 4 of its by-laws, is the carrying out, directly or indirectly, in the Grand Duché of Luxembourg and abroad, of any banking and financial transactions and any other activity in relation thereto, namely any activity in connection with issues and placements of any securities, (in connection with) any transactions of securities and currency, together with any type of movable and immovable transactions and any supply of banking and financial services.

The company can purchase shares in other Luxembourgish or foreign companies and establish branches or subsidiaries in Luxembourg or abroad.

BNL International is part of the BNL Group and as such is bound to follow the guidelines which are issued by BNL in compliance with the instructions of the Bank of Italy and for the sake of the BNL Group good practice. Directors are bound to supply BNL with all the figures and information needed to issue such guidelines, within the limits of Luxembourg law.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, the financial information contained in this Base Prospectus in relation to BNL International has been derived from and should be read in conjunction with, and is qualified by reference to:

- (i) the annual financial statements of BNL International as at and for the year ended 31 December 2004, audited by PricewaterhouseCoopers S.à.r.l., independent accountants; and
- (ii) the annual financial statements of BNL International as at and for the year ended 31 December 2003, audited by PricewaterhouseCoopers S.à.r.l., independent accountants.

CAPITALISATION OF BNL INTERNATIONAL

The following table sets out the capitalisation of BNL International as at 30 June 2005 and as at 31 December 2004 (information derived from the audited financial statements of BNL International as at 31 December 2004 and from its monthly unaudited internal management accounts as at 30 June 2005). There has been no material change in the capitalisation or indebtedness of BNL International since 30 June 2005.

	<i>As at 30 June 2005 un(audited) (in Euro)</i>	<i>As at 31 December 2004 (audited)</i>
Fund for general banking risks	2,500,000	2,500,000
Share Capital	25,000,000	25,000,000
Reserves	3,650,000	3,650,000
Profit carried forward	706,071	598,803
Shareholders equity (income of the year excluded)	31,856,071	31,748,803
Net income (loss) for the period	1,046,450	1,107,268
Subordinated debt	30,000,000	57,974,098
Total shareholders equity and subordinated debt	62,902,521	90,830,169

BUSINESS OF BNL INTERNATIONAL

The principal activities of BNL International are international loans, private banking and corporate finance, activities of corporate consulting and administration and

domiciliation of companies. In addition, BNL International raises funds on international markets for the benefit of the BNL Group.

Lending and Guarantees

The major activity of BNL International is the medium and long term lending to companies and financial institutions, financed through BNL Group loans and deposits. Corporate lending represents about 90% of total lending and relates mainly to international corporate borrowers of syndicated facilities. Retail lending (consumer, personal, etc.) represents a marginal activity.

In addition, BNL International issues guarantees on behalf of its clients, with full counter-guarantee represented by cash or bonds.

Deposit-taking

Deposit-taking consists of time deposits from clients and funds from BNL.

Derivatives

BNL International deals in currencies and interest rates mostly with BNL and all such dealing are nearly completely matched with the underlying investments they hedge (bonds, loans etc.).

The dealing for customers is carried out, on request, only in currencies, interest rates and eventually precious metals.

Securities dealing for own account (including derivatives)

The portfolio of BNL International (securities dealing for its own account) is composed of investment portfolio, structural portfolio, and trading portfolio fixed-income and variable-income.

Most of the fixed interest rates bonds are hedged through interest rate swap transactions. Other bonds are financed through BNL on a quarterly or semi-annual basis.

Securities dealing on account of customers

The securities dealing for customers is entered into either on request of the customer or in the context of managed accounts. The instructions received from customers are executed and confirmed through brokers or correspondent banks.

Other banking business

BNL International carries out asset management activities on behalf of certain customers. In the frame of its private banking activity, BNL International provides domiciliation to some selected companies, based on a specific agreement signed with the counterparty.

MAJOR SHAREHOLDERS

BNL International is a wholly owned direct subsidiary of BNL and its entire share capital is held by BNL.

CORPORATE GOVERNANCE

BNL International is a Luxembourg financial entity and is therefore subject to the supervision by the CSSF, Commission de Surveillance du Secteur Financier.

The CSSF established, by letter No. 15 of 2 August 2000, corporate governance rules applicable to entities operating in the financial sector and it required banks operating in Luxembourg to comply and amend accordingly their internal rules and procedures.

In compliance with professional skills and transparency requirements set forth by the CSSF, BNL International issued in 2001 (as amended in 2005) specific internal guidelines on this respect. Part of the internal guidelines of the CSSF deals with the management of potential conflict of interests situations and provides that the management of BNL International shall supervise and intervene, *inter alia*, to avoid conflict of interests situations and that transactions carried out on behalf of BNL International could be prejudicial to transactions performed on behalf of its clients.

In light of the above, no potential conflict of interest exists between the duties of the Directors vis-à-vis BNL International and their private interests or other duties.

Directors

BNL International is managed by a Board of Directors consisting of at least three members elected by the general meeting of Shareholders.

Board of Directors (as at 31 December 2004):

Rodolfo Rinaldi	Chairman of the Board of Directors
Niccolò Pandolfini	Vice-Chairman of the Board of Directors
Francesco Mattei	Member of the Board of Directors
Egidio Pagliara	Member of the Board of Directors
Fabio Di Vincenzo	Member of the Board of Directors- Director

The members of the Board of Directors are domiciled for the purpose of their position in BNL International at the registered office of BNL International.

Management Board (as at 31 December 2004):

Fabio Di Vincenzo	Managing Director
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Patrick Harion Chief of Administration and Accounting Department

Francesco Zacchino Administration Manager

The members of the Management Board are domiciled for the purpose of their position in BNL International at the registered office of BNL International.

Auditors

The external auditors of BNL International for the 2003, 2004 and 2005 financial years have been PricewaterhouseCoopers S.à.r.l., Luxembourg (400, route d'Esch, PO Box 1443, L-1014 Luxembourg). PricewaterhouseCoopers S.à.r.l., Luxembourg is a member of the Institut des Réviseurs d'Entreprises ("IRE"). As at the date hereof, BNL International does not publish interim financial statements for general public reference.

Annual Meeting of Shareholders

The annual general meeting of shareholders is held the second Friday of March of each fiscal year.

Fiscal Year

The fiscal year of BNL International begins on 1 January of each year and ends on 31 December of the same year.

The Balance Sheet for the financial year ended 31 December 2004 was approved by the Board of Directors on 24 February 2005 and by the Annual General Meeting of Shareholders on 11 March 2005.

SUMMARY OF FINANCIAL INFORMATION OF BNL INTERNATIONAL

Set out below is a summary of the annual financial information relating to BNL International, which was extracted without material adjustments from the annual financial statements of BNL International as at and for the years ended 31 December 2003 and 31 December 2004, prepared in accordance with Luxembourg generally accepted accounting principles.

The annual financial statements of BNL International as at and for the years ended 31 December 2003 and 31 December 2004 have been audited by PricewaterhouseCoopers S.à.r.l., Luxembourg (independent auditors), as indicated in their audit reports thereon, which are incorporated by reference into this Base Prospectus, together with the mentioned financial statements and the notes thereon.

The annual financial statements of BNL International as at and for the years ended 31 December 2003 and 31 December 2004 have been prepared in accordance with the accounting principles of Luxembourg. BNL International does not publish interim financial statements.

Balance sheet at 31 December 2004

(expressed in Euro)

	2004	2003
	Euro	Euro
ASSETS		
Cash, balances with central banks and post office banks	5,091,841	5,745,391
Loans and advances to credit institutions		
- repayable on demand	9,051,713	1,690,328
- other loans and advances	<u>1,537,953,689</u>	<u>1,688,213,236</u>
	1,547,005,402	1,689,903,564
Loans and advances to customers	276,790,719	218,146,230
Debt securities and other fixed-income securities		
- issued by public bodies	2,014,745	4,580,760
- issued by other borrowers	<u>32,940,282</u>	<u>91,264,023</u>
	34,955,027	95,844,783
Shares and other variable-yield securities	776,154	478,278
Tangible assets	586,890	291,078
Other assets	5,943	3,627,355
Prepayments and accrued income	<u>37,565,076</u>	<u>26,953,759</u>
Total assets	<u>1,902,777,052</u>	<u>2,040,990,438</u>
	2004	2003
	Euro	Euro
LIABILITIES		
Amounts owed to credit institutions		
- repayable on demand	19,285,014	6,393
- with agreed maturity dates or periods of notice	<u>221,413,452</u>	<u>216,488,434</u>
	240,698,466	216,494,827
Amounts owed to customers		
- other debts		
. repayable on demand	35,931,054	6,881,264
. with agreed maturity dates or periods of notice	<u>135,284,983</u>	<u>262,469,251</u>
	171,216,037	269,350,515
Debts evidenced by certificates		
- debt securities in issue	1,368,675,277	1,474,061,952
Other liabilities	73,646	3,701,233
Accruals and deferred income	26,686,021	16,351,066
Provisions for liabilities and charges		

- provisions for taxation	4,278,500	4,082,500
- other provisions	<u>318,936</u>	<u>199,542</u>
	4,597,436	4,282,042
Subordinated liabilities	57,974,098	20,000,000
Fund for general banking risks	2,500,000	2,500,000
Subscribed capital	25,000,000	25,000,000
Reserves	3,650,000	3,650 000
Profit brought forward	598,803	2,746,846
Profit for the financial year	<u>1,107,268</u>	<u>2,851,957</u>
Total liabilities	<u>1,902,777,052</u>	<u>2,040,990,438</u>

**Off balance sheet items at 31 December 2004
(expressed in euro)**

	2004 Euro	2003 Euro
Contingent liabilities	31,450,175	22,250,130
<i>of which:</i>		
- guarantees	31,450,175	22,250,130
Commitments	25,637,699	17,790,480
Fiduciary operations	57,418,332	53,918,332

**Profit and loss account for the year ended 31 December 2004
(expressed in euro)**

	2004 Euro	2003 Euro
CHARGES		
Interest payable and similar charges	52.628.971	69,221,441
Commission payable	439,788	427,172
General administrative expenses		
- staff costs	1,478,834	1,482,275
<i>of which:</i>		
. wages and salaries	1,262,424	1,267,319
. social security costs	153,328	146,238
of which those relating to pensions	122,789	116,784
- other administrative expenses	<u>1,115,528</u>	<u>985,823</u>
-	<u>2,594,362</u>	<u>2,468,098</u>
Value adjustments in respect of tangible and intangible assets	95,774	109,362
Other operating charges	116,653	56,160
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	-	1,409,107
Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		
Extraordinary charges	2,000,000	-

Taxes on profit and loss on ordinary and extraordinary activities	-	850,000
Other taxes not shown under the preceding items	237,873	541,313
Profit for the financial year	<u>1,107,268</u>	<u>2,851,957</u>
Total charges	<u>59,220,689</u>	<u>77,934,610</u>

**Profit and loss account for the year ended 31 December 2004
(expressed in euro)**

	2004	2003
	Euro	Euro
INCOME		
Interest receivable and similar income	57,922,972	74,866,172
<i>of which:</i>		
<i>arising from debt securities and other fixed-income securities</i>	2,637,390	7,114,210
Income from securities :		
- income from shares and other variable-yield securities	7,987	11,163
Commission receivable	813,417	728,439
Net profit on financial operations	126,335	1,005,543
Other operating income	42,725	598,565
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	295,543	213,118
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	11,710	511,610
Extraordinary income	-	-
Total income	<u>59,220,689</u>	<u>77,934,610</u>

TAXATION

The following is a general summary of certain Italian and Luxembourg tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon Italian and Luxembourg tax laws and/or practice in force as at the date of this Offering Circular, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuers and the Guarantor will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Republic of Italy

Tax treatment of Notes issued by Banca Nazionale del Lavoro S.p.A.

Italian resident Noteholders

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented ("**Decree 239**"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from Notes issued, inter alia, by Italian resident banks. The provisions of Decree 239 only apply to those Notes issued by Banca Nazionale del Lavoro S.p.A. with a maturity of eighteen months or more which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

Pursuant to Decree 239, where the Italian resident holder of Notes issued by Banca Nazionale del Lavoro S.p.A. that qualify as *obbligazioni* or *titoli similari alle obbligazioni* and have a maturity of eighteen months or more, who is the beneficial owner of such Notes, is:

- (a) an individual holding Notes otherwise than in connection with entrepreneurial activity (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito regime* according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**") – the "**Asset Management Option**"), or

- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), *de facto* partnership not carrying out commercial activities or professional associations, or
- (c) a private or public institution not carrying out mainly or exclusively commercial activities, or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Pursuant to Decree 239, the 12.5 per cent *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare*, fiduciary companies, *società di gestione del risparmio* (SGRs), stock brokers and other qualified entities resident in Italy ("**Intermediaries**" and each an "**Intermediary**"), or by permanent establishments in Italy of banks or intermediaries resident outside Italy which intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes or, if Interest is received directly from the Issuer, by the Issuer.

Payments of Interest in respect of Notes issued by Banca Nazionale del Lavoro S.p.A. that qualify as *obbligazioni or titoli simili alle obbligazioni* and have a maturity of eighteen months or more, are not subject to the 12.5 per cent *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993 ("**Decree No. 124**"), Italian resident real estate investment funds; and (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Option. Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent *imposta sostitutiva*, gross recipients indicated above under (i) to (iii) must (a) be the beneficial owners of payments of Interest on the Notes and (b) timely deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of foreign intermediary). Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), the *imposta sostitutiva* is applied and withheld:

- by any Italian bank or any Italian intermediary paying Interest to the Noteholder, or

- by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities - IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian collective investment funds and SICAVs are subject to a 12.5 per cent annual substitute tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Italian resident pension funds subject to the regime provided by articles 14, 14-*ter* and 14-*quater*, paragraph 1, of Decree No. 124, are subject to an 11 per cent annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Where a Noteholder is an Italian resident real estate investment fund to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund.

Non-Italian resident Noteholders

According to Decree 239, as amended by Legislative Decree No. 350 of 25 September 2001, converted into law by Law No. 409 of 23 November 2001 ("**Decree No. 350**"), payments of Interest in respect of the Notes issued by Banca Nazionale del Lavoro S.p.A. that qualify as *obbligazioni or titoli similari alle obbligazioni* and have a maturity of eighteen months or more will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent provided that:

- (a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

- (b) such beneficial owners are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information; and
- (c) all the requirements and procedures set forth in Decree 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met or complied with.

The 12.5 per cent *imposta sostitutiva* may be reduced (generally to 10 per cent, in some case to zero) under certain applicable double tax treaties entered into by Italy subject to timely filing of required documentation.

Decree 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy, and (ii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) be the beneficial owners of payments of Interest on the Notes; and
- (b) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) timely file with the relevant depository a self-declaration stating, *inter alia*, that he or she is resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, or qualifies as an institutional investor and is established therein. Such self-declaration, which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The self-declaration is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments.

Early Redemption

Without prejudice to the above provisions, Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* issued by Banca Nazionale del Lavoro S.p.A. with an original maturity of eighteen months or more, which are made subject to an early redemption within eighteen months from the date of issue, are subject to an additional amount payable by Banca Nazionale del Lavoro S.p.A. as Issuer, at the rate of 20 per cent in respect of Interest and premium (if any) accrued on the Notes up to the date of the early redemption, pursuant to Article 26, 1st paragraph, of Presidential Decree No. 600 of 29 September 1973, as amended ("**Decree No. 600**"). According to one interpretation of Italian fiscal law, the above 20 per cent additional amount may also be due in the event of any purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue.

Notes with a maturity of less than eighteen months

Pursuant to Article 26, first paragraph of Decree No. 600, Notes issued by the Banca Nazionale del Lavoro S.p.A. with a maturity of less than eighteen months are subject to a withholding tax at the rate of 27 per cent in respect of interest and premium (if any), paid to the Noteholders.

Capital gains

Pursuant to Decree No. 461, a 12.5 per cent capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes issued by Banca Nazionale del Lavoro S.p.A. are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so-called *risparmio amministrato* regime being timely made in writing by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta*

sostitutiva in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato regime*, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed in a regime of Asset Management Option ("*risparmio gestito*" regime) by an Italian asset management company or an authorised intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento* or SICAV). In both cases, the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 12.5 per cent *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset Management Option the realised capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

In the case of Notes held by investment funds and SICAVs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the funds or SICAVs accrued at the end of each tax year, subject to the Collective Investment Fund Tax at the relevant applicable rate.

The 12.5 per cent *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy

Any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) Pursuant to the provisions of Decree No. 461 and Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, or qualifies as an institutional investor and is established therein.
- (b) Under these circumstances, if capital gains realised on the sale or transfer or redemption of the Notes are subject to the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating that they meet the requirements indicated above.
- (c) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if capital gains realised on the sale or transfer or redemption of the Notes are subject to the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Tax treatment of Notes issued by Banca Nazionale del Lavoro International S.A.

Italian resident Noteholders

Decree 239 regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (together, the "**Interest**") from Notes issued, *inter alia*, by non-Italian resident entities. The provisions of Decree 239 only apply to those Notes issued by Banca Nazionale del Lavoro International S.A. which qualify as *obbligazioni or titoli similari alle obbligazioni* pursuant to Article 44 of Decree No. 917.

Where the Italian resident holder of Notes issued by Banca Nazionale del Lavoro International S.A. that qualify as *obbligazioni or titoli similari alle obbligazioni* and have a maturity of eighteen months or more, who is the beneficial owner of such Notes, is:

- (a) an individual holding Notes otherwise than in connection with entrepreneurial activity, (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the Asset Management Option), or
- (b) a partnership (other than a *società in nome collettivo or società in accomandita semplice* or similar partnership), *de facto* partnership not carrying out commercial activities or professional association, or
- (c) a private or public institution not carrying out mainly or exclusively commercial activities, or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as "net recipients".

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Pursuant to Decree 239, the 12.5 per cent *imposta sostitutiva* is applied by Intermediaries or by permanent establishments in Italy of banks or intermediaries resident outside Italy.

Pursuant to Decree 239, Intermediaries (or permanent establishment in Italy of foreign Intermediaries) must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), the *imposta sostitutiva* is applied and withheld by any Italian bank or any Italian intermediary paying Interest to the Noteholders.

Payments of Interest in respect of Notes issued by Banca Nazionale del Lavoro International S.A. that qualify as *obbligazioni or titoli similari alle obbligazioni* and have a maturity of eighteen months or more, are not subject to the 12.5 per cent *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Decree No. 124, Italian resident real estate investment funds; and (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for

the Asset Management Option. Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 12.5 per cent *imposta sostitutiva*, gross recipients indicated above under (i) to (iii) must (a) be the beneficial owners of payments of Interest on the Notes and (b) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary (or permanent establishment in Italy of foreign intermediary). Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), the *imposta sostitutiva* is applied and withheld by any Italian bank or any Italian intermediary paying Interest to the Noteholder and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities - IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules, and such beneficial owners should be generally entitled to a tax credit for any withholding taxes applied outside Italy on Interest on Notes issued by Banca Nazionale del Lavoro International S.A.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to the 12.5 per cent annual Asset Management Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian collective investment funds and SICAVs are subject to the 12.5 per cent annual Collective Investment Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Italian resident pension funds subject to the regime provided by articles 14, 14-ter and 14-quater, paragraph 1, of Decree No. 124, are subject to an 11 per cent annual Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Where a Noteholder is an Italian real estate investment fund subject to the provisions of Law Decree No. 351 of 25 September 2001, as amended, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund.

Where Interest on Notes with maturity of eighteen months or more issued by Banca Nazionale del Lavoro International S.A. and beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the intervention of an Italian resident intermediary and as such no *imposta sostitutiva* is applied, the

Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return and subject them to final substitute tax at a rate of 12.5 per cent, unless option for a different regime is allowed and made. Italian resident net recipients that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

Non-Italian resident Noteholders

Interest payments relating to Notes issued by Banca Nazionale del Lavoro International S.A. and received by non-Italian resident beneficial owners are not subject to taxation in Italy.

If Notes issued by Banca Nazionale del Lavoro International S.A. and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of Interest on such Notes, to ensure payment of Interest without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a self-declaration stating that he or she is not resident in Italy for tax purposes.

Early Redemption

Without prejudice to the above provisions, in the event that the Notes issued by Banca Nazionale del Lavoro International S.A. with an original maturity of eighteen months or more are made subject to an early redemption within eighteen months from the date of issue, Italian resident Noteholders will be required to pay an additional amount equal to 20 per cent of Interest and other proceeds from the Notes issued by Banca Nazionale del Lavoro International S.A. accrued up to the time of the early redemption. Where Italian withholding agents intervene in the collection of Interest on the Notes or in the redemption of the Notes, this additional amount will be levied by such withholding agents by way of withholding. In accordance with one interpretation of Italian tax law, the above 20 per cent additional amount may also be due in the event of any purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue.

Capital gains

Pursuant to Decree No. 461, a 12.5 per cent capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes issued by Banca Nazionale del Lavoro International S.A. are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes ("*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so-called *risparmio amministrato* regime being timely made in writing by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed in a regime of Asset Management Option ("*risparmio gestito*" regime) by an Italian asset management company or an authorised intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a Fondo Comune di Investimento or SICAV). In both cases, the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 12.5 per cent *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset

Management Option the realised capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

In the case of Notes held by investment funds and SICAVs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the funds or SICAVs accrued at the end of each tax year, subject to the Collective Investment Fund Tax at the relevant applicable rate.

The 12.5 per cent *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Legislative Decree No. 259 of 21 July 1999, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a certificate of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) Pursuant to the provisions of Legislative Decree No. 461 and Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information.

Under these circumstances, if capital gains realised on the sale or transfer or redemption of the Notes are subject to the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-assessment (*autocertificazione*) stating that they meet the requirements indicated above.

- (b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if capital gains realised on the sale or transfer or redemption of the Notes are subject to the *risparmio amministrato* regime or the

Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Tax treatment of payments made by the Guarantor

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not support such an alternative treatment.

Payments to non-resident holders made by Banca Nazionale del Lavoro S.p.A. under the guarantees, which represent interest payable on the debt securities, are subject to the Italian tax regime described above under "-A. Tax treatment of the Notes issued by Banca Nazionale del Lavoro S.p.A."

Atypical Securities

Interest payments relating to Notes that are not deemed to fall within the category of *obbligazioni or titoli similari alle obbligazioni* may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and do not allow the holder to interfere with the management of the issuer.

In the case of Notes issued by Banca Nazionale del Lavoro S.p.A., where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are connected, or (iv) an Italian commercial partnership, such withholding tax is provisional withholding tax. In all other cases, the withholding tax is a final withholding tax. If the Notes are issued by a non-Italian resident Issuer, the 27 per cent withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), or (ii) a commercial partnership.

Inheritance and gift tax

According to Law No. 383 of 18 October 2001 ("**Law No. 383**"), Italian inheritance and gift tax, previously generally payable on the transfer of securities as a result of death or donation, has been abolished.

However, according to Law No. 383, for donees other than spouses, direct descendants or ancestors and other relatives within the fourth degree, if and to the extent that the value of gift attributable to each such donee exceeds Euro 180,759.91 (or, in certain cases, Euro 516,456), the gift of Notes may be subject to the ordinary transfer taxes provided for the transfer thereof for consideration.

Moreover, an anti-avoidance rule is provided by Law No. 383 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Transfer tax

General

Pursuant to Legislative Decree No. 435 of 21 November 1997, which amended the regime laid down by Royal Decree No. 3278 of 30 December 1923, the transfer of Notes may be subject to Italian transfer tax (*tassa sui contratti di borsa*) at a rate between a maximum of Euro 0.0083 and a minimum of Euro 0.00465 for every Euro 51.65, or part of Euro 51.65, of the price at which the Notes are transferred. In certain cases, however, the amount of transfer tax cannot exceed Euro 929.62 for each transaction.

Exemptions

In general, transfer tax is in any case not levied, *inter alia*, in the following cases:

- (a) contracts relating to listed securities entered into on regulated markets;
- (b) contracts relating to securities which are admitted to listing and trading on regulated markets and finalised outside such markets and entered into:
 - (i) between banks or SIMs or other professional intermediaries authorised to perform investment services, pursuant to Legislative Decree No. 415 of 23 July 1996, as superseded by Decree No. 58, or stockbrokers among themselves;
 - (ii) between authorised intermediaries as referred to in paragraph (i) above and non-Italian residents;
 - (iii) between authorised intermediaries as referred to in paragraph (i) above, also non-Italian resident, and undertakings for collective investment of saving income;
- (c) contracts relating to public sale offers for the admission to listing and trading on regulated markets or relating to financial instruments already admitted to listing and trading on said markets;
- (d) contracts for a consideration of less than Euro 206.58;

- (e) contracts regarding securities not listed on a regulated market entered into between authorised intermediaries as referred to in (b)(i) above, on the one hand, and non-Italian residents, on the other hand;
- (f) securities lending transactions and any other contracts having some economic purposes.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree no. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian paying agents (i.e. banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del risparmio* ("**SGR**") resident for tax purposes in Italy, Italian permanent establishments of non-Italian resident persons and any other Italian entity paying interest for professional or business reasons) shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The Italian Government implemented the Directive 2003/48 with Legislative Decree No. 84 ("**Decree No. 84**") which applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in an other EU Member State or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla, Aruba). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State (or the territories referred to above), Italian paying agents (i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in

Italy paying interest for professional or commercial reasons) shall be required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner, namely: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid.

Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the country of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to certain entities established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EEC.

Companies, similar entities subject to taxation on business profits, UCITs passported under the Directive No. 85/611/EEC and non passported UCITs that have elected to be treated like passported, are excluded from the application of Decree No. 84.

Either payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute "payments of interest" under Article 6 of the Directive 2003/48 and, as far as Italy is concerned, Article 2 of the Decree No. 84. Accordingly, such payment of interest arising out of the Notes falls within the scope of the Directive being the Notes issued after 1 March 2001 (see Articles 15 of the Directive and Article 2(5) of the Decree No. 84).

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 8 ("Taxation") should not be due in respect of withholding tax imposed under or pursuant to the Directive, or any law implementing or complying with, or introduced in order to conform to the Directive.

Grand Duchy of Luxembourg

Taxation of the Noteholders

By a law of 21 June 2005 (the "**Savings Law**"), Luxembourg has implemented The EC Council Directive 2003/48/EC on the taxation of savings income. Under the Savings Law, which is in effect as of 1 July 2005, Luxembourg will levy a withholding tax on payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in another Member State or in Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Aruba or Montserrat unless such individual agrees to an exchange of information regarding the interest or similar income it received between the tax authorities of Luxembourg and the relevant Member State. The rate of the withholding tax is equal to 15 per cent. as from 1 July 2005, 20 per cent. as from 2 July 2008 and 35 per cent. as from 1 July 2011. A Luxembourg withholding tax may however also be introduced in the future for interest payments made to Luxembourg individual residents.

A holder of Notes, who is a resident of the Grand Duchy of Luxembourg for tax purposes or who has a permanent establishment or a stable place of business in the Grand Duchy of Luxembourg, to which the Notes are attributable, is subject to the Grand Duchy of Luxembourg income tax in respect of the interest paid or accrued on the Notes.

Gains realised by an individual holder of Notes, who acts in the course of the management of his private wealth and who is a resident of the Grand Duchy of Luxembourg for tax purposes, on the sale of Notes are not subject to the Grand Duchy of Luxembourg income tax, unless they are taxed as speculative capital gains. Speculative capital gains realised on the sale of Notes within six months of their acquisition will trigger the taxation at the full income tax rate. An individual holder of Notes, who acts in the course of the management of his private wealth and who is a resident of the Grand Duchy of Luxembourg for tax purposes, has however to include the portion of the gain corresponding to accrued but unpaid interest in his taxable income. Gains realised by a corporate holder of Notes or by an individual holder of Notes, who acts in the course of the management of a professional or business undertaking, who is a resident of the Grand Duchy of Luxembourg for tax purposes or who has a permanent establishment or a stable place of business in the Grand Duchy of Luxembourg, to which the Notes are attributable, on the sale of Notes are subject to the Grand Duchy of Luxembourg income taxes. Gains realised by a non resident holder of Notes, who does not have a permanent establishment or stable place of business in the Grand Duchy of Luxembourg to which the Notes are attributable, on the sale of Notes are not subject to the Grand Duchy of Luxembourg income tax.

A Grand Duchy of Luxembourg holder of Notes, that is governed by the law of 31 July 1929 on pure holding companies, by the laws of 30 March 1988 and 20 December 2002 on investment funds, or by the law of 15 June 2004 on venture capital investment companies will not be subject to any Grand Duchy of Luxembourg corporate income tax in respect of interest received or accrued on the Notes or gains realised on the sale of the Notes.

Registration taxes

The issue, transfer or sale of Notes will not be subject to a Grand Duchy of Luxembourg registration or stamp duty.

Other taxes

A holder of Notes, other than a holder of Notes governed by the law of 31 July 1929 on pure holding companies, by the laws of 30 March 1988 and 20 December 2002 on investment funds, or by the law of 15 June 2004 on venture capital investment companies who is a resident of the Grand Duchy of Luxembourg for tax purposes or who has a permanent establishment or a stable place of business in the Grand Duchy of Luxembourg, to which the Notes are attributable, has to take into account the Notes for purposes of the Grand Duchy of Luxembourg wealth tax.

Under present Grand Duchy of Luxembourg tax law, in the case where a holder of Notes is a resident for tax purposes of the Grand Duchy of Luxembourg at the time of

his death, the Notes are included in his taxable estate, for inheritance tax purposes and gift tax may be due on a gift or donation of Notes, if the gift is recorded in a Luxembourg deed or registered in Luxembourg.

PLAN OF DISTRIBUTION

Subject to all legal and regulatory requirements, Notes may be sold from time to time by the relevant Issuer to any one or more of ABN AMRO Bank N.V., Banca Nazionale del Lavoro S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Lehman Brothers International (Europe), Merrill Lynch International, Morgan Stanley & Co. International Limited and UBS Limited (the "**Dealers**") or to any other person or institution. The arrangements under which Notes may from time to time be agreed to be sold by the relevant Issuer and (if applicable) the Guarantor and purchased by the Dealers are set out in a Master Note Issuance Agreement dated 3 March 1993, as amended and restated on 6 July 1994, 10 July 1995, 20 December 1996, 22 May 1998, 12 October 1999, 12 October 2000, 25 June 2003, 21 July 2004 and on or about the date of publication of this Base Prospectus (the "**Master Note Issuance Agreement**", which expression shall include any further amendments and/or restatements thereof) and made between the Issuers, the Guarantor and the dealers named therein. Any such agreement will *inter alia* make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase.

The Master Note Issuance Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers.

The Issuers may from time to time sell Notes to persons or institutions who are not Dealers.

The United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Master Note Issuance Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant tranche or Series, as certified to the Issuing and Paying Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a tranche or Series of Notes to or through more than one Dealer, by each of such Dealers as to such Notes purchased by or through it, in which case the Issuing and Paying Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will

have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering Notes comprising any tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) It is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) It has not offered or sold and will not offer or sell any Notes other than to persons;
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their business,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to BNL International as, in the case of the Bank or the Guarantor, would not, if it has not authorised person, apply to the Bank or the Guarantor; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has represented and agreed that it will not

offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Italy

Each Dealer has represented and agreed that no action has been or will be taken which would allow an offering of the Notes to the public in the Republic of Italy and that individual sales of the Notes to any person in the Republic of Italy have only been and will only be made in accordance with Italian securities, tax and other applicable laws and regulations. The Notes may not be offered, sold or delivered and neither the Base Prospectus nor any other offering material relating to the Notes may be distributed or made available in the Republic of Italy except to "**Professional Investors**," as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1 July 1998 as amended ("**Regulation No. 11522**"), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998, as amended, ("**Decree No. 58**"), or in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by the Decree No. 58 or Regulation No. 11971 of 14 May 1999, as amended, applies, provided however, that any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by Investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended, ("**Decree No. 385**"), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree 385 and the Implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the amount of the issue and the characteristics of the securities applies;
- (c) in compliance with the banking transparency requirements set forth in Decree No. 385 and the implementing regulations and decrees; and
- (d) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Luxembourg

The Notes may not be offered or sold in the Grand Duchy of Luxembourg, except for Notes for which are offered in circumstances that do not require the approval of a

prospectus by the Luxembourg financial regulatory authority and the publication of such prospectus in accordance with the Law of 10 July 2005 on prospectus for securities. This document may not be reproduced or used for any purpose, or furnished to any person other than those to whom copies have been sent.

General

With the exception of the approval by the CSSF of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg, no action has been or will be taken in any country or jurisdiction any either Issuer, the Guarantor or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation hereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuers, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases as their own expense.

The Master Note Issuance Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular tranche or Series of Notes) or (in any other case) in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing

Application has been made for the Notes issued under the Programme to be admitted to trading and listing on the regulated market of the Luxembourg Stock Exchange and, in connection therewith, the Luxembourg Stock Exchange has allocated to the Programme, for listing purposes, the number 2267 for BNL and the number 13257 for BNL International.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Luxembourg Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.

No significant change

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Bank or BNL International since 31 December 2004, nor has there been significant change in the financial or trading position of either the Bank, BNL International or their respective subsidiaries, taken as a whole, which has occurred since 31 December 2004.

Substitution of Issuer

In the event of the substitution of an issuer of Notes listed on the regulated market of the Luxembourg Stock Exchange pursuant to Condition 13, notice of such substitution shall be given to the Noteholders of the relevant Notes in accordance with Condition 16 and to the Luxembourg Stock Exchange and, only if the substitute is not an existing issuer under the Programme, a base prospectus containing information with respect to such substitute shall be filed with the regulated market of the Luxembourg Stock Exchange.

Authorisation

The update of the Programme was authorised by resolution of the Board of Directors of the Bank passed on 15 July 2005. The update of the Programme was authorised by a circular resolutions of the Board of Directors of BNL International passed on 3 October 2005. The giving of the guarantee contained in the Trust Deed was authorised by a resolution of the Board of Directors of the Guarantor passed on 15 July 2005. Each of the Issuers and the BNL International has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

Litigation

Save as disclosed in this Base Prospectus, neither the Bank nor BNL International is or has been involved in any governmental, legal or arbitration proceedings (including any

such proceedings which are pending or threatened of which the Bank or BNL International is aware) during the 12 months before the date of publication this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Bank or of BNL International and its subsidiaries taken as a whole.

U.S. Legend

In the case of any Notes having a maturity of more than 365 days, the Notes (and the Coupons, Instalment Receipts and Talons appertaining thereto) will bear the following legend "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code". The sections referred to in such legend provide that a United States person who holds a Note Coupon instalment receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon instalment receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Material contracts

Except as disclosed herein, neither the Bank, BNL International nor any of their respective consolidated subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have had or may reasonably be expected to have a material effect on their business.

Clearance

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common codes and International Securities Identification Numbers in relation to the Notes of each Series and any other clearing system(s) as shall have accepted the relevant Notes for clearance will be specified in the Final Terms relating thereto.

Documents available for inspection

So long as any of the Notes remain outstanding the following documents may be inspected and obtained free of charge, in English, upon written or oral request during usual business hours at the specified office(s) of the Paying Agent(s) for the time being:

- (i) the articles of association of BNL International and the by-laws of the Bank;
- (ii) the non-consolidated annual financial statements of BNL International for the two financial years ended 31 December 2003 and 31 December 2004, the consolidated and non-consolidated annual financial statements of the Bank for the two financial years ended 31 December 2003 and 31 December 2004, together, in each case, with all audit reports prepared in connection therewith;

- (iii) The unaudited consolidated financial statements of the Bank for the period ended 30 June 2005 and the unaudited consolidated financial statements of the Bank for the period ended 30 September 2005;
- (iv) (A) in relation to BNL International, all future non-consolidated audited annual financial statements, (B) in relation to the consolidated financial statements of the Bank, all future quarterly unaudited financial statements, unaudited semi-annual financial statements and audited annual financial statements;
- (v) copies of the Final Terms relating to such Notes;
- (vi) the Master Note Issuance Agreement, the Trust Deed (including the text of the Guarantee), the Agency Agreement, this Base Prospectus and any future Base Prospectus and any supplements thereto and all documents at any time incorporated by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

At present, BNL International does not publish any (consolidated or non-consolidated) semi-annual or quarterly interim financial statements, neither does it publish consolidated annual financial statements.

Use of proceeds

The net proceeds of the issue of each series of Notes will be used for the purpose of financing the business of the BNL Group.

Post Issuance Information

Neither Issuer nor the Guarantor intends at any time to provide any post issuance information relating to the underlying assets.

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