GRUPPO MPS

Quarterly Report at 31 March 2003

- pursuant to Consob Resolution no. 11971 of 14.5.1999 as subsequently amended -

Siena, Italy, 15 May 2003

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MPS GROUP: SUMMARY OF RESULTS (in EUR million)

(in EUR million)	**31/03/03**	**31/03/02 2002 quarterly average**	**% Change**
Total banking income	1,139.9	1,187.8	-4.0
Gross operating income	413.8	460.7	-10.2
Net profit for the period	131.6	145.5	-9.6
Net profit adjusted for goodwill	153.8	167.6	-8.2

	31/03/03	**31/12/02**	
R.O.E.	10.4%	12.1%	
R.O.E. adjusted	12.0%	14.3%	

(in EUR million)	**31/03/03**	**31/03/02 re-stated**	**% Change**
Aggregate customer funding	169,790	168,711	0.6
Customer loans	67,606	64,648	4.6

(number at period end)	**31/03/03**	**31/03/02 re-stated**	**Abs Change**
Total number of customer	4,440,000	4,387,000	53,000
Number of online customers (number of connections)	1,317,442	1,097,614	219,828
Number of branches in Italy	1,829	1,794	35

NOTES TO THE FINANCIAL STATEMENTS

The Quarterly Report of the Banca Monte dei Paschi di Siena Group for the first three months ending 31 March 2003 has been prepared pursuant to Consob Resolution no. 11971 of 14 May 1999 as subsequently amended.

The reclassified balance sheet and profit and loss statement as of 31 March 2003 have been prepared on the basis of the presentation and valuation criteria used in the preparation of the financial statements as of the previous year end.

The following valutation criteria have been adopted:

- the quarterly financial statements have been drawn up in accordance with the "criterion of independent periods", whereby the period under review is considered on a stand-alone basis. As a result, the interim profit and loss statement includes ordinary and extraordinary income and expenses accrued to the period;
- the financial statements of the subsidiaries used for the purposes of consolidation are those drawn up by the subsidiaries as of 31 March 2003, adjusted where necessary to ensure alignment with the Group accounting policies;
- adjustments and provisions applied by the Parent Company purely for tax purposes have been reversed;
- all transactions among Group companies have been eliminated.

In respect of the financial statements as of 31 December 2002, the area of consolidation has undergone a number of purely formal changes as a result of the following extraordinary operations transacted by the Parent Company:

- the merger of Banca Agricola Mantovana and Banca Toscana into the Parent Company;
- the spin-off of banking operations to the newly established subsidiaries Banca Agricola Mantovana and Banca Toscana;
- the spin-off to the subsidiary MPS Immobiliare of the Parent Company's real estate arm, including the BAM and BT property assets resulting from the merger.

The merger of Banca Toscana entailed the consolidation of Ulisse 3, the subsidiary that acted as a vehicle for the securitisation of Banca Toscana non-performing loans in 2001. The merger of Banca Agricola Mantovana entailed the direct consolidation of the subsidiaries

Mantovana Ireland and G.I. Profidi, which were previously consolidated by BAM.

The companies Marinella S.p.A., which was established as a result of the partial split-up of the subsidiary Amministrazioni Immobiliari S.p.A., and MPS Asset Management Ireland (Ex Mantovana Management), which was previously consolidated by BAM, were consolidated by the subsidiary MPS Asset Management.

The financial statements for the first three months ending 31 March 2003 have not been certified by the independent auditors.

The re-stated consolidated figures for the BMPS Group as of 31 March 2002 have been aligned with the figures as of 31 March 2003 by deconsolidating the subsidiary CRP and CRSM, which were sold in 2002.

Pursuant to Paragraph 2, Article 82 of Consob Resolution no. 11971 of 14 May 1999, Banca Monte dei Paschi di Siena will publish its financial statements for the six months ending 30 June 2003 on or before 13 September 2003 and therefore will not draw up financial statements for the second quarter of 2003.

MPS GROUP: KEY DATA AND RATIO ANALYSIS

million euro

Profit and loss aggregates	3/31/03	3/31/02 restated	Chg.%
Total banking income	1,139.9	1,223.6	-6.8
Gross operating income	413.8	519.8	-20.4
Net income	131.6	158.9	-17.2
Net income adjusted for goodwill	153.8	179.5	-14.3

Balance sheet aggregates	3/31/03	3/31/02	Chg.%
Aggregate customer funding	**169,790**	**168,711**	**0.6**
Direct funding - including subordinated debt	77,090	76,260	1.1
Indirect funding	92,700	92,451	0.3
including: Funds under management	*38,448*	*39,025*	*-1.5*
including: Funds under administration	*54,252*	*53,426*	*1.5*
Customer loans and advances	**67,606**	**64,648**	**4.6**
Consolidated shareholders' equity	**6,422**	**5,925**	**8.4**

Credit quality indicators (%)	3/31/03	12/31/02
Net non-performing loans / Customer loans and advances (%)	1.5	1.5
Watchlist credits / customer loans and advances (%)	1.8	1.7

Profitability ratios (%)	3/31/03	12/31/02
Non interest income/Total banking income	44.8	50.6
Cost/Income ratio % (excluding depreciations and amortization)	63.7	61.2
Cost/Income ratio % (including depreciations and amortization)	70.4	69.8
Cost/Income ratio % (including depreciations and amortization) (°)	67.9	67.6
Adjusted ROE (%)	12.0	14.3
R.O.E. (*)	10.4	12.1

(°) excl Tax Collection area

(*) shareholders' equity net of real estate revaluation reserve

Solvency ratios (%)	12/31/02
Total capital ratio %	8.79
Tier 1 Ratio %	6.05

Share data	3/31/03	3/31/02
Number of shares outstanding	3,014,431,630	2,598,722,319
Number of savings shares outstanding	9,432,170	9,432,170
Ordinary share price during the year:		
- average	2.18	2.97
- low	1.93	2.69
- high	2.50	3.40

Operating structure	3/31/03	12/31/02	Abs. Chg.
Number of banking employees (end of period)	24,850	24,872	-22
Number of total employees (end of period)	27,466	27,517	-51
Number of branches in Italy (*)	1,829	1,827	2
Number of foreign branches and foreign representative offices	37	37	
Number of customers with online connections to the Group banks	1,317,442	1,203,083	114,359

(*) data include facilities of specialized units MPS Merchant and MPS Banca Verde

MPS Group
Reclassified Consolidated Balance Sheet **(in EUR mn)**

ASSETS	3/31/03	3/31/02 restated	Changes Abs	Changes %	12/31/02
Cash on hand and deposits with central bank and post office	433	654	-221	-33.8	834
Loans:					
a) Customer loans and advances	67,606	64,648	2,958	4.6	68,472
b) Amounts due from banks	12,999	14,054	-1,055	-7.5	16,027
Trading Account Securities	15,103	12,634	2,470	19.5	12,458
Non-current assets					
a) Investment securities	4,259	4,279	-20	-0.5	4,453
b) Equity investments	2,730	2,968	-238	-8.0	2,189
c) Fixed assets and intangible assets	2,666	2,545	120	4.7	2,570
Positive consolidation differences & positive net equity differences	849	827	22	2.6	871
Own shares or quotas	45	15	30	207.2	10
Other assets	23,804	15,074	8,730	57.9	21,000
Total Assets	**130,493**	**117,697**	**12,796**	**10.9**	**128,883**

LIABILITIES AND SHAREHOLDERS' EQUITY	3/31/03	3/31/02 restated	Changes Abs	Changes %	12/31/02
Liabilities					
a) Customer deposits and borrowed funds backed by negotiable instruments	73,759	73,216	543	0.7	77,254
b) Due to banks	23,576	18,628	4,948	26.6	20,516
Reserves for specific use					
a) Pension funds	448	438	10	2	434
b) Staff severance indemnity reserve	392	391	1	0.3	397
c) Other reserves for risks and charges	619	568	51	9.0	617
d) Reserve for taxes	851	968	-118	-12.1	746
Other liabilities	20,699	13,272	7,427	56.0	18,930
Reserve for loan losses	361	305	56	18.3	355
Subordinated debt	3,330	3,044	287	9.4	3,276
Minority interests	36	942	-906	-96.2	808
Shareholder's equity:					
a) Share capital	1,935	1,356	579	42.7	1,675
b) Paid-in capital	523	523	0	0.0	523
c)Reserve for general banking risks	361	445	-85	-19.0	361
d) Negative consolidation and net equity differences	23	22	1	5.2	23
e) Reserves	3,449	3,419	29	0.9	2,387
f) Profit (loss) for the year	132	159	-27	-17.2	582
Total Liabilities and Shareholders' Equity	**130,493**	**117,697**	**12,796**	**10.9**	**128,883**

MPS Group
Reclassified profit and loss statement - (in EUR mn)

	3/31/03	3/31/02 restated (*)	Changes Abs	Changes %	Quarterly Avg 2002	12/31/02
Net Interest Income	**628.7**	**581.0**	**47.7**	**8.2**	**586.7**	**2,346.6**
Profit (loss) from financial transactions	105.6	99.2	6.4	6.5	35.0	140.1
Net commissions	285.8	350.5	-64.7	-18.5	354.9	1,419.5
Other operating income	106.8	170.2	-63.4	-37.2	134.2	536.6
Dividends and tax credit	0.5	13.1	-12.7	-96.5	68.0	272.2
Earnings of companies valued with net equity method	12.6	9.7	2.9	30.3	9.1	36.3
Non Interest Income	**511.2**	**642.7**	**-131.5**	**-20.5**	**601.2**	**2,404.6**
Total Banking Income	**1,139.9**	**1,223.6**	**-83.8**	**-6.8**	**1,187.8**	**4,751.2**
Administrative expenses						
- personnel expenses	-449.3	-434.8	-14.6	3.3	-445.2	-1,781.0
- other administrative expenses	-276.8	-269.1	-7.7	2.9	-281.9	-1,127.5
Total administrative expenses	**-726.1**	**-703.8**	**-22.3**	**3.2**	**-727.1**	**-2,908.5**
Gross Operating Profit	**413.8**	**519.8**	**-106.0**	**-20.4**	**460.7**	**1,842.8**
Valuation adjustments to fixed and intangible assets	-76.8	-73.4	-3.4	4.7	-101.5	-406.2
Goodwill admortization	-22.2	-20.6	-1.6	7.9	-22.1	-88.5
Provisions for risks and charges	-16.6	-1.4	-15.2	ns.	-10.6	-42.4
Valuation adjustments to loans net of recoveries	-98.3	-60.4	-37.9	62.8	-109.5	-438.0
Provision to loan loss reserve	-8.3	-10.2	1.9	-18.8	-22.5	-90.0
Writedowns to non-current financial assets	-1.0	-8.7	7.8	ns.	-6.9	-27.6
Profit (losses) from ordinary operations	**190.6**	**345.2**	**-154.5**	**-44.8**	**187.5**	**750.1**
Extraordinary income (charges)	25.6	12.2	13.4	110.1	13.3	53.3
Change in reserve for general banking risks	0.0	0.0	0.0	ns.	21.2	85.0
Income taxes	-83.4	-166.8	83.4	-50.0	-54.1	-216.6
Profit for the period before minority interests	**132.8**	**190.5**	**-57.7**	**-30.3**	**168.0**	**671.9**
Minority interests	-1.3	-31.6	30.4	-96.0	-22.5	-90.0
Net profit for the period	**131.6**	**158.9**	**-27.4**	**-17.2**	**145.5**	**581.8**

(*) The data for the quarters of 2002 exclude the figures for such period for the subsidiary banks, Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato, both of which were sold in the fourth quarter.
Besides the first quarter 2002 includes the values of "Sorit", society earlier valued
with net equity metod, the contoll of which has been required in the fourth quarter 2002.
Considering minority interests, acquired with the merger of the first quarter 2003, the net profit for the Group at 31/3/02 should be restated at 188.5 €/mil.

MPS Group
Quarterly profit and loss statement
(in EUR mn)

	Year 2003	Year 2002 restated value as of (*)				Quarterly Avg	
	1Q03	4Q02 Restated	3Q02 Restated	2Q02 Restated	1Q02 Restated	2002	12/31/02
Net Interest Income	**628.7**	**624.7**	**576.5**	**564.4**	**581.0**	**586.7**	**2,346.6**
Profit (loss) from financial transactions	105.6	136.7	-34.4	-61.5	99.2	35.0	140.1
Net commissions	285.8	397.9	324.5	346.5	350.5	354.9	1,419.5
Other operating income	106.8	112.7	75.4	178.3	170.2	134.2	536.6
Dividends and tax credit	0.5	13.7	-1.7	247.0	13.1	68.0	272.2
Earnings of companies valued with net equity method	12.6	15.8	8.6	2.2	9.7	9.1	36.3
Non Interest Income	**511.2**	**676.9**	**372.5**	**712.6**	**642.7**	**601.2**	**2,404.6**
Total Banking Income	**1,139.9**	**1,301.6**	**949.0**	**1,277.0**	**1,223.6**	**1,187.8**	**4,751.2**
Administrative expenses							
- personnel expenses	-449.3	-457.6	-434.7	-453.9	-434.8	-445.2	-1,781.0
- other administrative expenses	-276.8	-295.9	-283.1	-279.4	-269.1	-281.9	-1,127.5
Total administrative expenses	**-726.1**	**-753.6**	**-717.8**	**-733.2**	**-703.8**	**-727.1**	**-2,908.5**
Gross Operating Profit	**413.8**	**548.0**	**231.2**	**543.7**	**519.8**	**460.7**	**1,842.8**
Valuation adjustments to fixed and intangible assets	-76.8	-158.3	-88.7	-85.7	-73.4	-101.5	-406.2
Goodwill admortization	-22.2	-24.6	-21.3	-22.0	-20.6	-22.1	-88.5
Provisions for risks and charges	-16.6	-15.5	-9.1	-16.4	-1.4	-10.6	-42.4
Valuation adjustments to loans net of recoveries	-98.3	-180.4	-92.7	-104.5	-60.4	-109.5	-438.0
Provision to loan loss reserve	-8.3	-70.8	-5.6	-3.4	-10.2	-22.5	-90.0
Writedowns to non-current financial assets	-1.0	-8.6	-2.7	-7.6	-8.7	-6.9	-27.6
Profit (losses) from ordinary operations	**190.6**	**89.8**	**11.0**	**304.1**	**345.2**	**187.5**	**750.1**
Extraordinary income (charges)	25.6	6.6	18.0	16.5	12.2	13.3	53.3
Change in reserve for general banking risks	0.0	85.0	0.0	0.0	0.0	21.2	85.0
Income taxes	-83.4	106.0	-8.1	-147.7	-166.8	-54.1	-216.6
Profit for the period before minority interests	**132.8**	**287.4**	**21.0**	**172.9**	**190.5**	**168.0**	**671.9**
Minority interests	-1.3	-25.9	-12.9	-19.6	-31.6	-22.5	-90.0
Net profit for the period	**131.6**	**261.5**	**8.1**	**153.3**	**158.9**	**145.5**	**581.8**

(*) The data for the first three quarters of 2002 exclude the figures for such period for the subsidiary banks, Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato, both of which were sold in the fourth quarter. Besides the first three quarter 2002 includes the values of "Sorit", society earlier valued with net equity metod, the contoll of which has been required in the fourth quarter 2002.

MPS GROUP STRUCTURE

		COMPANY NAME	REGISTERED OFFICE	INVESTMENT RELATIONSHIP Investor	% held	CARRYING VALUE
		A.1 Consolidated companies (consolidated on a line-by-line basis)				
A.0		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	Siena			xxx
A.1		BANCA TOSCANA S.P.A.	Florence	A.0	99.994	xxx
				A.3	0.006	
A.2		MPS BANCA VERDE S.P.A.	Florence	A.0	67.000	xxx
				A.1	29.230	
A.3		MPS MERCHANT BANCA PER LE PICCOLE E MEDIE IMPRESE S.P.A.	Florence	A.0	88.053	xxx
				A.1	11.680	
A.4		BANCA 121 PROMOZIONE FINANZIARIA S.p.A.	Lecce	A.0	99.961	xxx
A.5		BANCA C. STEINHAUSLIN & C. S.P.A.	Florence	A.0	100.000	xxx
A.6		MPS GESTIONE CREDITI S.p.A.	Siena	A.0	99.500	xxx
				A.1	0.500	
A.7		MPS LEASING E FACTORING S.p.A.	Siena	A.0	82.624	xxx
				A.1	6.647	
				A.9	6.437	
A.8		MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	A.0	100.000	xxx
A.9		GRUPPO BANCA AGRICOLA MANTUANA	Mantua	A.0	99.992	xxx
				A.3	0.008	
	9.1	BANCA AGRICOLA MANTUANA S.p.A.	Mantua	A.0	99.992	
				A.3	0.008	
	9.2	BANCA AGRICOLA MANTUANA RISCOSSIONI S.p.A.	Mantua	A.9	100.000	
	9.3	PADANA RISCOSSIONI S.p.A.	Mantua	A.9	54.538	
	9.4	PADANA IMMOBILIARE S.p.A.	Mantua	A.9	100.000	
	9.5	AGRISVILUPPO S.p.A.	Mantua	A.9	96.973	
				A.2	1.900	
	9.6	NUOVA AIDA	Villafranca (VR)	A.9.4	70.000	
A.10		MPS ASSET MANAGEMENT S.P.A.	Milan	A.0	78.192	xxx
				A.1	6.192	
				A.9	10.550	
				A.4	3.828	
	10.1	MPS ALTERNATIVE INVESTMENTS SGR	Milan	A.10	100.000	
	10.2	MPS ASSET MANAGEMENT IRELAND LTD.	Dublin	A.10	100.000	
A.11		121 FINANCIAL SERVICE LTD.	Dublin	A.0	100.000	xxx
A.12		INTERMONTE SECURITIES SIM S.p.A.	Milan	A.8	34.653	xxx
				A.9	34.653	
	12.1	WEB SIM S.p.A.	Milan	A.12	84.000	
A.13		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	A.0	86.000	xxx
				A.1	14.000	
A.14		ULISSE S.p.A.	Milan	A.0	60.000	xxx
A.15		ULISSE 2 S.p.A.	Milan	A.0	60.000	xxx

A.16		ULISSE 3 S.p.A.	Milan	A.0	60.000	xxx
A.17		CONSUM.IT S.P.A.	Florence	A.0 A.1	70.000 30.000	xxx
A.18		AMMINISTRAZIONI IMMOBILIARI S.P.A.	Siena	A.0	100.000	xxx
A.19		MPS IMMOBILIARE S.p.A.	Siena	A.0	100.000	xxx
A.20		MARINELLA S.p.A.	La Spezia	A.0	100.000	xxx
A.21		BA. SA. S.p.A.	Lecce	A.0	99.979	xxx
A.22		G.IMM.ASTOR Srl	Lecce	A.0	52.000	xxx
A.23		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	A.0	100.000	xxx
A.24		G.I. PROFIDI S.p.A.	Rome	A.0	100.000	xxx
A.25		CONSORZIO OPERATIVO GRUPPO MPS	Siena	A.0 A.1 A.2 A.3 A.4 A.5 A.6 A.7 A.8 A.9	99.639 0.028 0.028 0.028 0.028 0.028 0.028 0.028 0.028 0.028	xxx xxx
A.26		ITALRISCOSSIONI S.p.A.	Rome	A.0	100.000	xxx
A.27		G.E.R.I.T. S.P.A.	L'Aquila	A.0	99.978	xxx
A.28		MONTE PASCHI SERIT S.p.A.	Palermo	A.0	100.000	xxx
A.29		SO.RI.T. S.p.A.	Foligno	A.0	54.593	xxx
A.30		BANCA MONTE PASCHI BELGIO S.A.	Brussels	A.0 A.1	64.473 35.527	xxx
A.31		BANCA MONTE PASCHI SUISSE S.A.	Geneva	A.0	99.996	xxx
A.32		MPS PREFERRED CAPITAL I LLC	New York	A.0	100.000	xxx
A.33		MONTE PASCHI BANQUE S.A.	Paris	A.0 A.1	70.175 29.825	xxx
	33.1	MONTE PASCHI CONSEIL FRANCE	Paris	A.33	99.840	
	33.2	MONTE PASCHI INVEST FRANCE S.A.	Paris	A.33	99.973	
	33.3	M.P. ASSURANCE S.A.	Paris	A.33	99.600	
	33.4	S.N.C. IMMOBILIARE POINCARE	Paris	A.33	100.000	
	33.5	IMMOBILIARE VICTOR HUGO	Paris	A.33	100.000	
A.34		MONTEPASCHI LUXEMBOURG S.P.A.	Brussels	A.0 A.33	99.200 0.800	xxx
A.35		MANTUANA IRELAND LTD.	Dublin	A.0	100.000	xxx
A.36		M.P.S. COMMERCIAL PAPER	New York	A.0	100.000	xxx
A.37		BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD.	Guernsey C.	A.0	100.000	xxx
	37.1	CITY NOMINESS LTD.	Guernsey C.	A.37	100.000	
	37.2	BMPS CORPORATE SERVICES LTD.	Guernsey C.	A.37	100.000	
	37.3	BMPS NOMINESS (CI) LTD.	Guernsey C.	A.37	100.000	
	37.4	BMPS TRUSTEES (CI) LTD.	Guernsey C.	A.37	100.000	
	37.5	SAINTS TRUSTEES LTD.	Guernsey C.	A.37	100.000	

	A.2 Consolidated companies (consolidated on a proportional basis)				
A.38	BANCA POPOLARE DI SPOLETO S.P.A. *(carrying value at 20% of nominal value)*	Spoleto	A.0	20.000	xxx
A.39	BANCA MONTE PARMA S.p.A. *(carrying value at 41% of nominal value)*	Parma	A.0	41.000	xxx
A.40	S.E.I.T S.p.A. *(carrying value at 40.205% of nominal value)*	Parma	A.39	40.205	xxx
	B. Companies valued with the Net Equity method (details of account 80 a)				
B.1	MONTE PASCHI VITA S.P.A.	Rome	A.0	100.000	278,991
B.2	TICINO - COMP.ITAL. ASS.NI S.P.A.	Rome	A.0	100.000	35,617
B.3	TICINO VITA S.P.A.	Rome	A.1 B.1	40.000 60.000	87,492
B.4	DIPRAS S.P.A.	Rome	A.0	100.000	1,575
B.5	GROW LIFE LTD..	Dublin	A.0 B.1	40.000 60.000	19,136
B.6	E-IDEA S.P.A.	Rome	A.0 A.1	70.000 30.000	1,708
B.7	MPS NET S.P.A.	Siena	A.0 A.3	99.000 1.000	31,350
B.8	SAN PAOLO ACQUE S.r.l.	Lecce	A.0	100.000	245
B.9	MAGAZZINI GENERALI FIDUCIARI MANTUA S.p.A.	Mantua	A.9	100.000	8,379
	Total				464,493
	C. Other companies valued with the Net Equity method (details of account 70 a)				
C.1	BANQUE DU SUD	Tunis	A.0	14.961	16,064
C.2	AEROPORTO SIENA S.p.A.	Siena	A.0 A.1	20.000 20.000	984
C.3	FIDI TOSCANA S.p.A.	Florence	A.0 A.1 A.3 A.2	13.390 10.359 4.127 0.999	17,886
C.4	I.B.A. VIENNA	Vienna	A.0	35.007	4,060
C.5	LINEAR COMPAGNIA ASS. S.p.A.	Bologna	A.9	20.000	5,357
C.6	QUADRIFOGLIO VITA S.p.A.	Bologna	A.9	50.000	19,622
C.7	S.ES.IT PUGLIA S.p.A.	Bari	A.0	35.000	-
C.8	SI.CI. Sviluppo Imprese Centro Italia S.p.A.	Florence	A.3	45.000	2,424
C.9	S.I.S. IMMOBILI S.p.A.	Villafranca (VR)	A.9.4	24.809	622
C.10	UNION CAPITAL SIM S.p.A. (winding up)	Milan	A.9	36.000	159

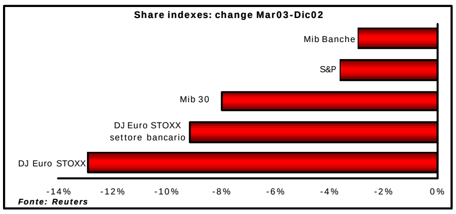
		Total				67,178

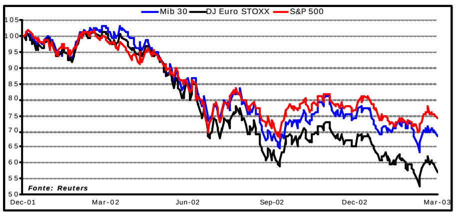
OVERVIEW OF ECONOMIC AND INDUSTRY TRENDS

MACROECONOMIC SCENARIO

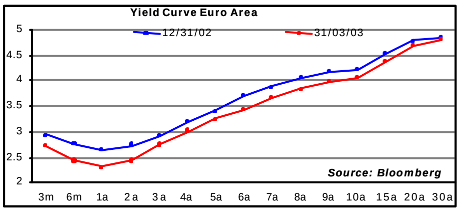
First quarter 2003 opened amid heightened difficulties in the business scenario. Growing geo-political tensions and sluggish economic conditions caused a further deterioration in the global climate of confidence in the Euro Area. Consumer confidence indicators fell to their lowest levels for nine years and business confidence indicators (particularly for Purchase Managers Index) pointed to expectations of a continuing business decline.

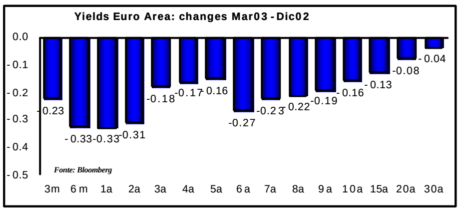
The financial markets responded to the situation with a classic "flight to quality" from equities to bonds: as tension grew to a peak with the imminent announcement of war, the key share indexes dropped by around 20% from year-opening levels, while the yield on ten-year benchmark securities sank to less than 4%, the lowest level of the last five years.

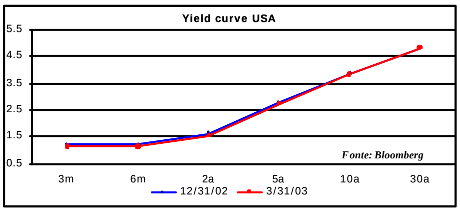


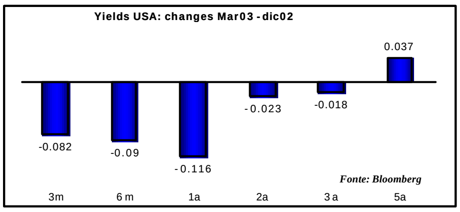


In the Euro Area, the 2-10 year spread rose by 16 basis points, from 148 at the end of 2002 to 164 in March; the USA registered a 10 basis point increase in the same period, from 221 to 231 basis points. This was the setting for the ECB decision in early March to cut reference interest rates by 25 basis points.









To date, this cut has failed to brake the rapid rise of the Euro, which increased 4% against the dollar during the first quarter, thus creating further difficulties for domestic and European business.

BANKING INDUSTRY TRENDS

International developments obviously had a significant impact on the performance of financial operators, affecting traditional banking activities (limited growth in loans and funding, further narrowing of spreads, as well as signs of a decline in the quality of the loans portfolio), funds under management (with savers moving toward short-term instruments with guaranteed yields) and services (a general reduction in portfolio turnover, flat business volumes).

Specifically:

- **customer loans and advances:** Italian banks returned to growth of more than 6% in disbursements, after the slowdown reported in the second half of 2002. Once again, growth was stronger for medium/long-term maturities, especially for family loans. Growth on short-term maturities was limited, although faster than at the end of 2002;
- **direct funding** maintained steady if less intense growth than in 2002, due to slower growth in current accounts;
- **short-term spreads:** the interest-rate reduction had a stronger impact on receivable rates (-35 b.p. against 31/12/02) than on payable rates (-19 b.p. against 31/12/02), narrowing the spread from 4.36% in December 2002 to 4.20% in March.

BUSINESS TREND

In a difficult climate marked by the continuation or intensification of the external difficulties that emerged during 2001, operations at the **MPS Group** focused on containing cost trends and continuing the commercial policy introduced in 2002 to match the need to extend and improve the quality of customer relations with attentive monitoring of earnings. The Group also completed a series of major corporate restructurings planned in 2002 and moved ahead with key projects.

Loans and funding in the first quarter were largely unchanged from fourth quarter 2002 for short-term maturities, while volumes increased for longer-term maturities. Consistently with the basic operating guidelines for the year, loans and advances gave priority to medium/long-term maturities (retail mortgages and disbursements by the specialized companies), and reduced short-term lending to domestic and international corporate customers, in part through attention to pricing and risk/yield ratios. This policy enabled the group to keep the spread between the average short-term rates on interest-bearing assets and interest-bearing liabilities at the 2002 year-end level, despite strong pressure on the mark-down, while the industry spread narrowed. It also assisted **net interest income** growth. First-quarter flows for non-performing loans were down on those of the previous year.

With regard to **funds under management**, where customer demand targeted liquidity and security, placements rose significantly from the already strong levels reported in first quarter 2002. **Services** reported satisfactory results for lending, but encountered difficulties in winning orders on the financial markets. **Costs** were in line with budget projections.

Thanks to the significant slowdown achieved in the capital requirement for credit and market risks, the Group had a Tier 1 ratio (including retained earnings) estimated at 6%.

Key results for first quarter 2003 are detailed below.

BALANCE-SHEET AGGREGATES

FUNDS UNDER MANAGEMENT

The commercial networks reported high placements levels, with further year-on-year improvements. The sales mix reflected continuing customer caution in the choice of investment, with a preference for insurance products, which offer high embedded value and lower risk, and instruments with guaranteed capital and/or high marketability.

There was a strong upturn in mutual funds/SICAVs, with the focus primarily on monetary instruments. Placements were as follows:

Group Product Placements (including placements by CRP and CRSM)

in EUR million	Year-to-date at 31/03/03	Year-to-date at 31/03/02
Mutual Funds/SICAVs	715	289
Life Insurance Policies, of which	1,177	1,281
Ordinary	789	959
Index-Linked	193	168
Unit-Linked	195	154
Innovative financial products	775	803

The breakdown reflects:

- EUR 1,177 million of insurance premiums, with the proportion of index-linked policies (16.4%) and unit-linked policies (16.6%) rising against traditional products (67%). **According to preliminary estimates, the market share of the "bancassurance and poste" was 11.7%.**

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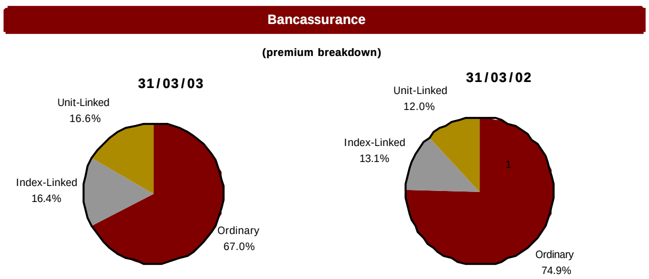


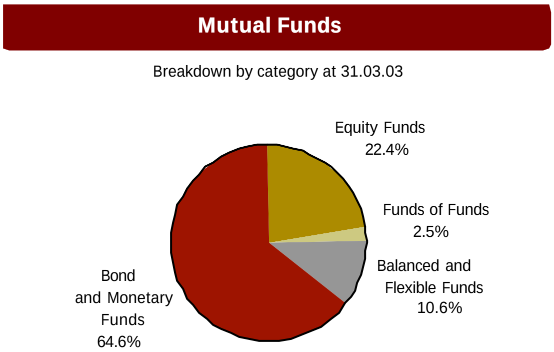
- EUR 715 million of aggregate mutual funds/SICAVs, thanks to EUR 1,085 million of direct customer funding. Significant year-on-year growth enabled the Group to achieve a market share of **8.3%, measured in terms of total investments mutual funds** and to increase its market **share in terms of stock from 4.07% in December 2002 to 4.13% at March 2003 ;**
- EUR 775 million of innovative financial products with a preference for short-term maturities and guaranteed capital.

As a result of the foregoing volumes and a negative performance effect, **funds under management** at 31/03/03 totaled EUR 38,448 million
(-1.5% year-on-year, + EUR 1,413 million on 31/12/02). The aggregate figure reflected the following trends:

- Mutual funds

Group Mutual Funds stood at EUR 14,200 million (-7.7% year-on-year, + EUR 1,142 million on the beginning of the year), which included a negative performance effect of –2.4% since the beginning of the year.

The breakdown of Group mutual funds in the chart shows the rise in the proportion of bond and monetary funds to 65% (57% at 31 December 2002) and the corresponding downturn in equity funds and flexible/balanced funds.

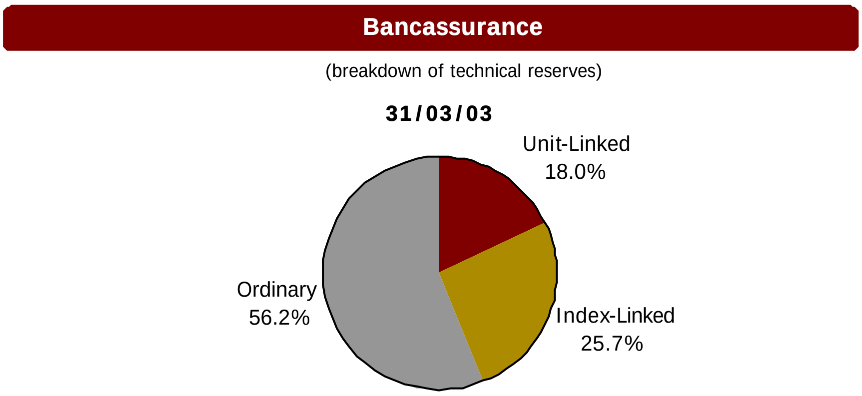


- Discretionary funds

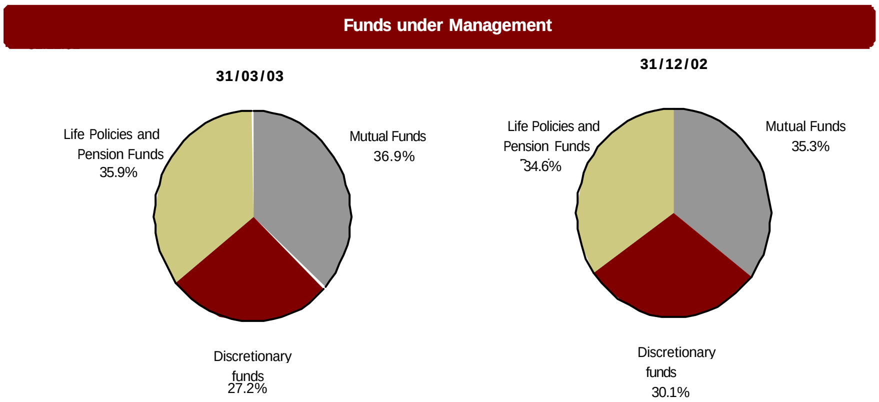
Discretionary funds stood at EUR 10,440 million (-17% year-on-year), reflecting the shift in customer portfolios to other types of indirect funding and the re-emergence of discretionary funds as an instrument for the private segment.

- Bancassurance

Stocks of life policy reserves rose 24.8% year-on-year to EUR 13,808 million (+ EUR 982 million on 2002 year-end). The breakdown of technical reserves was as follows:

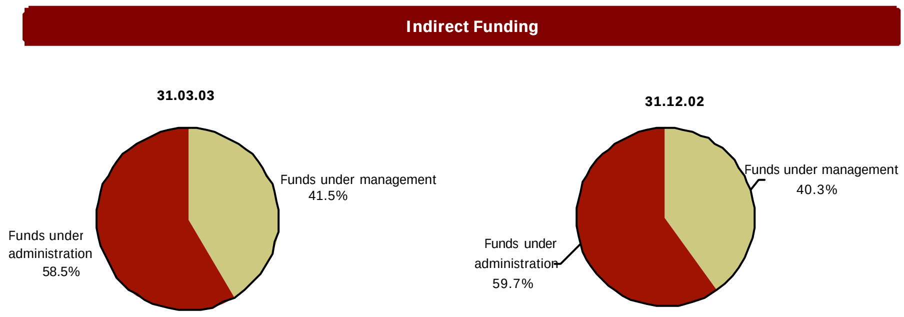


Funds under management thus reflected a further increase – compared with December 2002 – in the proportion of life policies and funds, to the detriment of discretionary funds.



Funds under administration rose by 1.5% year-on-year to an aggregate EUR 54,252 million; the reduction in stocks since the beginning of the year was largely due to the decrease in stock values as a result of the previously mentioned "price effect".

The foregoing trends brought **indirect funding** to EUR 92,700 million (stable on an annualized basis, + EUR 726 million on 31/12/02). For the first time in several months, the proportion of funds under management increased, rising from 40.3% in December 2002 to 41.5% in March 2003.



Direct funding (EUR 77,090 million at 31/03/03, for a **6.5% of the domestic market share**) showed year-on-year growth of 1.1%. The decline of approximately 4.2% since the beginning of the year arose with implementation of corporate policy to reduce costlier corporate deposits in favor of alternative forms of funding and as a result of the slowdown reported by the overseas branches. The aggregate figure reflected continuing strong performance in investments in bonds, whereas sight deposits slowed.

The above trends produced **aggregate customer funding** of EUR 169,790 million (+0.6% year-on-year).

AGGREGATE CUSTOMER FUNDING (in EUR million)

	31/03/03	**% change yoy**	**% ratio 31/03/03**	**% ratio 31/03/02**
Direct funding	77,090	1.1	45.4	45.2
customer deposits and borrowed funds backed by negotiable instruments	73,759	0.7	43.4	43.4
subordinated debt	3,330	9.4	2.0	1.8
Indirect funding	92,700	0.3	54.6	54.8
funds under management	38,448	-1.5	22.6	23.1
funds under administration	54,252	1.5	32.0	31.7
Total	169,790	0.6	100.0	100.0

LOAN POLICY

In line with corporate operating policies introduced in 2002, loan management focused on attentive assessment of credit-worthiness, re-definition of pricing, and limitation of risk and capital absorption. Customer loans and advances were 4.6% higher against March 2002 (compared with +8.6% at 31/12/2002), but dropped EUR 860 million against 2002 year-end. **Market share for the domestic market stood at 6.3%**, in part re-absorbing the stronger growth rates reported by the Group in previous years. The slowdown in corporate loans was particularly evident in short-term maturities, where loans to Italian customers were down by approximately 3.6% against 31/12/02.

Excluding operations with marginal regulatory requirements from short-term loans, the downturn against year-end would be approximately 6%. Medium/long-term maturities maintained stronger growth rates (+3.4% approximately on 31/12/02 for Italian customers, with an **additional improvement in market share to 7%)**, driven by new retail and corporate mortgages, which reached the impressive amount of approximately EUR 1,335 million (EUR 1,051 million in first quarter 2002), and by growth in disbursements for specialized lending, as illustrated in the table below:

Specialized credits and financial products for corporate customers

in EUR million		Year-to-date at 31/03/03	Year-to-date at 31/03/02
MPS Finance			
	investment products	169	189
	risk management	1,642	637
MPS Merchant			
	applications	1,899	1,554
	disbursements	437	301
MPS Banca Verde			
	applications	520	363
	disbursements	162	82
MPS Leasing & Factoring (*)			
	new leases	366	321
	factoring turnover	935	968
Consumit			
	disbursements	205	154

(*) 2002 values include operations transacted directly by Banca MPS

Among the commercial networks, customer loans and advances were slightly down at Banca Toscana and moderately up for the Bank Division and Banca Agricola Mantovana. As the table above shows, extremely satisfactory results were achieved in corporate risk management products developed by MPS Finance, with volumes almost triple those of first quarter 2002.

DOUBTFUL CUSTOMER LOANS

The trend in doubtful loans slowed significantly in first quarter 2003 compared with 2002, with a moderate 2% increase against year-end thanks to the decrease in new non-performing loans compared with first quarter 2002. The ratio of non-performing loans and watch-list credits measured 3.3% against 3.2% at the end of 2002, when the volume of loans was lower. **The ratio of net non-performing loans to total customer loans was steady at year-end levels (1.5%) and well below the industry average (estimated at 2.2%). Similarly,**

the ratio of gross non-performing loans to total customer loans was 2.7%, against an estimated industry average of 4.6%.

CUSTOMER LOANS BY RISK CATEGORY

Risk category – Net values in EUR million	**31/03/03**	**31/12/02**	**% 31/03/03**	**% 31/12/02**
Non-performing loans	1,035	1,011	1.5	1.5
Watch-list credits	1,202	1,178	1.8	1.7
Loans being restructured				0.0
Restructured credits	59	56	0.1	0.1
Unsecured loans to borrowers in high-risk nations (*)	180	180	0.3	0.3
Total doubtful loans	**2,475**	**2,426**	**3.7**	**3.5**
Performing loans	65,131	66,046	96.3	96.5
Total Customer Loans	**67,606**	**68,472**	**100.0**	**100.0**

(*) Pursuant to Bank of Italy directives and in accordance with a more prudent policy, these loans include exposure to borrowers in countries for which no reserves are provided. Aggregate doubtful loans in this category totaled EUR 7.9 million at 31/12/02 and EUR 8 million at 31/03/03.

The stock of net non-performing loans stood at EUR 1,035 million at 31/03/03, against EUR 1,011 million at 31/12/02, an increase of barely 2%.

The table below sets out credit quality ratios for the main Group companies, showing that the ratio of non-performing loans to total customer loans was less than 1% for Banca Toscana. Doubtful loan figures are lower for the product companies given that collateral security is provided on loans disbursed by these companies.

Doubtful loans by Business Unit

Risk category – Net values at 31/03/03 *in EUR million*	**BMPS**	**BT**	**BAM**	**MPS Merchant**	**MPS Banca Verde**	**Group**
Non-performing loans	543	87	145	151	47	1,035
% of Customer Loans	1.5	0.8	1.8	3.1	2.4	1.5
% coverage doubtful loans/gross non-performing loans	**41.7**	**46.7**	**51.0**	**23.3**	**18.8**	**45.5**
Watch-list credits	653	265	92	74	36	1,202
% of Customer Loans	1.8	2.5	1.2	1.5	1.8	1.8
% coverage doubtful loans/gross watch-list credits	**25.4**	**17.5**	**26.5**	**8.9**	**3.2**	**22.2**

The ratio of doubtful loans to gross non-performing loans rose to 45.5% from 45.1% in December 2002. Including write-offs charged to P&L in prior years, the ratio was steady at year-end levels (55%). The Group further tightened risk management, with generic provisions on performing loans rising to 0.92%, against 0.89% at year-end 2002. Total coverage (specific + generic provisions) of gross non-performing loans was almost 80%.

SECURITIES PORTFOLIO AND TREASURY MANAGEMENT

- Securities portfolio

At 31.03.2003, the Group held a securities portfolio standing at EUR 19,362 million, an increase of EUR 2,451 million on December 2002. The breakdown of the aggregate figure is illustrated below:

SECURITIES PORTFOLIO (in EUR million)

	31/03/03	31/12/02
Total Securities Portfolio	**19,362**	**16,911**
of which		
investment securities	4,259	4,453
trading securities	15,103	12,458

Investment securities were steady at 2002 year-end levels. **Trading securities** rose by EUR 2,645 million, almost entirely as a result of the increase in bonds to leverage the positive rate curve carry.

- Treasury Management

The net liability on interbank accounts at 31/03/03 rose by approximately EUR 6,100 million against 31/12/02, due to the expansion of the securities portfolio and the decision to reduce amounts due from banks in order to curtail absorption.

INTERBANK ACCOUNTS (in EUR million)

	31/03/03	31/12/02
Due from Banks	12,999	16,027
Due to Banks	23,576	20,516
Interbank net position	**-10,577**	**-4,489**

RISK MANAGEMENT

The business climate in first quarter 2003 was dominated by the Iraq crisis and continuing uncertainty over an international economic recovery. This led to a reduction in short-term rates and limited fluctuation in longer-term rates, which returned to opening levels by the end of the quarter under review. In the current economic climate the possibility of a turnaround is no closer.

The MPS Group's Risks Committee continued to monitor international economic trends very closely, with a special focus on interest and exchange rates.

At 31 March, the overall interest-rate risk profile of the Group's banking book (relating to commercial operations and inclusive of the investment portfolios of the individual Group companies) reflected the impact of the recent extraordinary financial operations implemented to centralize Treasury and Finance operations under the Parent Company (merger and subsequent spin-off to the two newcos of Banca Toscana and BAM). The Parent investment portfolio at the end of the quarter also reflected the integration of the merged banks' investment portfolios and virtual cancellation of their original portfolios. The effect of these operations at Group level was a re-distribution of risk, with a lower profile for the subsidiaries and a higher profile for the Parent Company, whose risk positioning was nevertheless in line with projections.

The non-correlated VaR of the Group trading portfolio, calculated with the historical simulation method, a confidence level of 99% and a one-day holding period, was approximately EUR 25.30 million at 31 March. The change in respect of 31 December 2002 (EUR 22.44 million) was due largely to the operations of the Finance Area portfolios, within the pre-defined limits.

Considering the effects of the technical solution adopted on 31 March to achieve the transition of the securities operations of Banca Toscana and Banca Agricola Mantovana in connection with the merger and spin-off, the VaR would increase by an additional amount of EUR 12.88 million. This was largely re-absorbed in April (the residual amount at 30 April was just EUR 2.30 million) with the completion of the mergers.

As to credit risks, loan portfolio risk analysis continued in the first quarter, using models developed in-house. Special attention was given to analysis of the results for the Monte Group of the QIS 3 exercise requested by the Basel Committee in the fourth quarter of 2002. The purpose of the exercise was to assess the implications for risk measurement and for strategy and operations of the new assumptions/definitions adopted by the Committee, most of which were recognized in the consultative paper on the new Basel Capital Accord published at the end of April 2003.

PROFIT AND LOSS AGGREGATES

Earnings performance in first quarter 2003 was satisfactory and substantially in line with projections. Trends for the main earnings aggregates are illustrated in the table below.

RECLASSIFIED PROFIT AND LOSS STATEMENT (in EUR million)

	31/03/03	31/03/02 re-stated	Changes Value	Changes %
Net interest income	628.7	581.0	47.7	8.2
Non interest income of which:	511.2	642.7	-131.5	-20.5
Customer fees	*341.8*	*397.1*	*-55.3*	*-13.9*
Total banking income	1,139.9	1,223.6	-83.8	-6.8
Total Administrative expenses	-726.1	-703.8	-22.3	3.2
of which:				
Personnel expenses	*-449.3*	*-434.8*	*-14.6*	*3.3*
Other administrative expenses	*-276.8*	*-269.1*	*-7.7*	*2.9*
Gross operating profit	413.8	519.8	-106.0	-20.4
Minority interests	-1.3	-31.6	30.4	-96.0
Net profit for the period	131.6	158.9	-27.4	-17.2
Net profit adjusted for goodwill	153.8	179.5	-25.7	-14.3

NET INTEREST INCOME

Net interest income rose by EUR 47.7 million (+8.2% year-on-year, +7.1% on the 2002 quarterly average), to close slightly above the fourth-quarter 2002 figure. The improvement was largely due to continued expansion of short-term spreads (mainly in the first two months), moderate growth in average loans and funding (especially in medium/long-term maturities) and the impact of asset liability management policies, while a further reduction took place in short-term interest rates.

The breakdown by **Business Unit** reflects the significant contribution of the specialized loan companies, which reported growth of more than 17%. Among the commercial networks, strong improvements in net interest income were reported by Banca Mps (+4.8%), Banca Toscana (+7.5%) and Banca Agricola Mantovana (+3.1%). Among the **Business Areas**, the largest contribution came from Corporate (+15.8%), which benefited from the rigorous pricing policy and from the growth of the specialized credit companies. Net interest income growth was slower in the Retail Area (+3.3%), as rates on interest-bearing liabilities reached a minimum.

NON INTEREST INCOME

Non interest income amounted to EUR 511.2 million, down from the previous year (EUR 131.5 million; -20.5%), as a result of:

NON INTEREST INCOME (in EUR million)

	31/03/03	31/03/02 re-stated	Changes Value	%
Net Banking fees (*)	342	397	-55.3	-13.9
Other operating income	9	83	-73.5	-89.1
Income on tax collection business	42	41	0.7	1.6
Profit (loss) on financial transactions	106	99	6.4	6.5
Dividends and tax credit	0	13	-12.7	-96.5
Earnings of companies valued with the net equity method	13	10	2.9	30.3
Total Non interest income	511.2	642.7	-131.5	-20.5

(*) aggregations based on management criteria

- a decrease in banking fees (-13.9%), reflecting the reduction in assets under management, the decrease in turnover on equity portfolios and the growing investor preference for liquid and/or low-risk investments. As a result, income on indirect funding decreased by 17.6% from the previous year; traditional banking fees rose by 6.5%, maintaining the prior-year trend. Among the **Business Units**, performance was slower at Banca Toscana (-7.6%), stable for the BMPS Division and slightly stronger for Banca Agricola Mantovana (+2.6%). The **Business Area** most affected by the above non interest income trends was the Retail, which reported a downturn of 11%; Corporate achieved an improvement of 5.8%, due in part to the business growth strategy adopted in 2002.
- a decrease of EUR 73.5 million in "other operating income" (in March 2002 the heading included income from securitization of performing loans); steady performance for tax collection operations, although the changes introduced in the Italian Budget (Financial Law 289/2002) have created further difficulties that so far have not been resolved;
- a growth of 6.5% in "profit and loss on financial transactions";
- a decrease of EUR 12.7 million in "dividends and tax credit";
- a growth of EUR 2.9 million in the earnings of companies valued with the net equity method; performance was particularly buoyant in the insurance sector, with the MontepaschiVita group reporting growth of 82%.

Total banking income thus stood at EUR 1,139.9 million, down by 6.8% from first quarter 2002 and by 4% against the 2002 quarterly average.

ADMINISTRATIVE EXPENSES

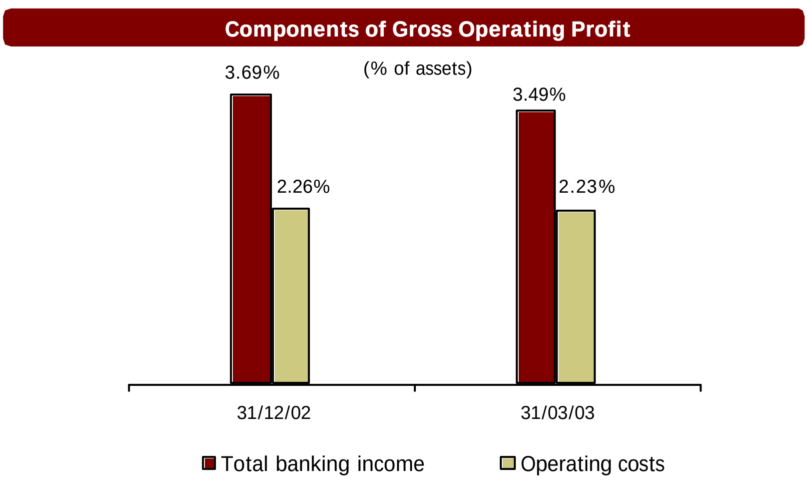
Administrative expenses totaled EUR 726.1 million and were largely unchanged (-0.02%) from the 2002 quarterly average. Movements were as follows:

- personnel expenses for the first quarter, at EUR 449 million, were down EUR 8.5 million from fourth quarter 2002 and in line with budget projections; annualized growth at the end of 2003 should be contained at around 1%. The increase of 3.3% in respect of first quarter 2002 was due to the fact that first quarter 2002 did not reflect the 2% increase generated by the renewal of the national collective bargaining for the banking industry, which took effect in April. Compared with the 2002 quarterly average, personnel expenses increased by 0.9%.
- "other administrative expenses" (+2.9%) grew more slowly than in first quarter 2002 (+3.7%), thanks to decisive action introduced in 2002 to cut structural costs. These measures are expected to produce a further slowdown during the year. Compared with the 2002 quarterly average, other expenses decreased by 1.8% in first quarter 2003.

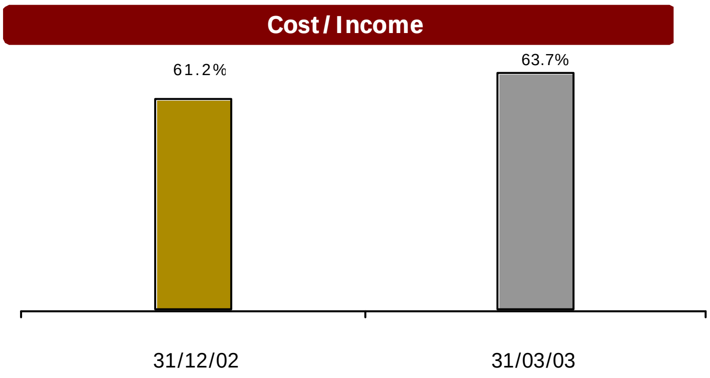
Aggregate administrative expenses rose by 3.2% compared with first quarter 2002.

GROSS OPERATING PROFIT

As a result of the above trends, gross operating profit came in at EUR 413.8 million, down by 20.4% on first quarter 2002 and by 10.2% on the 2002 quarterly average.



Cost/income (computed without depreciation and amortization charges) came to 63.7%; cost/income including depreciation and amortization charges was 70.4% (67.9% net of tax collection):



ADJUSTMENTS AND PROVISIONS

Net profit for the first quarter was influenced by adjustments totaling approximately EUR 223 million:

ADJUSTMENTS (in EUR million)

	31/03/03	**31/03/02** re-stated	**Changes** Value	%
Valutation adjustments to fixed and intangible assets	-76.8	-73.4	-3.4	4.7
Goodwill amortization	-22.2	-20.6	-1.6	7.9
Provisions for risks and charges	-16.6	-1.4	-15.2	n.s.
Valutation adjustments to loans net of recoveries	-98.3	-60.4	-37.9	62.8
Provisions to loan loss reserve	-8.3	-10.2	1.9	-18.8
Writedowns to non current financial assets	-1.0	-8.7	7.8	n.s.

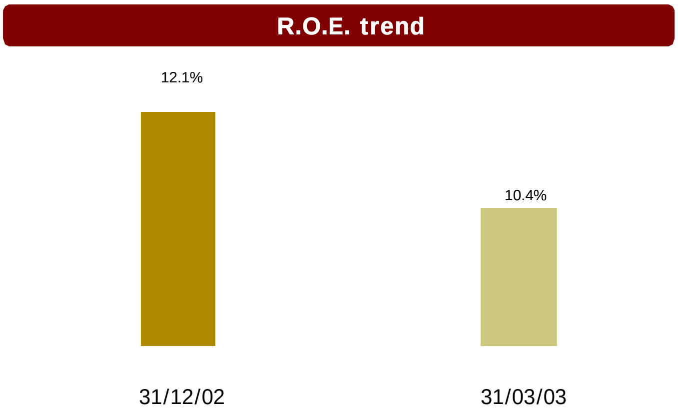
Specifically:

- valutation adjustments to fixed and intangible assets rose by 4.7%, a significantly slower rate than in first quarter 2002 (+15.4%); this was largely due to the impact of the “one-off amortization” charges applied to Banca121 intangible assets at 2002 year-end at the time of the merger;
- valutation adjustments to loans increased by EUR 37.9 million from first quarter 2002, but were lower than the 2002 quarterly average. They were applied in accordance with the conservative accounting policy adopted in view of the current economic climate. As part of this policy, the Group also strengthened specific provisions on non-performing loans (with the proportion of doubtful outcomes rising, over the quarter, by half a point), and general provisions on performing loans, which are among the highest in the industry.

EXTRAORDINARY ITEMS, TAXES AND NET PROFIT

After extraordinary items, a tax burden that benefited from the deductibility of the goodwill arising on the recent Group mergers to give a consolidated tax rate of 39%, and lower minority interests (another effect of the mergers), consolidated net profit for the first quarter was EUR 131.6 million, down by 17.2% from first quarter 2002 and by 10% from the 2002 quarterly average. Net profit adjusted for goodwill amortization was EUR 153.8 million (-14.3%).

Computed on year-opening shareholders' equity net of property revaluations, annualized ROE for the first quarter was 10.4% (approximately 10% including property revaluations), compared with 12.1% at 31/12/02. ROE adjusted was 12%.



Among the Business Units, performance at Banca Monte dei Paschi di Siena is not significant, since its profit and loss statement for the first three months includes the first-quarter earnings aggregates of BAM and BT after the merger and spin-off operations. The results of the commercial network (Banca MPS Division), which reported operating income of EUR 219 million (-4.6%), are more significant. Banca Toscana posted first-quarter operating income of EUR 75.1 million (-13.6% year-on-year) and net profit of EUR 22 million (-37.3%). Banca Agricola Mantovana reported operating income of EUR 43.3 million (-39.8% year-on-year) and net profit of EUR 13.7 million (-57.3%). The global performance of the Retail product companies slowed due to the difficult business scenario, while companies in the Corporate Area reported satisfactory growth.

SIGNIFICANT OPERATING INITIATIVES

- IMPLEMENTATION OF THE MPS GROUP 2002/2005 BUSINESS PLAN

During the first quarter of 2003, the Group moved ahead with the program of strategic projects introduced in 2002 to implement the 2002-2005 Business Plan.

The current strategy is designed to boost the productivity of commercial operations, optimize operating and credit risk management and strengthen efficiency. The Group restructuring continued in the first quarter, with finalization of the merger into the parent of Banca Agricola Mantovana and Banca Toscana, as described in the section entitled "Significant events in the first quarter".

Strategic action to raise commercial productivity centers on the introduction of a delivery and production structure based on a series of specialized platforms servicing the various customer segments. This structure fits with the Group's new multi-market orientation (see the section entitled "Commercial platforms and production innovation").

In the area of credit risk optimization, the on-going review of credit approval and management processes made important progress. The aim is to strengthen governance of risk and boost risk return profile, also in light of the new Basel Capital Accord. The project for identification, measurement and management of operating risks also moved ahead.

With regard to operating efficiency, across-the-board streamlining of administrative expenses continued. Projects were launched to enhance operating efficiency and free up resources for commercial operations: optimization of network processes, review and downsizing of commercial banks' central units, stronger back office, etc.

Key elements in the drive to **rationalize administrative expenses** are the zero-based re-planning of the Group's information technology investments, which limits growth to high priority operations; greater centralization of procurements, with immediate benefits on key supply prices; specific measures to curb administrative costs through itemized analysis of ICT and non ICT spending. Improved controls were introduced in spending processes, with a view to maintaining current quality levels. A number of major organizational initiatives were implemented during the first quarter.

First-quarter **human resources management** focused on strengthening Group-wide integration in line with the priorities set out in the annual plan. Specifically:

- ***integrated management of personnel quantitative and qualitative measures related to strategic projects***, with special attention to:
    - *enhancement* of resources that become available as a result of organizational changes;
    - *coverage of new skills requirements* emerging with the development of the Retail and Corporate Commercial Platforms (Affluent Managers, SME Managers, etc.),

- ***rigorous containment of personnel costs,*** through action designed to curb *workforce growth* by improving overall efficiency. As part of the corporate changes and re-organizations envisaged by the Business Plan, this also entails use of special "technical tools" to introduce new skills.

In this area, the Group's *retirement-incentive plans* involve a total of approximately 330 resources in 2003 (including 45 senior managers). Major reductions are also being made in the other main *expenditure items* (variable and secondary) that are not directly subject to contractual regulations.

- ***strengthening of governance tools***, with the release of special *Group Directives* on key management issues and development of an *MBO system.*

COMMERCIAL PLATFORMS AND PRODUCT INNOVATION

The growing specialization of the delivery network by customer segments was accompanied by new developments to diversify and enhance the offer, for the dual purpose of improving customer service capacity and leveraging unrealized potential.

Key first-quarter initiatives for **Retail customers** were as follows:

- *for the private segment,* strategic analysis continued with a view to re-organizing production and commercial structures. The new service model incorporates a series of implementations to:
    - ensure a consistent approach throughout the Group and unify control with the creation at Corporate level of a single Group management team to guide, co-ordinate and supervise operations in the Private segment;
    - create a specialist Private Banking unit – Banca Steinhauslin – to handle management of Private asset portfolios and develop specific PB competencies (consultancy on taxes, inheritances, real estate, etc.);
    - create a dedicated channel inside each commercial bank based on a specific consistent service model.

The private segment was also active in the area of the new tax-shelter legislation, organizing conferences and meetings with operators and developing ad hoc tools to assist capital repatriation.

- *for the affluent segment*, the Group continued the introduction of the "Carattere" platform for its Upper Affluent customers. Banca Toscana continued the platform roll-out, while BMPS commenced release in its branches: at 31 March, "Carattere" had been activated by 61% of branches and 56% of managers. The roll-out for Lower Affluent customers will begin in October.

New products launched in the first quarter included "Conto Carattere", an account package that delivers, for a monthly fee, a combination of bank services from the Carattere platform with free-time services packages geared to the life style of this segment. In the bancassurance area, a new unit-linked product – 'Personalità" – was introduced for the affluent segment.

- *in the family segment*, work began on the Family project, with a review of the commercial platform to be completed by the end of the summer. One of the key objectives is to migrate low value added transactions to remote channels, by boosting customer awareness of their advantages (speed, no queues, etc.).

In the consumer credit area, the product company Consum.it developed a new non-targeted personal loan. The product disbursement and management process is under review, with Consum.it taking over responsibility for credit-worthiness assessment, risk/disputes management and product marketing.

Key initiatives in the first quarter for **Corporate customers** were as follows**:**

- *for the SME segment*, continued implementation of the new service model, with the creation of SME Centers staffed by specialized managers supported by experts in the product companies;
- *for the Small Business segment,* development of a dedicated service model, with specialized managers trained in specific commercial techniques, and a range of targeted products.

Application testing of the two new corporate service models by the Banca MPS head offices in Milan, Bari and Lecce, was successfully completed. During the year, the models will be gradually rolled out across all Group commercial networks.

- *in the Large Corporate segment,* management of operations is gradually being centralized;
- *in the Public Authorities segment,* work was completed on the "Move Enti" project, which involves the commercial banks and the product companies. The aim is to create a single integrated Group service and product model for public authorities.

With regard to product innovation, the Banca MPS network began marketing impres@più, a current account package providing an integrated system of banking and non-banking services for business customers, with the focus on the small business segment.

A new strategic project was launched to promote SME international growth. The project is based on the results of sounding boards conducted with leading businessmen.

On the infrastructure investment front, the Group has a strong interest in water management projects, where it plays a key role together with top industrial partners of the caliber of Acea, Ondeo and Caltagirone. Under the territorial optimization projects (ATO) in Tuscany, service contracts for the privatization of the Siena-Grosseto and Pisa aqueducts have now been awarded, and selection procedures for the Florence aqueduct are underway. As a result, the Group has established a leadership role in water utilities.

In the private equity area, funding of the closed-end investment funds MPS Venture I, Siena Venture and Salento Venture was completed. The three funds are already operational and have received a significant number of applications.

Innovative financial services for business included on-going development of new hedging products for SMEs at MPS Finance.

Progress was made in internet corporate banking services (PaschiInAzienda for Banca MPS, BAM Corporate Plus for Banca Agricola Mantovana e Office.net for Banca Toscana), with the release of new functionalities to extend the Group's presence in payment and e-commerce services. Access to the facilitated finance database run by Cestud S.p.A. was extended to Banca Agricola Mantovana, Banca Toscana and the product companies, and the Group acquired a shareholding in Cestud S.p.A.

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Significant events in the first quarter also included:

- completion of plans for the re-organization of the Group companies headquartered in the Republic of Ireland;
- the formation of an Environmental Management Committee to develop the Environmental Management System. On 26 February 2003 the Environmental Management System was awarded ISO 14001 certification, attesting the excellence of the Group's environmental operations;
- the purchase of additional equity in Hopa S.p.A., raising the BMPS stake from 7.67% to just over 9%. The operation responds to the need to maintain a key role in the strategic governance of a company with an important position in the Italian business and financial network;
- the purchase from Hopa S.p.A. of 170,281,786 Finsoe shares; the MPS Group shareholding in Finsoe now stands at 39%. On 6 February

2003 Banca Monte dei Paschi di Siena reached an agreement with Holmo S.p.A. which regulates relations between the Monte dei Paschi di Siena Group and the Unipol Group, especially with regard to equity. The three-year renewable agreement is designed to consolidate and develop equity and industrial relations with this key partner;

- the establishment in Siena of MPS Immobiliare S.p.A., a wholly owned BMPS subsidiary, which controls the real estate assets acquired by BMPS through the merger of Banca Agricola Mantovana and Banca Toscana;

- the merger of the two subsidiaries Banca Toscana and Banca Agricola Mantovana into the Parent Company BMPS, as part of the overall Group restructuring;

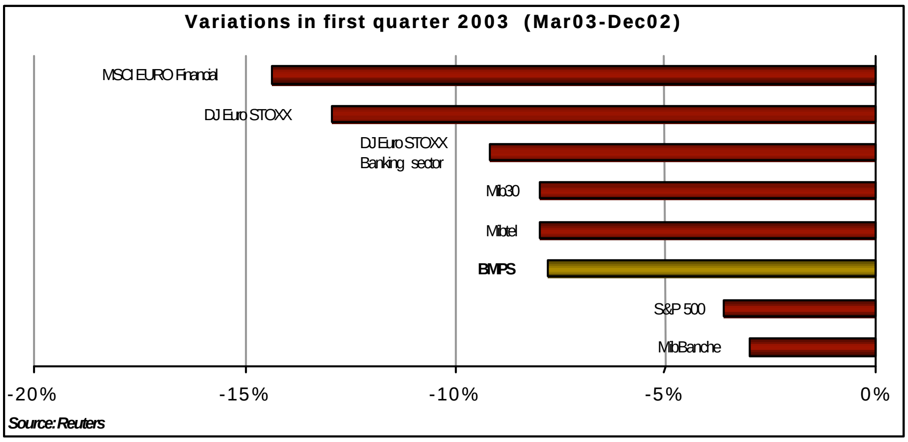
- the increase in the BMPS equity investment in Assicurazioni Generali. The investment offers excellent economic prospects and guarantees the involvement of BMPS and the Group in the important changes taking place in the Italian financial system. On 13 March 2003, Unicredito Italiano, Banca Monte dei Paschi di Siena and Capitalia signed a consultation pact with regard to an overall shareholding, at the date of the agreement, of 8.46% in Assicurazioni Generali (2.95% for BMPS).

BMPS SHARE PERFORMANCE AND SHAREHOLDER BASE

PRICES, CAPITALIZATION AND SHAREHOLDER BASE

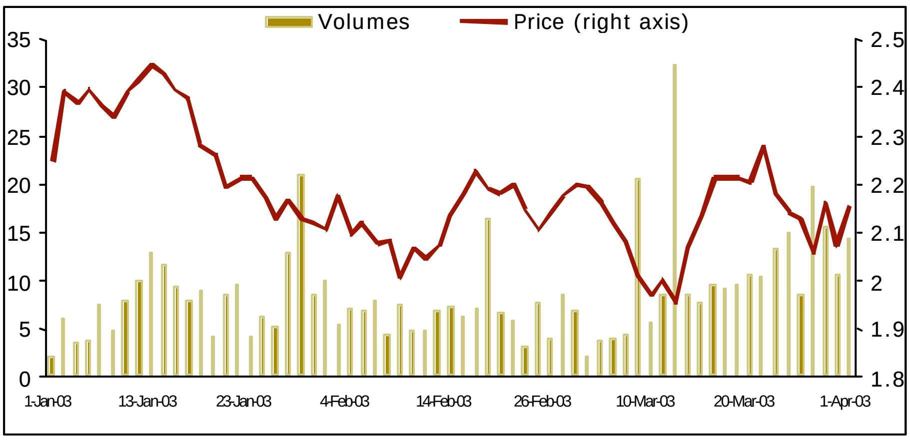
The uncertain international business climate together with the Iraq crisis had a negative impact on equity markets in the first quarter, pushing share prices down and fuelling volatility.

Against this background, market indexes slide by up to 13% (DJ Euro Stoxx –12.9%, Mib 30 and Mibtel –8.0%), while the banking indexes lost between 3% and 15% (Mib Banche –3%, DJ Eurostoxx Banks – 9.2%, MSCI Euro Financial –14.3%).



The BMPS quarterly share trend was slightly slower than the performance of the industry and the main competitors (-7.8%). On an annualized basis, the share price performed significantly better than the main domestic bank stocks.

- **BMPS SHARE PRICE TREND** (from 01/01/03 to 31/03/03)



The share price peaked at EUR 2.50 on 13 January and reached a low of EUR 1.93 on 12 March, after which it made a healthy recovery to EUR 2.30 and closed the quarter at EUR 2.07.

■ SHARE PRICE STATISTICAL SUMMARY (from 01/01/03 to 31/03/03)

Average	2.18
Low	1.93
High	2.50

Since 31 March, BMPS capitalization has benefited from the effects of the merger of the subsidiaries BAM and BT into Banca Monte Paschi di Siena. The operation involved the buy-back and subsequent delisting of all BAM and BT minority interests, and the issue of approximately 407 million new ordinary shares. BMPS total capitalization at the end of March was approximately EUR 6.2 billion, accounting for around 1.34% of total capitalization on the Italian Stock Exchange.

■ SUMMARY OF REFERENCE PRICES AND CAPITALIZATION

	31.12.02	31.03.03
Price (EUR)	2.25	2.07
No. ordinary shares	2,607,791,591	3,014,431,630
No. savings shares	9,432,170	9,432,170
Capitalization (EUR million)	5,896	6,194

Based on disclosures made to BMPS and Consob pursuant to Article 120 of Legislative Decree no. 58/98, at 31 March 2003, after the above mergers, Fondazione Mps, the Bank's majority shareholder, held 58.575% of ordinary share capital. The second largest shareholder was Caltagirone Francesco Gaetano with 2.69% and the third was Premafin Finanziaria, with 2.095%.

■ KEY SHAREHOLDERS pursuant to Art.120 Leg. Decree no. 58/98

Fondazione MPS	58.575%
Caltagirone Francesco Gaetano	2.69%
Premafin Finanziaria	2.095%

VOLUMES

During the quarter under review, daily trading in BMPS stock averaged 9 million shares, with volumes gradually rising in the second half of March to peaks of more than 30 million shares. Altogether, shares equivalent to approximately 21% of BMPS ordinary capital and around 61% of the market float changed hands during the quarter.

MONTHLY SHARE TRADING VOLUMES

VOLUMES TRADED IN 1Q 2003

	(in million)
January	185
February	135
March	230

MAIN MARKET MULTIPLES

At the end of the quarter, BMPS shares were trading at approximately 9.7 times the projected earnings for 2003 (earnings estimate: IBES) and at approximately 1.0 times net book value per share as of the end of 2002. On 26 April 2003, the Ordinary Shareholders' Meeting carried a resolution to pay a dividend of EUR 0.0832 per ordinary share and EUR 0.0915 per savings share[1], for a payout ratio (on Group earnings) of 37.5%. The ordinary share dividend yield, computed on quarter-end prices, stood at 4%.

MARKET MULTIPLES (EUR)

	1Q 2003
Price/earnings per share	9.7
P/BV	1.0

OUTLOOK

With no clear signs of a recovery emerging on the markets and everything pointing to the need for a further loosening of monetary policy, during 2003 the Group will maintain its focus on its current projects and move ahead with its plans for the year, whose key objectives are as follows:

- tight control of operating costs, which are expected to keep steady at 2002 levels;

- attention to credit quality with the usual care in selecting and monitoring loans; loan operations will benefit during the year from the start-up of the new management processes detailed in the Business Plan;

- improvement of capital ratios, by containing the growth of credit and market risks and taking considered action to optimize assets;

- a fund management policy that leverages on specialization by customer segment and on the product companies' solid capacity for innovation to build up long-term relations and attain significant operating and earnings growth.

Results at 31/03/2003, current performance and present and future action indicate that operations are on line to meet the Group's targets, assuming that no further downturns occur on the financial markets and in the real economy.

Siena, 15 May 2003

The Board of Directors