



# **Presentation of 1Q2005 Group Results**

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*May 2005*

# Disclaimer

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**Data in this presentation has not been independently audited**

# Executive Summary

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<b>IAS/IFRS</b>	<b>First Italian banking Group to report full IAS/IFRS compliant results</b>
<b>IAS/IFRS First Time Adoption</b>	<b>Sizeable capital strengthening following rights issue allows for absorption of IAS/IFRS FTA impact without compromising growth potential</b> <i>(Tier 1 ratio estimated at 31/03/05: 6.5%)</i>
<b>Asset Quality</b>	<b>Asset quality aligned to market's best practice</b> <i>(NPL coverage at 31/03/05: 68.8%)</i>
<b>Group Results</b>	<b>Significant improvement in operating results</b> <i>(Operating result: €256mln, +150% yoy*)</i>

*(\*) on a comparable basis*

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# IAS/IFRS Introductory Guidelines

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## IAS/IFRS Impact: First Time Adoption

<b>IAS/IFRS principles</b>	<b>BNL fully adopts IAS/IFRS principles at 1/01/2005</b>
<b>Type of impacts</b>	<b>The adoption of the new accounting principles implies modifications in:</b> <ul style="list-style-type: none"><li>- <b>accounting methods of several Balance Sheet and P&amp;L items</b></li><li>- <b>Group consolidation perimeter</b></li><li>- <b>reclassification criteria of Balance Sheet and P&amp;L results</b></li></ul>
<b>First Time Adoption</b>	<b>First Time Adoption generates an initial impact on Net Equity at 31/12/2004</b>
<b>1Q05 results &amp; 2004 comparable data</b>	<b>BNL has opted to exclude from the comparison between 2005 and 2004 results the application to the latter of IAS 32 ('Disclosure and Presentation') and 39 ('Recognition and Measurement')</b>

# IAS/IFRS Introductory Guidelines

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## Argentina

In compliance with IAS 27, at 1<sup>st</sup> January 2005 the Argentinean subsidiaries have been included in the consolidation area.

In accordance with IFRS 5 principle, which regulates Activities Held for Sale, they have been accounted for at the lowest between the balance sheet value and the fair value net of sale expenses (effectively valuing the Argentinean group at €1); the relative balance-sheet and P&L items have been separately presented in the consolidated accounts. BNL Inversiones Argentinas S.A. impacts the balance sheet and P&L account through the following entries:

**Assets:** "Non-current assets held for sale and discontinued operations" **€1,141mln**

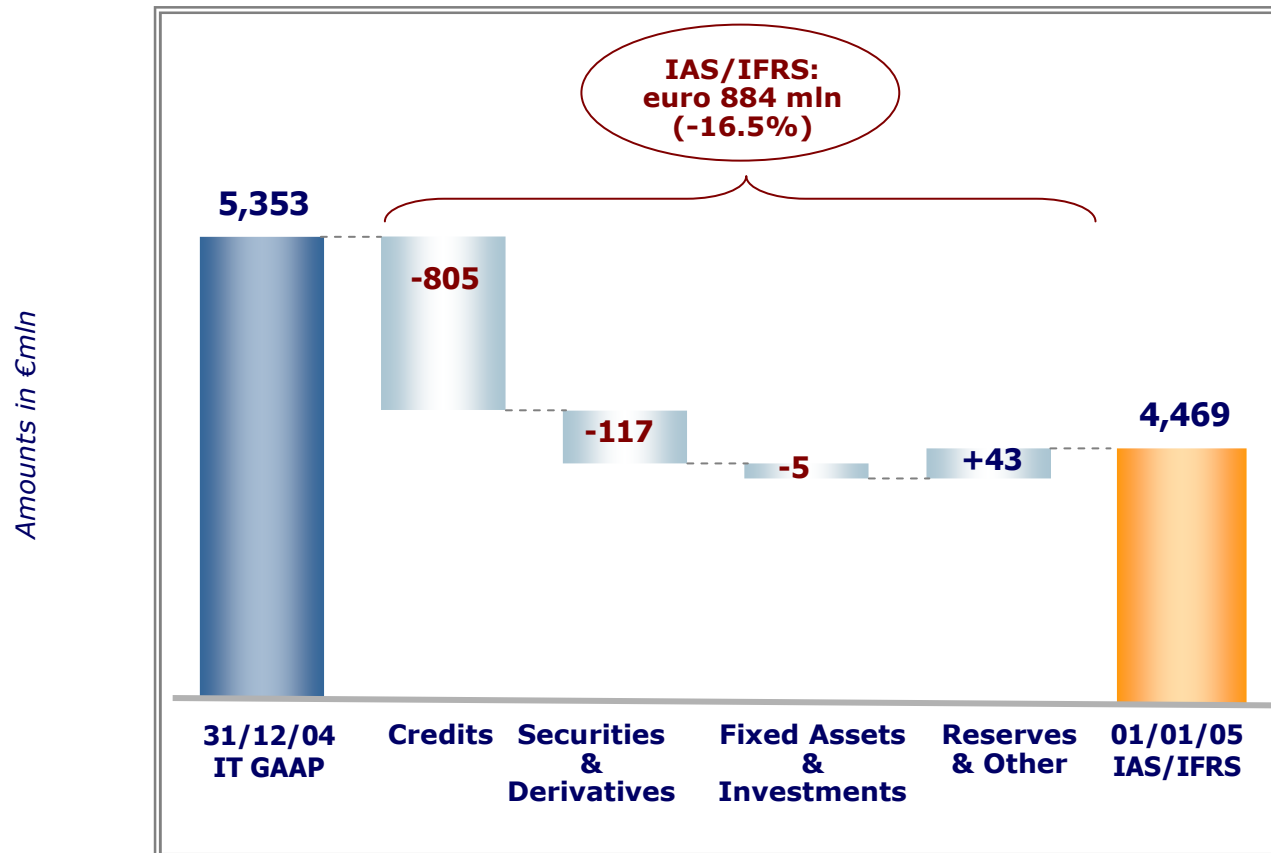
**Liabilities:** "Liabilities related to discontinued operations" **€1,018mln**

*(The difference of €123mln between the two items above representing intra-group lines)*

**P&L account:** No impact

# IAS/IFRS First Time Adoption: Net Equity

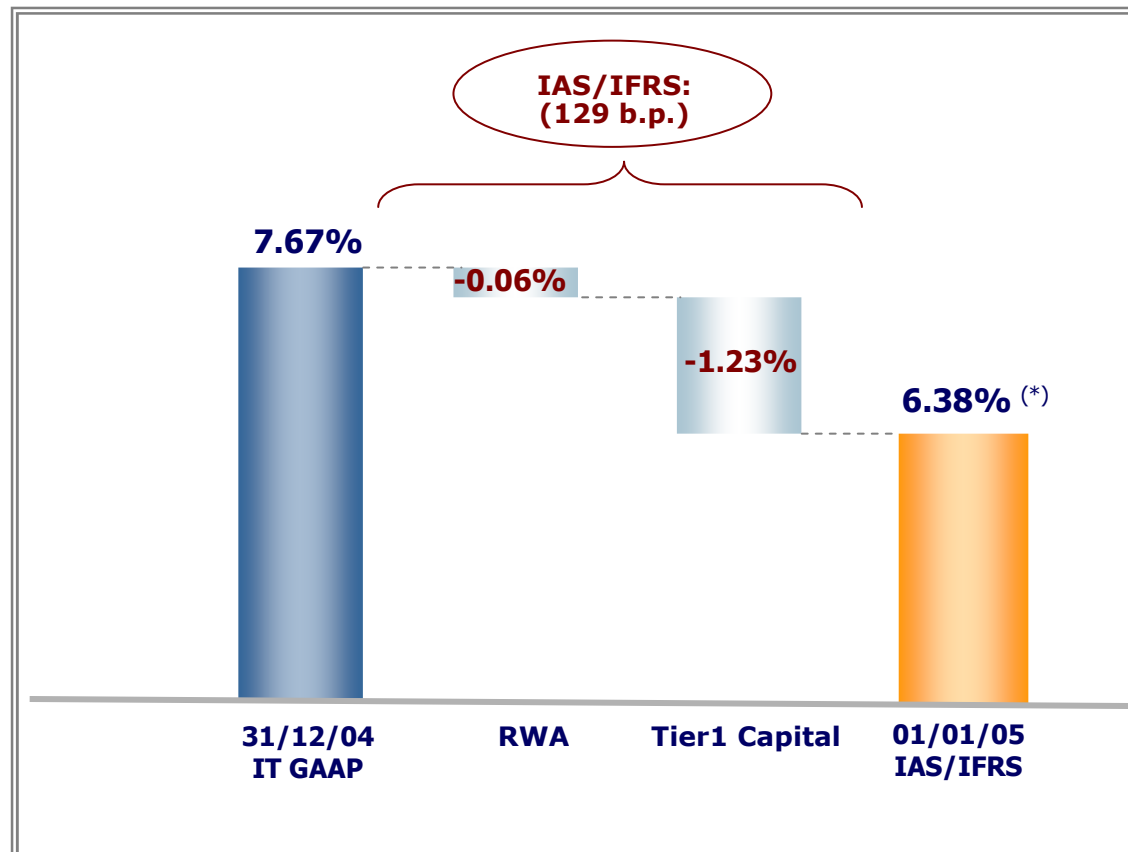
**First Time Adoption generates a total of €884mln  
on Net Equity at 31/12/2004**





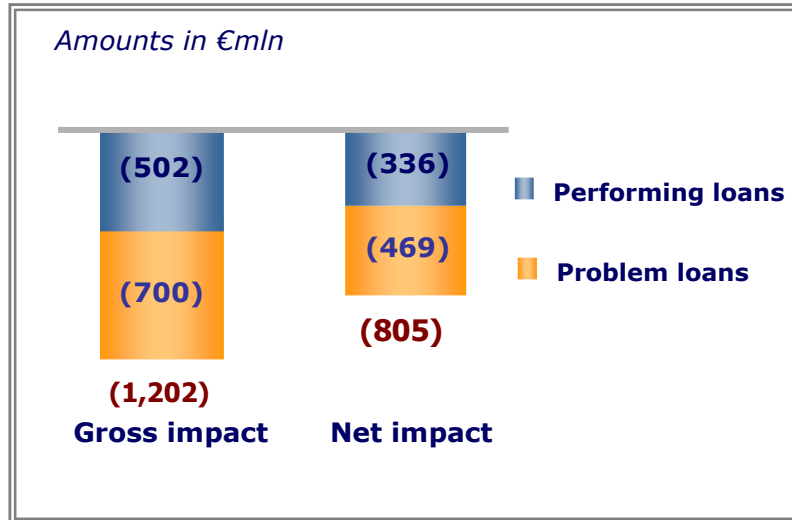
# IAS/IFRS First Time Adoption: Tier 1 Ratio

After the adoption of new international accounting principles, Group Tier1 ratio(\*) remains at a satisfactory level, guaranteeing adequate support to future development programmes



(\*) estimate pending publication of new calculation criteria for this indicator by Regulatory Authorities  
In particular the exclusion of securitization vehicles from RWA would increase Tier 1 ratio by 18 b.p.

# IAS/IFRS First Time Adoption: Credits



## IAS 39

- Analytical impairment of **problem loans** (net present value of financial flows of planned recoveries)
- Collective impairment of **performing loans** calculated on historic default rates and loss experience of homogeneous classes of loans

### PROBLEM LOANS

#### Overall coverage from 51.4% to 62.8%

- Average recovery period approx. 4 years
- Discount rate equal to the nominal rate at the time of transition to non-performing

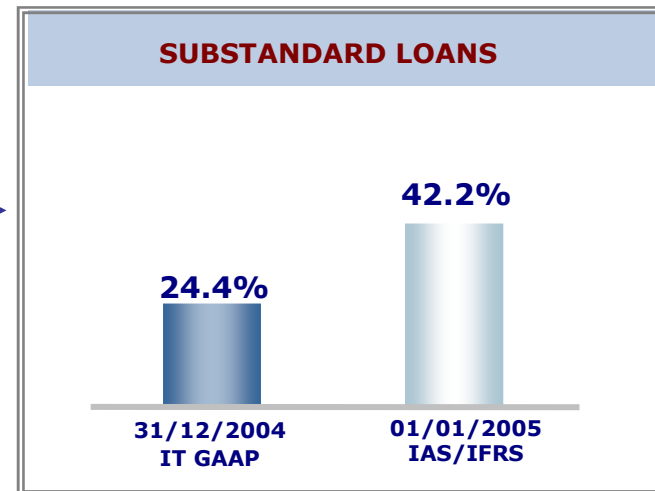
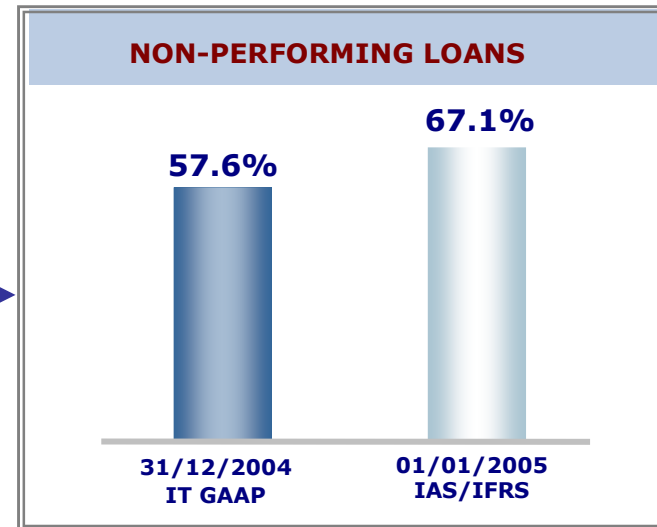
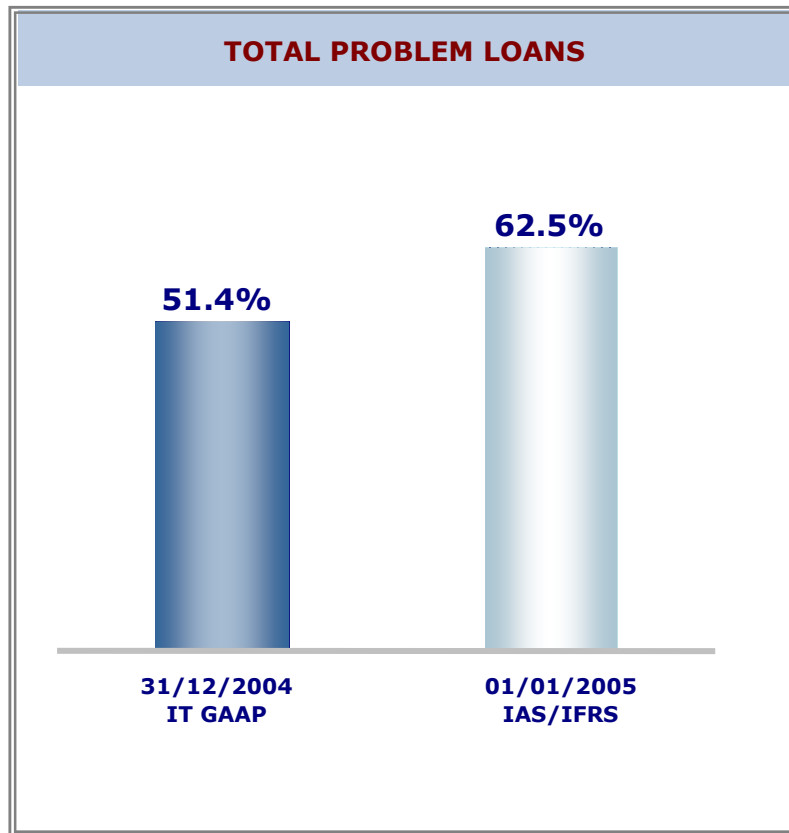
### PERFORMING LOANS

#### Coverage from 0.68% to 1.3% (\*)

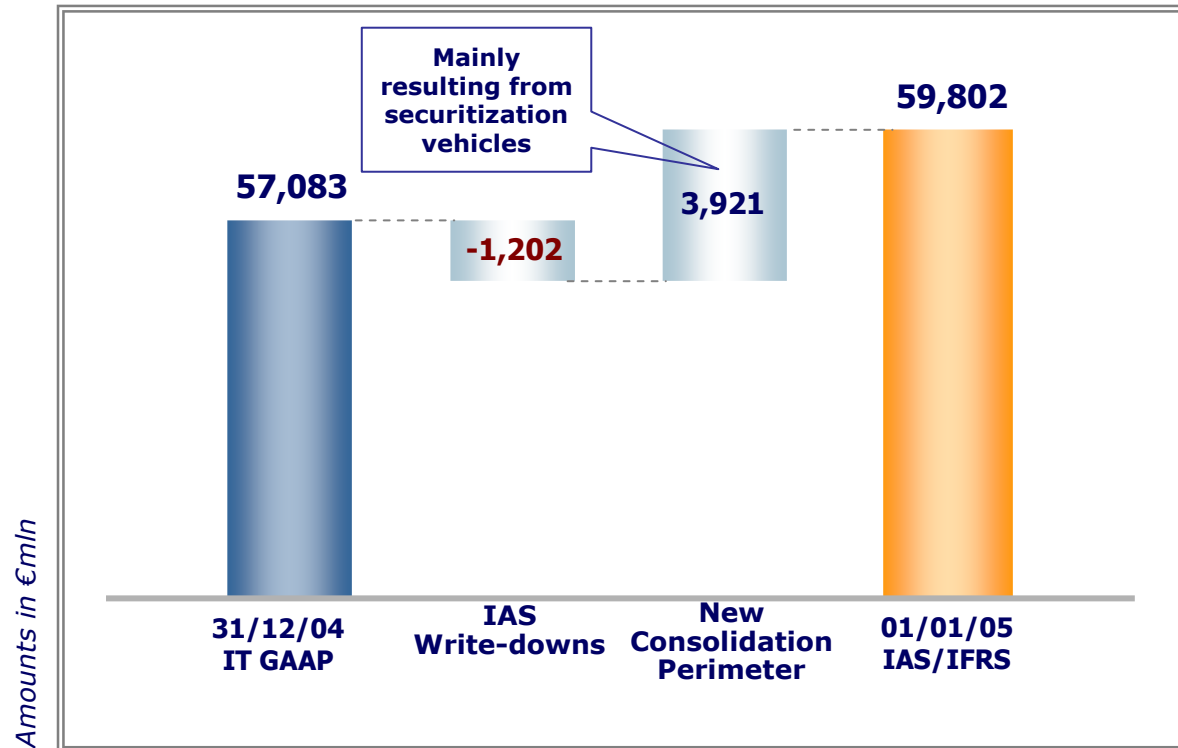
- Clustering compliant to Basel II segmentation
- Loss given default rates calculated on historic data from internal rating/scoring systems

(\*) including re-consolidation of securitization vehicles required by IAS/IFRS principles

# IAS/IFRS First Time Adoption: Coverage Ratios



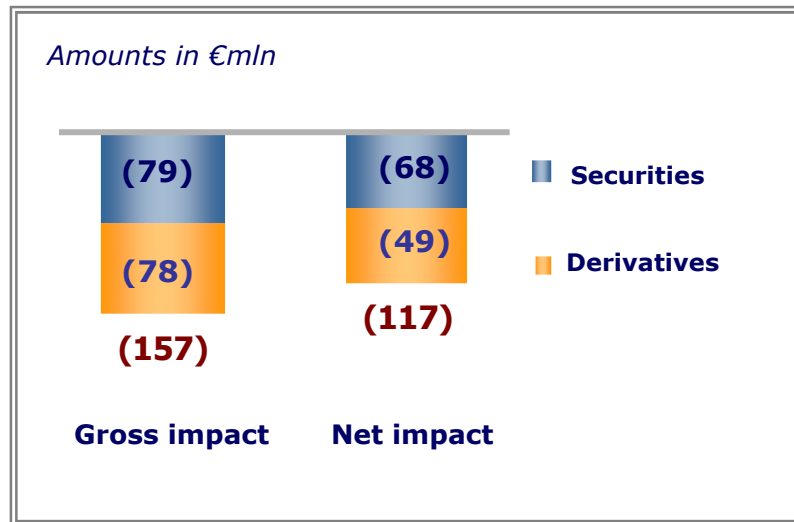
# IAS/IFRS First Time Adoption: Net Loans to Customers



In addition to the write-downs on performing and non-performing loans, the implementation of IAS/IFRS principles changes the consolidation perimeter which impacts total loans to customers.

Securitization vehicles have been re-consolidated without significantly affecting the income statement as the economic impacts were already substantially included under Italian GAAP

# IAS/IFRS First Time Adoption: Securities and Derivatives



## IAS 39

- Value at full fair value (including the counterparty risk component) all **derivative** transactions (trading and hedging)
- **Securities** re-classified at amortised cost or at full fair value
- Elision of own **re-purchased liabilities**
- Write-down of **own shares** from net equity

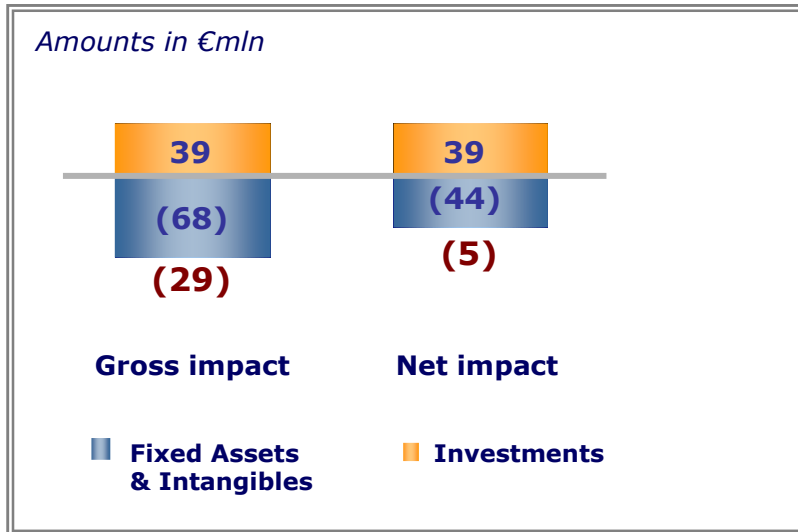
SECURITIES

- Cancellation of own securities by approx. €750mln with a gross negative economic impact of €19mln.
- Charge in excess of €50mln of own shares to reduce net equity

DERIVATIVES

- The negative impact results from the application of full fair value and realignments between hedging and trading components

# IAS/IFRS First Time Adoption: Fixed Assets, Intangibles and Investments



## IAS 16, 17, 38, 39

- Fair value valuation of minority **investments**
- Separation of land from the **property** value and use of different amortisation rates, and addition to assets with financial amortisation of **leased assets**
- Exclusion of certain categories of **capitalised costs** (research, start-up, advertisement and promotion, training, relocation and restructuring, legal restrictions)

**INVESTMENTS**

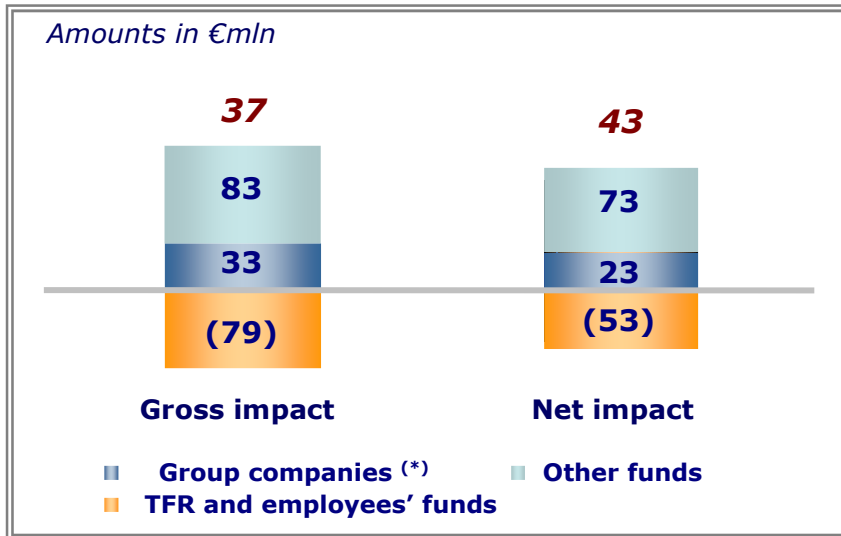
- Re-valuation of investment portfolio by €39mln.

**FIXED ASSETS & INTANGIBLES**

- Value recovery of the amortisation related to land for €8mln. (\*)
- Devaluation of leased assets for €2mln.
- Reduction of intangibles by approx. €48mln (€19mln software, €29mln early retirement costs)
- Cancellation of €26mln of costs to be amortised related to extraordinary transactions

(\*) BNL has revalued its real estate portfolio at year-end 2003 for approximately €610mln.

# IAS/IFRS First Time Adoption: Funds and Other



## IAS 19, 37

- Implement actuarial methodology for **employees' "non share based" benefits** including the termination fund "TFR" accounted as defined contribution benefit
- Recognition in the income statement of **employee "share based" benefits**
- Discounting of **provision for risks and contingencies** where the time value impact is significant
- Capitalisation of **general provisions**

EMPLOYEE BENEFITS

- Increase in reserves relating to employees' contingencies for approx. €80mln. (of which over €50mln on TFR)

OTHER FUNDS

- Positive impact from net present value of provision for risks and contingencies for approx. €30mln.
- Inclusion in net equity of general provisions for approx. €55mln.

(\*) overall impact deriving from the application of all IAS/IFRS principles on Group companies other than BNL SpA

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# 1Q2005 Results: Introductory Guidelines

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## Quarterly Report

### IAS/IFRS principles

The quarterly Report as at 31/3/2005 has been prepared in compliance with IAS/IFRS accounting principles, consistently with new Consob regulations pertaining to quarterly reporting requirements

### 2004 comparable data

In compliance with IFRS 1 par. 36 A/c, comparable Balance Sheet values at 31/12/2004 and 31/03/2004, and P&L values at 31/03/04, exclude the impacts of IAS 32 and 39 pertaining to financial instruments; where relevant supplementary information on the impact of IAS 32 and 39 on 1Q05 results has been included in the comments

### Group Perimeter

The pro-forma 1Q04 report has been prepared for comparison purposes excluding from the area of consolidation the Brazilian subsidiaries (Banco BNL do Brasil SA, BNL Consultoria e Servicos Ltda and BNL Distribudora de Titulos e Valores SA), Hesse Newman & co. A.G. and Lavoro bank Overseas NV-Curacao

# 1Q2005 Results: Main Margins

**Progress in revenues coupled with lower cost of credit and ongoing cost control lead to a sizeable improvement in operating results**

	(Euro million)	% var. on 1Q04	
<b>NET INTEREST INCOME</b>	<b>433</b>	<b>+ 13.1%</b>	<b>+6.0%</b> <i>Excl. IAS 32 - 39</i>
<b>BANKING INCOME</b>	<b>733</b>	<b>+13.3%</b>	<b>+8.0%</b> <i>Excl. IAS 32 - 39</i>
<b>TOTAL WRITEDOWNS &amp; PROVISIONS</b>	<b>(67)</b>	<b>- 37.4%</b>	<b>-49.5%</b> <i>Excl. IAS 32 - 39</i>
<b>OPERATING COSTS</b>	<b>(411)</b>	<b>-8.5%</b>	
<b>OPERATING PROFIT</b>	<b>256</b>	<b>+172.3%</b>	<b>+150.0%</b> <i>Excl. IAS 32 - 39</i>
<b>NET PROFIT</b>	<b>136</b>	<b>+29.5%</b>	<b>+21.0%</b> <i>Excl. IAS 32 - 39</i>

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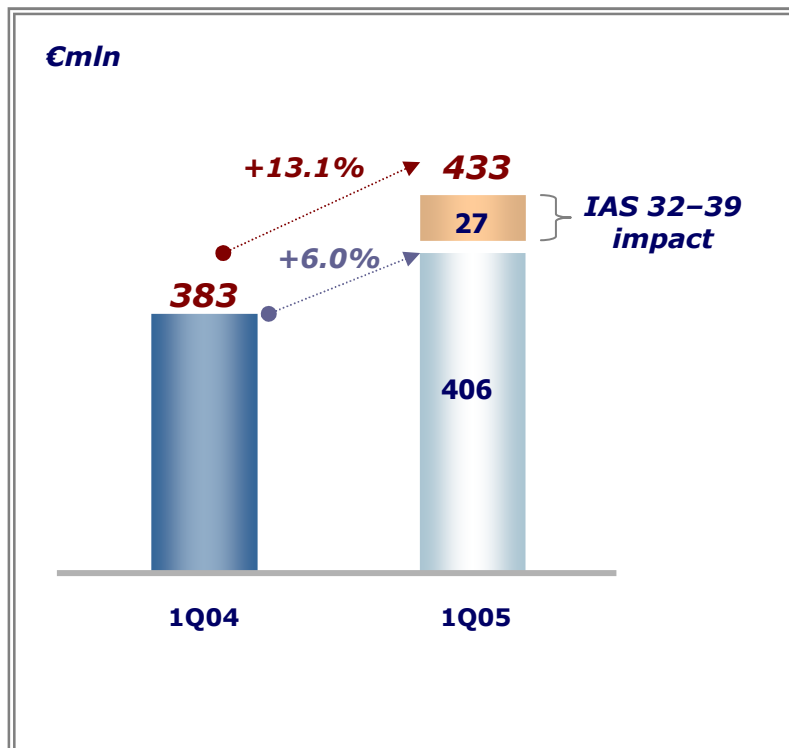
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# BNL Group: Net Interest Income

- ❑ Marked improvement in net interest income driven by volume growth
- ❑ Result significantly positive even excluding IAS impact



## Components of YoY variation

### **IAS/IFRS principles**

Full adoption of IAS 39 impacts interest income for €27mln resulting from:

- positive effect from revaluation of impaired loans
- increased costs of liabilities accounted at the amortised cost

### **Lending activity**

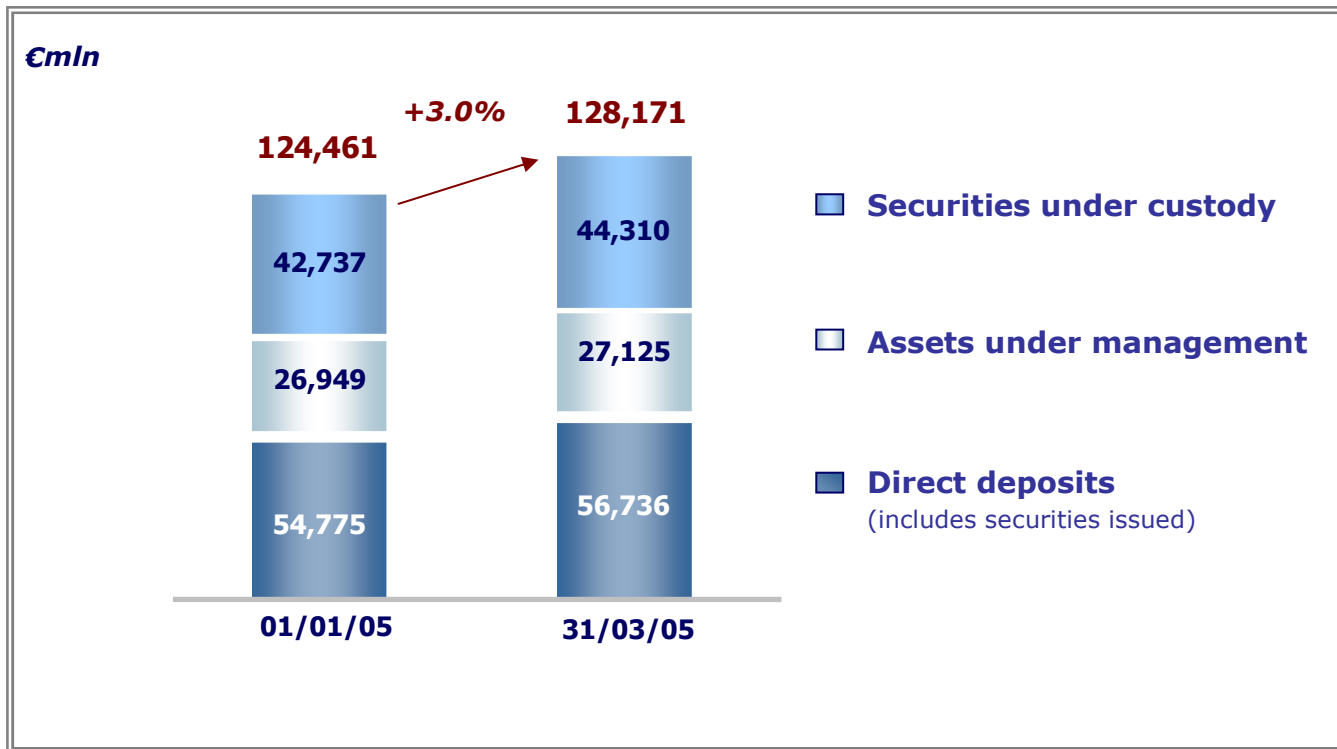
- Growth in average volumes: short-term driven by corporate lending whilst retail component boosts medium/long-term
- Overall stability in mark-up with a slight contraction in short-term

### **Funding**

- Stable average volumes of direct deposits with an improvement in mark-down especially in more stable domestic component

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

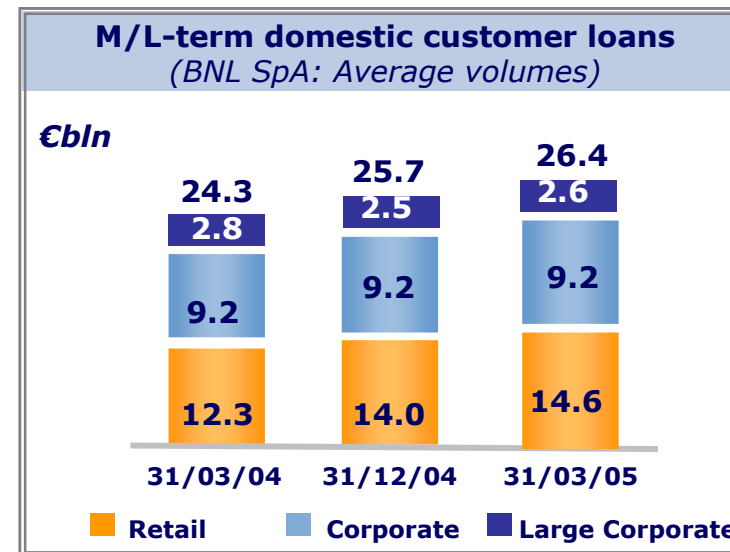
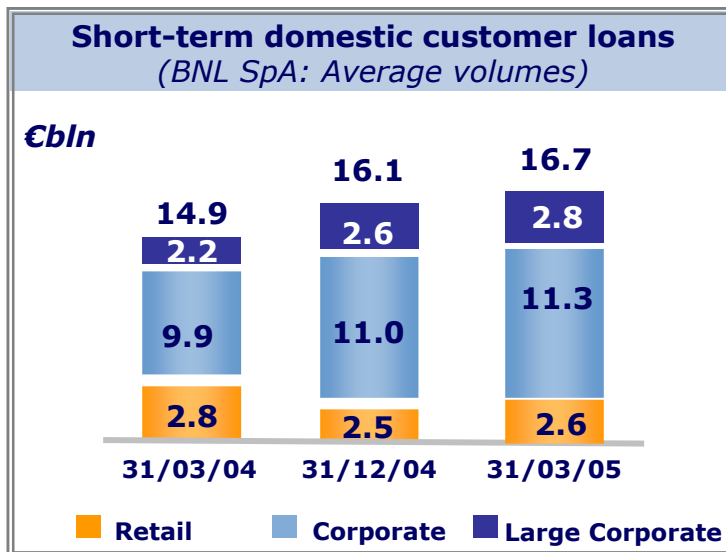
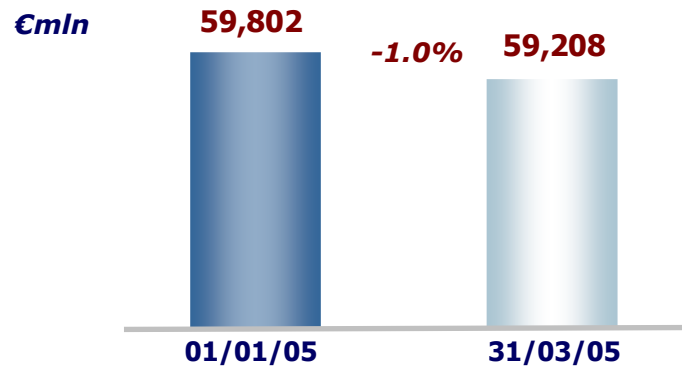
**Total Deposits from Customers increase in all components**



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

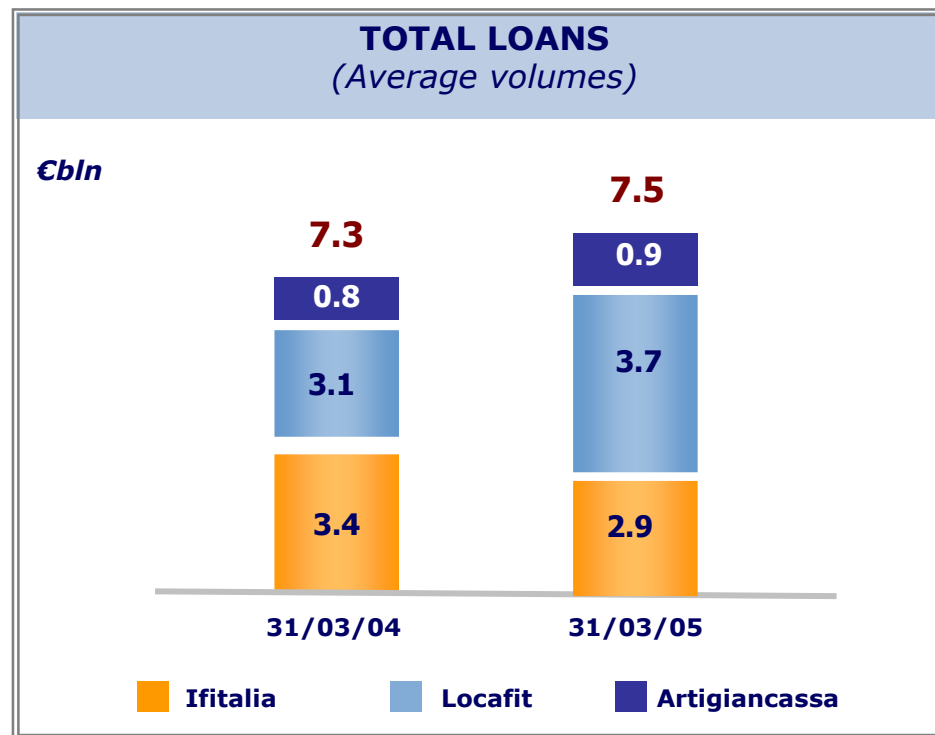
# BNL Group: Loans to Customers

**Reduction in year-end stocks hides a growth in average volumes boosted by Medium/Long-term retail component**



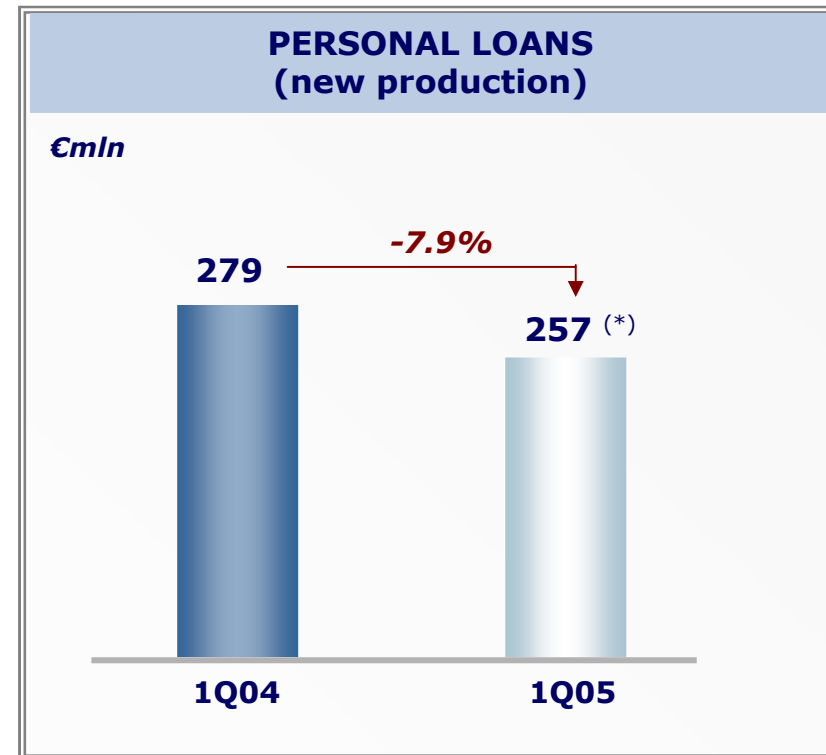
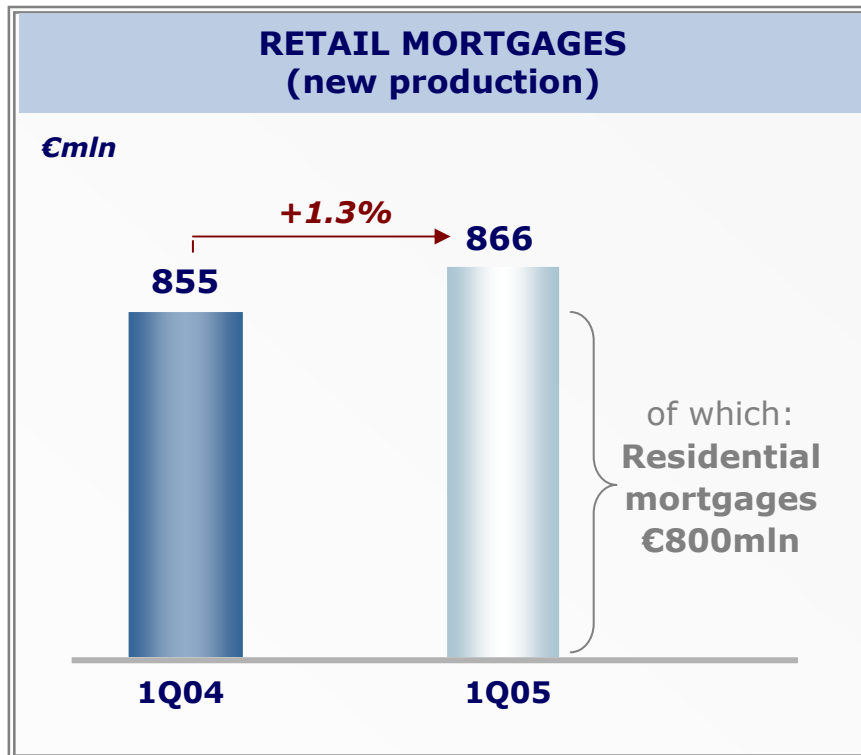
# BNL Group: Loans to Customers–Group Subsidiaries

Growth in Group subsidiaries loan book driven by volume growth in leasing



# BNL SpA: Mortgages and Personal Loans

**Momentum remains sustained on retail lending products especially medium-term**

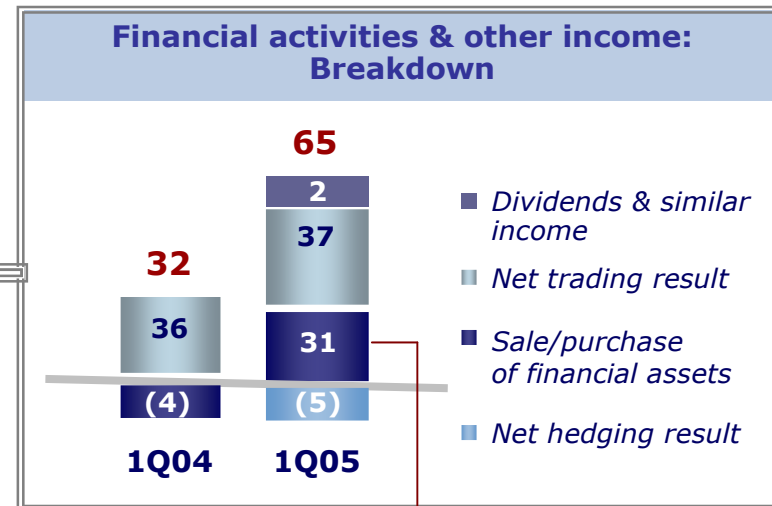
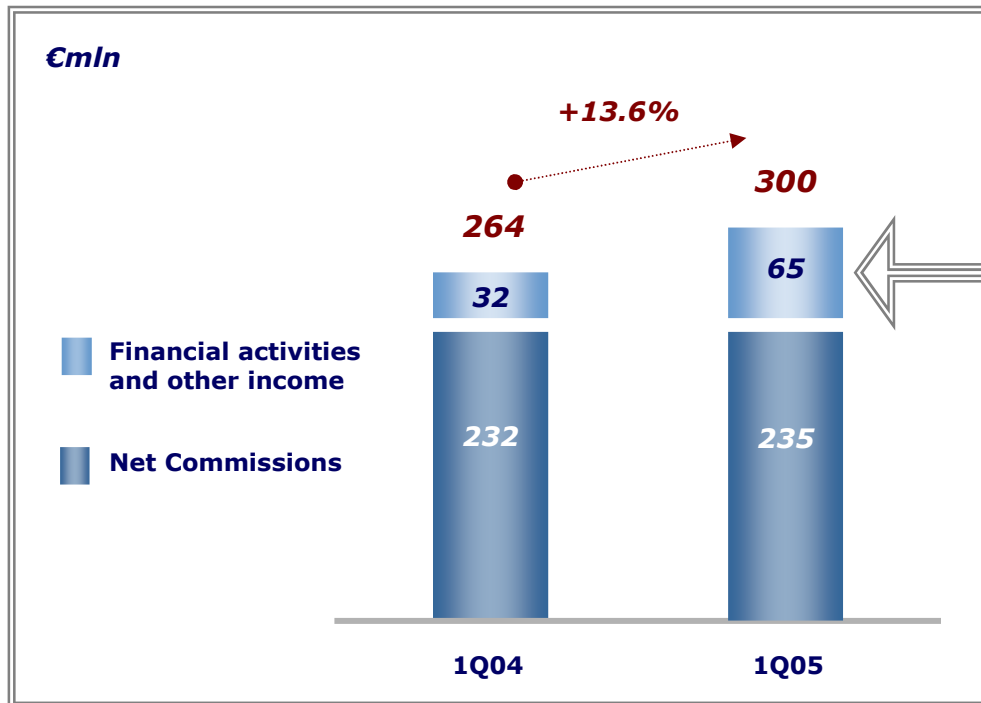


(\*) Includes Advera's new production in the quarter



# BNL Group: Non-Interest Income

**Aggregate shows a significant improvement driven by financial activities with resilience in commission income**



**1Q05 Profit/loss deriving from trading : €mln**

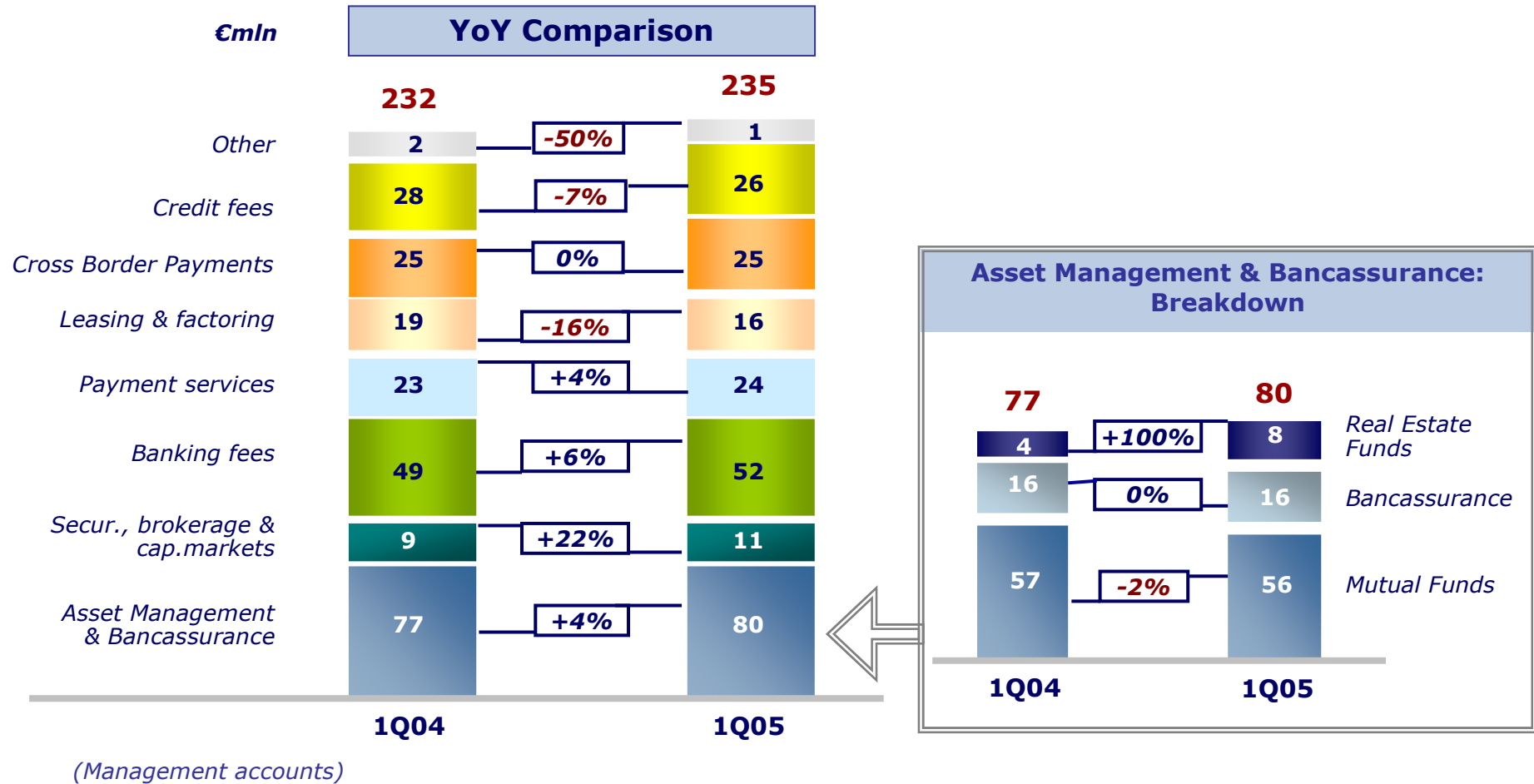
Credits	2
Financial Assets available for sale	32
Financial Liabilities	(3)

**IAS 32 and 39 impact on 1Q05**

net commissions:	+€1.2mln
financial activities	+€6.1mln

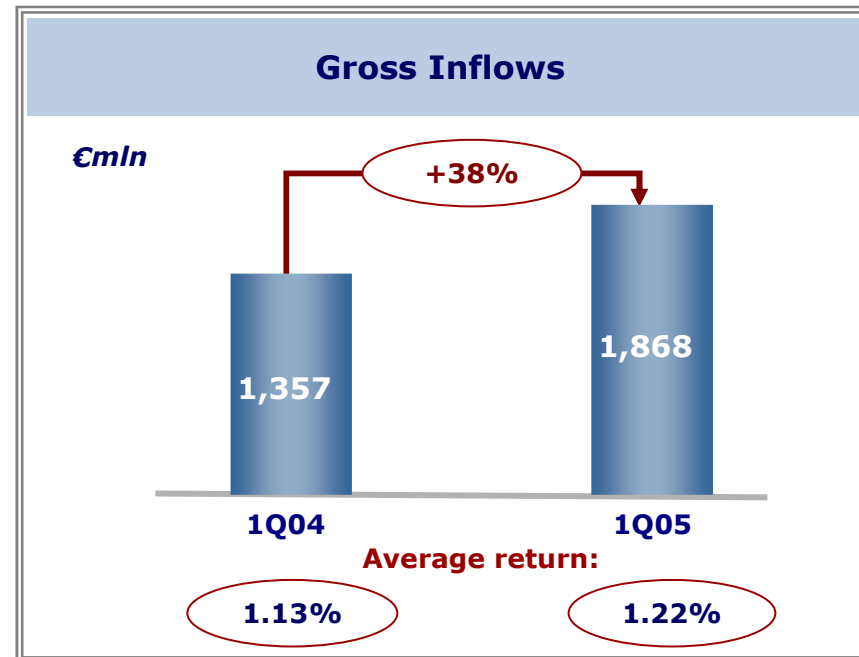
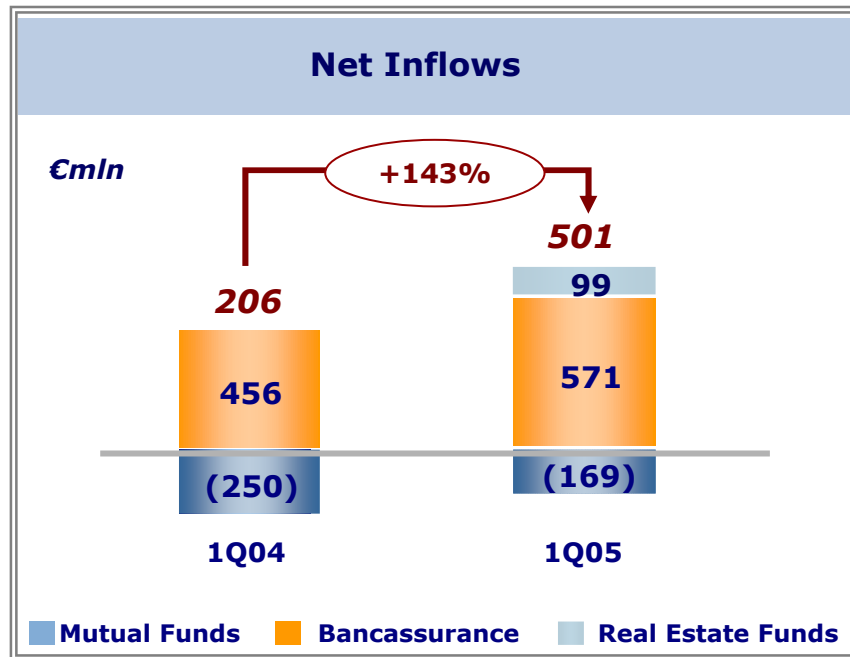
# BNL Group: Net Commissions

**Improvement in commission income supported by traditional banking & financial fees with an improving contribution from asset management**

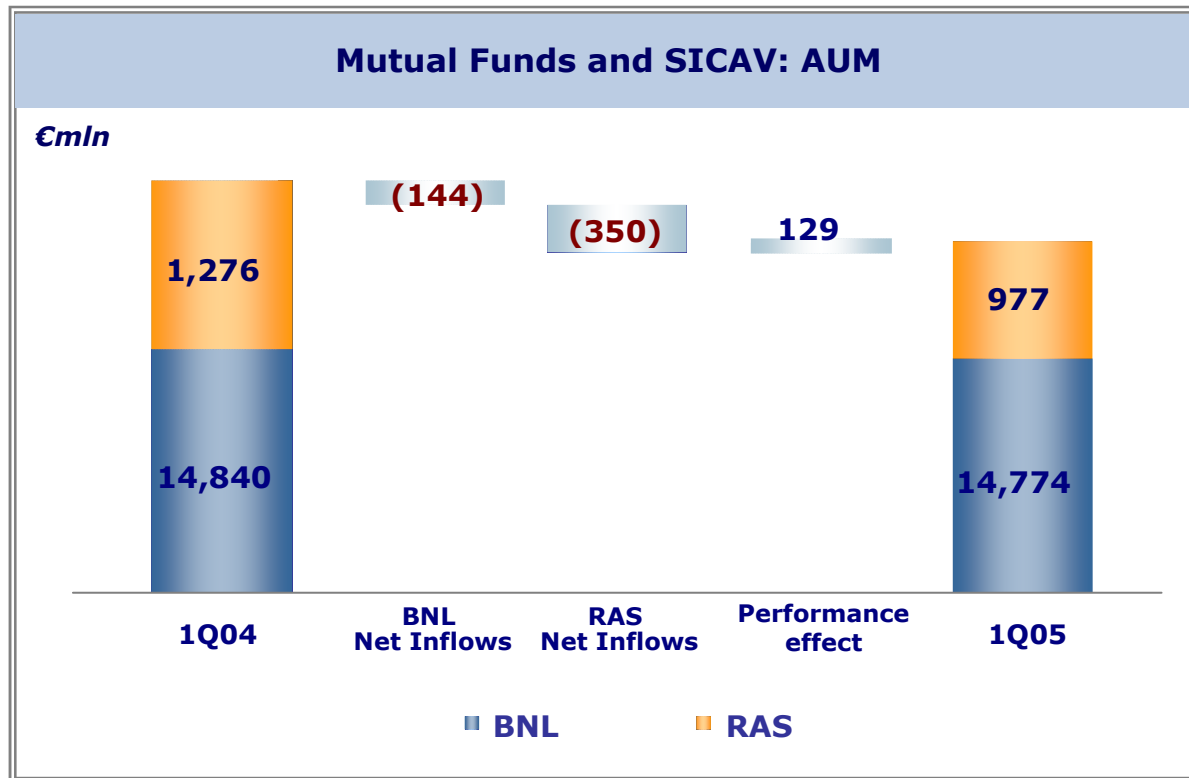


# Asset Management & Bancassurance

**Bancassurance new production (+25% yoy) and real estate funds more than offset mutual funds outflows and generate an improvement of average return**



# Mutual Funds and SICAV AUM



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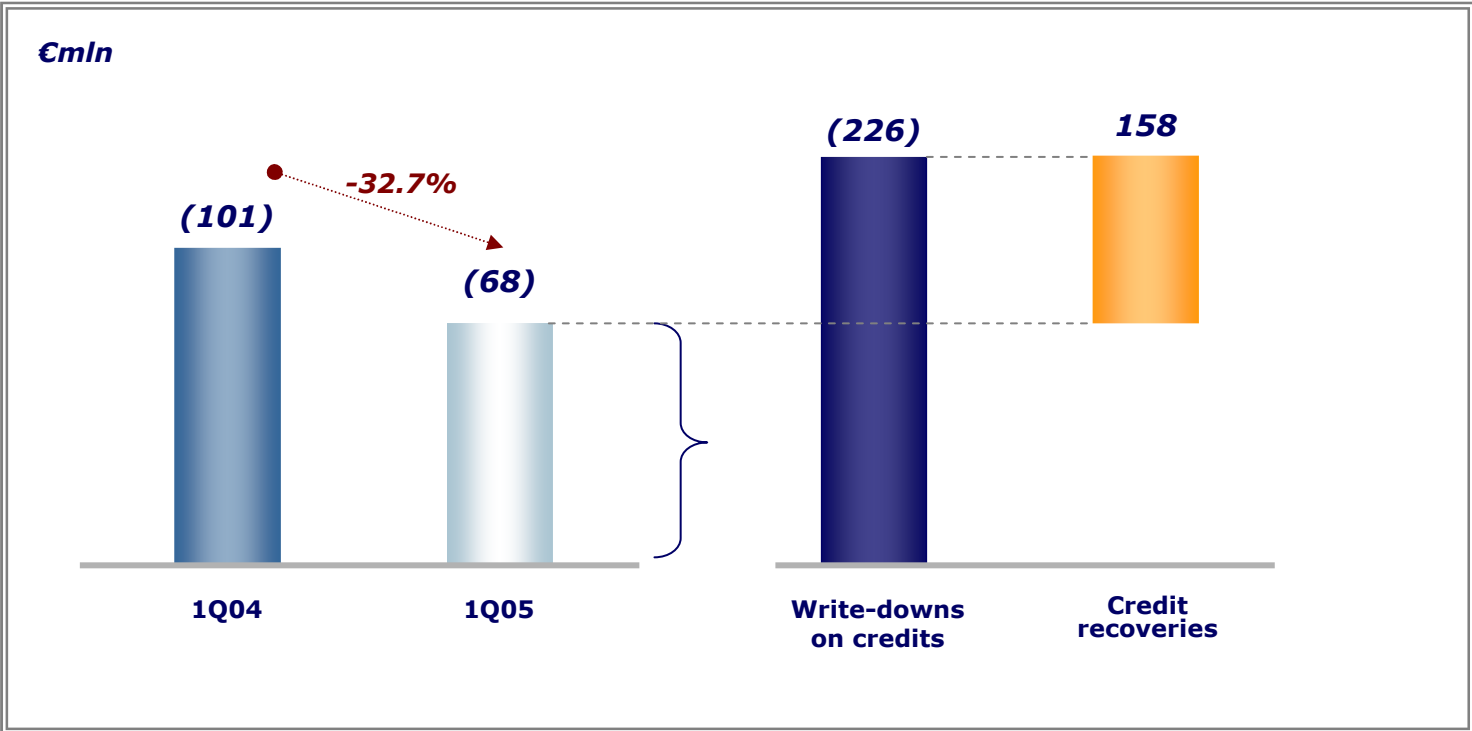
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# BNL Group: Credit Risk Provisions & Write-downs

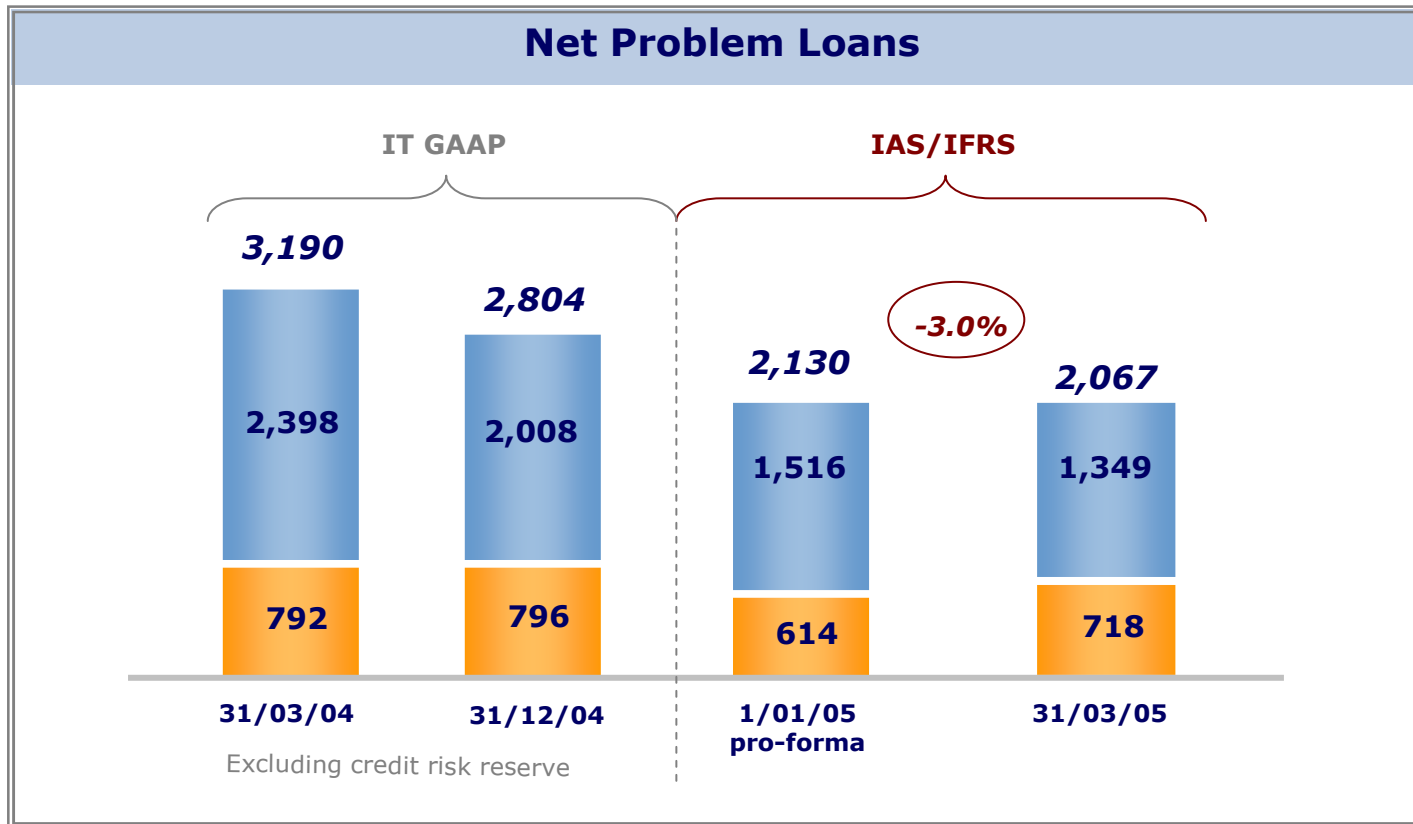
Annualised cost of credit positively impacted by significant level of recoveries



**Net annualised cost of credit: 46 b.p.**

# BNL Group: Asset Quality

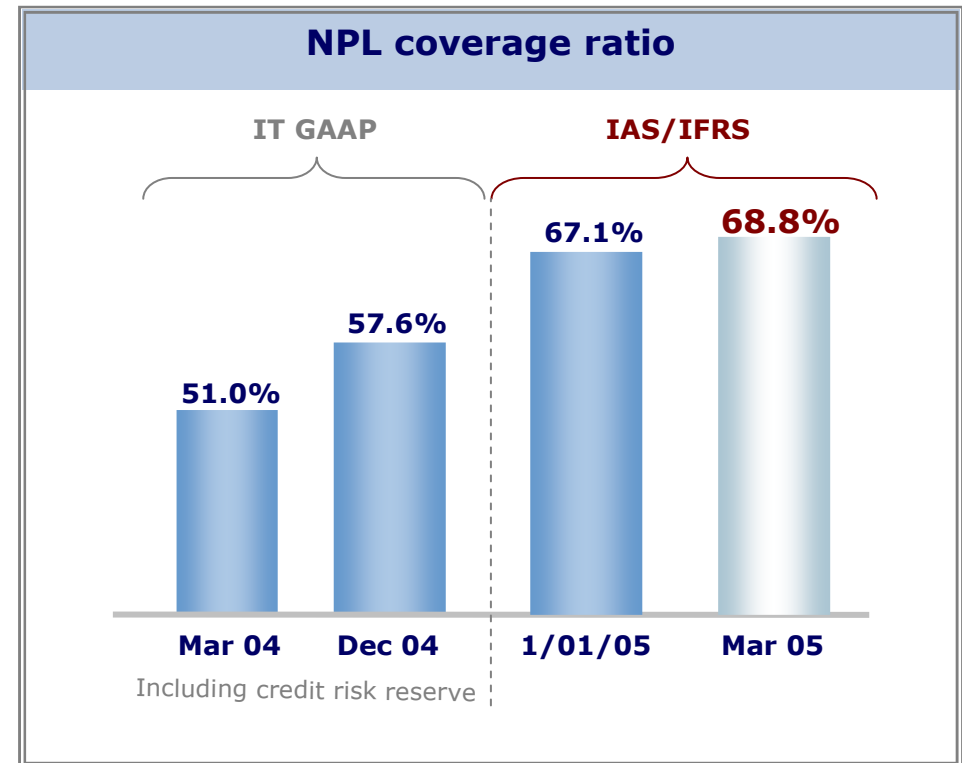
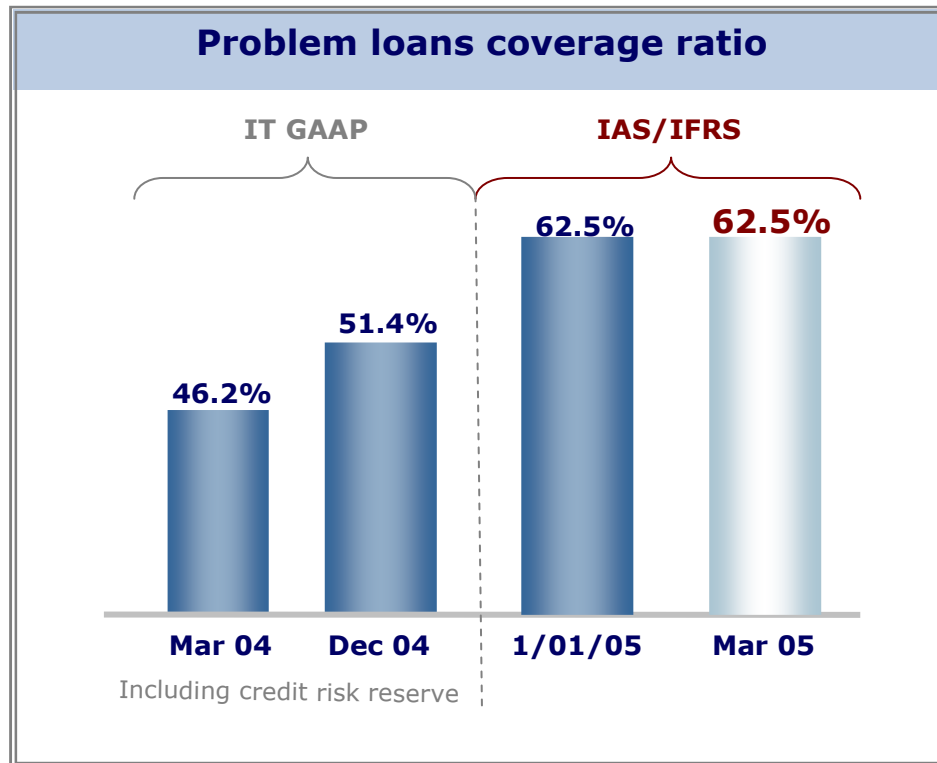
**Net problem loans mark a 3% reduction in the quarter driven by lower net non-performing loans (-11%)**



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

# BNL Group: Asset Quality

- ❑ Coverage ratios in line with market's best practice
- ❑ Further improvement in 1Q05 in NPL's coverage ratio (close to 69%)

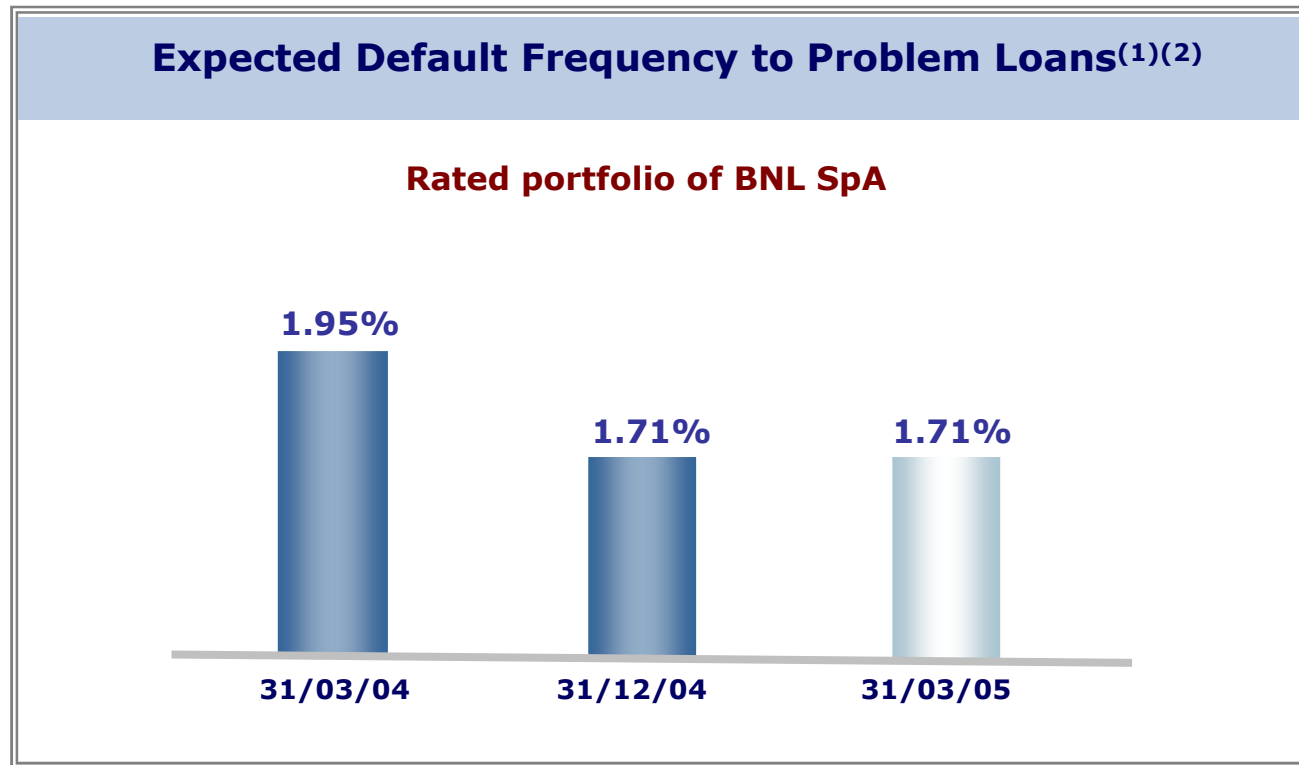




# Asset Quality: Rated Portfolio Evolution

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Following steady improvement in portfolio's quality in 2004, the rated portfolio's EDF has remained stable in the quarter, in line with objectives



(1) Includes "sofferenze" and "incagli"

(2) Calculated on loan volumes

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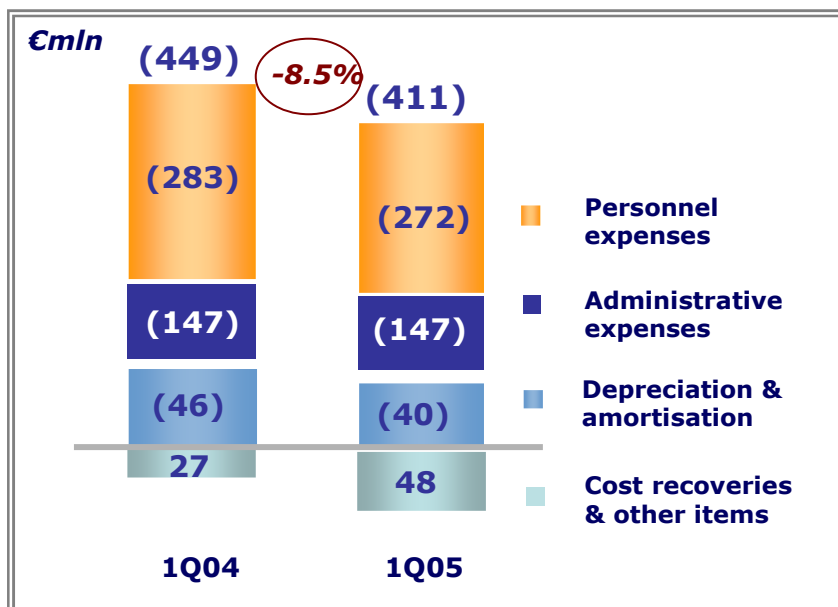
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# BNL Group: Operating Costs

- ❑ Reduction in operating costs assisted by lower personnel expenses
- ❑ New presentation of costs deducts items of a cost recovery nature previously included under income

YoY change



▪ Operating costs **-8.5%**

▪ Personnel expenses **-3.9%**

▪ Administrative expenses **-0.0%**

▪ Depreciation & amortisation **-13.0%**

▪ Cost recoveries & other items **+77.8%**

Aggregate includes:

- ❑ €16mln of non-recurrent recoveries of expenses

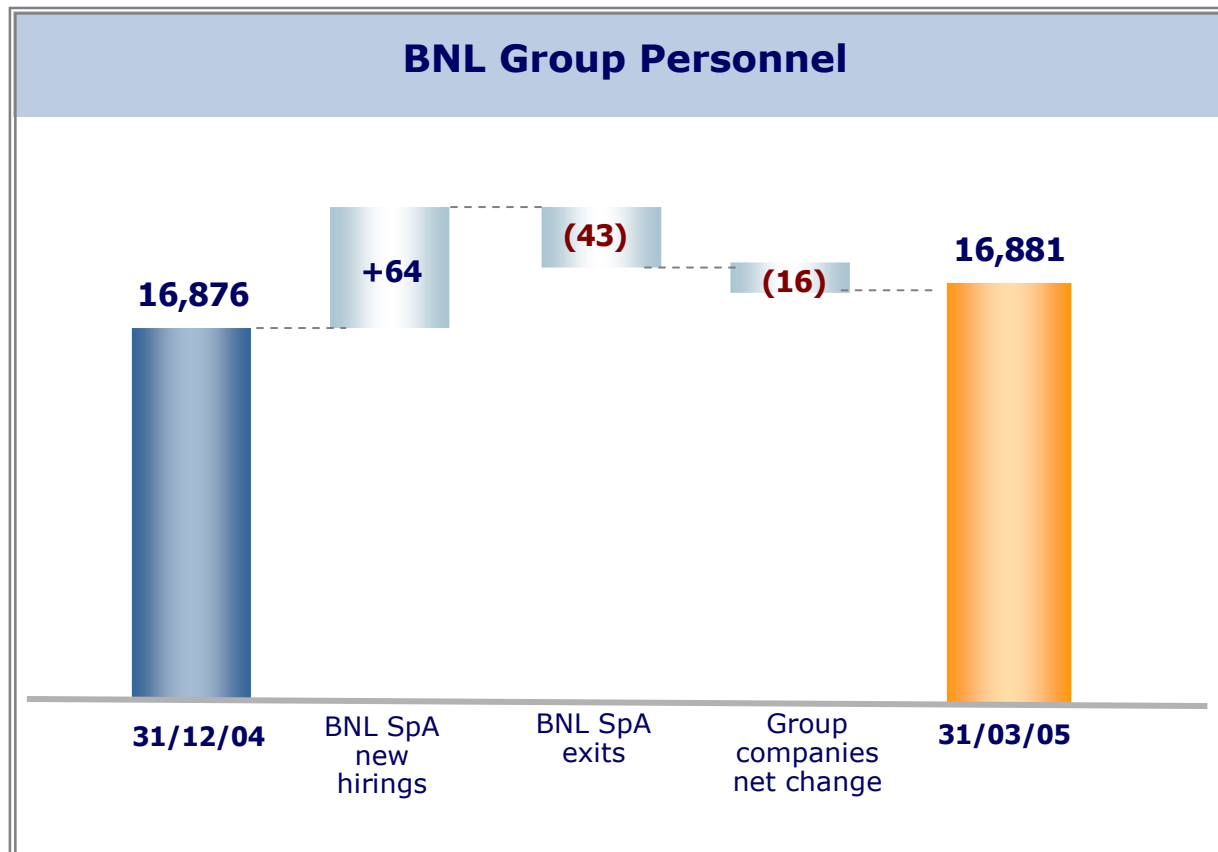
## COST/INCOME

**56.1%** (incl. D&A)

**50.6%** (excl. D&A)

# BNL Group: Personnel Reduction

- ❑ Continuing headcount reduction in 1Q05 offset by selective recruitment
- ❑ Total exits in excess of 500 envisaged for BNL SpA in 2005



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# BNL Main Ratios: The New Picture

Data at 31/03/2005

<p><b>EFFICIENCY</b></p>	<p><b>COST/INCOME (incl. D&amp;A)</b>  <b>COST/INCOME (excl. D&amp;A)</b></p>	<p><b>56%</b>  <b>51%</b></p>
<p><b>ASSET QUALITY</b></p>	<p><b>NPL COVERAGE</b>  <b>PROBLEM LOANS COVERAGE</b>  <b>NET NPL/NET LOANS TO CUSTOMERS</b>  <b>COST OF CREDIT (annualised)</b></p>	<p><b>69%</b>  <b>63%</b>  <b>2.3%</b>  <b>46 b.p.</b></p>
<p><b>CAPITAL BASE</b></p>	<p><b>TIER 1 RATIO*</b></p>	<p><b>6.5%</b></p>
<p><b>PROFITABILITY</b></p>	<p><b>ROE (annualised)</b></p>	<p><b>12%</b></p>

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

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# BNL Group: Income Statement

€mln	31/03/ 05	Of which IAS 32-39	31/03/ 04 (Restated*)	% Var. on 31/03/ 04	%Var. net of IAS 32-39
<b>NET INTEREST INCOME</b>	<b>433</b>	<b>27</b>	<b>383</b>	<b>13.1%</b>	<b>6.2%</b>
Net commissions	235		232	1.3%	0.7%
Dividends and similar income	2		0	n.m.	n.m.
Net trading/hedging result	32		36	(11.7%)	(0.2%)
Profit/loss from sales & purchases of financial assets	31		(4)	n.m.	n.m.
Change in value on financial assets carried at fair value	0		-	n.m.	n.m.
<b>OPERATING INCOME</b>	<b>733</b>	<b>34</b>	<b>647</b>	<b>13.3%</b>	<b>8,0%</b>
Net value adjustment for impairment of loans	(68)		(101)	(32.7%)	(44.2%)
Net value adjustment for impairment of financial assets	(1)		(1)	0.0%	(180.5%)
Net provisions for contingencies and other charges	2		(5)	n.m.	(132.8%)
Operating costs	(411)		(449)	(8.5%)	(8.5%)
-Personnel expenses	(272)		(283)	(3.9%)	(3.9%)
-Other administrative expenses	(147)		(147)	0.0%	(0.1%)
-Depreciation and amortization of intangible assets	(40)		(46)	(13.0%)	(13.0%)
-Other operating income/expense	48		27	77.8%	77.3%
Profit on investments carried at net equity	1		3	(66.7%)	(41.1%)
<b>OPERATING RESULT</b>	<b>256</b>	<b>21</b>	<b>94</b>	<b>172.3%</b>	<b>149.7%</b>
Profit from disposal of investments	-		74	(100.0%)	(100.0%)
<b>PROFIT BEFORE TAX</b>	<b>256</b>	<b>21</b>	<b>168</b>	<b>52.4%</b>	<b>40.0%</b>
Tax for the period	(120)		(63)	90.5%	72.1%
Profit/loss after tax on non-current assets held for sale	-		-	n.m.	n.m.
Profit/loss attributable to minority interests	0		0	n.m.	(114.6%)
<b>NET PROFIT FOR THE PERIOD</b>	<b>136</b>	<b>9</b>	<b>105</b>	<b>30.1%</b>	<b>21.6%</b>

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



# BNL Group: Balance Sheet

<i>€mln</i>	01/03/05	01/01/05 Restated*	%Var
<b>ASSETS</b>	<b>82,948</b>	<b>83,274</b>	<b>(0.4%)</b>
Financial Assets	7,182	7,270	(1.2%)
Loans to banks	7,575	7,259	4.4%
Loans to customers	59,208	59,802	(1.0%)
Equity investments	122	137	(10.9%)
Fixed Assets and intangibles	2,610	2,615	(0.2%)
Non-current assets held for sale and discontinued operations	1,272	1,141	11.5%
Other Assets	4,979	5,050	(1.4%)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>82,948</b>	<b>83,274</b>	<b>(0.4%)</b>
Deposits from banks	10,955	12,474	(12.2%)
Customer deposits	34,103	31,590	8.0%
Securities issued	22,633	23,185	(2.4%)
Financial liabilities	1,898	2,364	(19.7%)
Other liabilities	3,453	3,972	(13.1%)
Allowances for contingencies, risks and retirement indemnities	1,576	1,602	(1.6%)
Subordinated liabilities	2,586	2,593	(0.3%)
Liabilities related to discontinued operations	1,146	1,018	12.6%
Capital and reserves	4,462	4,601	(3.0%)
Net profit	136	(125)	n.m.

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

# Investor's Contacts

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