GRUPPO MPS

CONSOLIDATED

FINANCIAL STATEMENTS

AS OF 30 JUNE 2003

CORPORATE OFFICERS, SENIOR MANAGEMENT, AND AUDITORS

Board of Directors	Pier Luigi Fabrizi, *Chairman* *
	Stefano Bellaveglia, *Vice Chairman* *
	Emilio Gnutti, *Vice Chairman* *
	Fabio Borghi, *Director* *
	Francesco Gaetano Caltagirone, *Director*
	Turiddo Campaini, *Director*
	Massimo Caputi, *Director* *
	Francesco Saverio Carpinelli, *Director* *
	Giuseppe Catturi, *Director*
	Luca Fiorito, *Director* *
	Lorenzo Gorgoni, *Director* *
	Andrea Pisaneschi, *Director*
	Carlo Querci, *Director*
	Roberto Rossi, *Director*
	Ivano Sacchetti, *Director*
	Girolamo Strozzi, *Director*

** Member of the Executive Committee*

Board of Statutory Auditors	Giuseppe Vittimberga, *Chairman*
	Pietro Fabretti, *Acting Auditor*
	Leonardo Pizzichi, *Acting Auditor*
	Stefano Mendicino, *Substitute Auditor*
	Marco Turillazzi, *Substitute Auditor*

Senior Management:

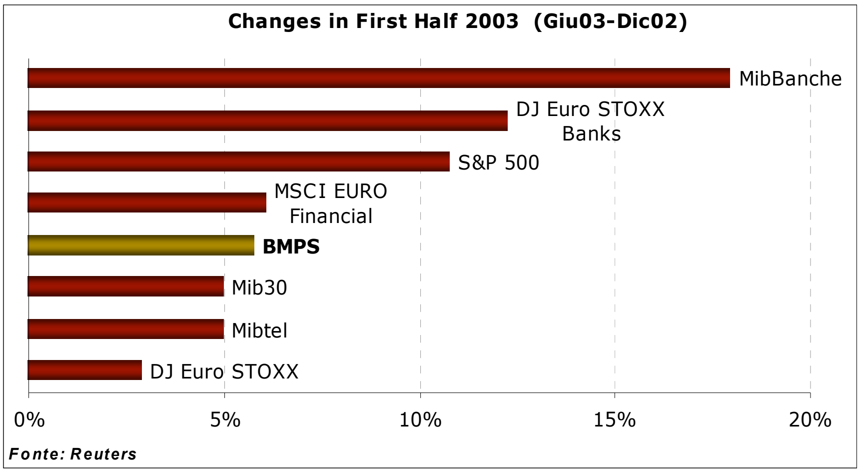
Chief Executive Officer	Emilio Tonini
Deputy Chief Executive Officer	Pier Giorgio Primavera
Assistant Chief Executive Officer	Pier Luigi Corsi
Assistant Chief Executive Officer	Antonio Vigni

Independent Auditors	KPMG S.p.A.

TREND OF BMPS SHARES AND REVIEW OF SHAREHOLDER BASE

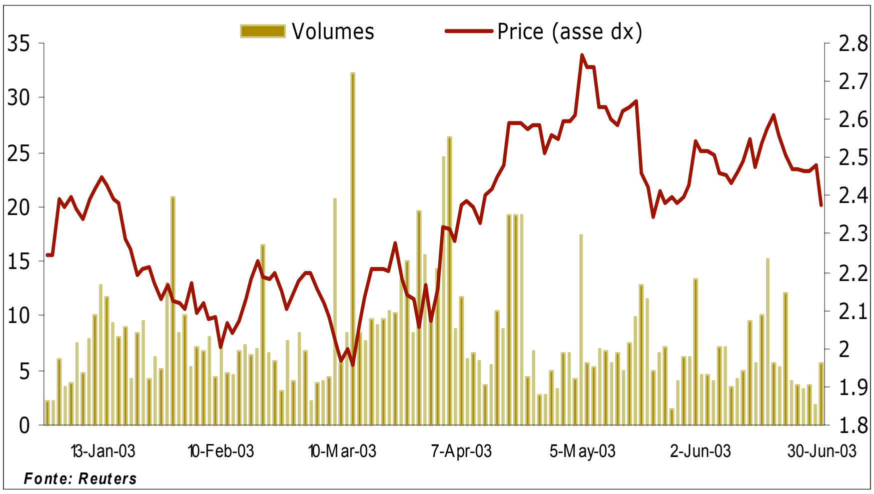
■ PRICES, CAPITALIZATION AND SHAREHOLDER BASE

During the second quarter of the year, the markets witnessed a strong rebound of share prices. The conclusion of the conflict in Iraq during the month of April positively influenced the principal indices, which closed the first half well above the levels reported at the end of 2002 (S&P 500 +10.8%, Mibtel +5.0%, Mib30 +5.0% and DJ Euro Stoxx +2.9%). The performance of the banking industry indices was also positive: Mib Banche +18.0%, DJ Euro Stoxx Banks 12.3% and MSCI Euro Financial +6.1%.



Against this backdrop, the price of the BMPS shares advanced by 5.8 percent, reaching EUR 2.38 as of 30 June 2003, after having registered a low of EUR 1.93 on 12 March and a high of EUR 2.79 on 5 May.

TREND OF SHARE PRICE (from 01/01/03 to 30/06/03)



BMPS SHARE PRICE: STATISTICAL SUMMARY

Average price	2.34
Low	1.93
High	2.79

The capitalization of Banca Monte dei Paschi di Siena as of 31 March reflects the effects of the incorporation of Banca Agricola Mantovana (BAM) and Banca Toscana (BT). This transaction involved the purchase of the shares of all minority shareholders of the two incorporated banks, the consequent delisting of the BAM and BT shares, and the issue of roughly 407 million new ordinary shares. In addition, at an extraordinary meeting held on 14 June, the shareholders of BMPS passed a resolution to convert 565,939,729 ordinary shares held by the MPS Foundation into preferred shares, with the number of ordinary shares thus decreasing from 3,014,431,630 to 2,448,491,901. As of the end of June, the market value of BMPS on the basis of 3,014,431,630 shares outstanding (ordinary and preferred) was roughly EUR 7.1 billion, and this represented roughly 1.51 percent of the total capitalization of the Italian stock market.

SUMMARY OF REFERENCE PRICES AND CAPITALIZATION

	31/12/02	30/06/03
Price (EUR)	2.25	2.38
No. ordinary shares	2,607,791,591	2,448,491,901
No. preferred shares	-	565,939,729
No. savings shares	9,432,170	9,432,170
Capitalization (in EUR mn)	5,896	7,159

Based on reports submitted to BMPS and to CONSOB pursuant to Article 120 of Legislative Decree n. 58/98, the MPS Foundation, the Bank's principal shareholder, held a 49-percent interest in the ordinary capital as of 30 June 2003. The second largest shareholder as of the same date was Francesco Gaetano Caltagirone, with a 3.47-percent interest. The holding of Premafin Finanziaria amounted to 2.58 percent as of the same date.

PRINCIPAL SHAREHOLDERS PURSUANT TO ARTICLE 120 OF LEGISLATIVE DECREE N. 58/98

MPS Foundation	49.00%
Caltagirone, Francesco Gaetano	3.47%
Premafin Finanziaria	2.58%

■ VOLUMES

The number of BMPS shares traded on a daily basis averaged around 8.4 million for the period, with the figure climbing above 10 million in April and May. The volume hit a peak of over 26 million in the first week of April. A total of about 34 percent of the Bank's ordinary capital, or about 81 percent of the float, changed hands in the first half of 2003.

MONTHLY VOLUMES OF SHARES TRADED
SUMMARY FOR THE FIRST HALF OF 2003

January	185
February	135
March	230
April	183
May	156
June	126

MAIN MARKET MULTIPLES

In terms of market multiples, the shares were trading at the end of the first half at a price reflecting around 10.9 times' forecast earnings for 2004 (source: IBES estimates), and around 1.2 times' net book value per share forecast as of the end of 2003. During the first half of 2003, the ordinary shareholders meeting approved the distribution of a dividend of EUR 0.0832 per ordinary share and EUR 0.0915 per savings shares, corresponding to a payout ratio (measured against consolidated earnings) of 37.5 percent and a dividend yield of 3.5 percent.

MARKET MULTIPLES	
P/E (with respect to forecast earnings for 2004)	10.9
P/BV (with respect to book value as of the end of 2003)	1.2

DEBT RATINGS

The following table provides a summary of current ratings, which remained unchanged with respect to the ratings assigned as of the end of 2002.

Agency	Short-Term Rating as of 30/06/2003	Long-Term Rating as of 30/06/2003
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch IBCA Ltd.	F-1	A+

REPORT ON CONSOLIDATED OPERATING PERFORMANCE

THE IMPLEMENTATION OF THE MPS GROUP BUSINESS PLAN

BUSINESS DEVELOPMENT DURING THE FIRST HALF OF 2003 AND THE IMPLEMENTATION OF THE BUSINESS PLAN

The implementation of the MPS Group's 2002-2005 business plan continued during the first half of 2003, and though the plan is currently going through a revision process, the objectives have remained focused on: **further growth of commercial productivity**, through the *specialization of the distribution and production structure*; renewed attention to **risk management,** through the *restructuring of lending procedures*; **and efficiency improvement**, through leveraging the *re-engineering of operating processes at both the head office and in the field.*

As part of the ongoing implementation of the business plan, several key reorganization transactions were completed that will better align the MPS Group's structure to the strategies and streamline the Group's governance.

Growth of commercial productivity

The actions undertaken in this regard have been aimed at the adoption of a distribution and production structure specialized by the different markets and customer segments served. In particular:

- Retail Market
    - *Private Banking*. The reorganization of the distribution structures continued, with the further expansion of more than 45 private-banking centers managed by the MPS Group's commercial banks.
    - *Affluent clientele*. The "Carattere" service model was completed for the upper affluent segment and is now being extended to the lower affluent segment. This model provides for rounding out the staffing of the commercial bank networks with managers dedicated to financial advisory services, and an approach based on sophisticated types of personal financial planning.
    - *Family clientele*. The activation of the CRM system in the MPS Group's commercial networks has been completed. Efforts are continuing to migrate transactions with low added value to remote channels. A specific service model for this customer segment has been defined and is based on identifying standard clusters of customers within the segment and specific services for each cluster. This model will be tested starting in September.

- Corporate Market
    - *Middle-market companies*. The MPS Group has established Small/Medium Enterprise (SME) Service Centers dedicated to these customers. The centers are staffed by dedicated relationship managers who are supported by product specialists. In addition to expanding the number of these facilities in operation, the MPS Group is broadening the range of specialized products and services, especially sophisticated

financial products which have the backing of the MPS Group's product companies. During the first half, some 20 SME Service Centers were opened, and around 120 managers were trained.

- *Small Business*. In this segment, too, the MPS Group is staffing the commercial networks with specialists and developing a range of specific products to meet the needs of this clientele. This effort is occurring alongside the SME Service Center project, and in the first half of 2003, roughly 280 managers were trained.

- *Government and Government Agencies*. A project has been defined for developing specialized services for this customer group, and will be implemented in coming months.

- *Large Corporate*. These relationships are being moved into a single unit staffed by highly specialized professionals. This unit will then coordinate the marketing management of all of these customers.

- Finally, a new strategic project was mapped out during the first half of 2003 for the purpose of assisting small and medium-sized enterprises with international business development. The project was formulated partially in response to indications from a special "sounding board" made up of a select group of business people from various industries.

Risk management

In this area, the MPS Group has proceeded with the definition and extension of projects that are reorganizing the lending processes (disbursements, control over outstanding positions, credit recovery) along the lines of customer segments. In the first half of 2003, the BMPS division embarked on projects involving disbursements to large corporate customers and small businesses.

All of the new processes have been developed in accordance with logic and methods that are compatible with the Basle II principles.

Efficiency improvement

During the first half of 2003, the MPS Group renewed its commitment to cost awareness and productive efficiency, with this effort already having produced results in the final months of 2002. Actions were again directed to freeing resources from activity with low added value and to streamlining operating expenses.

The most critical activity in this regard concerned projects already in process related to:

- Organizational review and optimization of the operational processes of the MPS Group's commercial networks (Business Process Redesign); this project is already in the implementation phase at Banca Toscana.

- Centralization of the back-office operations of the network, and the regrouping of such operations in group operating centers;

- Centralization and re-negotiation of the main contracts covering the supply of goods and services by the MPS Group's purchasing unit;

- Actions to contain administrative expenses, through systematic benchmarking of expense items, definition of specific cost-reduction measures and changes to expense procedures.

Reorganization transactions and other transactions concerning the MPS Group structure:

During the first half of 2003, several restructuring transactions were completed as part of an effort to align the MPS Group's structure to its strategy, and to consolidate the MPS Group's position in several entities which are considered strategically important. The principal transactions are as follows:

- Merger by incorporation into BMPS of the two subsidiaries, Banca Toscana and Banca Agricola Mantovana (with the subsequent spin-off of the banking businesses into two new commercial banks having the same name and 100-percent owned by the parent company);

- Incorporation of the Siena-based MPS Immobiliare S.p.A., a wholly-owned subsidiary of BMPS to which all of the MPS Group's real estate assets were transferred;

- Reorganization of the MPS Group's Irish-law companies active in asset management (*additional information is provided in the section covering innovation, research and development*);

- Completion of certain formalities for the incorporation of a Monte Carlo-based bank dedicated to private banking, through the divestiture of the assets of the Monaco branch of MP Banque.

OVERVIEW OF ECONOMY AND INDUSTRY TRENDS

■ THE MACROECONOMIC SCENARIO

After a first quarter that was negatively impacted by the conflict in Iraq and the emergence of SARS in several Asian countries, the trend of the economy in the U.S. and in Japan showed signs of improving, while the Eurozone continued to suffer from virtual stagnation.

GDP growth in the United States came to around 2.0 percent for the first half of the year. The conclusion of the conflict in Iraq had a positive impact on both consumption and the level of consumer confidence, although this was countered by an unemployment rate that climbed to 6.4 percent and productive activity that showed no indication of any significant acceleration. The accent in the United States has gone to expansionist monetary policy and tax cuts in order to stimulate growth, with the weakness of the dollar also making a positive contribution.

On 25 June, the U.S. Federal Reserve Bank reduced the reference rate to 1.0 percent, the lowest level on record since 1958. At the end of the first half, market interest rates for maturities of less than one year were below 1.0 percent; the positive slope of the benchmark yield curve experienced a slight increase during the first six months of the year.

In Japan, domestic demand rebounded after months of absolute stagnation. The end of the SARS scare also helped to improve Japan's economic prospects and in particular, the growth of exports. Real growth has accelerated, with the annualized rate of GDP growth at 2.3 percent for the second quarter.

GROWTH RATES IN THE WORLD'S LEADING ECONOMIES

	2001	2002	2003 (forecasts)
OECD countries	1.0	1.7	1.7
United States	0.3	2.4	2.1
Eurozone	1.4	0.8	0.6
Italy	1.8	0.4	0.5
Germany	0.7	0.2	0.1
France	1.8	1.2	0.7
Japan	0.4	0.3	1.2

While the vigorous expansion in China continued in the first half of 2003, with the annual growth rate at around 8.0 percent, the performance of the other economies in Asia was seriously undermined by the SARS epidemic and developments on the international front. Signs of a slowdown were also witnessed in Eastern Europe, with part of the deceleration due to efforts of various countries to move toward the economic parameters needed for entry into the European Union (and in particular, the alignment of the deficit/GDP ratios). In Latin America, the economies in Brazil and Argentina appear to have moved beyond their cyclical lows.

In the Eurozone, productive activity remained sluggish, consumer spending edged up, and the standstill in investment continued. With weak demand from abroad, businesses have clearly suffered from the strength of the euro (the trade surplus decreased by over EUR 11 billion in the first four months of the year)..

Given expectations that annual inflation would stabilize below 2.0 percent and acknowledging the weakness of the economy and the appreciation of the euro, the European Central Bank intervened on two separate occasions (March and June) to reduce the refinancing rate from 2.75 percent to 2.0 percent. Descending in line with the official rate reductions, short-term market rates moved to near 2.0 percent. Benchmark yields on medium-term maturities instead dropped by about 45 basis points during the first half.

In Italy, the gross yield on short-term government bills (BOTs) dipped below 2.0 percent, and translates into a negative return in real terms when considering a harmonized EU inflation rate of 2.9 percent as of June. At around 50 basis points, the change in medium- and long-term rates was less pronounced; the yield on the 10-year benchmark declined to less than 4.0 percent.

During the first half of 2003, the annual rate of GDP growth in Italy came to 0.5 percent and thus reflected a slight decline with respect to the second half of 2002. This result was determined partly by the poor performance of exports, which were penalized by the appreciation of the euro, and partly by a decrease in capital spending. The trend of consumption gave no signs of acceleration, while industrial production contracted by 1.7 percent year on year.

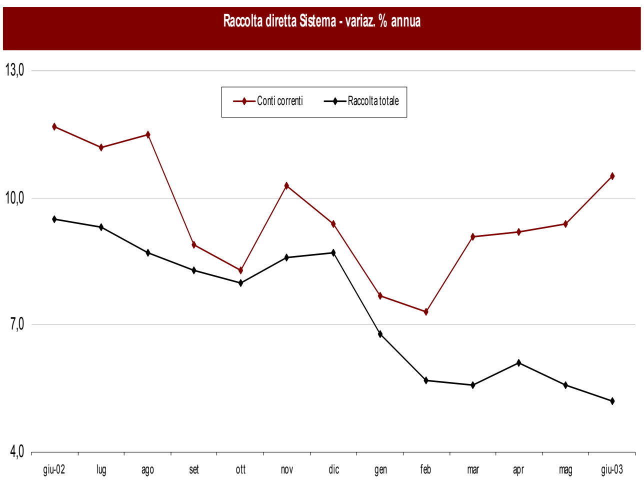
In the foreign currency markets, the USD/EUR exchange rate stood at 1.14 at the end of June, with the European currency having gained almost 10 percent with respect to both the dollar and the yen during the first six months of 2003. Though retreating partially against the dollar during the month of August, the value of the euro has been influenced by changes made in the holdings in international portfolios, which were partially dictated by the widening of the deficit in the foreign accounts.

Major stock-market indices around the globe tended to contract in the first quarter as geopolitical tensions grew more pronounced. This situation was followed by a significant recovery in the April-June period. The New York Stock Exchange closed the first half posting a roughly 10-percent gain since the outset of the year; the markets in Tokyo and London added 6.0 percent and 2.5 percent, respectively, while the markets in the Eurozone were mostly back at the levels reported at the end of 2002. The Italian Mibtel Index climbed by 5.0 percent, and trading volume on the Italian Exchange was 9.0 percent higher. The Borsa's momentum appears to have been driven by significant amounts of liquidity available for investment, low interest rates, and the gradual improvement of expectations.

Turning to the debt market, corporate bond issues by companies resident in the Eurozone fell by 5.0 percent in the first half of 2003. The yield differential between junk bonds and government securities contracted by over 200 basis points to 130 basis points in the 12-month period ending 30 June 2003. The number of issuers becoming insolvent also declined, with the overall rate of default on corporate bonds dropping to 6.0 percent after having topped 10 percent in the previous year.

BANKING INDUSTRY TRENDS

In the first half of 2003, the trend of direct funding (deposits, repurchase agreements and bonds) experienced a slowdown partly in response to a revival of mutual-fund investments and partly due to less uncertainty in general. The annual growth rate stood below 6.0 percent in comparison with 8.9 percent for the first half of 2002. The deceleration was evident in all types of direct funding. Balances in current accounts rose by almost 7.0 percent year on year, whereas the comparable growth rate in 2002 was 11 percent; holdings of bank-issued bonds rose by 8.1 percent year on year, compared with 9.7 percent in 2002. The performance of direct funding in the form of repurchase agreements was also less dynamic, while balances held in certificates of deposits continued to decelerate. The growth of savings deposits fell to 6.0 percent. With these



variations taken into account, the MPS Group's share of the market for direct funding stood at 6.52 percent at the end of June.

In the Eurozone, the growth of sight and short-term deposits was more or less on par with the level reported for 2002 (above 6.0 percent per annum). At the same time, the industry witnessed a significant deceleration in the growth of direct funding via medium-term deposits and bank-issued bonds.

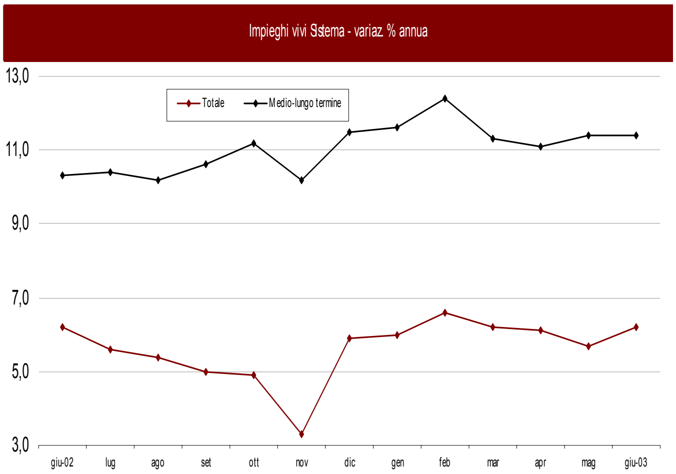
As shown by the ongoing success of life insurance products and the strong demand for quotas in money-market and bond funds, investors have generally opted to reduce the level of liquidity in their portfolios without making any significant changes to their risk profiles. Net new investment in mutual funds and premiums collected through bancassurance activity amounted to more than EUR 41 billion during the first half of 2003.

Net new investment in mutual funds topped EUR 20 billion. Considering this and the average gains on the holdings of the funds (+1.6 percent during the first half), the balance of assets under management by the funds rose to almost EUR 500 billion. A breakdown of the funds flows shows that the bulk of the new investment went into bond funds (around EUR 17 billion) and money-market funds (roughly EUR 12 billion), while net redemptions were recorded in the case of equity funds (EUR 6.3 billion) and balanced funds (EUR 4.5 billion). A review of distribution channels indicates that the majority of the new funding was tapped through bank branch facilities (almost 75 percent of the total). The MPS Group's share of assets managed rose slightly from 4.07 percent at the end of December to 4.12 percent at the end of June; the performance in terms of net funding was even better, with the MPS Group commanding a 5.5 percent share of the total market at mid-2003.

Life insurance premiums tapped through bancassurance activity in the first half of 2003 were some 16 percent higher year on year; this result is even more impressive considering the very strong performance of this business in 2002. A decrease in new premium flows into unit-linked policies with a guaranteed return was matched by an almost 30-percent increase in premiums earned on traditional products and a roughly 20-percent rise in premiums on index-linked policies. The MPS Group holds a roughly 11-percent share of the bancassurance market.

As of 30 June, the balance of assets in individual portfolios under management by banks was slightly above the level reported at the end of 2002, although the aggregate was 3.5 percent lower year on year. The MPS Group's share of this market rose slightly with respect to December, climbing above 6.5 percent. The balance of securities held in custody by banks (excluding the securities in managed portfolios) decreased by a slight 0.5 percent year on year; bonds and government securities held in safekeeping were up by a significant 10 percent. Considering only retail customers, the assets held in custody by banks grew by 1.4 percent.

The annual rate of loan growth in the Italian banking industry topped 6.0 percent as of 30 June 2003. The expansion of the aggregate incorporates another strong increase (11.5 percent) in the medium- and long-term component, and new, albeit limited, growth in the short-term segment (just below 1.0 percent per annum) after a contraction in the second half of 2002. The trend of demand for medium-/long-term credit reflects: the growth of business in the property market (with the balance of home mortgages rising by more than 16 percent in the first quarter alone); the process of corporate debt restructuring; and the substitution of bank credit with direct issue of securities. The MPS Group maintained its 6.3-percent share of the loan market in the first half of 2003, and topped the 7-percent threshold in the medium-/long-term segment.



In the Eurozone, the rate of growth of bank loans in the private sector remained above 4 percent, with significant differences between countries; the growth rate in Germany was nil, while that in France was around the average, and the rate in Spain exceeded 12 percent.

Gross non-performing loans continued to rise at the industry level; new non-performing loans during the first half amounted to over EUR 1.3 billion with 5-percent growth year on year. The increase was driven almost exclusively by non-financial companies. On a net basis, instead, non-performing loans were again contracting, falling by 6.4 percent in relation to the end of 2002. The ratio of net, non-performing loans to total loans dipped below 2.0 percent in June, from 2.11 percent as of the end of December.

Compared with the end of 2002, bank lending rates were roughly 60 and 70 basis points lower for short- and medium-/long-term maturities, respectively. Instead, interest rates on deposits declined to a lesser extent, dropping by 35 basis points in comparison with the end of 2002. The markdown decreased substantially, going from 171 basis points in December to 125 basis points in June. The markup, instead, climbed from 265 to 286 basis points. Given these dynamics, the spread between short-term lending rates and rates applied to deposits went from 4.36 percentage points as of 31 December 2002 to 4.11 percentage points as of 30 June 2003. Considering medium-/long-term loans and bank-issued bonds, the spread went from 3.23 to 3.0 percentage points over the same period.

■ REGULATORY ISSUES

One of the key regulatory issues of interest to Italian banks in early 2003 was the re-opening of a program covering the repatriation of capital illegally held abroad (the so-called "Fiscal Shield Program"). The program, which is in effect until 30 September, was expanded to include legal persons through various fiscal-relief provisions, such as "supplemental tax returns" and "automatic settlement of taxes". According to the Italian Foreign-Exchange Office, as of May, some EUR 8 billion had been repatriated in relation to the program.

In addressing the issue of transparency, the Italian Banking Association came up with a "Clear Agreements" project for the purpose of ensuring customers more information about the bank products and services they are purchasing. The project, whose first initiative will get under way in October, is aimed at increasing consumer confidence in banks. In August, the Bank of Italy updated the industry standards regarding the transparency of banking services; these standards will go into effect in October. The new standards, which take into account the CICR resolution of March 2003, regard various types of information on transactions for the purpose of protecting the customer, and the adoption of a summary cost indicator that must include all charges to be paid by customers for mortgages, bank advances and other types of financing.

Changes were also made to the regulations on property funds, and specifically, with regard to the assumption of loans and the transfer of properties (for up to 60 percent of the fund's value) from shareholders in the funds management company and other persons belonging to the same group. In addition, it is now possible for the funds management companies to set up guaranteed funds. The minimum amount for investing in a hedge fund was also re-set at EUR 500,000.

Italian lawmakers also approved the reform of corporate law, with the changes to go into effect as of 2004. In the case of joint-stock companies, the new regulations introduce a choice of three corporate governance systems, the creation of companies with only one shareholder, and the option of setting aside a specific amount of equity for a single business transaction. In its other parts, the reform specifies very distinct characteristics for limited-liability companies vis-à-vis joint-stock companies, and sets out new guidelines for (i) the governance of corporate groups (introducing the concept of parent-company liability with respect to shareholders for the proper management of subsidiaries) and (ii) shareholder agreements (whose maximum term is now five years). A legislative bill covering the reform of Italy's tax laws has also been approved and the provisions regarding corporate taxes are expected to be enacted into law by the beginning of 2004.

The Basle Committee has issued its third draft of the accord on the capital requirements of banks. This latest version has modified the treatment of loans to SMEs, reducing the parameters for capital requirements in relation thereto. The Committee is now receiving opinions and feedback from institutions and individuals involved, and should be publishing the definitive version of the document by year end.

The EU Council of Ministers has reached agreement on the directive for the taxation of savings of non-residents, and it will probably become effective as of 2005. EU member countries will share all information needed for the levying of their own individual taxes on financial income earned abroad by residents, with the exception of Austria, Belgium and Luxembourg who will apply a source withholding tax, with 75 percent of the amount going to the country of residence of the person earning the income. The three aforementioned countries will begin participating in the information-sharing scheme as soon as an agreement has been reached with non-EU countries (including Switzerland and Monaco) on the extension of the system to the same.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2003

■ RECLASSIFIED BALANCE SHEET AND RECLASSIFIED PROFIT AND LOSS STATEMENT

In comparison with the profit and loss statement published in the notes to the financial statements (which has been restated to exclude the accounts of Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato, the affiliates sold at the end of 2002), the reclassified profit and loss statement includes the accounts of S.O.R.I.T, an affiliate operating in the tax collection business whose controlling interest was acquired by BMPS in the final quarter of 2002.

In order to facilitate the analysis of consolidated operations and earnings, certain balance-sheet and profit-and-loss accounts were reclassified in order to provide the same basis for an annual comparison.

- Earnings relative to equity-swap transactions have been eliminated from dividends and other income (Account 30) and reclassified as profits and losses from financial transactions.
- Commissions earned (Account 40) and commissions expense (Account 50), have been aggregated, and are reported as net commissions. Earnings and losses relative to trading of securities for the account of customers have been netted out of profits and losses from financial transactions, and are reported as part of net commissions.
- Other operating income (Account 70) and other operating expense (Account 110) have been aggregated, and are reported as other income, net.
- Net adjustments to non-current financial assets and other assets include not only the adjustments and recoveries with respect to financial assets, but also the part of the adjustments to the value of credits (Account 120) regarding the writedown of interest accrued on junior securities.

MPS Group

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

ASSETS	30/06/2003	30/06/2002 restated	Changes Abs	Changes %	12/31/02
Cash on hand and deposits with central bank and post office	493	596	-103	-17.3	834
Loans:					
a) Customer loans and advances	70,616	67,068	3,548	5.3	68,472
b) Amounts due from banks	11,421	14,027	-2,606	-18.6	16,027
Trading Account Securities	14,787	14,767	21	0.1	12,458
Non-current assets					
a) Investment securities	4,065	4,488	-423	-9.4	4,453
b) Equity investments	2,575	2,116	460	21.7	2,189
c) Fixed assets and intangible assets	2,562	2,608	-47	-1.8	2,570
Positive consolidation differences & positive net equity differences	972	871	101	11.6	871
Own shares or quotas	5	28	-23	-82.4	10
Other assets	20,747	15,647	5,100	32.6	21,000
Total Assets	**128,245**	**122,216**	**6,029**	**4.9**	**128,883**

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2003	30/06/2002 restated	Changes Abs	Changes %	12/31/02
Liabilities					
a) Customer deposits and borrowed funds backed by negotiable instruments	74,481	73,084	1,397	1.9	77,254
b) Due to banks	21,302	22,871	-1,569	-6.9	20,516
Reserves for specific use					
a) Pension funds	457	449	8	1.7	434
b) Staff severance indemnity reserve	402	381	21	5.4	397
c) Other reserves for risks and charges	679	577	103	17.8	617
d) Reserve for taxes	425	832	-407	-49.0	746
Other liabilities	20,610	14,433	6,177	42.8	18,930
Reserve for loan losses	363	307	56	18.1	355
Subordinated debt	3,267	3,062	206	6.7	3,276
Minority interests	23	828	-805	-97.2	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	446	-85	-19.1	361
d) Negative consolidation and net equity differences	23	22	1	5.2	23
e) Reserves	3,200	2,733	467	17.1	2,387
f) Profit (loss) for the year	194	312	-118	-37.7	582
Total Liabilities and Shareholders' Equity	**128,245**	**122,216**	**6,029**	**4.9**	**128,883**

MPS Group

Reclassified profit and loss statement - (in EUR mn)

	30/06/2003	30/06/2002 restated (*)	Changes Abs	Changes %	Half Avg 2002	12/31/02
Net Interest Income	**1,253.8**	**1,145.4**	**108.4**	**9.5**	**1,173.3**	**2,346.6**
Net commissions	654.2	697.0	-42.9	-6.1	709.7	1,419.5
Basic Income	**1,907.9**	**1,842.4**	**65.5**	**3.6**	**1,883.1**	**3,766.1**
Dividends and tax credit	110.1	260.1	-150.0	-57.7	136.1	272.2
Earnings of companies valued with net equity method	18.8	11.8	7.0	59.3	18.1	36.3
Profit (loss) from financial transactions	139.6	37.7	101.9	270.1	70.0	140.1
Other operating income	208.5	348.5	-140.0	-40.2	268.3	536.6
Non Interest Income	**1,131.3**	**1,355.2**	**-223.9**	**-16.5**	**1,202.3**	**2,404.6**
Total Banking Income	**2,385.1**	**2,500.6**	**-115.5**	**-4.6**	**2,375.6**	**4,751.2**
Administrative expenses						
- personnel expenses	-896.6	-888.7	-7.9	0.9	-890.5	-1,781.0
- other administrative expenses	-553.5	-548.4	-5.0	0.9	-563.7	-1,127.5
Total administrative expenses	**-1,450.0**	**-1,437.1**	**-12.9**	**0.9**	**-1,454.2**	**-2,908.5**
Gross Operating Profit	**935.1**	**1,063.5**	**-128.4**	**-12.1**	**921.4**	**1,842.8**
Valuation adjustments to fixed and intangible assets	-168.3	-159.1	-9.2	5.8	-203.1	-406.2
Net Operating Profit	**766.7**	**904.4**	**-137.7**	**-15.2**	**718.3**	**1,436.6**
Goodwill admortization	-51.5	-42.6	-8.9	21.0	-44.3	-88.5
Provisions for risks and charges	-55.5	-17.7	-37.8	ns.	-21.2	-42.4
Valuation adjustments to loans net of recoveries	-244.7	-164.9	-79.8	48.4	-219.0	-438.0
Provision to loan loss reserve	-11.1	-13.7	2.6	-18.7	-45.0	-90.0
Writedowns to non-current financial assets	-53.4	-16.3	-37.1	ns.	-13.8	-27.6
Profit (losses) from ordinary operations	**350.4**	**649.3**	**-298.8**	**-46.0**	**375.1**	**750.1**
Extraordinary income (charges)	1.7	28.7	-27.0	ns.	26.7	53.3
Change in reserve for general banking risks	0.0	0.0	0.0	ns.	42.5	85.0
Income taxes	-155.2	-314.5	159.3	-50.6	-108.3	-216.6
Profit for the period before minority interests	**196.9**	**363.4**	**-166.5**	**-45.8**	**335.9**	**671.9**
Minority interests	-2.4	-51.2	48.8	-95.3	-45.0	-90.0
Net profit for the period	**194.4**	**312.2**	**-117.7**	**-37.7**	**290.9**	**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.

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

	Year 2003		Year 2002 restated value as of (*)				Quarterly Avg	
	2Q03	1Q03	4Q02 Restated	3Q02 Restated	2Q02 Restated	1Q02 Restated	2002	12/31/02
Net Interest Income	**625.1**	**628.7**	**624.7**	**576.5**	**564.4**	**581.0**	**586.7**	**2,346.6**
Net commissions	**368.4**	285.8	397.9	324.5	346.5	350.5	354.9	1,419.5
Basic Income	**993.5**	**914.4**	**1,022.7**	**901.1**	**910.9**	**931.5**	**941.5**	**3,766.1**
Dividends and tax credit	109.7	0.5	13.7	-1.7	247.0	13.1	68.0	272.2
Earnings of companies valued with net equity method	6.3	12.6	15.8	8.6	2.2	9.7	9.1	36.3
Profit (loss) from financial transactions	34.0	105.6	136.7	-34.4	-61.5	99.2	35.0	140.1
Other operating income	101.7	106.8	112.7	75.4	178.3	170.2	134.2	536.6
Non Interest Income	**620.1**	**511.2**	**676.9**	**372.5**	**712.6**	**642.7**	**601.2**	**2,404.6**
Total Banking Income	**1,245.2**	**1,139.9**	**1,301.6**	**949.0**	**1,277.0**	**1,223.6**	**1,187.8**	**4,751.2**
Administrative expenses								
- personnel expenses	-447.2	-449.3	-457.6	-434.7	-453.9	-434.8	-445.2	-1,781.0
- other administrative expenses	-276.7	-276.8	-295.9	-283.1	-279.4	-269.1	-281.9	-1,127.5
Total administrative expenses	**-723.9**	**-726.1**	**-753.6**	**-717.8**	**-733.2**	**-703.8**	**-727.1**	**-2,908.5**
Gross Operating Profit	**521.3**	**413.8**	**548.0**	**231.2**	**543.7**	**519.8**	**460.7**	**1,842.8**
Valuation adjustments to fixed and intangible assets	-91.6	-76.8	-158.3	-88.7	-85.7	-73.4	-101.5	-406.2
Net Operating Profit	**429.7**	**337.0**	**389.7**	**142.5**	**458.0**	**446.4**	**359.1**	**1,436.6**
Goodwill admortization	-29.3	-22.2	-24.6	-21.3	-22.0	-20.6	-22.1	-88.5
Provisions for risks and charges	-38.9	-16.6	-15.5	-9.1	-16.4	-1.4	-10.6	-42.4
Valuation adjustments to loans net of recoveries	-146.4	-98.3	-180.4	-92.7	-104.5	-60.4	-109.5	-438.0
Provision to loan loss reserve	-2.8	-8.3	-70.8	-5.6	-3.4	-10.2	-22.5	-90.0
Writedowns to non-current financial assets	-52.5	-1.0	-8.6	-2.7	-7.6	-8.7	-6.9	-27.6
Profit (losses) from ordinary operations	**159.8**	**190.6**	**89.8**	**11.0**	**304.1**	**345.2**	**187.5**	**750.1**
Extraordinary income (charges)	-23.9	25.6	6.6	18.0	16.5	12.2	13.3	53.3
Change in reserve for general banking risks	0.0	0.0	85.0	0.0	0.0	0.0	21.2	85.0
Income taxes	-71.8	-83.4	106.0	-8.1	-147.7	-166.8	-54.1	-216.6
Profit for the period before minority interests	**64.0**	**132.8**	**287.4**	**21.0**	**172.9**	**190.5**	**168.0**	**671.9**
Minority interests	-1.2	-1.3	-25.9	-12.9	-19.6	-31.6	-22.5	-90.0
Net profit for the period	**62.9**	**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: KEY DATA AND RATIO ANALYSIS

million euro

Profit and loss aggregates	30/06/2003	30/06/2002 restated	Chg.%
Total banking income	2,385.1	2,500.6	-4.6
Net operating income	766.7	904.4	-15.2
Net income	194.4	312.2	-37.7
Net income adjusted for goodwill	246.0	354.8	-30.7

Balance sheet aggregates	**30/06/2003**	**30/06/2002**	**Chg.%**
Direct funding - including subordinated debt	77,748	76,146	2.1
Indirect funding	103,850	102,244	1.6
including: Funds under management	*40,927*	*37,641*	*8.7*
including: Funds under administration	*62,922*	*64,604*	*-2.6*
Customer loans and advances	**70,616**	**67,068**	**5.3**
Consolidated shareholders' equity	**6,236**	**5,392**	**15.7**

Credit quality indicators (%)	**30/06/2003**	**31/12/2002**
Net non-performing loans / Customer loans and advances (%)	1.5	1.5
Watchlist credits / customer loans and advances (%)	1.7	1.7

Profitability ratios (%)	**30/06/2003**	**31/12/2002**
Non interest income/Total banking income	47.4	50.6
Cost/Income ratio % (excluding depreciations and amortization)	60.8	61.2
Cost/Income ratio % (including depreciations and amortization)	67.9	69.8
Cost/Income ratio % (including depreciations and amortization) (°)	65.8	67.6
Adjusted ROE (%)	9.9	14.3
R.O.E. (*)	7.7	12.1

(°) excl Tax Collection area

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

Solvency ratios (%)	**30/06/2003**	**31/12/2002**
Total capital ratio %	8.88	8.79
Tier 1 Ratio %	6.06	6.05

Share data	**30/06/2003**	**30/06/2002**
Number of shares outstanding	2,448,491,901	2,598,722,319
Number of preferred shares outstanding	565,939,729	0
Number of savings shares outstanding	9,432,170	9,432,170
Ordinary share price during the year:		
- average	2.34	3.21
- low	1.93	2.69
- high	2.79	3.88

Operating structure	**30/06/2003**	**31/12/2002**	**Abs. Chg.**
Number of banking employees (end of period)	24,798	24,872	-74
Number of total employees (end of period)	27,381	27,517	-136
Number of branches in Italy (*)	1,834	1,827	7
Number of foreign branches and foreign representative offices	38	37	1
Number of customers with online connections to the Group banks	714,406	731,394	-16,988

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

OVERVIEW OF OPERATIONS

The first half of 2003 was marked by continuing concerns over the possibility of a genuine recovery of the economy, with the start of the second war in the Persian Gulf in March making the future outlook even less certain. Responding to this situation, interest rates fell across the board, hitting their lows in mid-June. After having bottomed out at the start of the war, stock prices embarked on a gradual recovery that continued throughout the second quarter, although many investors showed increasing disaffection for anything but investments with secure returns. Against this backdrop, the MPS Group directed its efforts toward further containing the growth of operating expenses, and the continuing pursuit of a business policy implemented in 2002 that is aimed at simultaneously boosting the rate of retention and quality of customer relationships, and ensuring an adequate return on the same. Several important restructuring transactions approved in 2002 were also completed in the first half of 2003, and resulted in the reduction of the holdings of minority interests in certain companies of the MPS Group.

From an operational perspective, the MPS Group's results for the first half of 2003 were more than positive, especially with regard to the growing volumes of commercial activity with the retail clientele (residential mortgages and insurance products, both of which are marked by a high degree of embedded value). Significant progress was also made in the principal earnings aggregates. Driven by the strong performance of the interest margin and by the quarterly improvement in net commissions, **the growth of basic income** was matched by further deceleration in the trend of general expenses between the first and second quarters, as well as with respect to the average values for the preceding year. The improvement in the capital ratios is also worth noting, with the Tier I ratio up to 6.06 percent and solvency coefficient near 9 percent.

■ THE MPS GROUP'S COMMERCIAL ACTIVITY

Consistent with its marketing plan for the current year, the MPS Group continued to work toward developing the intrinsic value of the customer relationships, in parallel with the implementation of other, significant projects of an organizational and commercial nature (additional information is provided in the section covering results by business area).

■ 1) FUNDS MANAGEMENT

In the area of **funds management,** the MPS Group realized significant results through the commercial networks, with placement volumes advancing substantially over the levels on record for the first half in 2002. Based on the mix of products and services, it would seem many customers are still operating with extreme prudence, opting for products guaranteeing capital, highly liquid instruments and short-term maturities. The momentum of business continued to remain strong even in the second quarter, with customers putting significant amounts into mutual funds and SICAVs (primarily bond and money-market products) and insurance policies. A breakdown of the funds flows is provided in the table below:

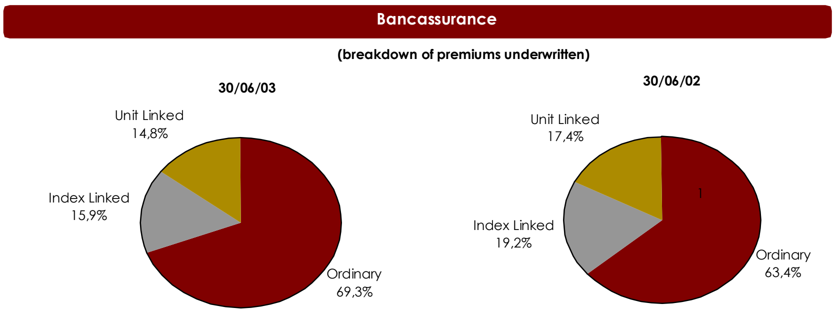
Consolidated Product Placements
(in EUR mn)

	30/06/2003	30/06/2002
Mutual investment funds / SICAVs	1,536	-123
Life policies (§) including:	2,231	2,482
Ordinary policies	1,546	1,574
Index-linked policies	354	476
Unit-linked policies	331	432
Innovative financial products	1,494	1,826

(§) The total includes the amount placed through innovative financial products.

Highlights are as follows:

- **With EUR 2,231 million of insurance premiums underwritten** (including EUR 2,082 million through direct placements), the MPS Group re-affirmed its leading position in the market for insurance products sold through banks and post offices, and ended the first half of 2003 with **a market share of roughly 11 percent (based on preliminary data compiled by IAMA)**. A breakdown of the business shows further growth of the weight of ordinary policies (roughly 69.5 percent of total premiums underwritten) which benefited from expansion of the product line and the customer preference for a lower risk instrument; the gain in the weight of ordinary policies was offset by decreases in the weights of index-linked policies (15.9 percent) and unit-linked policies (14.8 percent). The performance of the MPS Group's bancassurance business also benefited from the growth at Quadrifoglio Vita S.p.A., a 50-percent subsidiary of Banca Agricola Mantovana; during the first half of 2003, the premiums underwritten by this company rose by roughly 30.7 percent to EUR 615 million.



- **Net new investment in mutual funds and SICAVs amounted to EUR 1,536 million,** with the commercial networks accounting for around EUR 1,978 million of direct placements. The result compares with net redemptions of EUR 123 million in the first half of 2002**. The MPS Group's share of the industry flows stood at 7.4 percent, while its share of funds managed by Italian intermediaries in relation to subscribers resident in Italy rose from 4.07 percent in December 2002 to 4.20 percent in mid-2003.**

- **Some EUR 1,494 million of innovative financial products were placed with retail customers** and served to boost the balance of indirect funding. In line with customer preferences, most of these products offered guarantees of capital and short-term maturities.

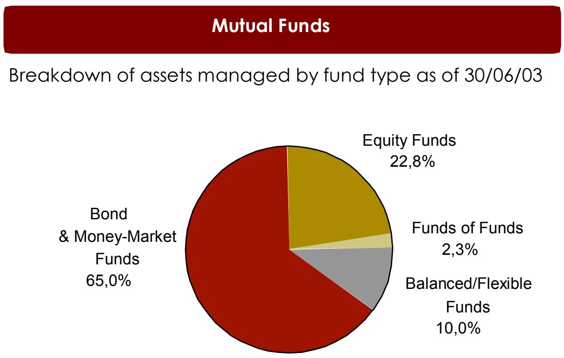
Given the effects of such dynamics as well as the partial recovery of the financial markets, the balance of **funds under management** came to EUR 40,927 million as of 30 June 2003, reflecting growth of 8.7 percent over the comparable figure as of

30 June 2002 and an absolute increase of around EUR 2.5 billion in relation to the end of the first quarter of 2003.

The performance of the individual segments of the funds under management is outlined hereunder.

- Mutual funds

The assets in mutual funds (relative to the MPS Group's commercial networks) amounted to EUR 15,538 million at the end of June 2003, expanding by 8.4 percent year on year, despite the decreases of equity indices during the period (the MIB30, for example, was down by 9.9 percent). The shift toward lower risk products which began to take shape in the final months of 2002 grew more pronounced in early 2003. The following graph covering the type of mutual investment funds placed by the MPS Group tends to substantiate this trend, showing the weight of bond and money-market funds rising to 65 percent from 57 percent as of the end of 2002 and 51 percent as of June 2002..



The table below provides a summary of the total mutual fund assets managed by MP Asset Management SGR (inclusive of the assets invested in the Irish-law SICAVs marketed under the "Bright Oak" name).

I MPS GROUP Mutual Investments Funds (30.06.03)

Assets Under Management by Individual Fund - Amounts in euro mln

Funds	Assets	Inc.%
Ducato Geo Paesi Emergenti	119	2,5
Ducato Geo America	373	8,0
Ducato Geo America Blue Chips	54	1,1
Ducato Geo America Crescita	11	0,2
Ducato Geo America Latina	1	0,0
Ducato Geo America Small Caps	14	0,3
Ducato Geo America Valore	16	0,3
Ducato Geo Asia	129	2,8
Ducato Geo Europa	1.437	30,7
Ducato Geo Europa Alto Potenziale	62	1,3
Ducato Geo Europa Blue Chips	44	0,9
Ducato Geo Europa Crescita	11	0,2
Ducato Geo Europa Est	8	0,2
Ducato Geo Europa Small Caps	40	0,9
Ducato Geo Europa Valore	18	0,4
Ducato Geo Giappone	219	4,7
Ducato Geo Globale	247	5,3
Ducato Geo Globale Crescita	8	0,2
Ducato Geo Globale Selezione	140	3,0
Ducato Geo Globale Small Caps	31	0,7
Ducato Geo Globale Valore	8	0,2
Ducato Geo Italia	538	11,5
Ducato Geo Tendenza	172	3,7
Ducato Set Consumi a	12	0,3
Ducato Set Consumi B	16	0,3
Ducato Set Energia	9	0,2
Ducato Set Farmaceutico	14	0,3
Ducato Set. Finanza	52	1,1
Ducato Set Immobiliare	31	0,7
Ducato Set Industria	14	0,3
Ducato Set Materie Prime	12	0,3
Ducato Set Servizi	5	0,1
Ducato Set Tecnologia	47	1,0
Ducato Set Telecomunicazioni	8	0,2
Ducato Etico Globale	19	0,4
Bright Oak Geo Europe	374	8,0
Bright Oak Geo Europe Small Caps	19	0,4
Bright Oak Geo Global	28	0,6
Bright Oak Geo Asia/Pacific	23	0,5
Bright Oak Geo Italy	38	0,8
Bright Oak Geo Japan	12	0,3
Bright Oak Geo Usa	249	5,3
Tot. equity funds	**4.682**	**100,0**

Funds	Assets	Inc.%
Ducato Fix Alto Potenziale	110	0,8
Ducato Fix Convertibili	30	0,2
Ducato Fix Dollaro	149	1,1
Ducato Fix Emergenti	268	2,0
Ducato Fix Euro Breve Termine	498	3,7
Ducato Fix Euro Medio Termine	1.185	8,9
Ducato Fix Euro Tasso Variabile	1.544	11,5
Ducato Fix Globale	354	2,6
Ducato Fix Imprese	259	1,9
Ducato Fix Liquidità	1.423	10,6
Ducato Fix Monetario	5.398	40,4
Ducato Fix Rendita	307	2,3
Ducato Fix Yen	50	0,4
Bright Oak Fix Liquidity	516	3,9
Bright Oak Fix Medium Term	790	5,9
Bright Oak Fix Global	7	0,1
Bright Oak Fix Dollar	267	2,0
Bright Oak Fix Short Term	218	1,6
Tot. Bond & Money-Market funds	**13.374**	**100,0**
Ducato Mix 25	585	28,5
Ducato Mix 50	746	36,4
Ducato Mix 75	298	14,5
Ducato Flex 30	62	3,0
Ducato Flex 60	28	1,4
Ducato Flex 100	310	15,1
Ducato Etico Civita	8	0,4
Bright Oak Total Return	15	0,7
Tot. balanced & opport. funds	**2.052**	**100,0**
Portfolio Capital Plus	21	4,4
Portfolio Commodity	5	1,0
Portfolio Equity 30	68	14,4
Portfolio Equity 50	41	8,8
Portfolio Equity 70	23	4,9
Portfolio Global Bond	90	19,2
Portfolio Global Equity	109	23,2
Portfolio High Tech	11	2,4
Portfolio Mega Trends	24	5,1
Portfolio Small Caps	6	1,3
Portfolio Strategy	72	15,4
Tot. funds of funds	**470**	**100,0**
TOTAL	**20.578**	

MPS GROUP MUTUAL INVESTMENT FUNDS
Assets Under Management by Individual Fund - Amounts in EUR mn

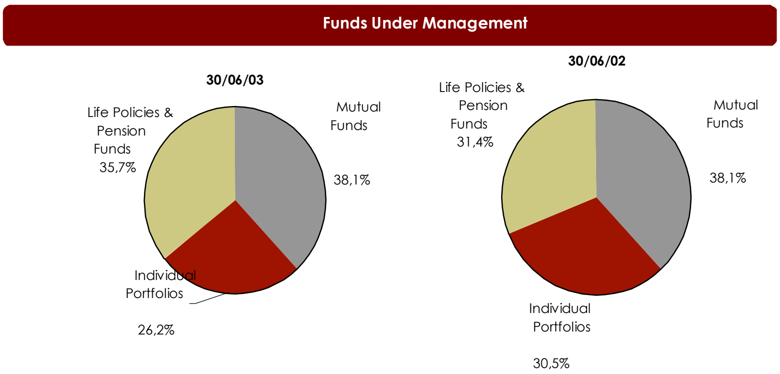
- Individual portfolios under management

Assets of individual portfolios under management totaled EUR 10,768 million as of mid-2003, reflecting a roughly 6.3-percent decline year on year. The outflows were mainly concentrated in GPF accounts, and attributable to the redeployment of funds to other types of managed instruments. The trend in the second quarter showed clear signs of improvement with respect to the first three months of the year.

- Bancassurance

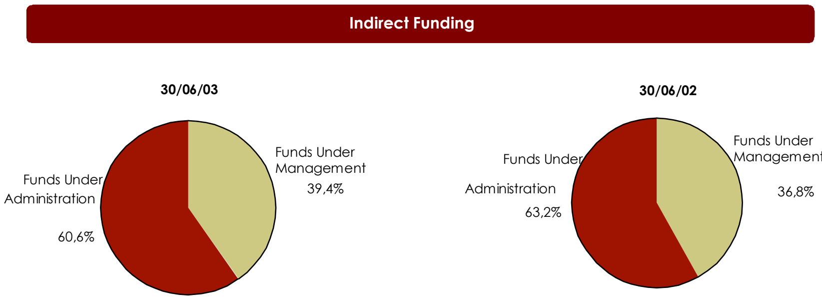
The technical reserves of the life policies in relation to the MPS Group's commercial networks totaled EUR 14,622 million. The figure reflects significant 23.7-percent growth year on year and a roughly EUR 814 million increase over the balance at the end of the first quarter. Traditional policies made a strong contribution.

Given these changes, the weight of the "life policies and pension funds" component to total funds under management rose by more than four percentage points in comparison with 30 June 2002.



<u>Funds under administration</u> totaled EUR 62,922 million as of mid-2003, reflecting a decline of 2.6 percent year on year. The variance incorporates a reduction in share prices (the MIB30 Index, for example, fell by 9.9 percent during the period) and the decision to terminate several marginally profitable relationships with institutional clients as part of the effort to optimize overall performance. The negative impact of these two developments eclipsed the positive results of the new business generated in this area.

Given these dynamics, **<u>indirect funding</u>** as of mid-2003 totaled EUR 103,850 million, progressing only slightly year on year (+1.6 percent) and in comparison with the balance at the end of the first quarter. The ratio of funds under management to total indirect funding rose from 36.8 percent as of 30 June 2002 to 39.4 percent as of 30 June 2003.



Growing by 2.1 percent with respect to 30 June 2002 and by roughly 1 percent with respect to the 31 March 2003, **direct funding** amounted to EUR 77,748 million as of 30 June 2003, and gave the MPS Group a **6.52 percent share of the domestic market.** As announced in March, this aggregate has been impacted by a decision of the Corporate Center to re-allocate the marginally profitable deposits of certain corporate and institutional clients. The sharp contraction of repurchase agreements (-30.4 percent) and the reduction of deposits held by the foreign branches of BMPS are both results of this decision.

Direct funding from customers
(in EUR mn)

	30/06/2003	% of 1H 2003 Total	% of 2002 Total
Savings deposits	4,083	5.3	5.1
Current accounts	36,219	46.6	46.0
Certificates of deposit	5,948	7.7	7.8
Repurchase agreements	5,453	7.0	9.7
Bonds	21,808	28.1	25.6
Other	969	1.2	1.7
Sub-total	74,481	95.8	95.9
Subordinated liabilities	3,267	4.2	4.1
Total	77,748	100.0	100.0

- Distribution of funding by sector of activity

The table below provides a summary of deposits by sector of activity. As indicated, funding from non-financial companies grew from 18.6 percent of the total at the end of the first half of 2002 to 21.9 percent at mid-2003.

Breakdown of deposits of ordinary resident customers of Italian branches
(in EUR mn)

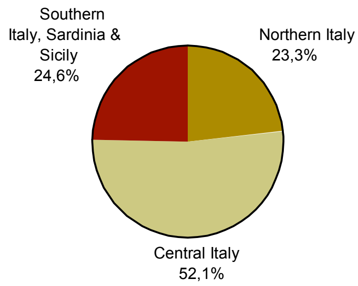
	30/06/2003	% Change year on year	% of 30/06/2003	% of 30/06/2002
Governments and financial institutions	4,342	-6.9	11.2	12.0
Non-financial companies	8,521	18.0	21.9	18.6
Family-owned businesses	2,520	-2.4	6.5	6.6
Retail deposits (°)	23,507	-3.5	60.5	62.7
Total	38,890	0.2	100.0	100.0

(°) Total includes private institutions and deposits which cannot be classified in the other categories

- Geographic distribution of funding

The central regions of Italy continue to figure as the principal source of funding, accounting for 52.1 percent of total deposits of Italian branches. The northern and southern regions provide a balanced contribution to the funding base.

Geographic Distribution of Customer Deposits



A breakdown of the indirect funding within the **individual commercial networks** shows appreciable year-on-year gains of 4.7 percent at Banca Toscana and 13.5 percent at Banca Agricola Mantovana. In direct funding, Banca Toscana reported a more modest 0.2 percent increase, while Banca Agricola Mantovana experienced a reduction of 8.1 percent. Direct funding at the parent company remained virtually stable year on year.

■ 2) LENDING

☐ A) The MPS Group's commercial activity

During the first half of 2003, the lending business was developed pursuant to the strategic directives issued by the Corporate Center aimed at standardization of policy and procedures in pricing and in assessing creditworthiness, and the containment of risks and capital absorption. Such standardization has been sought across sectors and geographic areas. Against this backdrop, the MPS Group focused mainly on building business in the medium- and long-term components, thereby promoting the maximum integration between the distribution networks and the product factories, and the development of stronger customer relationships. New mortgage loans disbursed to retail and corporate customers hit a record level of over EUR 2,700 million, climbing, as shown in the table below, by roughly 16 percent over the total disbursements made by the three principal networks of the MPS Group in the first half of 2002.

Mortgage loan disbursements to retail and corporate customers
(in EUR mn)

	30/06/2003 Cumulative	30/06/2002 Cumulative	Change Y/Y	% Change Y/Y
Monte dei Paschi di Siena	1,235	1,105	130	11.8
Banca Toscana	835	718	117	16.3
Banca Agricola Mantovana	644	522	122	23.4

Similarly, the specialized lending activity continued to develop at a healthy pace and was flanked by the successful promotion of new corporate risk-management products created by the Corporate Financial Solutions area of MPS Finance and marketed to companies and public entities.

Specialized lending and financial products for businesses
(in EUR mn)

	30/06/2003 Cumulative	30/06/2002 Cumulative
MPS Finance		
Investment products	304	367
Risk-management products	2,966	1,017
MPS Merchant		
Applications	3,810	3,284
Disbursements	929	739
MPS Banca Verde		
Applications	835	694
Disbursements	386	272
MPS Leasing & Factoring (°)		
Leases signed	779	851
Factoring turnover	1,922	1,954
Consum.it		
Disbursements	416	327

(°) The figures for 2002 include the leasing and factoring operations of Banca Monte dei Paschi di Siena.

Given these trends, loans outstanding as of 30 June 2003 amounted to EUR 70,616 million, and gave the MPS Group a **6.3-percent share of the domestic market**. The balance reflects growth of 5.3 percent year on year, and a roughly EUR 3 billion increase over the total as of the end of the first quarter. The growth was dominated by the medium-/long-term component, with the outstandings at the Italian branches some 11.4 percent higher year on year; as a result of this expansion, the **MPS Group's share of the domestic medium-/long-term loan market was more than 7.0 percent as of 30 June 2003.** Business in the domestic market in the short-term segment remained fairly stable, with outstandings edging up by 0.8 percent. A breakdown of loans by type shows continued growth in mortgages, whose weight in terms of the entire portfolio climbed from 42.2 percent as of the end of 2002 to 45.5 percent at mid-2003.

Distribution of loan portfolio by types of loans
(in EUR mn)

	30/06/03	31/12/02	% Change	% of 1H 2003 Total	% of 2002 Total
Current accounts	12,206	13,024	-6.3	17.3	19.0
Advances	5,110	5,440	-6.1	7.2	7.9
Advances and subsidies	11,524	11,761	-2.0	16.3	17.2
Personal loans	1,172	1,073	9.2	1.7	1.6
Mortgages	32,143	28,875	11.3	45.5	42.2
Loan value of financial leases	2,990	3,543	-15.6	4.2	5.2
Other	4,382	3,744	17.0	6.2	5.5
Non-performing loans, net	1,090	1,011	7.7	1.5	1.5
Total	70,616	68,472	3.1	100.0	100.0

At a business unit level, the activity of the specialized lending companies continued to expand at a strong pace, with growth topping 20 percent across the board.

Corporate product companies

(in EUR mn)	MPS Merchant		MPS Banca Verde	
	30/06/2003	% Change Y/Y	30/06/2003	% Change Y/Y
Total customer loans	5,141	24.5	2,133	35.7
Loans disbursed during the period	929	25.7	386	41.9
	www.mpsmerchant.it		www.bancaverde.it	

The development of the loan business at the commercial banks was less buoyant and is shown in the table below.

Commercial banks

(in EUR mn)	Banca MPS		Banca Toscana		BAM	
	30/06/03	% Change Y/Y	30/06/03	% Change Y/Y	30/06/03	% Change Y/Y
Total customer loans	37,092	0.8	10,884	1.9	8,090	-0.2
		www.mps.it		www.bancatoscana.it		www.bam.it

- Geographic distribution of loans

Customer loans are concentrated in Italy, which accounts for 94.7 percent of total exposure. As a whole, the exposure to borrowers in the European Union amounts to 99 percent of the total. Though affirming the concentration of loan volumes in the MPS Group's traditional market area, the geographic distribution of the loan portfolio in Italy has shifted in recent years.

Loans to ordinary resident customers
Italian branches
Distribution by customer residence - in EUR mn

	30/06/2003	% Change Y/Y	% of 1H 2003 Total	% of 2002 Total
Northern Italy	22,386	6.2	35.2	35.2
Central Italy	29,029	4.2	45.6	46.4
Southern Italy and Islands	12,190	10.4	19.2	18.4
Total	63,604	6.1	100.0	100.0

- Loans by customer segment and sectors of economic activity

The distribution of the loans of Italian branches by sector highlights the predominant weight of loans to support production, whose weight in terms of all loan business for the Italian branches climbed from 62.3 percent to 66.3 percent. At 18.7 percent, the weight of retail loans was also higher. The gains were offset by reduction in the weight of the government and financial institutions component.

Loans by customer segment
Italian branches
(in EUR mn)

	30/06/2003	% Change Y/Y	% of 1H 2003 Total	% of 2002 Total
Governments and financial institutions	9,232	-25.9	14.5	20.8
Loans for production purposes	42,141	12.8	66.3	62.3
- non-financial companies	36,949	12.8	58.1	54.6
- family-owned businesses	5,193	12.9	8.2	7.7
- cottage industries	1,114	12.6	1.8	1.6
- other family-owned businesses	4,079	13.0	6.4	6.0
Retail loans	11,897	21.7	18.7	16.3
Other	334	-10.3	0.5	0.6
Total	63,604	6.1	100.0	100.0

A review of the loans for production purposes by sector of economic activity shows the traditional, broad-based diversification of the portfolio.

Loans for production purposes by sector of economic activity
(in EUR mn)

	30/06/2003	% Change Y/Y	% of 1H 2003 Total	% of 2002 Total
Agriculture	2,975	22.5	7.1	6.5
Industry	15,498	11.6	36.8	37.2
Building and public works	4,614	15.8	10.9	10.7
Services	19,054	11.7	45.2	45.7
Total	42,141	12.8	100.0	100.0

- Degree of concentration of outstanding loans

The traditional diversification of the loan portfolio is a critical part of the Group's lending policy. Roughly 57 percent of the loans of the MPS Group are for individual amounts of less than EUR 2.5 million, while the concentration of risk continues to be relatively limited.

Loans outstanding by average amount
Cash credits, net of non-performing loans

	% of Total as of 30/06/2003	% of Total as of 31/12/2002	% of Total as of 30/06/2002
0 - EUR 75,000	14.2	14.0	13.5
EUR 75,000 - EUR 250,000	15.9	15.1	13.9
EUR 250,000 - EUR 500,000	7.7	7.7	7.2
EUR 500,000 - EUR 2,500,000	19.9	19.6	18.1
EUR 2,500,000 - EUR 50,000,000	24.1	24.3	22.1
More than EUR 50,000,000	18.2	19.4	25.2
Total	100.0	100.0	100.0

STRUCTURED FINANCE AND MERCHANT BANKING

During the first half of 2003, the plans for building up the MPS Merchant and MPS BancaVerde excellence centers continued to unfold.

The project financing activity (*see box*) has mainly regarded the development of infrastructure projects and projects involving public utility services.

In private-equity and M&A, principal transactions include MPS Merchant's acting as a financial advisor for the public tender offer for the shares of Savino del Bene S.p.A.. With this transaction, MPS Merchant acted as both the arranger of the financing and as an equity investor in the company incorporated for the purpose of launching the offer.

In May 2003, the Rome-based Cotral S.p.A., the Italian leader in extra-urban road transport, provided MPS Merchant with a mandate to seek out an industrial partner. The bank also secured a public contract for the economic and financial advisory services related to the renewal and renovation of industrial areas on the outskirts of Milan that were previously owned by Falck. S.p.A. The bank's work continues on the privatization of

PROJECT FINANCING ACTIVITY

- MPS Merchant has served as a financial advisor for several key project-financing transactions, taking, for example, a 15-percent interest in a project involving total investment of over EUR 400 million covering the design and construction of four new hospitals in the Tuscany Region. The bank has also assisted in structuring the financing behind the construction of a tram system in Florence, with total investment expected to range around EUR 260 million. Acting as arranger for the Florence Mobility Project, the bank is furthermore supporting the building of underground parking at an estimated investment of EUR 57 million.

- With the MPS Group becoming a leader in providing financial assistance to the water industry, MPS Merchant teamed up with the parent company to prepare and present bids regarding the selection of a private-sector entity as part of a private-/public-sector initiative to manage the three Optimal Territorial Structures in the Tuscany Region: Siena-Grosseto, Pisa and Florence.

Aeroporto di Firenze S.p.A., the formalities for which are expected to be completed by the end of 2003.

In the private-equity business, MPS Merchant started up operations of a registered funds management company, MPS Venture, and finalized the institutional subscriptions of closed-end funds in the amount of EUR 150 million. The three funds (MPS Venture 1 - Siena Venture - Salento Venture) became operational thereafter, and management began investigating a number of possible investments. An initial investment was made in Angelantoni Industrie S.p.A., a company specialized in the refrigeration business, and other transactions are also near closing.

MPS Merchant and MPS Banca Verde have both stepped up their commitment to the energy business in terms of financing and advisory services. A particular area of interest is the production of energy from renewable sources (wind parks, biomass-powered electricity plants, etc.).

MPS Banca Verde's activity in the first half of 2003 incorporated various initiatives regarding product innovation (see box) and organizational structure.

The distribution synergies with the branches of the MPS Group banks were further refined, partly in light of the creation of the SME Centers, the pivotal element of the new service model for small and medium-sized companies.

From this perspective, the bank established a special unit to provide advisory services to companies aiming to secure environmental certification, and other types of certification: product, production-distribution chain, etc.

■ MPS BANCA VERDE'S INNOVATION IN THE ENVIRONMENTAL AND AGRICULTURAL SECTORS

- "Energy Save" is a financing package conceived to meet the demands for energy savings and technological innovation on the part of local utilities and large users of electric energy. This is thus an "environmental product" directed essentially at Energy Save Companies (ESCO), with the intention to introduce this type of assistance in Italy as well;
- "Futuro" was developed to accommodate business-succession in the farming industry, an issue having a strong impact on agricultural concerns. Given its long-term nature, the initiative also provides incentives for new, professionally trained individuals to enter the agricultural industry in order to meet the technological challenges of new farming techniques and methods;
- "Ecoturismo": was designed with the idea of responding to the need for a better tourism experience. The program incorporates medium-term financing to fund the "Ecolabel" certification which was recently approved by the European Commission, including with respect to agricultural tourism.

■ INTERNATIONAL BANKING ACTIVITY

The activity of the international banking area has increasingly focused on supporting the business of customers in the domestic market. A particular emphasis has gone to assisting companies with international expansion, with a specific initiative developed in the case of small- and medium-sized companies (*additional information is provided in the section covering innovation, research and development*).

□ *BUSINESS DEVELOPMENT*

The interaction with Italian export-import insurance entity, SACE, was further intensified in the first half of 2003, with the MPS Group utilizing all of the insurance coverage available under agreement with the entity. Relying on the support of SACE, including through innovative services such as on-line confirmations, the MPS Group financed some 375 transactions covering exports to emerging markets with a total value of more than EUR 106 million. These transactions were also made possible by the activation of risk-sharing agreements with other intermediaries, and were thus executed in compliance within the limits provided by the MPS Group's lending policy.

In addition to Exportkey, a product facilitating business transactions between Italian exporters and counterparties in high-risk nations, the MPS Group has introduced other services to support domestic customers, including a program for recovering value-added taxes from outside Italy. It is also worth noting that Banca MPS is serving as the agent bank for three aid packages amounting to EUR 87 million, two of which have gone to Tunisia and the third of which went to Algeria. This mandate will help facilitate the objective of further improving the MPS Group's positioning in the Maghreb.

The volumes of trade transactions settled through the MPS Group network totaled EUR 22.8 billion for the "current accounts". The Group thus continues to figure as one of the leading banking intermediaries involved in foreign trade.

During the first six months of 2003, the correspondent banking activity was focused on the containment of processing costs with respect to correspondent relationships, and in relation thereto, a careful examination of the impact of new EU regulations covering pricing on cross-border bank transfers. Efforts were also dedicated to increasing the possible flow of work originating from abroad and the promotion of the MPS Group's image, with an accent on cost awareness in both cases.

THE DIRECT FOREIGN NETWORK

The MPS Group's foreign network includes various operating structures: branches, representative offices, customer desks, and other units set up on the premises of correspondent banks by virtue of commercial agreements.

The foreign network is currently structured so as to focus on specific geographic areas which have been selected for their commercial potential and their capacity to support the Group's existing clientele. Notwithstanding the importance of the presence in the principal financial markets such as London and New York, the MPS Group has effectively strengthened its position in Southeast Asia by concentrating business with the Hong Kong branch.

Each of the foreign branches has a customer desk dedicated to supporting the needs of the Italian customers, and to ensuring the maximum operational integration with the MPS Group's domestic network. Similar objectives are sought with the representative offices located in Eastern Europe (Istanbul and Moscow), North Africa (Algiers, Tunis and Cairo), and China (Beijing and Shanghai).

COMMERCIAL AGREEMENTS WITH CORRESPONDENT BANKS

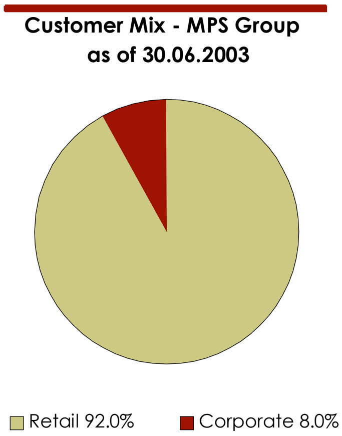
The principal initiatives include:

- Eastern Europe: Alpha Bank in Romania (Banca MPS holds a minority investment in the bank and has also transferred its personnel to the bank's premises), Wolksbank in Croatia, Czech Republic, Slovenia and Hungary, and Ludova Bank in Slovakia;
- Maghreb: Crédit du Maroc (with Banca MPS staff at the Casablanca office) and Commercial International Bank (C.I.B.) in Egypt;
- Iberian Peninsula: Bancaja ((with Banca MPS staff at the Valencia office).

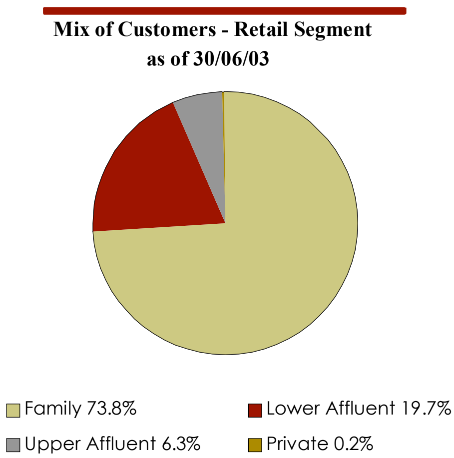
CUSTOMER PORTFOLIO

As of 30 June 2003, the number of customers of the MPS Group was 4,436,058, and reflected an increase of 35,500 year on year.

The customer base of the MPS Group commercial networks alone included 4,246,000 customers as of 30 June 2003, and was divided among retail customers (roughly 92 percent of the total), corporate customers (7.9 percent) and public entities, insurance companies, financial institutions, and MPS subsidiaries/affiliates (0.2 percent).

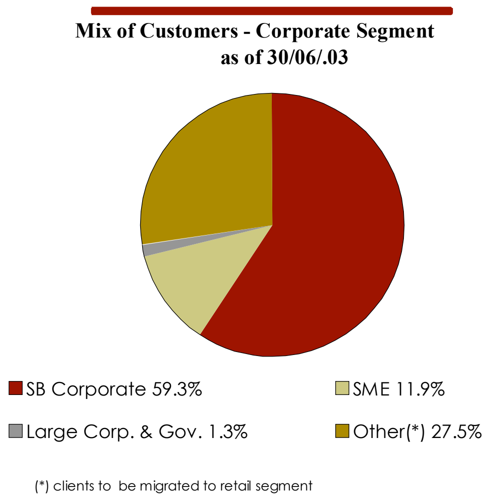


The "family" segment (customers with assets of less than EUR 25,000) accounts for roughly 74 percent of all of the retail customers of the MPS Group. The percentage of the retail customer base represented by the private-banking segment (assets of over EUR 1.5 million) and by the affluent segment (assets between EUR 25,000 and EUR 1.5 million) expanded in early 2003, partly due to the implementation of a new service model (*additional information is provided in the section covering "Innovation, research and development"*).



As of 30 June 2003, the corporate clients of the commercial banks numbered over 333,200, and were subdivided among small businesses (59.3 percent), SMEs (11.9

percent), and large corporations and government entities (1.3 percent). The residual 27.5 percent is represented by customers who will be reclassified within the retail segment in accordance with the new service model.



■ MARKETING-RELATED DEVELOPMENTS

In dealing with the questions arising over the marketing of several products (and specifically, the "For You" and "My Way" financial plans), BMPS has undertaken several important initiatives to ensure the maintenance of customer confidence.

After executing two protocols of intent with consumer associations stipulating joint management of the complaints, the Bank made enhancements to the commercial networks in order to provide customers with additional information about the product characteristics, and set up an Internet site for the purpose of the same. As of the end of June, the Bank had received complaints covering roughly three percent of the contracts involved; most of these complaints were received in the second quarter.

The economic impact of the settlement of these complaints was not material in the first half of 2003. In any event, the loan loss reserve is deemed sufficient to cover any contingent liabilities on the loans outstanding and also includes provisions to cover any amounts that the Bank would have to pay out in settlement of the customer claims.

□ B) DOUBTFUL LOANS

During the first half of 2003, the continuing sluggish performance of the economy prompted the MPS Group to tighten up its already rigorous criteria for identifying doubtful loans, and to raise the level of the reserves to cover such positions. The ratio of doubtful loans to non-performing loans thus rose from 45.1 percent as of December to 46.3 percent in June, with the provisioning ratio equal to 0.62 percent. Considering this posture and the traditionally conservative loan-approval policy, the Group successfully maintained credit quality at an excellent level again in early 2003. The ratio of non-performing loans and watchlist credits to total loans stood at 3.2 percent at mid-2003, improving with respect to the 3.3 percent reported at the end of March. **The ratio of net non-performing loans to customer loans remained at the 1.5 percent level reported at the end of 2002, and was well below the industry average of 1.9 percent. At 2.8 percent, the ratio of gross non-performing loans to customer loans was also much better than the industry average of 4.6 percent**.

Distribution of loan portfolio by risk category
Net book value
in EUR mn

	30/06/2003	31/12/2002	% of 1H 2003 Total	% of 2002 Total
Non-performing loans	1,090	1,011	1.5	1.5
Watchlist credits	1,200	1,178	1.7	1.7
Credits in the process of restructuring	-	-	-	-
Restructured loans	48	56	0.1	0.1
Unsecured loans to high-risk nations (°)	104	180	0.1	0.3
Total doubtful loans	**2,441**	**2,426**	**3.5**	**3.5**
Performing loans	68,175	66,046	96.5	96.5
Total customer loans and advances	**70,616**	**68,472**	**100.0**	**100.0**

(°) Pursuant to the directives of the Bank of Italy and in accordance with a more conservative assessment of realizable value, 2001 balance includes exposure to countries for which no provisions have been planned. The balance includes an aggregate of EUR 7.9 million of doubtful loans.

Taken altogether, therefore, the total of non-performing loans and watchlist credits of EUR 2,290 million reflects a limited 4.6 percent increase with respect to December 2002. The increases and decreases in the total were more or less in line with those reported for the first half of 2002, and were mainly driven by watchlist positions as shown in the chart below.

Trend of non-performing customer loans (including interest in arrears)
(in EUR mn)

	Amount Outstanding	Doubtful Loans	Net Value
Balance as of 31 December 2002	**1,842.8**	**831.4**	**1,011.4**
Increases during the period	**394.7**	**281.4**	**113.3**
Transfers from performing loans	108.9		
Transfers from other categories of doubtful loans & other increases	251.5		
Interest in arrears	34.3		
Decreases during the period	**207.8**	**172.6**	**35.2**
Transfers to performing loans	0.7		
Amounts written off	106.1		
Collections	98.5		
Collections through transfers			
Transfers to other categories of doubtful loans and other decreases	2.5		
Balance as of 30 June 2003	**2,029.7**	**940.2**	**1,089.5**

With the rigorous approach to provisions as mentioned above, the MPS Group increased the relative amount of reserves to cover non-performing loans (inclusive of the amounts charged off in preceding periods), and at the end of June 2003, such reserves amounted to over 55 percent of non-performing loans. With the exclusion of non-performing mortgages (which normally have a lower percentage of doubtful positions due to the collateral backing the loans), the degree of reserve coverage climbs to over 65 percent.

The table below provides a summary of credit quality indicators for the main units of the MPS Group. The product companies normally have a lower percentage of reserve coverage for doubtful loans mainly because most of their credits are secured.

Doubtful loans by business unit

Risk category Net values as of 30 June 2003 (in EUR mn)	Group	BMPS	BT	BAM	MPS Merchant	MPS Banca Verde
Non-performing loans	1,090	542	97	148	198	42
Non-performing loans / total customer loans	1.5%	1.4%	0.9%	1.8%	3.8%	2.0%
% coverage of doubtful loans / gross non-performing loans	46.3%	44.3%	47.7%	51.4%	20.0%	20.9%
Watchlist credits	1,200	616	260	103	87	37
Watchlist credits / total customer loans	1.7%	1.6%	2.4%	1.2%	1.7%	1.7%
% coverage of doubtful loans / gross watchlist credits	20.2%	22.7%	17.0%	24.9%	7.9%	3.7%

The MPS Group also made additional provisions to its general loan loss reserve in the first half of 2003, and as of the end of June, this reserve amounted to 0.9 percent of total loans.

☐ 3) FINANCE AND TREASURY ACTIVITY

The operating scenario in the first half of 2003 was impacted by several key factors: substantial geopolitical instability mainly caused by the conflict in Iraq, a generally weak economy and changes by both the Fed and the ECB in their monetary-policy orientation. In the first quarter of the year, stock prices drifted lower on the U.S. and Eurozone markets, and it was not until the second quarter, and in particular, in the month of June, that there were evident signs of a recovery.

• Proprietary finance activity

Against the backdrop, the proprietary finance desks adopted a particularly conservative posture.

The global macro desk attempted to capitalize on the principal trends in the money and stock markets, by holding an equity position that was very close to neutral. Tactical trades were executed, and in the second quarter, the desk maintained its long position and thus benefited from the rebound of major equity indices. In the bond market, the desk benefited from short positions which it built within the correction of the market (in March and starting from mid-June).

At the credit desk, the activity was mainly driven by the assumption of positions with a medium-/long-term strategic orientations, based on both fundamental analysis of the creditworthiness of the issuers and on technical factors (liquidity, market anomalies between different instruments of the same issuer). In terms of sectors, the preference went to telecommunications and cyclical industries (in particular, the auto industry). In addition, as part of the diversification of the portfolio, positions were also taken in industries with a low beta (such as the utility industry).

The activity of the quantitative desk was aimed overall at trading a broad range of instruments (bond futures, stock index futures, commodities) over a short time horizon. The trading involved various instruments and quantitative methodologies, and did not involve the assumption of any strong directional views.

During the first quarter 2003, the subsidiaries, Banca Toscana and Banca Agricola Mantovana S.p.A., were merged by incorporation into Banca Monte dei Paschi di Siena S.p.A. Immediately thereafter, the bulk of the assets of the merged subsidiaries were divested into two new companies. The transactions also involved the transfer to Banca MPS of the securities held in the investment portfolios of the two subsidiary banks, net of securities having characteristics not consistent with consolidated operating practices for the BMPS investment portfolio. The latter securities were transferred instead to the trading portfolio (additional information on these transactions is supplied in the notes to the financial statements).

As a result of the transactions indicated above, as of the end of the first half of 2003, the **MPS Group's securities portfolio amounted EUR 18,852 million**, with the total roughly EUR 400 million lower year on year and roughly EUR 500 million lower quarter on quarter. The changes in the two portfolios are outlined in the table below.

Owned securities

(in EUR mn)	BMPS 30/06/03	BMPS 30/06/02	Change	%Change	MPS Group 30/06/03	MPS Group 30/06/02	Change	%Change
Total securities	12,500	13,214	-714	-5.4	18,852	19,255	-402	-2.1
- Investment portfolio	3,458	2,623	835	31.8	4,065	4,488	-423	-9.4
- Trading portfolio	9,042	10,591	-1,549	-14.6	14,787	14,767	21	0.1

As of mid-2003, the balance of the **investment portfolio** had decreased with respect to June 2002 (EUR 423 million), and with respect to the first quarter (by roughly EUR 200 million) for the effects of the merger by incorporation of Banca Agricola Mantovana and Banca Toscana into Banca MPS and the resulting re-allocation of certain holdings. The **trading portfolio instead remained stable** with respect to June 2002, and decreased by roughly EUR 400 million from the end of March, even though incorporating the impact of several temporary transactions for a total of EUR 1.4 billion which matured in July.

The table below provides an summary of securities portfolios by the type of securities held.

Owned securities

(in EUR mn)	BMPS 30/06/2003	BMPS 30/06/2002	MPS Group 30/06/2003	MPS Group 30/06/2002
Government securities	291	626	347	917
Bonds and other fixed-income securities	10,574	9,261	15,752	14,114
Shares, quotas and other equity securities	1,636	3,327	2,753	4,255
Total	12,500	13,214	18,852	19,255

A discussion of market risk on the portfolios is included in the section covering integrated risk management.

- Treasury activity

During the first half of 2003, the work on the development of a centralized treasury came very close to completion, and intermediation volumes were up substantially as a result. The new structure has benefited from increasingly stronger synergies developing between the banks of the MPS Group, the foreign branches, and the subsidiary companies.

The MPS Group bolstered its presence as a market maker in the screen-based market for interbank deposits, with regard to both the E-Mid euro and USD platform, and the E-Mider platform for EONIA derivatives (where trading positions continued to be maintained). In the E-Mid market, the MPS Group's treasury area continued to hold a leading position for the entire first half of 2003, ranking first in euro transactions (5.43 percent market share versus 4.5 percent in 2002) and taking second place in the USD interbank market (8.07 percent market share versus 8.0 percent in 2002).

The treasury area also further developed its activity in interest-rate derivatives, with regard to both traditional hedging transactions and trading transactions. The aggregate notional value of derivatives transactions in the first half of the year amounted to EUR 149.6 billion (with almost all of the volume concentrated in OIS EONIA). The use of derivatives (EONIA, OIS, Short IRS, FRAs and interest-rate options) for the banking book assets absorbing relatively limited amounts of capital represented the form of hedging employed most often.

In liquidity settlement, the treasury focused its attention on managing the liquidity forecast with the aim of synchronizing financial flows to the greatest extent possible while also holding down the average liquidity requirement. This was done by extending the average term of interbank funding and reducing exposure in the shortest term segments. Mandatory reserves were mobilized frequently with clear benefits in terms of overall management.

Given the high volatility at the short end of the curve and the rapid daily movement of prices, the foreign-exchange trading activity was concentrated on the most liquid cross rates (EUR/USD, EUR/JPY, EUR/CHF).

The table below summarizes the changes in the interbank positions since June 2002:

Interbank balances

(in EUR mn)	BMPS 30/06/03	BMPS 30/06/02	Change	%Change	MPS Group 30/06/03	MPS Group 30/06/02	Change	%Change
Amounts due from banks	18,529	14,442	4,087	28.3	11,421	14,027	-2,606	-18.6
Amounts due to banks	18,246	17,290	956	5.5	21,302	22,871	-1,569	-6.9
Net lending (borrowing)	283	-2,848	3,132	n.s.	-9,881	-8,844	-1,037	11.7

The MPS Group's net borrowing position of around EUR 10 billion obviously reflects the aforementioned temporary transactions in securities, and in any event, is roughly EUR 500 million below the position as of the end of the first quarter.

- Asset-liability management (ALM)

In the first half of 2003, BMPS tapped some EUR 490 million of structured funding through the issue of bonds in the Italian market. Such bonds were designed to meet the needs of both the retail and institutional customers of the MPS Group's banks.

The greatest part of this volume was made up of innovative finance transactions (16 issues for a countervalue of EUR 282 million, or 57 percent of the aggregate volume placed). These transactions include both structures with a barrier and equity-/index-linked securities (which typically provide for the payment to the investor of a percentage of any gain registered in the index or security underlying the bond, in addition to a minimum guaranteed yield).

The remaining 43 percent of the bond placements consisted of the so-called plain-vanilla issues (11 issues for a countervalue of EUR 208 million). The breakdown by term shows a greater orientation toward 2- and 3-year maturities (about 70 percent of the total placed) and less interest in longer term maturities (30 percent at five years).

Another two unsecured loans were perfected in the amount of EUR 100 million. These loans took the form of *schuldscheindarlehen*; this is a very flexible form of funding not backed by a paper instrument and represents an important source of alternative liquidity in comparison with notes and bonds.

4) INTEGRATED RISK MANAGEMENT AND CAPITAL REQUIREMENTS

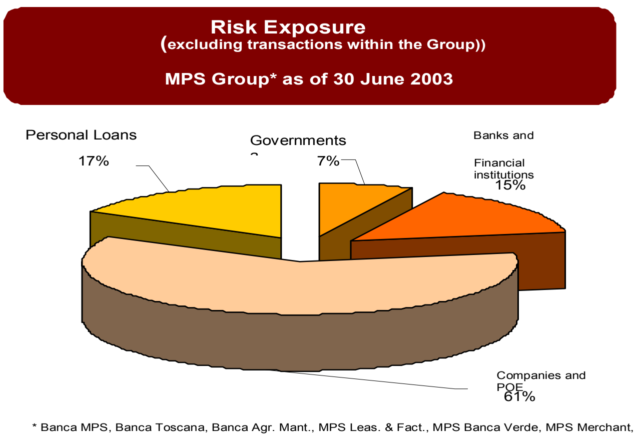
- Credit risks

Basle II projects

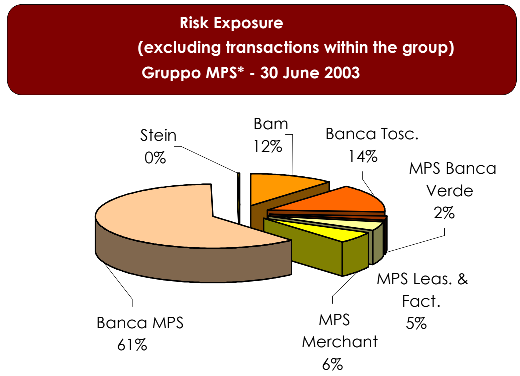
The activity of measuring and managing credit risk became even more significant in early 2003 as the MPS Group continued to work on adjustments needed in order to bring its reporting and operating standards in line with the forthcoming new regulations on capital adequacy (Basle II). During the first half, project groups were established to verify the compliance and adequacy of the credit instruments, systems and processes with the numerous minimum requisites established in the Third Consultation Document issued by the Basle Committee during May. The project groups are charged with identifying any disparities (in terms of methodology, information, operations) between the MPS Group's current organization and the organization needed to comply with the regulatory authorities, even though the definitive version of the new agreement on capital is not expected until the end of 2003. In addition, the Corporate Center of the MPS Group has set up a "Basle II Steering Committee" so as to streamline the projects and planning related to the Basle II Accord, to verify any compliance gaps vis-à-vis the minimum requirements, to develop an action plan adequate to overcome any critical factors, and to oversee on a continuous basis the timing and means for the project realization.

Variations in credit risk

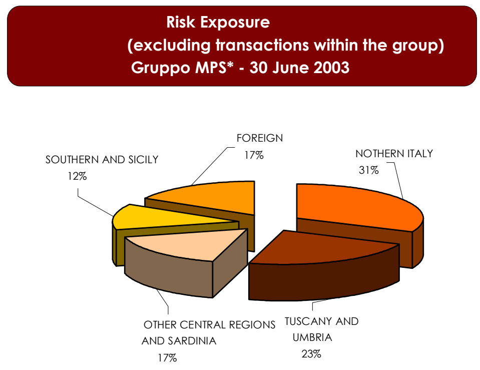
As of the end of June 2003, the mix of risk within the MPS Group had remained virtually unchanged with respect to the end of 2002. Specifically, the exposure to governments and government agencies amounted to around 7 percent to consolidated credit risk, while banks and financial companies accounted for another 15 percent. Personal loans came to around 17 percent to the total, and the remaining 61 percent was split between large corporate, corporate, small business and retail customers.



The risk exposure of the MPS Group as of the end of June 2003 was split mainly between BMPS (61 percent), Banca Toscana (14 percent) and Banca Agricola Mantovana (12 percent). As of the same date, the loan portfolio of the MPS Group mostly consisted of exposure to resident customers. Some 17 percent of the credit at risk was related to foreign residents, with the residual 83 percent was spread among resident customers in the northern regions of the country (31 percent), Tuscany and Umbria (23 percent), the other central regions of the country and Sardinia (17 percent) and the southern regions and Sicily (12 percent). The distribution of credit risk by continent shows a concentration of exposure in the Eurozone (around 91 percent), with the residual exposure spread between the other EMS countries (roughly 5 percent, with Great Britain accounting for a large portion of the amount) and North America (about 3 percent).



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca Verde, MPS Merchant, Steinhauslin



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca Verde, MPS Merchant, Steinhauslin

Turning to the use of economic capital (measured through a credit portfolio model), BMPS accounts for 52 percent of capital absorption at a group level, and is followed by Banca Toscana and BAM. From an industry perspective, productive companies account for more than 91 percent of the MPS Group's economic capital, while the remaining 9 percent is divided between families, banks, financial institutions, and governments and government agencies.

- Country risk

The analysis of the macroeconomic scenario in the first half affirms a turnaround in the international outlook which has prompted some improvement in medium-term expectations in the case of developed economies such as those in Western Europe and the United States (even though there are differences in monetary and fiscal policy in the respective areas, with American policy tending to be more active and that in the Eurozone, more neutral). Still, in areas such as Latin America, Southeast Asia, and above all, the Middle East, political and economic instability continues.

For the most part, emerging nations present a mixed picture, and in essence, only China has managed to maintain a sort of cyclical stability. From a financial perspective, emerging markets have seen significant improvement in their standing in the bond markets. The "spillover effect" seems a less important variable than in the past, and the markets have improved their selection capacity. Part of this is due to greater transparency of the information about the implications of corrective measures put into effect by multilateral organizations in terms of both public finances and the financial statements of leading banks and corporations.

The MPS Group has published on its Web site (www.mps.it) an analysis of the socio-economic and political factors and growth objectives of emerging nations. This analysis serves as part of the information supporting the MPS Group's business development plans and its plans for direct investment and investments in its securities portfolios (especially with regard to countries where the information asymmetries are more pronounced). Complementing this analysis are more than 60 country profiles that are also available on the MPS Group's Web site. A country profile on Italy has also been prepared as a support to the MPS Group's foreign network, and its relationships correspondents and with foreign customers who are doing business in Italy. The MPS Group's overall approach to the emerging markets has a specific focus on supplying financial support to the sizeable trade and investment flows in which Italian businesses are involved, while continue to provide the best coverage possible of the risks involved.

The MPS Group managed to reduce its unsecured credit to high-risk nations in the first half of 2003. At BMPS, which accounts for over 90 percent of the MPS Group assets, such exposure on an aggregate basis (customers, banks, and securities) went from EUR 440 million at the end of December 2002 to EUR 431 million at the end of June 2003. The tables below summarize BMPS' unsecured exposure to high-risk nations by geographic area and by the type of counterparty (customers and banks) by the nature of the transactions (commercial/financial/securities).

Unsecured credit (cash and securities) vs. high-risk nations as of 30 June 2003
(in EUR mn)

Geographic Area	Gross Exposure (°)				Doubtful	Net
	Customers	Banks	Securities	Total	Credits	Exposure
Africa	9	19	0	28	0	28
Latin America	5	15	11	32	13	19
including: Argentina	0	10	11	21	11	10
including: Brazil	0	1	0	1	0	1
North America	22	0	3	26	4	22
Australasia	65	186	15	266	3	264
Western Europe	9	0	18	27	7	20
Eastern Europe and the Balkans	1	12	7	20	2	18
Near East	3	30	0	33	0	33
Total	114	263	55	431	28	403

(°) Securities held in the investment portfolio of the foreign branches

Unsecured credit vs. high-risk nations
(in EUR mn)

Geographic Area	Gross Exposure (°)				Doubtful	Net
	Commercial	Financial	Securities	Total	Credits	Exposure
Africa	10	19	0	28	0	28
Latin America	1	20	11	32	13	19
including: Argentina	0	10	11	21	11	10
including: Brazil	1	0	0	1	0	1
North America	0	22	3	26	4	22
Australasia	12	239	15	266	3	264
Western Europe	0	9	18	27	7	20
Eastern Europe and the Balkans	2	11	7	20	2	18
Near East	7	25	0	33	0	33
Total	31	345	55	431	28	403

(°) Securities held in the investment portfolio of the foreign branches

The MPS Group has a modest amount of exposure to Argentina and Brazil, all of which has been reviewed and if necessary, written down. The tables below show the exposure of BMPS with respect to the two countries.

Unsecured exposure to Argentina
(in EUR mn)

	Gross Exposure (°)				Doubtful	Net
	Customers	Banks	Securities	Total	Credits	Exposure
Cash credits	0	6	11	17	11	6
Endorsement credits	0	4	0	4	0	4
Total	0	10	11	21	11	10

Unsecured exposure to Brazil
(in EUR mn)

	Gross Exposure (°)				Doubtful	Net
	Customers	Banks	Securities	Total	Credits	Exposure
Cash credits	0	1	0	1	0	1
Endorsement credits	0	0	0	0	0	0
Total	0	1	0	1	0	1

◆ *Counterparty risk (non-resident counterparties)*

The evaluation of the earnings and financial position of foreign borrowers and the subsequent assumption, if any, of credit risk by the parent company or other companies of the MPS Group are based on group objectives, even though the individual operational situations of the foreign and domestic units are taken into account. From this perspective, the priority is given to activity aimed at supporting both Italian exports and the international expansion of Italian companies.

In the international lending business, the accent has been placed on identifying transactions which not only comply with the MPS Group's credit policy, but which also translate into the smallest possible use of capital for the foreign network and income flows that are most appropriate for the credit risk assumed and the market conditions.

Organizational initiatives have been developed to make credit management more efficient in terms of both profitability and the coverage of risk. The initiatives embrace the following:

- The centralization of the treasury operations of the foreign network in Milan, New York, Hong Kong and London, and the consequent optimization of financial activity with respect to international borrowers.

- The implementation of group operating lines (addressed to the commercial banks) for the assumption of country risk and bank risk as part of the trade-related activity which has resulted in the domestic network's more standard and efficient participation in supporting Italian exporters.

- The online distribution to all companies of the MPS Group of financial analyses of counterparties completed by the head office of the parent company.

● Market risks

○ Principal developments in operations

During the first half of 2003, the restructuring of the securities portfolio of the main banks of the MPS Group was completed, and included the non-recurring effects of the merger by incorporation of Banca Toscana and Banca Agricola Mantovana into BMPS and the subsequent divestiture of most of the assets of the incorporated subsidiaries to two new companies.

A part of the securities held in the portfolios of the incorporated banks was transferred to the portfolios of the newly created companies. In any event, considering their technical and transitory nature, the latter portfolios are to gradually be liquidated. As was the case when Banca 121 was incorporated at the end of 2002, the portfolio management mandates of the commercial banks of the MPS Group were definitely terminated in the first quarter of 2003 in order to reflect the planned changes mentioned above.

The restructuring of the investment portfolio entailed both the centralization of the management of the various portfolios of the commercial banks of the MPS Group, and the open-market sale of those securities not meeting the criteria set for the holdings in the parent company's investment portfolio.

The changes outlined above prompted a decrease in risk on both the MPS Group's trading portfolio and its banking book.

○ Interest-rate risk on the consolidated banking book

Based on total return, the management of the banking books is aimed at minimizing the volatility of the interest margin expected over the current year (12 months), or, in other words, minimizing the volatility of the overall economic value in relation to a change in the structure of interest rates.

The change of the economic value of the banking-book assets and liabilities is analyzed by considering shocks that differ by amount and structure (deterministic and statistic). Deterministic shifts of 25 and 200 basis points are computed for operational purposes in accordance with the recommendations of the "second pillar" of Basle II with reference to both Tier I capital and consolidated capital computed for regulatory purpose.

The table below reports the risk indicators for the MPS Group as of 30 June 2003 with reference to the analysis mentioned above.

MPS Group
Risk indicators for shift of 200 basis points

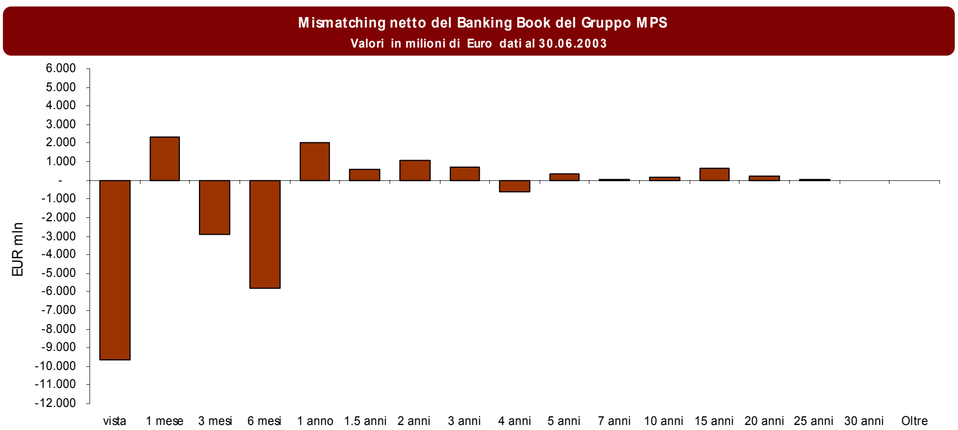
	30/06/2003	31/12/2002
Net interest income at risk / Net interest income	0.11%	3.17%
Economic value at risk / Tier 1 capital	0.52%	2.68%
Economic value at risk / Capital computed for regulatory purposes	0.38%	2.00%

As indicated, the economic value at risk on the MPS Group's banking book as of the end of June 2003 was limited and had declined with respect to the end of 2002.

The variation is mainly the result of the non-recurring transactions occurring in the first quarter of the 2003 (incorporation of BAM and Banca Toscana and subsequent spin-off of the assets of the two subsidiaries into two new companies) and the consequent streamlining of the investment portfolio of the banks of the MPS Group.

The decreased value of the interest margin at risk essentially reflects the typical repricing of variable-rate assets as of mid-year.

Net Mismatching of the MPS Group Banking Book
(in EUR mn as of 30 June 2003)



The aggregate net mismatching profile of the MPS Group as of 30 June 2003 broken down by maturities highlights the limitation on exposure at the longest maturities. The inclusion of the net positions of the individual banks generates natural hedging at the consolidated level between the various positions, with the consequent benefit of containing the sensitivity at a group level.

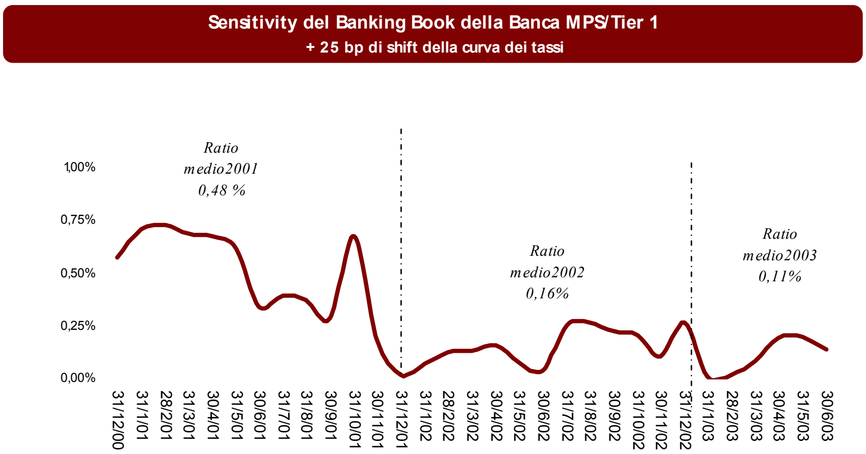
The table below reports the risk indicators for BMPS as of 30 June 2003.

BMPS
Risk indicators for shift of 200 basis points

	30/06/2003	31/12/2002
Net interest income at risk / Net interest income	0.27%	3.20%
Economic value at risk / Tier 1 capital	1.25%	1.88%
Economic value at risk / Capital computed for regulatory purposes	0.95%	1.36%

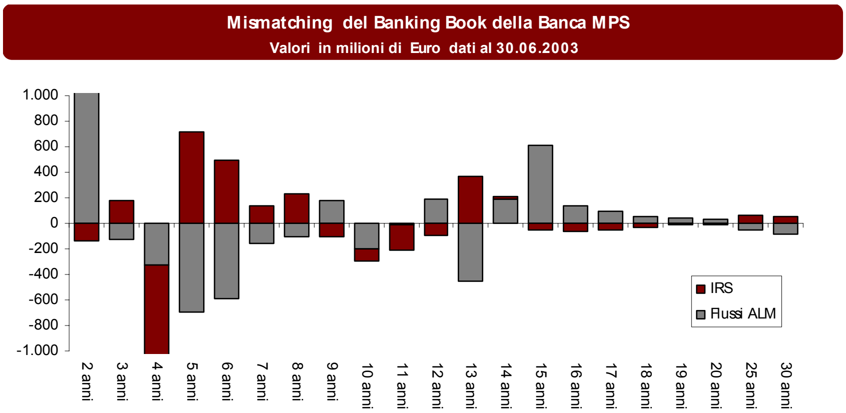
Even the Bank realized a decrease in its risk indicators, albeit to a lesser extent than the decline registered at a group level.

As shown by the graph below, the aggregate sensitivity of BMPS' Tier I capital to a interest-rate shock of 25 basis points decreased in the first half of 2003 with respect to 2002 (sensitivity/Tier I was an average of 0.11% in 1H2003) and remained at a modest level.



Specifically, as of 30 June 2003, the sensitivity to a +25-basis-point parallel shift of the interest rate curve was EUR 8.32 million, thereby confirming the strategy adopted by the risks committee to keep a liability-sensitive portfolio which could product a benefit (a potential increase in the economic value of the banking book) in the event of an increase in long-term interest rates. Such a scenario is implicit in current market expectations which incorporate assumptions of a recovery of the economic cycle in the short or medium term. The graph of the Bank's mismatching profile as of 30 June 2003 shows the asset-liability flows by maturity and the coverage in relation thereto.

Mismatching of BMPS Banking Book



- Liquidity risk

The monitoring of the structural liquidity profile is effected by quantifying the imbalances, by settlement date, in cash flows in the first months of the time horizon over which the analysis is made. A special emphasis is placed on the planning of the MPS Group's funding which is coordinated by the finance area of the Corporate Center, and which regards both normal funding through bonds as well as funding through subordinated debt issues, in accordance with the capital management needs. The various aspects of the planning are discussed and approved by the finance and capital management committee, in accordance with the authority vested with the same.

- MARKET RISKS ON THE MPS GROUP TRADING PORTFOLIO

The restructuring of the MPS Group's trading portfolio in early 2003 allowed as well for the centralization of the front-office and position-keeping functions, and a consequent increase in the overall operating efficiency of the risk-management instruments. These changes also translated into greater standardization of the sources feeding the integrated risk-management system and the risk metrics.

As in the case of monitoring operating limits, market risks are measured in terms of Value at Risk (VaR), based on a 99-percent confidence interval and a holding period of one business day and calculated with the historical simulation method. Maximum acceptable loss limits have been established on a monthly and annual basis for all levels of authority; such limits take into account both the actual or potential earnings results and the risk on open positions. Shift-sensitivity analyses are also conducted on a regular basis in order to assess the effects of parallel shifts of the interest-rate curve and to test ad-hoc assumptions about volatility with regard to price risk.

From an organizational standpoint, efforts in the first half of 2003 were directed to the ongoing process of streamlining market risks at a group level, and the standardization of the criteria for (i) the determination of the risks, (ii) the monitoring of autonomous authority, and (iii) the calculation of economic capital allocated to all risk-taking centers. As a result of this process, exposure to market risk has primarily been concentrated with BMPS, MPS Finance BM and to a lesser extent, a part of the portfolio of the commercial banks supporting business transacted with retail customers (securities inventory).

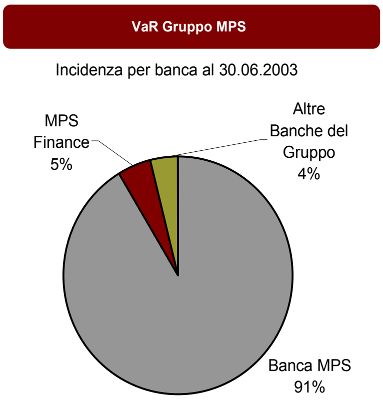
The process of streamlining the governance of risks at a group level also extended to Monte Paschi Vita S.p.A. in the first half of 2003, given the company's management of life policies that guarantee a minimum return to the policyholder. In order to quantify and monitor such risk, the company's guarantee liabilities have been modeled as a portfolio of bonds and options. This portfolio and the portfolio of securities for separately managed accounts are then analyzed in terms of asset-liability management and VaR, with the various measures of sensitivity and theoretical VaR produced as a result.

During the first half of the 2003, the market risks on the MPS Group's trading portfolio grew modestly with respect to the situation at the end of 2002, but were still within the limits of the authority approved therefor. As mentioned, the increase was concentrated within the parent company which accounted for 91 percent of all market risks in terms of VaR as of 30 June; the residual 9 percent was split between MPS Finance BM (5 percent) and other business units (4 percent).

As of 30 June 2003, consolidated VaR (calculated on the basis of a confidence interval of 99 percent and a holding period of one day (not correlated)) was EUR 26.29 million. The figure reflected a decrease with respect to the amount as of the end of March 2003, which included the effects of the non-recurring transactions (merger by incorporation of BAM and BT and subsequent divestiture of the banking assets). The VaR as of 30 June 2003 on the two technical portfolios of the newly created Banca Toscana and BAM was equal to zero, thus indicating the virtual liquidation of these portfolios as planned.

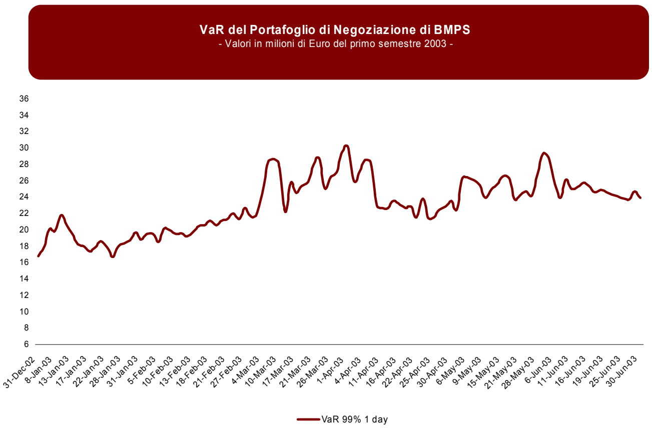
MPS Group VaR

Percentage by Bank as of 30 June 2003



The total risk on the Bank's trading portfolio (measured in terms of VaR diversified by risk factors) was between EUR 17 million and EUR 30 million, and remained below the limits applicable thereto as set by the Board of Directors.

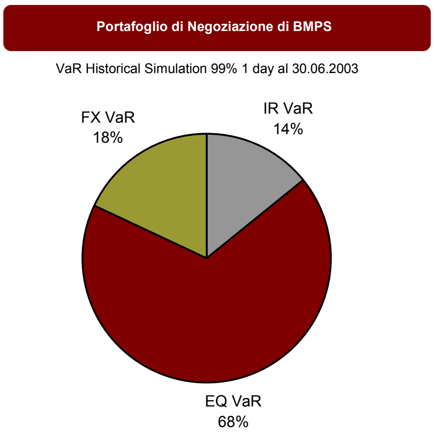
VaR of Banca MPS Trading Portfolio



Though fluctuating somewhat in response to market movements, the VaR as of March gradually fell below the average for the first half of the year (EUR 23.21 million). As of 30 June, the aggregate VaR for BMPS was EUR 23.99 million. The distribution of VaR among the various risk factors was almost constant during the first half of 2003, with the biggest portion related to the equity component.

BMPS Trading Portfolio

Historical Simulation of VaR (99% / 1 Day) as of 30 June 2003



The VaR on the trading portfolio as of 30 June 2003 was equal to 0.43 percent of Tier I capital, and was thus below the average of 0.57 percent for the first half of 2003.

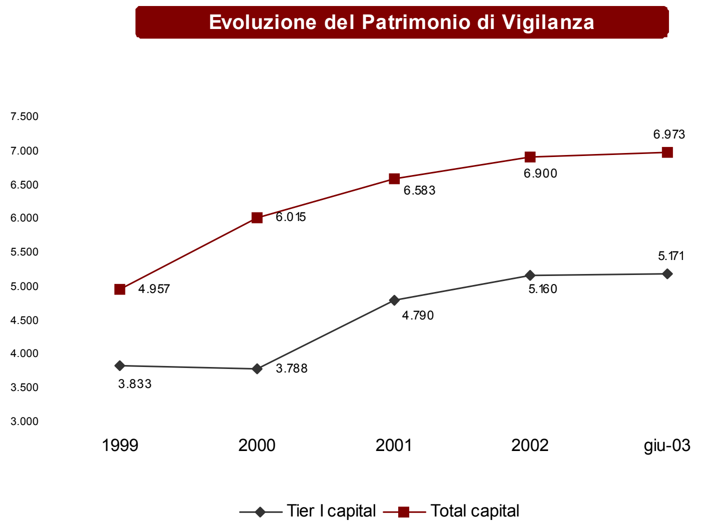
☐ Capital and Capital Required for Regulatory Purposes

As of 30 June 2003, the MPS Group's capital as computed for regulatory purposes amounted to EUR 6,973 million; the aggregate was thus EUR 73 million or 1.06 percent higher than the comparable figure at the end of 2002.

Capital computed for regulatory purposes

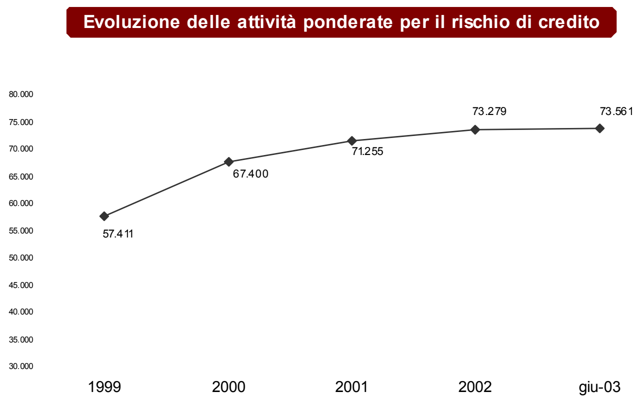
(in EUR mn)	30/06/2003	31/12/2002
Tier I capital	5,170.7	5,160.1
Tier II capital	2,484.4	2,530.1
Deductions	682.4	790.5
Total capital for regulatory purposes	6,972.6	6,899.7

Trend of Capital Computed for Regulatory Purposes



The roughly EUR 10 million increase in Tier I capital during the first half of 2003 is the result of the allocation of net earnings, the incorporation of two banking subsidiaries into the parent company, the subsequent divestiture of the commercial networks of the two subsidiaries, and a change in the method for valuing an investment held in FINSOE (with the last element also causing a corresponding decrease in the deductions). The roughly EUR 45.7 million decrease in Tier II capital is the due to the amortization of subordinated debt. The decrease in the deductions stemmed from the change in the valuation of the investment in FINSOE as well as the perfection of the sale of a holding in Cassa di Risparmio di Prato S.p.A.

Trend of Assets Weighted for Credit Risk



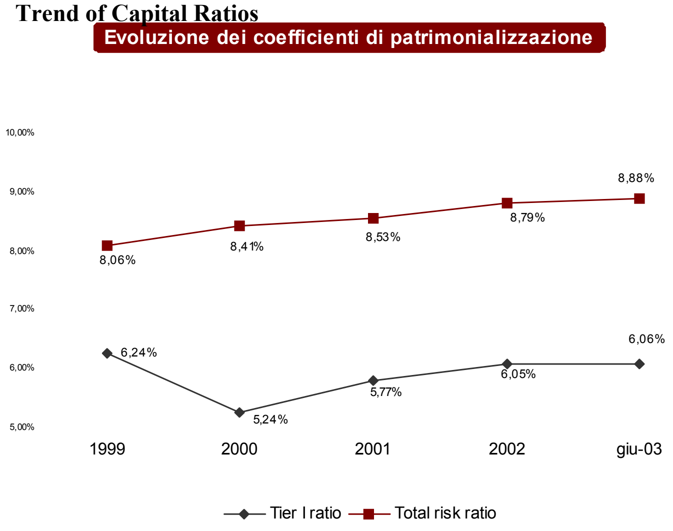
As measured in accordance with regulatory guidelines, risk assets totaled EUR 73.6 billion as of 30 June 2003. The balance is slightly above the comparable figure for 2002 mostly due to the growth of the activity with the private sector.

Risk assets (in EUR mn)	Weighted Value as of 30/06/2003	31/12/2002
Balance sheet assets:		
Assets backed by real property guarantees	0.0	0.1
Loans to governments, central banks and multilateral banks	748.7	711.2
Due from banks	1,483.7	2,031.6
Due from investment companies	38.4	0.3
Loans to the private sector:		
Residential mortgages – private sector	4,157.7	3,630.3
Non-residential mortgages – private sector	2,199.2	1,710.0
Other loans to the private sector	53,592.4	54,003.3
Equity investments weighted at 200%	23.9	21.0
Equities, equity investments and subordinated assets	1,898.2	1,502.4
Fixed assets	2,163.2	2,135.2
Negotiable instruments for collection, accrued income and other assets	1,661.7	1,777.9
	67,967.2	67,523.3
Off-balance-sheet assets:		
Guarantees released, commitments and derivatives contracts	6,899.0	6,958.7
Less: loan amounts classified as "doubtful outcomes" and capital losses	-1,305.1	-1,202.9
Total risk weighted assets	73,561.1	73,279.1

Considering market risks (which had declined in comparison with the end of 2002), third-tier subordinated loans to cover part of the market risks, and other requirements, the MPS Group's capital position at mid-2003 was roughly EUR 750 million higher than the level required. The surplus capital thus expanded by about 11.4 percent in comparison with 31 December 2002.

Capital position (in EUR mn)	30/06/2003	31/12/2002
Credit risk		
- on balance sheet assets	5,437.4	5,401.19
- on off-balance-sheet assets	551.9	556.7
Less: doubtful loans	-104.4	-96.2
	5,884.9	**5,862.3**
Market risks		
- on trading securities portfolio	621.8	641.8
including:		
- generic risk on debt securities	260.2	336.8
- specific risk on debt securities	161.3	145.4
- generic risk on equity securities	43.5	29.6
- specific risk on equity securities	45.5	29.0
- delta-plus options: gamma factor	0.3	0.1
- delta-plus options: vega factor	0.6	0.9
- risk on quotas in mutual funds	47.1	40.8
- settlement risk	-	-
- counterparty risk	63.4	59.3
- on concentration	-	-
- on foreign currency	10.9	7.5
Total market risks	**632.7**	**649.3**
Subordinated loans available to cover market risks	600.0	600.0
Net market risks	**32.7**	**49.3**
Other requirements	**305.6**	**315.0**
Total capital required	**6,223.1**	**6,226.7**
Total capital available	**6.972.6**	**6,899.7**
Surplus capital	**749.5**	**673.0**

Trend of Capital Ratios



The improvement mentioned above is also reflected in the capital-adequacy ratios, with the total risk ratio at 8.88 percent versus 8.79 percent at the end of 2002, and the Tier I ratio at 6.06 percent versus 6.05 percent at the end of the prior year.

5) BALANCE SHEET AGGREGATES

As a result of the changes described above, consolidated assets as of 30 June 2003 had grown by roughly EUR 6 billion year on year, though declining by around EUR 1.5 billion on a quarterly basis. Loans and equity investments accounted for the bulk of the changes. Instead, in terms of liabilities, the mix of the interbank account changed to the benefit of direct funding. Shareholders' equity also increased during the period as a result of the merger transactions in the first quarter.

RECLASSIFIED CONSOLIDATED BALANCE SHEET
(in EUR mn)

	30/06/2003	31/03/2003	31/12/2002	30/09/2002	30/06/2002
ASSETS					
Loans					
a) Customer loans and advances	70,616	67,606	68,472	66,847	67,068
b) Amounts due from banks	11,421	12,999	16,027	15,618	14,027
Trading Account Securities	14,787	15,103	12,458	11,449	14,767
Non-current assets					
a) Investment securities	4,065	4,259	4,453	4,775	4,488
b) Equity investments	2,575	2,730	2,189	2,173	2,116
c) Fixed assets and intangible assets	2,562	2,666	2,570	2,651	2,608
Positive consolidation differences & positive net equity differences	972	849	871	852	871
Other assets	21,246	24,282	21,844	18,325	16,272
Total Assets	128,245	130,493	128,883	122,689	122,216
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
a) Customer deposits and borrowed funds backed by negotiable instruments	74,481	73,759	77,254	73,626	73,084
b) Due to banks	21,302	23,576	20,516	20,839	22,871
Reserves for specific use	1,962	2,310	2,194	1,955	2,239
Other liabilities	20,610	20,699	18,930	16,641	14,433
Loan loss reserve	363	361	355	311	307
Subordinated debt	3,267	3,330	3,276	3,068	3,062
Minority interests	23	36	808	846	828
Shareholders' equity	6,236	6,422	5,550	5,403	5,392
Total Liabilities and Shareholders' Equity	128,245	130,493	128,883	122,689	122,216

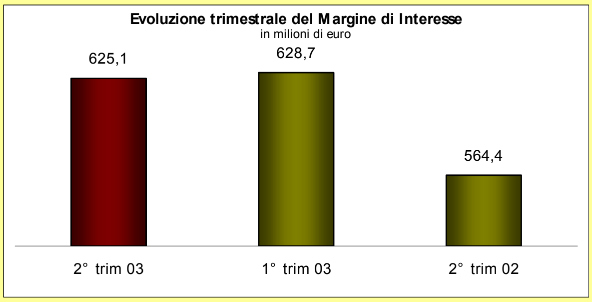
6) PROFITABILITY AGGREGATES

From a profitability perspective, **the MPS Group's core operations generated results that were both satisfactory and basically in line with the budget,** with improvements reported in the second quarter for the principal earnings margins.

TOTAL BANKING INCOME

The core components of total banking income (net interest income and net commissions) were up by 3.6 percent year on year, with the quarterly gain being even higher.

Quarterly Trend of the Interest Margin
(in EUR mn)



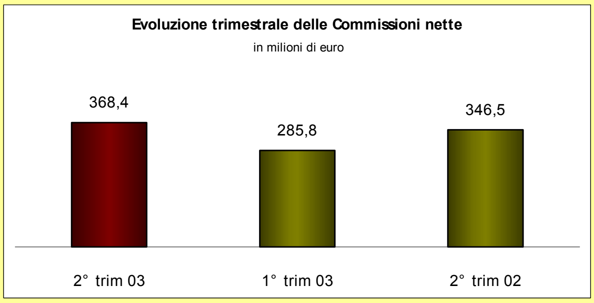
Il margine di interesse del secondo trimestre 2003 è stabile rispetto al primo, ma in significativo progresso (+ 10,8%) sul secondo trimestre 2002.

The interest margin for the second quarter of 2003 was stable with respect to the first quarter, but a significant 10.8 percent above the figure reported for the second quarter of 2002.

The **net interest income** advanced by EUR 108.4 million, or 9.5 percent, largely due to the contribution of customer transactions. Such business was marked by a moderate expansion of volumes, growth of spreads in the case of medium- and long-term maturities, and almost steady spreads on short-term maturities, despite the sharp pressure on the markdown. The MPS Group **managed to contain the reduction of the short-term spread to around 12 basis points in comparison with the level reported at the end of 2002, whereas industrywide, the variation averaged almost 25 basis points.** The banking book, the asset-liability management policies, and the finance activity had an even greater positive impact on the interest margin than in the past.

A breakdown of the net interest income by **business unit** shows a significant contribution coming from the specialized lending companies, with growth above 20 percent. In the case of the commercial networks, the margin was between 2 and 9 percent higher year on year. With reference to **business areas,** a significant increase was realized by the corporate division (+14.7 percent)**,** whereas the retail division reported an almost flat margin (-1.1 percent) due to the aforementioned markdown pressure.

Quarterly Trend of the Interest Margin
(in EUR mn)



Le commissioni nette da Clientela nel secondo trimestre presentano una considerevole accelerazione sia rispetto al primo trimestre 2003 (+ 28,9%)sia rispetto al secondo trimestre 2002 (+ 6,3%).

Net customer commissions in the second quarter were considerably higher than both the first quarter (+28.9 percent) and the second quarter of 2002 (+6.3 percent).

Although accelerating between the first and second quarters of 2003, **net customer commissions** for the entire first half of 2003 were down by 6.1 percent year on year mainly due to a poor market environment that had repercussions on customer investment preferences, and that negatively impacted the value of assets under management, the turnover in equity portfolios, and various service activities. The growth of commissions in the second quarter came as a result of marketing initiatives and from a significant EUR 32 million increase in tax collection commissions.

With customer commissions adjusted to eliminate the earnings of the tax collection unit (not part of the core business) and to include the recovery of account expenses and the dividends and income from trading carried out by MPS Finance as part of its structuring of innovative financial products, it is noted that:

- Funds management commissions remained virtually stable at EUR 227 million. Part of this stability is due to the embedded value of insurance products that were placed starting in 2002, and the effect thereof in offsetting the decrease of the value of the assets in the portfolios (with the MIB30 dropping by 9.9 percent during the 12 months ending 30 June 2003).

- Income from the placement of innovative financial products and order-taking activity dropped by 33.5 percent to EUR 159 million. The change reflects lower trading volumes in the stock market, and fewer business opportunities in the capital market.

- Commissions earned from traditional banking services performed satisfactorily, rising by 6.8 percent to EUR 385 million.

In terms of **business areas**, the retail division was adversely affected by the customer preference for products with a lower contribution margin, with commissions in this unit falling by 5.4 percent year on year. The corporate area instead benefited from increased lending volumes, with its commissions some 9.6 percent higher year on year.

Following are comments on the other accounts included in the non interest income:

- **Profits on financial transactions** amounted to EUR 139.6 million, climbing substantially with respect to both the EUR 101.9 million realized in the first half of 2002, and the EUR 140.1 million for the entire year of 2002. The change was influenced by the partial recovery of the financial markets, while the operational approach remained selective and prudent (*additional information is provided in the section covering "Finance and treasury activity"*).

- **Dividends and tax credits** were down by EUR 150 million with respect to the first half of 2002 (a period positively influenced by a total of EUR 101 million of extraordinary dividends paid by HOPA and San Paolo-IMI, with the latter investment sold later in the year). The decrease also reflects fewer dividends earned by MPS Finance in its activity of structuring financial products.

- **Other operating income** decreased substantially year on year, with the change incorporating the absence of some EUR 137 million earned in 2002 on securitization transactions.

- The **contribution of companies valued with the net equity method** rose by a substantial EUR 7 million, and includes the results of Monte Paschi Vita.

Taken altogether, the **total banking income** of the MPS Group for the first half of 2003 was down by 4.6 percent year on year, with the entire decrease attributable to the absence of non-recurring earnings in 2002. Net of such earnings, the aggregate reflects a 5.4 percent increase year on year. On a quarterly basis, total banking income rose by 9.2 percent between the first and second quarters of 2003. The weight of the non interest income to total banking income decreased from 54.2 percent in the first half 2002 to 47.4 percent in the first half of 2003.

■ OPERATING EXPENSES

Operating Expenses
in EUR mn

	30/06/2003	30/06/2002	Change	% Change
Personnel expense	-896.6	-888.7	7.9	0.9
Other administrative expenses	-553.5	-548.4	5.0	0.9
Total	-1,450.1	-1,437.1	12.9	0.9
Gross operating profit	935.1	1,063.5	-128.4	-12.1
Valuation adjustments to fixed and intangible assets	-168.3	-159.1	9.2	5.8

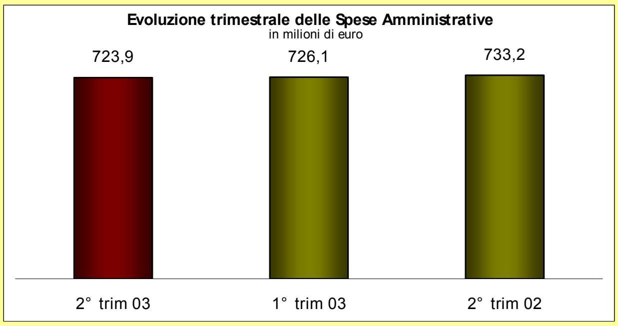
Although the efforts to achieve better governance over expenditures have not yet yielded their full effects, the growth of administrative expenses for the full first half of 2003 was held to 0.9 percent year on year, and was substantially below the 3.2-percent increase reported for the first quarter.

a) **Personnel expense** came to EUR 896.6 million, and reflected an increase of 0.9 percent year on year which was consistent with the budget and with the programs in effect to modify the size and mix of the work force and the other more significant expense variables.

b) **Other administrative expenses** also increased by a very limited 0.9 percent, partly due to the favorable impact of measures implemented in 2002 to manage and monitor spending (zero-based budgeting, changes in the liability cycle, and the creation of a costs committee).

c) **Valuation adjustments to fixed and intangible assets** amounted to EUR 168.3 million, with the annual growth rate of 5.8 percent down substantially in comparison with 2002 (partly due to decisions to take accelerated amortization relative to certain intangible assets of the companies incorporated into the parent in the previous year).

Quarterly Trend of Administrative Expenses
(in EUR mn)

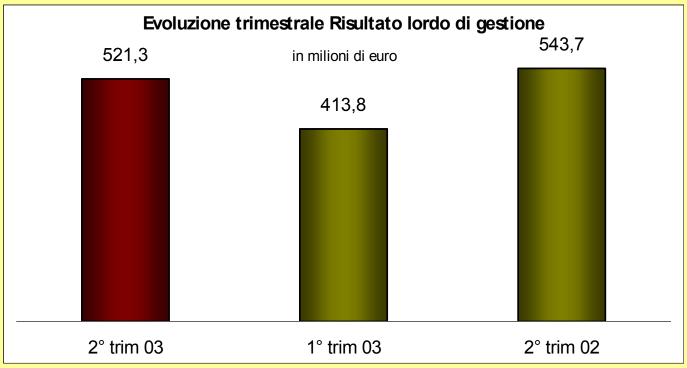


Le spese amministrative complessive del secondo trimestre si attestano su valori inferiori sia al primo trimestre 2003 (-0,3%) che al secondo trimestre 2002(-1,3%), a conferma del trend di progressiva e strutturale decelerazione dell'aggregato.

Administrative expenses for the second quarter were respectively 0.3-percent and 1.3-percent lower than the comparable figures for the first quarter of 2003 and the second quarter of 2002, thereby confirming the fundamental deceleration of the aggregate.

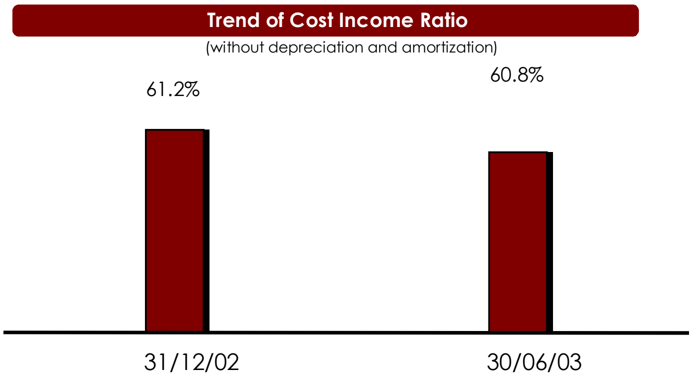
Incorporating the changes outlined above, gross operating profit for the first half of 2003 came to EUR 935.1 million, and was up by 1.5 percent over the average of the first half and second half of 2002. Net operating profit was instead equal to EUR 766.7 million, and was 6.8 percent higher than the average for the first half and second half of 2002, and about 15 percent higher than the net operating profit for the first half of 2002 adjusted to exclude the non-recurring income noted above. Considering the results, the cost/income ratio (without depreciation and amortization) was 60.8 percent, declining moderately in comparison with 61.2 percent ratio reported for the full year of 2002. Including depreciation and amortization, the ratio came to 67.9 percent, and was roughly two percentage points lower than the figure reported in December.

Quarterly Trend of Gross Operating Profit
(in EUR mn)



Il risultato lordo di gestione del secondo trimestre 2003 si presenta in progresso del 26% rispetto al primo ed in calo del 4,1% rispetto al secondo trimestre 2002 per effetto di minori proventi non caratteristici.

Gross operating profit in the second quarter of 2003 was 26 percent above the comparable figure for the first quarter, and 4.1 percent lower than the aggregate for the second quarter of 2002 due to a lower level of non-recurring income.



■ ADJUSTMENTS AND PROVISIONS

Reflecting the MPS Group's traditionally conservative posture, adjustments and provisions taken totaled EUR 416.3 million in the first half of 2003, and compared with EUR 255.1 million for the same period of 2002.

Valuation adjustments and provisions

(in EUR mn)	30/06/2003	30/06/2002	Change	% Change
Goodwill amortization	-51.5	-42.6	8.9	21.0
Provisions for risks and charges	-55.5	-17.7	37.8	n.m.
Valuation adjustments to loans,net of rec.	-244.7	-164.9	79.8	48.4
Provisions to loan loss reserve	-11.1	-13.7	-2.6	-18.7
Writedowns to non-current financial assets	-53.4	-16.3	37.1	n.m.
Total	-416.3	-255.1	-161.2	63.2

- The goodwill amortization amounted to EUR 51.5 million, rising by EUR 8.9 million year on year due to a higher balance of positive net equity differences to be amortized as a result of various strategic holdings being consolidated with the net equity method.

- The provisions for risks and charges totaled EUR 55.5 million against EUR 17.7 million in 2002.

- Valuation adjustments to loans amounted to EUR 220.8 million (versus an average of EUR 189.5 million for the first half and the second half of 2002) and allowed for a roughly one-percentage point increase in the balance of reserves covering non-performing loans. These adjustments, which include certain writedowns not related to core activity, are rounded out by: (i) a EUR 7.3 million lump-sum provision to cover performing loans (that brings the balance of the relative reserve to EUR 242 million) and (ii) a EUR 16.6 million provision relative to the securitization of non-performing loans in prior years. The ratio of provisions to total loans thus stood at 0.62 percent on an annual basis.

- The provision of EUR 11.1 million to the loan loss reserve (EUR 13.7 million in the first half of 2002) is taken to boost the ratio of coverage of credit risk; the reserve balance thus stood at EUR 362.9 million as of 30 June 2003.

- The valuation adjustments to non-current financial assets and other assets in the amount of EUR 53.4 million include:

  a) writedowns of EUR 33.8 million in relation to several holdings in the investment portfolio (additional information is provided in Section 21 of the notes to the financial statements of Banca Monte dei Paschi di Siena S.p.A.) and an investment in Santorini Investment Ltd. Partnership (additional information is provided in the discussion of equity investments in the report on operating performance for Banca Monte dei Paschi di Siena S.p.A.).

  b) valuation adjustments of EUR 14.3 million relative to coupons maturing on junior securities.

EXTRAORDINARY ITEMS, TAXES AND NET PROFIT

The earnings picture is rounded out by the following:

- extraordinary income of EUR 1.7 million (versus EUR 28.7 million in the first half of 2002), which includes earnings realized by the parent company (as described in the report on the operating performance of Banca Monte dei Paschi di Siena S.p.A.), and consolidation adjustments from the various mergers which had a total negative impact of EUR 23.9 million.

- taxes of EUR 155.2 million, with the fiscal burden for the first and second quarters almost equal (given the aforementioned adjustments are not material for tax purposes at the consolidated level).

Taking these factors into account, the consolidated net profit came to EUR 194.4 million versus EUR 312.2 million in the first half of 2002 (EUR 363.2 million when adjusting the 2002 data to provide the same basis of comparison with regard to minority interests). ROE came to around 8 percent on an annualized basis, compared with 12.1 percent for the full year of 2002.

The table below summarizes the principal earnings aggregates for the commercial banks of the MPS Group.

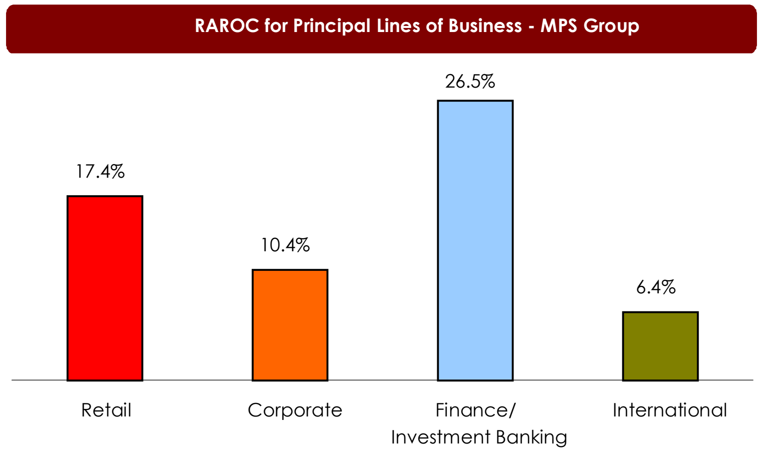
Commercial banks

(in EUR mn)	Banca MPS		Banca Toscana		BAM	
	30/06/03	% Change Y/Y	30/06/03	% Change Y/Y	30/06/03	% Change Y/Y
Net interest income	675	n.m.	269	8.6	132	2.2
Total banking income	1,364	n.m.	426	-1.8	254	-11.2
Gross operating profit	546	n.m.	176	-5.4	94	-30.8
Net profit	103	n.m.	57	-24.8	30	-44.6
		www.mps.it		www.bancatoscana.it		www.bam.it

PROFITABILITY BY BUSINESS AREA

The analysis of the performance of the principal business areas adjusted for risk (RAROC) highlights the strong performance of the retail and finance/investment banking areas. In the latter case, the outcome was in line with the market targets and reflected the benefits not only of the trading activity and efficient treasury management, but also the positive trend of the markets and a more discerning policy for containing risks.

The corporate business area showed substantial improvement partially in response to the reduction of market interest rates which are used in markup pricing. The contribution of the international banking area also improved in comparison with the negative result for 2002, with RAROC reaching 6.4 percent.



Following is a review of the key aspects of the results by business area:

- RETAIL

The retail area accounted for 27 percent of consolidated revenues for the first half of 2003. In terms of operating volumes, the area represented 52 percent of total funding and 18 percent of loans.

The area responded to market demand by adjusting its supply systems with regard to both funds management and bancassurance products, and loans and residential mortgages. The emphasis has gone to quality-oriented, transparent and constructive relationships, as substantiated by the retail platforms and the MPS Group's participation in the Italian Banking Association's "Banks and Society" project. Specific comments on the individual sub-segments are provided below:

Private banking: During first half of 2003, the MPS Group continued work on a project to restructure the private-banking area. Banca Steinhauslin has been assigned two roles within the framework of this project: first, acting as a productive hub for private-banking products, and second, concentrating on the management of the assets of private clients and developing a specialized private-banking network and expertise in specific areas (taxation, succession, property investment). With reference to the second role, **Banca C. Steinhauslin & C.** continued to pursue the development of the customer base within the MPS Group, with direct funding rising by 34 percent and indirect funding up by 66 percent. **Banca 121 Promozione Finanziaria** realized total deposit-taking and lending volumes of EUR 2,802 million, securing a market share of 4.1 percent and the seventh position in the ASSORETI rankings.

Affluent: A shift was seen from the lower affluent segment (assets between EUR 25,000 and 125,000) to the upper affluent segment (assets between EUR 125,000 and 1,500,000) where the service to the customer is highly personalized.

Family: A new commercial platform was unveiled at the beginning of the year which provides for more personalized management of this sub-segment. Accordingly, the roughly three million customers of the MPS Group in this sub-segment will be divided into standard targets distinguished by the portfolio of resources made available to them (e.g. products, pricing, distribution channels, contacts and sales channels) for interacting with the banking units.

The product companies contributing to the retail business area include:

- The life insurance companies **Monte Paschi Vita, Ticino Vita, Grow Life and Quadrifoglio Vita** (the last of which is 50-percent owned by BAM) underwrote policies with total premiums of EUR 2,231 million for placement through the MPS Group networks. Most of the products sold were ordinary policies. In terms of earnings, Monte Paschi Vita, Ticino Vita and Grow Life closed the first half of 2003 with profits more or less in line with the first half of 2002, whereas Quadrifoglio Vita reported a profit of EUR 5.1 million, which was more than double the comparable figure for 2002.

Bancassurance

	MP Vita		Ticino Vita		Grow Life		Quadrifoglio Vita	
(in EUR mn)	30/06/2003	% Change Y/Y	30/06/2003	% Change Y/Y	30/06/2003	% Change Y/Y	30/06/2003	% Change Y/Y
Net profit	9.1	-4.7	1.9	1.6	9.2	-0.4	5.1	112.2
		www.mpv.it		www.ticinovita.it		www.growlife.ie		www.quadrifolio.it

As far as embedded value is concerned, the value added of new production of the insurance companies in the first half of 2003 came to EUR 57 million versus EUR 100 million for the entire year of 2002.

- With the recovery of the mutual fund business, **MP Asset Management SGR** achieved a gradual increase in its share of new investment and total investment in this market. For the first half of 2003, the company reported a gross operating profit of EUR 36.8 million, and a net profit of EUR 22.5 million.

- As the MPS Group's investment banking unit and factory for structuring innovative finance products and products for the management of financial risks, **MPS Finance** realized significant production volumes in the first half of 2003, placing products with a countervalue of roughly EUR 1.5 billion with retail customers and another EUR 3.27 billion with corporate customers. The latter business reflected substantial growth with respect to the first half of 2002, mainly due to the development of interest-rate and exchange-rate hedging products for small- and medium-sized business and government agencies. The bank's gross profit of EUR 58.1 million for the period was about 28 percent lower year on year due to (i) lower unitary returns on the product factory activity (shorter maturities, thinner spreads on interest-rate structures) and (ii) fewer business opportunities in the capital market. The net profit thus descended to EUR 37 million from EUR 52 million during the preceding year.

- **Consum.it** continued to develop its business in the first half of 2003, achieving significant results in terms of both marketing and earnings. The progress was facilitated by the restructuring of the production chain and the employment of more advanced information technology. Disbursements for the period came to EUR 416 million versus EUR 327 million in the first six months of 2002. The company also reported gains on its credit card business with over EUR 41 million of volume on the M'Honey Card resulting in 2.6 percent market share for the six months ending 30 June 2003. The company's outstanding loans were equal to EUR 1,044 million as of mid-2003, or 42 percent higher year on year. Impressive progress was also made on the earnings front, with net profit at EUR 3.6 million versus the EUR 1.0 million reported as of 30 June 2002.

Retail product companies

(in EUR mn)	MPS Finance 30/06/2003	% Change Y/Y	MPS Asset Mgmt SGR 30/06/2003	% Change Y/Y	Consum.it 30/06/2003	% Change Y/Y
Gross operating profit	58.1	-28.1	36.9	-25.3	16.1	98.5
Net profit	36.9	-29.0	22.5	-21.6	3.6	254.8
	www.mpsfinance.it		www.mpsam.it		www.consum.it	

■ CORPORATE

During the first half of 2003, the corporate area continued to pursue the growth strategies spelled out in 2002, and contributed a significant 45 percent to the MPS Group's total banking income. In terms of volumes, the area accounted for 73 percent of the MPS Group's total loans and 32 percent of total funding.

The principal operational initiatives of the corporate area in early 2003 were aimed at:

- enhancements to the product portfolio, especially with regard to the risk-management products designed by MPS Finance, the placements of which continued to grow with respect to the prior year;
- the ongoing preparation of the new service model for the small business and SME segments of BMPS to be introduced at the start of 2004, the start-up of two new SME centers for BAM, and the completion of operational segmentation at Banca Toscana;
- the promotion of an account package, Impres@più, which represents a fundamental upgrade of the services offered to corporate clients; this package was the focal point of the marketing effort of the MPS Group's networks, along with the corporate products offered by MPS Finance and by the insurance companies.

Business development at the specialized lending companies was also significant and is highlighted below.

- **MPS Merchant - Banca per le P.M.I.** moved ahead with the fine-tuning of a program designed to position the bank as a partner to SMEs, including for the purpose of facilitating their expansion and qualitative improvement. The bank made substantial progress in developing its project- and acquisition-financing businesses, acting as an advisor or arranger for various medium- and large-scale projects sponsored by leading companies in Italy and abroad. After starting up operations in late 2002, MPS Venture SGR S.p.A., the subsidiary specializing in the equity market, closed the first quarter of 2003 having funded three new mutual funds (MPS Venture 1, Salento Venture and Siena Venture) for a total of EUR 150 million. Developments on the earnings front included improvement in all principal margins: gross operating profit totaled EUR 36.6 million (+23 percent) and net profit came to EUR 19.5 million (+1.56 percent).
- **Mps Banca Verde** proceeded further with a restructuring program that will make it the "excellence center" in the agricultural, agricultural processing and environmental sectors, with particular reference to its role as an advisor for accessing public financing, implementing quality systems, providing services in addition to credit, and so forth. Net profit for the first half of 2003 came to EUR 5 million, advancing over the EUR 3.2 million reported as of 30 June 2002.

Corporate product companies

(in EUR mn)	MPS Merchant		MPS Banca Verde	
	30/06/2003	% Change Y/Y	30/06/2003	% Change Y/Y
Net interest income	37.3	20.7	17.4	23.4
Total banking income	51.6	19.8	19.9	24.4
Gross operating profit	36.6	22.9	11.5	43.9
Net profit	19.5	1.6	5.0	55.5
	www.mpsmerchant.it		www.bancaverde.it	

- **Mps Leasing & Factoring Banca per I Servizi Finanziari alle Imprese** completed a transformation near the end of 2002 which made it a captive product factory for the leasing and factoring business. As a result of the transformation, MPS Leasing & Factoring has become the only banking company in Italy to offer integrated packages of leasing and factoring services. The company earned a net profit of EUR 6.6 million for the first half of 2003, rising by 21.6 percent over the pro-forma result reported as of 30 June 2002.

INTERNATIONAL BANKING

The international banking area accounted for 4.4 percent of the MPS Group's total funding and 3.7 percent of total loans as of mid-2003, and 2.5 percent of total banking income on a consolidated basis for the first half of 2003.

The profitability of the foreign banks was down in early 2003. The operations of Monte Paschi Banque (net profit of EUR 4.9 million; -17.3 percent) and Banca Monte Paschi Suisse (loss of EUR 0.4 million) were negatively impacted by the Italian government's decision to extend the expiration date of legislation covering the repatriation of capital. Monte Paschi Belgio (loss of EUR 6.4 million versus a virtual breakeven in early 2002) was adversely affected by a decrease in operating volumes, as well as the launch of a restructuring program.

International banking activity
(in EUR mn)

	Net profit 30/06/2003	Change vs 30/06/2003	% Change vs 30/06/2003
Monte Paschi Banque	4.9	-1.0	-17.3
Banca Monte Paschi Belgio	-6.4	-6.6	n.m.
Banca Monte Paschi Suisse	-0.4	-0.5	n.m.
Banca Monte Paschi Channel Islands	0.07	0.01	24.9

TAX COLLECTION

The tax collection business logged improvement between the first and second quarters of 2003; performance for the first half overall was also much better than in the same period of 2002. The improving trend is mainly the result of:

- the ongoing increase of production revenue, due to a greater number of executive actions and expense reimbursements with respect to tax liabilities settled under an fiscal amnesty program; this increase was achieved despite the provisions of Italy's 2003 budget that caused a substantial slowdown in tax collections until March;

- the improvement of the net interest income, due to lower market interest rates and the Italian Treasury's payment of mandatory quotas;

- the sizeable increase of the guaranteed indemnity established by Italian Law Decree 24/06/03 for the concessionaires operating on the mainland; a similar indemnity is now being defined for Sicily.

FINANCE & INVESTMENT BANKING

The finance and investment banking area accounted for around 7 percent of total banking income on a consolidated basis. The area embraces: proprietary finance activity (as described in greater detail in the section covering treasury and finance activity); the investment banking activity of MPS Finance; and the activity of the broker, **Intermonte Securities SIM**, whose contribution to overall profitability was heavily influenced by the uncertain trend of the stock markets and the reduction in equity trading volumes. Despite this situation, the brokerage firm continues to boast a significant market share (4.75 percent) and is in the fourth-ranking position in the classification of Italian intermediaries.

ORGANIZATION STRUCTURE

■ MAIN INITIATIVES IN ORGANIZATIONAL DEVELOPMENT

In the first half of the 2003, the MPS Group moved further ahead with the adjustment of its organizational structure in accordance with the divisional configuration contemplated by the business plan.

Alongside initiatives aimed at enhancing marketing potential, the capacity to serve the customer (*additional information is provided in the section covering "Innovation, research and development"*) and the control over risks (*additional information is provided in the section covering "Integrated risk management"*), the actions taken in the first half of 2003 were focused on improving operating efficiency. A particular emphasis went to the branch operations, partly in light of the need to free resources from lower value-added activity and to redeploy those resources in the sales and marketing areas.

■ BOOSTING THE EFFICIENCY OF THE COMMERCIAL BANK NETWORKS

- The project concentrates on two objectives:

- "boosting efficiency at the parent company and branches" through actions to optimize and re-align operational workload;

- "- the re-engineering of branch procedures".

- During the first half of 2003, various measures were implemented at Banca Toscana for the purpose of generating efficiency gains with respect to the workload of the branches; in the meantime, testing got under way at BMPS. The MPS Group also completed the first of four phases of changes to the information systems used for operations and transaction processing: the implementation of these changes at the commercial bank branches is planned for July/September.

In addition to streamlining operations through the creation/expansion of central units to manage marketing, the back office, purchasing, property management and so forth, the MPS Group is also moving ahead with a project that is designed to raise the efficiency of the commercial banks and ultimately, to generate a strong recovery of profitability.

In order to support of the new business and service/product models delineated in the business plan, the MPS Group has developed new centralized business units and information-processing applications that have translated into significant gains in terms of efficiency and competitive position.

As part of the drive to optimize total costs, another project was inaugurated in the first half of 2003 to determine the feasibility of centralizing the information systems of the product companies which are still managing their own systems (especially, the asset management, finance, insurance and consumer credit companies). The project calls for a study to be completed within one year for all of the product companies, and a determination if the management and operation of such systems can be transferred to the MPS Group Operating Consortium.

• The re-engineering of lending processes

The re-engineering of the loan disbursement systems continued in early 2003. These systems are now specialized by customer segment and supported by rating and scoring procedures, with the objective of achieving more effective and efficient governance of risk and obtaining a better return on absorbed capital.

As highlighted in the box, the gradual release of new procedures covering initial disbursements in the small business and large corporate segments has been flanked by the testing of the software to be used for retail and SME customers.

■ **THE RE-ENGINEERING OF THE LENDING ACTIVITY**

- *Retail disbursements*: With the actual start-up of the new system still to be defined, the MPS Group has already activated scoring procedures for the approval of revolving credit cards, mortgages and small loans;
- *Small business disbursements:* The software, which has already been designed and is currently in use at BMPS, is now being tested at several branches of Banca Toscana and BAM;
- *SME disbursements:* With the date of the project launch still to be defined, various aspects of the system are now being implemented (rating of first disbursement, completion of first Electronic Credit Files, and so forth);
- *Large corporate disbursements:* The new procedures for credit approval have been defined, and include formulas for assessing creditworthiness and assigning ratings; the system will be used for new credit facilities as well as for the revision of existing facilities. The testing in process at BMPS is soon to be completed, and the procedures will then be implemented at the other units of the MPS Group.

Already operational at BMPS, the new system for disbursements to small business customers will optimize the risk-return trade-off and maximize operating efficiency, resulting in better customer service. In consideration of the high number of applications to be processed, the review and approval process will be simple, and will generate a response that includes a credit rating and qualitative assessments by the analysts.

The implementation of the projects has also taken into account the provisions of the new Basle Accord on capital adequacy, with the internal counterparty rating becoming the common point of reference for calculating regulatory capital requirements and for activation of the loan disbursement and monitoring systems.

The initiatives to take shape in the second half of 2003 include the implementation of general operating records and a centralized risk bureau at a group level; the issue of directives for tracking and monitoring anomalous risks, restructured positions and/or positions in the process of being restructured, and non-performing loans; and the creation of a special unit assigned to tracking productive sectors for the MPS Group as a whole.

The second half of 2003 will also see the release of a new "performance management" project covering all borrowers; this project is aimed at defining the rules and logic for the classification of positions, and at the adoption and use of an early warning system.

■ THE DISTRIBUTION CHANNELS

In the first half 2003, the streamlining and qualitative enhancement of the network continued. The strategy remains focused on diversification between the various customer segments, and on strengthening and improving the electronic channels.

□ THE TRADITIONAL NETWORK, ATMS AND POS TERMINALS

As of 30 June 2003, the commercial banks of the MPS Group had 1,797 banking facilities in Italy. This network is rounded out by 244 financial boutiques operated by Banca 121 Promozione Finanziaria.

MPS Group distribution network

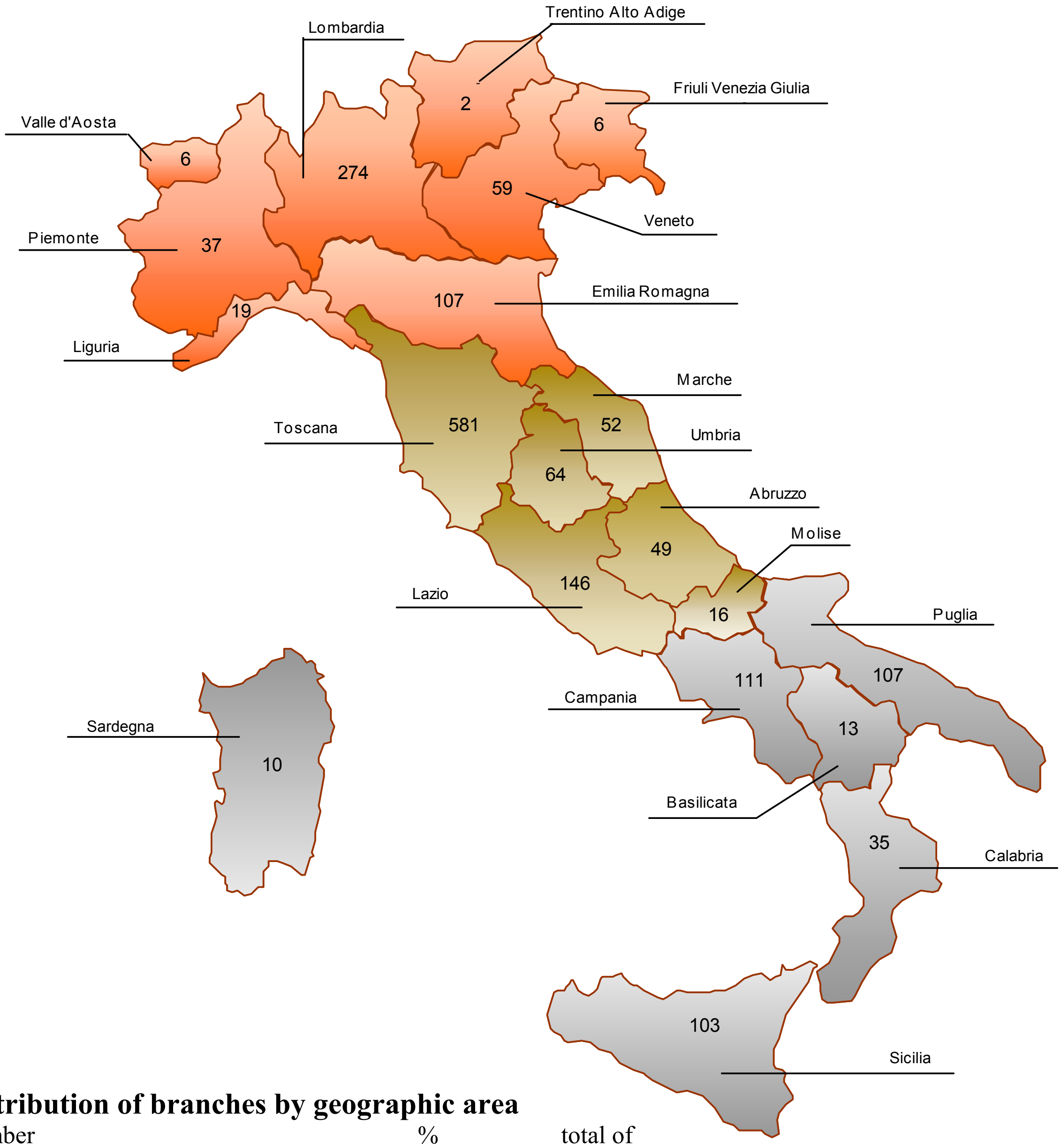
Channel	30/06/2003	31/12/2002	Change
Domestic branches	1,797	1,791	6
Financial boutiques	244	262	-18
Total domestic sales outlets	2,041	2,058	-17
Foreign offices	38	37	1
Financial advisors	1,352	1,512	-160
ATMs	2,253	2,312	-59
POS terminals	65,355	62,920	2,435

The foreign network of the MPS Group has been fashioned so as to accent the presence in specific geographic areas (Mediterranean Africa, Central/Eastern Europe and Asia). These areas have been selected for their commercial potential and their capacity to support the Group's existing clientele. As of 30 June 2003, the foreign network consisted of six branches and seven representative offices operated directly by the MPS Group, and 25 banking facilities owned by foreign affiliates of the MPS Group.

In the specialized lending business, the presence of MPS Banca Verde has been redefined with the opening of 20 representative offices to service the principal farming regions in Italy. As of 30 June 2003, MPS Merchant counted on a network of 15 representative offices.

In comparison with the totals at 31 December 2002, the number of ATMs had decreased by 2.6 percent as of 30 June 2003, while the number of POS terminals operated by the MPS Group was 3.9 percent higher. The figures reflect some streamlining of the ATM network and changes to the POS terminals in order to facilitate easier navigation by the clientele.

MPS Group Branches in Italy



Distribution of branches by geographic area

Number	%	total of
Northern regions	510	28.4
Central regions	908	50.5
Southern regions and islands	379	21.1
Total	1,797	

MPS Group branch facilities as of 30/06/2003

Banca MPS	1,082
Banca Toscana	413
Banca Agricola Mantovana	290
Banca Steinhauslin	12
Total	1,797

☐ ELECTRONIC BANKING CHANNELS

In early 2003, the MPS Group moved ahead with the efforts to migrate low value-added transactions to the electronic banking channels in order to free up resources employable in front-office operations and to drive down the cost-income ratio on the electronic banking service. Similarly, the MPS Group undertook initiatives designed to enhance the customer's perception of the added value associated with the use of the innovative distribution channels.

Distribution of Banking Services through Electronic Banking Channels (°)
Contracts In Effect

	30/06/2003	31/12/2002	% of Total 30/06/2003
Internet banking & mobile banking (°°)	632,248	660,748	88.5
Television banking	5,654	6,068	0.8
Opifici digitali and B2B	6,975	5,252	1.0
Corporate banking via Internet	69,118	59,119	9.7
Internet banking - public entities	411	189	0.1
Total	714,406	731,376	100.0

(°) The aggregate does not include telephone banking contracts.
(°°) The change between December 2002 and June 2003 reflects the mergers by incorporation of the two banking subsidiaries into the parent company.

The emphasis from an organizational perspective has gone to the construction of a structured reporting system that will allow for monitoring not only the technological adequacy of the electronic banking services vis-à-vis the needs of the final user, but also the efficiency of the service and customer preferences.

As the MPS Group company charged with optimizing SME relationships via the creation of a network of advisory services, MPS Professional implemented a portal in the first half of 2003 in order to facilitate the marketing of products offered by Mps Merchant, Mps Banca Verde and Mps Leasing & Factoring.

■ HUMAN RESOURCES

☐ STAFFING

As of 30 June 2003, the MPS Group has a total of 27,381 employees on the payroll, and staffing had thus decreased by 255 employees on an annual basis, and by 136 since the beginning of the year.

MPS Group Staffing

	30/06/2002	31/12/2002	30/06/2003
Total staffing (°)	27,636	27,517	27,381

(°) Data are relative to the personnel on the payroll of the companies consolidated on a line-by-line basis.

The changes are reflective of the business plan's strategies which call for both staff reductions and a change in the mix of personnel with a view toward improving operating flexibility and the cost structure. Such objectives are to be achieved through natural turnover and special programs such as early-retirement incentives and solidarity-fund exit provisions that will lower the number of senior employees. A portion of the staff reductions achieved in this manner will be offset by the hiring of talented young professionals.

During the second half of 2003, some 290 employees are slated to take advantage of early-retirement programs, while another 300 employees will terminate their employment through the exit provisions offered by solidarity funds set up by the principal banks of the MPS Group.

The table below shows the distribution of the work force by operating area, and is based on the actual assignment of the employees rather than the source of their payroll.

MPS Group work force as of 30/06/03

	Actual Work Force (°)	% of Total
Banca Monte dei Paschi di Siena	12,457	45.3
Corporate Center	995	3.6
BMPS Division	11,275	41.0
International (°°)	187	0.7
Banca Toscana	3,930	14.3
Banca Agricola Mantovana	3,117	11.3
Banca 121 P.F.	219	0.8
Banca Steinhauslin	243	0.9
TOTAL ITALIAN BANKS	**19,966**	**72.6**
Foreign banks	521	1.9
Product companies	1,604	5.8
Service companies	2,479	9.0
Operating Consortium	2,171	7.9
Other	85	0.3
Tax collection	2,595	9.4
Insurance	158	0.6
Other companies	81	0.3
TOTAL GROUP	27,489	100.0%

(°) Data relative to personnel of all MPS Group companies, excluding employees on assignment at other companies (companies in which minority investments are held) and employees with less than full-time hours.
(°°) Foreign branches and representative offices.

The table below shows the distribution of the MPS Group's work force by job category.

Breakdown of staff by job category

Category	Actual Number	% of Total Work Force
Senior managers	599	2.2%
Middle managers	6,598	24.0%
Other professional areas	20,292	73.8%
TOTAL	27,489	100.0%

☐ MANAGEMENT ISSUES

Consistent with the MPS Group's strategies, the human resources management is focused on:

- ensuring the growth of the professional skills - with particular reference to sales and marketing specialized by market segment - and the retraining of resources made available through initiatives to improve productivity;

- realizing specific cost-containment objectives, through actions to reduce both overhead (size and mix of staffing) and variable expenses not directly determined by contractual terms and conditions.

Maximizing the value of human capital is considered a fundamental condition to achieving the planned objectives of enhancing the MPS Group's structure, organization and operations. This strategy is taking shape within a framework of innovation and change where executive activity has been streamlined so as to facilitate professional growth in terms of skills, knowledge base, and the acceptance of responsibility. The move in this direction has been supported by:

- The implementation of a broad-based and standard training program that anticipates changes in the organization resulting from various projects, and helps with the assimilation of the same. The individual companies identify the specific areas where the training is needed, taking advantage of the training program's content and operating synergies. There are three, inter-related aspects to the training program: activity to support organizational development and management of change; professional families (covering the traditional and new roles in the banking and financial businesses); and professional communities (management and middle management, young professionals, instructors). Taking into account the relationships between the training program's content, the trainees, and the instructional channels, the program is based on the integrated and coordinated use of traditional and innovative methodologies and mechanisms (including e-learning platforms, virtual classrooms and a network of tutors at the group level).

- An incentive system designed to ensure the appropriate motivation and involvement of management vis-à-vis the MPS Group's objectives and strategies. With compensation tied to the achievement of quantitative, qualitative and structural-planning results, the system is organized so to guarantee the balance and solidity of future growth vis-à-vis short-term targets. With a Management-by-Objectives (MBO) orientation, the system effectively unites the objectives of individual business units with the results programmed at a consolidated level.

- The development of a new information system that will cover personnel management and development (PaschiRisorse), the definition of professional profiles (knowledge and skills required for individual position), the evaluation of responsibilities, professional growth plans, substitution tables, and so forth.

The processes mentioned above have been summarized in a human resources management plan outlining the initiatives to ensure qualitative/quantitative development of the personnel in line with the MPS Group's strategies. The plan's fundamental objectives have been formulated starting from an analysis of the operational potential (strengths and weaknesses of the staff, potential tools, constraints and opportunities) and may be summed up as follows:

- human resources management at a group level which is consistent with the activation of the strategic projects contained in the MPS Group's business plan**,** with a particular emphasis on getting the most value out of the resources freed up from certain areas of activity and retrained for taking on new roles in sales, marketing and other areas of specialization;

- the definition, administration and control of staff development in order to ensure coverage of the professional skills needed along the entire chain of value, in accordance with the various levels of responsibility and specialization (Corporate Center, head office units of the banks, branch network, product companies and service companies).

INNOVATION, RESEARCH AND DEVELOPMENT

In the first half of 2003, the MPS Group remained focused on its program to create production and distribution units specialized by market and by customer segment. Designed to boost the effectiveness of the sales and marketing effort, and to improve the capacity to serve the clientele, this program puts the accent on building quality-oriented, constructive and transparent relationships with the customers. Substantiating this approach is the MPS Group's commitment to the Italian Banking Association's "Banks and Society" project.

The program mentioned above has been flanked by the ongoing development and diversification of the product/service portfolio, with a view toward increasing market penetration and boosting the levels of customer satisfaction and customer retention. In this regard, the MPS Group has dedicated much attention to payment systems and e-banking services.

■ THE MPS GROUP'S PARTICIPATION IN THE ITALIAN BANKING ASSOCIATION'S "BANKS AND SOCIETY" PROJECT

◆ With customers nowadays having a better understanding, choice and basis for comparison when it comes to banking products, the MPS Group has opted to participate in the Italian Banking Association's "Banks and Society" project, an undertaking involving a wide and diversified range of initiatives aimed at improving bank-customer relationships. One of these initiatives, the "Clear Agreements" project, is directed toward the definition of a specific classification of low-risk, low-yield debt securities so as to facilitate a more appropriate selection of investments on the part of less experienced investors. The project can be viewed as a first step toward the development of a classification of the financial instruments offered by the banks of the MPS Group, that can help to educate retail investors about the degree of risk involved in various types of investments.

■ RETAIL MARKET

☐ SERVICE MODELS

The MPS Group's business strategy in retail banking is focused on the implementation of a service model specialized by customer segments (private-banking, affluent and family segments), and the development of specific platforms for the same.

- Private-banking segment

The restructuring of the private-banking activity of the MPS Group continued during the first half of 2003.

Banca Steinhauslin has been assigned two roles within the framework of this project: first, acting as a productive hub for private-banking products, and second, concentrating on the management of the assets of private clients and developing a specialized private-banking network and expertise in specific areas (taxation, succession, property investment). In this second role, Banca C. Steinhauslin & C. has continued to pursue the development of its customer base with reference to the companies in the MPS Group.

The activity of the commercial banks on the private-banking front is summarized below:

- Having completed its executive project, Banca Agricola Mantovana began to market Banca Steinhauslin's individual portfolio management service for private clients.

- Banca Toscana completed the construction of a network of dedicated managers and opened two private-banking branches.

- Banca MPS continued to expand its private-banking service model with reference to new customers, completing a program to set up a private-banking facilities all 21 regions of Italy.

Marketing initiatives included the definition of guidelines for personalized products in innovative finance and insurance, and the pursuit of activity to develop funds management products and services. In this regard, the MPS Group rolled out two new flexible, total-return portfolio management services, and a portfolio investment service with a fiscal option for funds under administration.

The Italian tax amnesty with respect to capital repatriated from abroad yielded some EUR 340 million of funds flowing into the MPS Group through the end of June, with more than 50 percent of the total coming from new customers. This capital was ultimately allocated to funds under management (40 percent), funds under administration (40 percent) and liquidity (20 percent).

- Affluent segment

In early 2003, the affluent segment continued to benefit from the marketing policy put into effect in 2002 which is aimed at expanding the share of an affluent customer's portfolio that is managed by the MPS Group. As to the mix of customers, a shift was seen from the lower affluent segment (assets between EUR 25,000 and 125,000) to the upper affluent segment (assets between EUR 125,000 and 1.500,000) where the service to the customer is highly personalized.

The "Carattere" platform especially designed for affluent clients was implemented by the BMPS and BAM networks in 2002, and was introduced in the Banca Toscana network in early 2003.

With the software available, the account manager can use the platform for an accurate analysis of a customer's portfolio with reference to asset allocation, risk and return. Additional enhancements were made to the program in the first half of 2003 (see box).

The process of diversifying and enhancing the product portfolio was further developed in early 2003 with the release of the first products especially designed to satisfy the need of the affluent clientele. The main products marketed during the six-month period included:

- "GPS Carattere": an individual portfolio management service incorporating investments in Irish-law funds which dovetail with the customer's risk-return profile. This service was constructed in a manner that it runs on the PFP Carattere software available to the account managers, and covers five different investment profiles which are matched by the risk profiles set up in the PFP software.

- Personalità: a unit-linked policy for affluent clients which draws on a wide range of internal funds to set up a personalized portfolio in relation to the customer's risk profile. The customer may also shift investments between the various funds so as to replicate his asset allocation at any given time.

- Carattere account: This current account package is available only to affluent clients. The account embraces a series of banking services (current account, credit cards, securities deposit account, etc.), insurance products, multimedia services, and leisure-time activities (special promotions for travel, health care, etc).

THE "CARATTERE" COMMERCIAL PLATFORM

The principal services implemented in the first half of 2003 include:

- Manager's Desktop: with this new portal, the account manager gets an overview of customer portfolios, and can monitor the performance of the same. The service also allows for accessing principal economic/financial sites of interest as well as links to support the manager's activity;
- Cruscotto customer: This instrument provides the manager with a complete view of the customer for the purpose of financial analysis (analysis of the risk position) and for relationship management;
- Alert: This is a tracking system that will alert the account manager about certain events relative to the customer portfolios under management. Such alerts are a guarantee of portfolio monitoring and service quality.

- Family segment

A new commercial platform was unveiled for the family segment in the first half of the year.

Another important initiative undertaken in the first half was the introduction of a program for analyzing all types of accounts (e.g. categories, groups of conditions) for each commercial bank. This program will not only eliminate overlapping services and streamline the product portfolio, but it will also improve service to the customer.

New developments in funds-management products included the definition of guidelines (sensitivity, stability over time, price) for the design and production of a monthly catalogue of innovative-finance products in addition to the catalogues already offered for the other customer segments. Likewise, two new term insurance policies (Cresco New, Accumulo) were developed that will allow for risk diversification even with very limited payments (e.g. minimum monthly premium of EUR 50). These new products are due to be launched in the last four months of 2003.

THE COMMERCIAL PLATFORM FOR THE FAMILY SEGMENT

- The platform provides for personalized management of this sub-segment which consists of roughly three million customers.This customers will be divided into standard target groups for interaction with the banking units. The application of this personalized service model will allow for maximizing the use of a scare resource (marketing time) within the branches, while also leveraging the use of remote distribution channels for the execution of transactions which are of less importance within the framework of the customer relationship.

PRODUCT INNOVATION

The risk profile of retail investors remained virtually stable in early 2003, with a continuing preference for conservative, secure and liquid investments and an increasing propensity to indebtedness. The MPS Group responded to this situation by modifying some of its funds-management and bancassurance products, and part of its portfolio of retail loans and mortgages.

The following initiatives were thus undertaken in addition to the research and development activity outlined in the review of the retail service models.

- Bancassurance

The activity of research, development and restyling of the bancassurance products unfolded at three levels:

- First, terms policies designed primarily for the family segment were relaunched under the "Cresco New" and "Accumulo" brand names; the benefits of these policies include limited premium payments and the possibility for risk diversification. The "Terzo Tempo" savings plan was also restyled with a view toward boosting the MPS Group's presence in the retirement plan business.
- At a second level, the MPS Group is planning a complete range of single-premium policies under the "Bussola" name. The already tested "Bussola Millenium" and "Bussola Reddito" will be flanked by two new products incorporating innovative benefit payments and fee schemes to be marketed to the upper-affluent and private-banking segments.
- Finally, a series of new unit-linked policies has been launched under the LINEAFORTE name: "LF Shield Crescente", "LF Shield Costante" and "LF Shield Sviluppo" offer different levels of capital protection in relation to customer preferences. The launch of these products was flanked by the introduction of a new classic unit-linked product with a wide range of the MPS Group's funds proposed for the investment.

Quadrifoglio Vita S.p.A., a company which is 50-percent owned by BAM, is also active in bancassurance through the BAM branch network. Roughly 83 percent of the premiums underwritten by the company in the first half of 2003 related to policies placed with retail customers, with 73.6 percent of that total represented by traditional policies and the remainder covered by unit-linked policies.

- Mutual investment funds

The Dublin-based MPS Asset Management Ireland Ltd. inaugurated its activity in the first half of the 2003, operating through the Bright Oak Plc SICAV and its 52 sub-funds especially set up for this purpose.

The MPS Group currently markets 55 different funds under the Ducato Sistema name and another 11 sub-funds as part of the Ducato Portfolio fund of funds. The array of products includes funds specialized by sector, by geographic area and by investment style (including hedge funds).

- Consumer credit

In addressing the market for consumer credit, the MPS Group formed a work group for the purpose of studying mortgage loans, while it also rolled out a new personal loan product.

The work group developed software for supporting mortgage disbursements which will help the sales force in working with customers to identify the technical form of the mortgage loan most appropriate to their needs. The software focuses on the type of interest rate, and matching the customer's preferences with the financing which the customer can support on the basis of his personal financial situation.

The range of mortgage products available through BMPS was also expanded, while a new bracketed fixed-rate mortgage was introduced at all of the commercial banks of the MPS Group.

■ RESEARCH AND DEVELOPMENT IN CONSUMER CREDIT

- Responding to greater market demand for consumer credit and using the technical and marketing skills of Consum.it, the MPS Group debuted the "Personal Position" installment loan product in the first half of 2003. The new product has already received a positive response from the market given its competitive pricing in terms of the interest rate, and the options to the customer for setting the desired amount of the installment payments. "Personal Position" is also innovative in that its post-sale management is handled entirely by a product company, leaving the networks to work exclusively on understanding the customer needs and the means for satisfying them.
- The marketing of the M'Honey revolving credit card by Consum.it continued with success in early 2003, with some 138,892 cards issued as of mid-2003 and 45,399 accounts activated.

- *Exploring new channels for the retail mortgage business*

With the goal of capturing new market share by bringing the direct network closer to new distribution channels, the MPS Group launched a new project in the first half of 2003 that is exploring new channels for the retail mortgage business.

Pursuant to this project, the entire negotiation of all mortgages coming from third-party channels will be directly managed by the partner's sales point, with significant savings in terms of the costs and time involved in processing. Working through special units (HUB branches), the Bank will thus only be responsible for verifying documentation, while a scoring system will automatically assess creditworthiness.

In seeking out strategic partnerships, the MPS Group has embarked on various initiatives with leading real estate brokers. An accord with Consorzio Eurofranchising S.r.l. that went into effect in the first half of 2003 is one of these initiatives. Other agreements with Gabetti S.p.A. and Domus World S.r.l. are slated to become operational as of 1 September 2003.

CORPORATE MARKET

SERVICE MODELS

In line with the MPS Group's business plan, the corporate area continued with the implementation of the following:

- a new service model for small- and medium-sized enterprises (SMEs) which is based on the creation of SME Centers run by a dedicated staff which is supported by product company specialists;
- a similar service model for small businesses (SB) which is also based on a specific marketing approach and an array of products aimed at satisfying the needs of this customer segment.

During the first half of 2003, the testing of the new models was completed at BMPS.

At the SME Centers, new procedures were implemented to govern interaction between the product companies, internal specialists and account managers so as to provide for: an integrated product/service portfolio; elimination of overlapping responsibilities; and the framework needed to capitalize on all business opportunities.

As far as the large corporate segment is concerned, efforts have continued toward concentrating all relationships within one unit at the Corporate Center. Work also got under way to plan a service model dedicated to the management and cultivation of a limited number of companies with high growth potential, where BMPS would serve as a financial partner in the firms' ongoing business development (Key Clients Project). The MPS Group is also defining a "Government and Government Entities" project as part of a drive to develop specialized services for this market segment.

PRODUCT INNOVATION

A significant effort has gone into the development of the risk-hedging products for the corporate market. This business is handled by the Corporate Finance Solutions (CFS) unit of MPS Finance, which is charged with supplying financial services to companies and public entities with regard to both investments and the trading of derivatives for hedging purposes. During the first half of 2003, MPS Finance inaugurated a Group Customer Desk to assist corporate clients with OTC derivatives.

The MPS Group also moved ahead with the development of innovative investments for corporate customers as a response to the changing demands of the market. The planning and development of specific types of structured financing generated an even stronger market response to the "smart loan", an innovative short-term loan linked to the performance of exchange rates.

RESEARCH AND DEVELOPMENT ON PRODUCTS TO HEDGE MARKET RISKS

- The range of products used for hedging market risks was expanded significantly in early 2003. In the case of small- and medium-sized companies, the products are fairly standard, whereas personalized solutions are typically developed for large corporations. With the expansion of the product portfolio, the corporate clientele can take advantage of products to hedge interest-rate risk over the short and long term, derivatives of a deterministic nature (interest-rate swaps, performing-growth swaps, wonder-liquidity swaps and so forth), and an array of option products (caps, collars, collar steps and so forth). Other, primarily option-type products allow for covering exchange-rate risk to varying degrees (protection kit, cylindrical options, calls, puts, knock-ins and knock-outs). The foundation has also been laid for offering corporate customers a series of products to hedge price fluctuations on commodities.

On the insurance front, Monte Paschi Vita was called upon to assist with the restyling of several life policies (Iride Corporate / Trittico Corporate / Sincronia Corporate) which proved a market success. Monte Paschi Vita also gave its input to the creation of a policy for the agricultural / environmental sector (Iride Verde). Several important initiatives in the property-casualty business are planned for the second half, and include products designed particular productive sectors and the expansion of the range of endowment policies after the success of the "Propensione" product.

At the end of May, the marketing of the new account, Impres@più, was extended to the entire MPS Group network. The account is an integrated package of banking and non-banking services available to corporate customers, and is especially suited to small business owners and self-employed professionals. The product has proven particularly appealing to the corporate clientele, with some 6,200 accounts opened as of mid-2003, just two months after the commercial launch.

New initiatives with the corporate clientele include a program which facilitates international business expansion on the part of small- and medium-sized companies. The distinctive service model developed for the program addresses issues such as the transfer of production and business penetration in foreign markets, with a particular emphasis on the geographic areas served by the MPS Group (Eastern Europe, the Maghreb and Southeast Asia). The development of the project has also drawn upon the feedback of "sounding boards" made up of qualified and select group of business people.

Work also got under way on the creation of a European Group of Economic Interest sponsored by the MPS Group and operated through a chamber system. The group is charged with developing a valid array of advisory and assistance services along various areas of specialization to be available to SMEs and government entities, partly in consideration of the planned expansion of the European Union.

In the leasing and factoring business, the new product company, MPS Leasing & Factoring, moved beyond the start-up phase and has turned to process, product and distribution innovation in order to provide better customer service. After having launched its nautical leasing product at the end of 2002, the company unveiled a special lease program in June for the wine industry. Efforts in the second half of 2003 will go toward making the products/services more efficient. New products slated for commercial launch include a full-leasing product, a long-term auto lease, a Web leasing and Web factoring program, balanced leases, and leases with variable installments.

PAYMENT SYSTEMS AND E-BANKING SERVICES

The efforts in the retail market in early 2003 included the ongoing pursuit of a project to transfer low value-added transactions (e.g. bank transfers, balance reporting, and information reporting) to electronic banking channels. This project has been flanked by a campaign to increase the customer's awareness of the advantages of using such channels (e.g. speed of execution, absence of the lines at the branch). Both initiatives serve as a premise for new pricing policies and cost containment.

Pursuant to the guidelines for the family-segment platform, work got under way on the construction of a structured reporting system that will allow for monitoring not only the technological adequacy of the electronic banking services vis-à-vis the needs of the final user, but also the efficiency of the service and customer preferences.

In terms of its operation, the ATM network is undergoing adjustments to improve navigation and the general manner for communicating with the customer. As a result of the changes, the ATM system will provide more transparent and clear information to the customer (including through personalized messages), while it will also serve as a better support to the activity of the branches.

The home-banking platform has also undergone important modifications in order to make it more compatible with needs of the clientele. The changes include the introduction of more simplified means for executing bank transfers (easy access to a list of the ABI and CAB codes needed for the transfers and the possibility to build a file for repetitive transfers), the development of the banking and postal MAV payment system, as well as a module to cover utility payments.

New developments in mobile-telephone banking services include the possibility of accessing the WAP site of the commercial banks of the Group through the mobile telecommunications provider, Omnitel.

The Internet-based corporate banking services, PaschiInAzienda (BMPS), BAM Corporate Plus (BAM) and Office.net (Banca Toscana), were also modified in early 2003, with the introduction of new functions that broaden the MPS Group's presence in corporate payment systems and e-commerce. The following new services have been brought on stream:

- payments of payment orders via the postal system, with the issue of the relative advice: the customer can now pay all such orders online instead of going through the branch;
- payment of taxes (Form F24) for the account of third parties or persons having accounts with the banks participating in the service: this function is mainly designed for associations, accountants, CAAF, etc. who need to make numerous payments for the account of their customers.

With regard to innovative distribution, the MPS Group continued with its effort to link the De@lDone Trading (DDT) system managed by MPS Finance with the Trading On Line system used by Banca Toscana, Banca Steinhauslin and Banca 121 PF. In the second half of 2003, the DDT will be linked into BAM and BMPS. Further progress was also made with respect to a program to consolidate the Bloomberg Electronic Trading (BET) service used for the negotiation of bond securities; this is the first business-to-business application within the DDT platform. The first-half initiatives also included the start-up of a project that will culminate with the DDT's publication of information pages containing pricing of credit default swaps.

The marketing of the "PaschiInTesoreria" to public administration entities continued in early 2003, and the MPS Group began testing of an innovative receivables-management service for companies (utilities, in particular) and public entities. With this service, the Bank manages not only the actual collections, but also the production and mailing of invoices and other related documentation, and the sending of the payment advice for the debtor.

The growth of the number of retail and corporate e-banking accounts is reported in the section covering "Distribution channels".

With reference to innovative payment systems, the MPS Group has continued to participate in various projects coordinated by the Italian Banking Association. In particular, the MPS Group has worked on the Italian Banking Association's E-Committee in promoting e-banking in Italy; the principal activities of this committee in the first half of 2003 are outlined below:

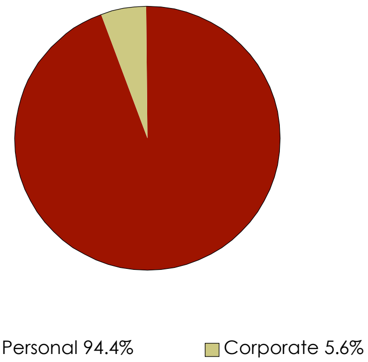
- Bankpass Web: Following the release of the platform in December 2002, the new national security standard for payments via the Internet was put on the market for use by individuals as of February. The platform will be introduced for business users by year end.
- Bankpass Mobile: This service will handle payments between individuals and businesses via mobile telephone. Initial testing of payments between individuals was concluded in early 2003. In March, a work group was inaugurated for the technical/commercial testing of C2B payments (purchase of goods and/or service via short messages sent through mobile telephones). This work group includes BMPS, the company handling the technological infrastructure, and E-Idea (an MPS Group company active in electronic ticketing).
- Bankpass Bollette: Contacts have been made with one of the system processors for the technical integration of the service which is to pave the way for the development of a platform to manage a system for the sending of electronic payments and payment advices through the Internet. Testing is planned for the second half of 2003.

- Credit and debit cards

The research and development work on credit and debit cards has increasingly focused on bringing the MPS Group's product portfolio more in line with the needs of the various customer segments.

As of 30 June 2003, the MPS Group had issued over 797,000 credit cards, with roughly 5.6 percent issued to corporate customers.

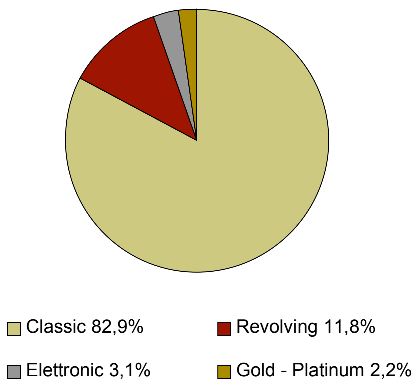
CREDIT CARDS



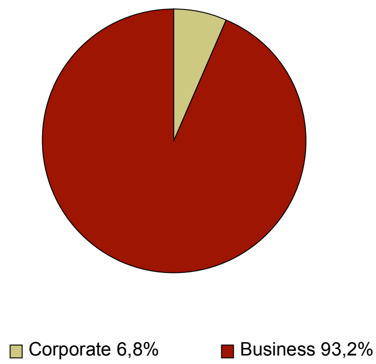
The growth of the number of personal credit cards is mainly represented by revolving accounts, thus reflecting the success of the M'Honey Card.

The mix of corporate cards has remained stable, with about 93 percent being used by small companies and the residual 7 percent being accounts for large corporations

PERSONAL CREDIT CARDS



CORPORATE CREDIT CARDS



The planning of new credit- and debit-card functions has mainly focused on exploiting the new potential of the Microcircuit-Italian Banking Association project which will substitute the magnetic strips on the cards with a microchip. In the first half of 2003, the MPS Group conducted a series of tests in Lecco, Prato, Alessandria and Taranto in preparation for the changes to go into effect by 2007 regarding the information that can be stored on all cards in circulation.

Finally, the MPS Group has been working with Carta SI on several campaigns providing incentives for the use of cards.

■ COMMUNICATIONS, CULTURAL INITIATIVES AND TRADE EVENTS

The principal initiatives in investor relations in the first half of 2003 regarded:

- Organization of the "Retail-Corporate Day", a program dedicated to Italian institutional investors for the purpose of outlining the various projects under way in the retail and corporate areas, and the results achieved to date. The program covered topics relative to the individual segments of both the retail area (family, affluent and private) and the corporate area (SMEs, small business, large corporate, governments and government agencies).

- Participation in the management of international conferences, including "Italian Financial Services" organized by Giubergia UBS Warburg in Naples, the "European Banking Conference: New Paradigms for 2003?" organized by Julius Baer in Madrid, and the "Southern European Banking: Conference" coordinated by Morgan Stanley in Madrid.

Through these initiatives and those directly at the head office, the MPS Group's executives held around 100 individual meetings with financial analysts and asset managers.

The MPS Group's commitment to exhibits, concerts, and sponsorships was again significant in the first half of the 2003, with financing going toward some 380 cultural and scientific initiatives.

The principal sponsorships included: the Accademia Musicale Chigiana; the Siena Cathedral Project supporting excavation of areas under the church; the 66th edition of Maggio Musicale Fiorentino; the Association of the Spoleto Festival of Two Worlds, and the Puccini Foundation for the 49th edition of the Puccini Festival.

In addition to the Biccherne di Siena, the MPS Group was the sponsor of an exhibition on Marco Pino which was held in Naples and closed on 30 June. The staging of this exhibition permitted the restoration of several important paintings left to the City of Naples by the Senese painter. The MPS Group is also currently involved in planning "Duccio at the Origins of Senese Painting", an exhibit slated to open in Siena on 4 October.

The continuing support of humanitarian projects included the MPS Group's 2003 sponsorship of the "Pavarotti & Friends Concert" to raise money for children in Iraq.

A major commitment also went to publishing activity in early 2003. After starting up work on the traditional year-end publication which this year is dedicated to "Duccio di Buoninsegna", the MPS Group prepared a volume on the sensational artifacts discovered with the excavation of areas under the Siena Cathedral. The volume provides an account to scholars and art enthusiasts worldwide of the discovery and recovery of the architectural structures and paintings, and the initial attributions by experts studying the area. Another specialized publication was completed on the life and works of Marco Pino, and served as the catalogue for the exhibition mentioned above.

As to economic publications, BMPS and Banca Toscana continued to collaborate on the production of "Economic Studies and Notes". An English-language publication

■ THE "BICCHERNE OF SIENA" EXHIBITION

- The exhibition was inaugurated at the Palazzo del Quirinale in Rome on 1 March 2002, with the attendance of the President of the Republic of Italy, and it remained at the Italian President's official residence until 10 April. Thereafter, the collection traveled to Washington, D.C., where it was exhibited at the Corcoran Gallery of Art from 1 August to 23 September. On 7 December, the Biccherne returned to Siena for an exhibition at the Santa Maria della Scala Church through 1 June 2003. The collection was then moved to Brussels in July 2003, where it will be displayed during the Italian Prime Minister's six-month term as President of the European Union. The final stop for the exhibition is Frankfurt.

" Economic Notes-Review of Banking, Finance and Monetary Economics ", is printed and distributed under an agreement with the publishing company, Blackwell of Oxford, England.

In terms of conferences and meetings, two particular events dominated the calendar in terms of their importance and visibility at a national level:

- A round table on "Considerations of Environmental Risk in Loan Approval" organized by the Italian Banking Association, with the contribution of the MPS Group's advisory board on environmental matters.
- Two conferences held in collaboration with "Diplomatia", an association of diplomats and business people: "Turkey's Weight in Trade within Europe" and "The Stability and Growth Pact".

MPS GROUP'S COMMITMENT TO ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

In the first half of 2003, the MPS Group continued to pursue initiatives to safeguard the environment, to raise awareness to social issues, and to seek certification of service and process quality.

On 26 February, the BMPS Environmental Management System secured certification in accordance with the ISO 14001 norms. Designed to control environmental-related activity within the Bank, this system focuses on a reduction of consumption and cost containment. Progress was also made toward obtaining EMAS certification; this entails a significant technical-organizational commitment in that it impacts environmental activity across all areas of the MPS Group.

In September 2002, BMPS entered into the Dow Jones Sustainability Index (a global index attesting to a company's performance and commitment with respect to sustainable development). On 21 March 2003, BMPS became part of the FTSE4Good Index produced by the FTSE Group, the world leader in supplying global indices for investors.

The MPS Group has also stepped its participation in workshops and intensified its contacts with respect to various international associations and organizations committed to promoting corporate social responsibility.

The involvement with these organizations will ensure significant visibility of the MPS Group, while also providing an ongoing flow of information in relation to current initiatives, trends and developments both at a national and international level.

The BMPS quality management system was also involved in some testing in early 2003, as Det Norske Veritas (DNV), the entity awarding the ISO 9001:2000 certification for the mortgage loan services to individual customers and for direct banking services (PaschiHome, PaschiInRete, PaschiInAzienda, PaschiInTel, and PaschiInTesoreria), completed a periodic maintenance examination. This test concluded with the entity re-affirming the validity of the certification.

EU PROGRAMS ON ENVIRONMENTAL ISSUES

The MPS Group's involvement in EU programs on environmental issues includes the following:

- Equal and Life: These environmental protection projects receive long-term funding from the European Community; BMPS has offered to serve as a financing partner for the initiatives undertaken through these programs;
- Green Light: With its participation in this program, BMPS aims to reduce its energy consumption by at least 15 percent over a five-year period, through measures already planned for many branches.

A summary of social, ethical and environmental initiatives in 2002 and in early 2003 will be given in the BMPS Social-Environmental Report to be published in the second half of 2003.

MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FIRST HALF

Following is a summary of the more significant events occurring in the first part of the second half of 2003.

On 10 July 2003, the BMPS Board of Directors approved participation in the Pegaso Officina, a broad-based business and cultural project which has been launched in collaboration with the Region of Tuscany. The project calls for the creation of the Tuscan System Foundation, and the design and development of a Tuscany Internet portal to promote community activity, simplify access to information and services, and monitor changes in community needs. The Bank's involvement serves to substantiate the MPS Group's consistent commitment to its traditional market, and its interest in technological innovation associated with the development of intelligent information networks. The accord between BMPS and the Region of Tuscany was signed on 27 August.

On 30 July 2003, the Board of Directors of the parent company, BMPS, authorized the acquisition of 30 percent of an endowment fund of the European Group of Economic Interest operated through a chamber system (Florence, Siena, Mantua, Trieste, Unioncamere Puglia). The initiative is designed to accelerate the development of a valid array of advisory and assistance services along various areas of specialization to be available to SMEs and government entities, partly in consideration of the planned expansion of the European Union.

On 21 August 2003, the Board of Directors of Banca MPS approved participation, subject to authorization by the regulatory authorities, in the creation of a funds management company for the management of supply-side real estate mutual funds in partnership with Fincal 2000 S.p.A., through the purchase of 45 percent of the fund management company's share capital. This initiative will allow the MPS Group to enhance its product line in a business that is increasingly bringing together the needs of large property owners (typically, public-sector companies and institutions) and retail investors.

FUTURE OUTLOOK

With the market environment still impacted by uncertainty and conflicting signals, the MPS Group's business in the second half of 2003 will focus on the ongoing implementation of projects in process and the refining and development of the operational initiatives outlined in the business plan. The emphasis on ensuring the long-term growth of customer relationships will be matched by an accent on the growth of operations and profitability, strict control over operating expenses, improvement of capital ratios, and the maintenance of credit quality. In the case of operating expenses, the overall objective is to end the current year with an aggregate expense burden on par with that for 2002.

Assuming the financial markets and economy continue on the course seen in recent months, and considering the results for the first half of the year, the current market trends, and the initiatives both in process and to be implemented, the trend of operations is likely to be consistent with the planned objectives.

CONSOLIDATED

FINANCIAL STATEMENTS

AS OF 30 JUNE 2003

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as of 30 June 2003 have been prepared in accordance with laws and regulations in effect in Italy, and include the following:

Part A - **Report on Operations**
- **Financial Statements**
- **Comparative Financial Statements**
Part B - **Valuation Criteria**
Part C - **Information on the Consolidated Balance Sheet**
Part D - **Information on the Consolidated Profit and Loss Statement**
Part E - **Other Information**
Part F - **Consolidation Area**

The following supplemental information is also provided:

Statement of Changes in Consolidated Shareholders' Equity
Reconciliation of Parent-Company Earnings and Net Equity and Consolidated Earnings and Net Equity
Statement of Changes in Consolidated Financial Position

PART A

REPORT ON OPERATIONS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet, Guarantees and Commitments, Consolidated Profit and Loss Statement

CONSOLIDATED BALANCE SHEET

			(in EUR)
	ASSETS		**30 June 2003**
10	Cash and cash on deposit with central banks and post offices		493,486,408
20	Italian government securities and similar instruments eligible for refinancing with central banks		347,023,841
30	Amounts due from banks		11,420,951,944
	a) sight	526,572,734	
	b) other	10,894,379,210	
40	Customer loans		70,616,369,144
	including:		
	loans with third-party funds under administration	16,450,226	
50	Bonds and other fixed-income securities		15,752,293,573
	a) of public issuers	6,011,494,281	
	b) of banks	3,946,907,935	
	- including: own securities	1,052,449,078	
	c) of financial institutions	2,150,669,177	
	- including: own securities	-	
	d) of other issuers	3,643,222,180	
60	Shares, quotas and other equity securities		2,753,142,070
70	Equity investments		2,062,922,696
	a) valued with net equity method	328,135,110	
	b) other	1,734,787,586	
80	Equity investments in Group companies		512,485,990
	a) valued with net equity method	464,515,588	
	b) other	47,970,402	
90	Positive consolidation differences		719,916,468
100	Positive net equity differences		252,043,620
110	Intangible assets		398,414,437
	including:		
	- start-up costs	9,584,308	
	- goodwill	3,773,848	
120	Fixed assets		2,163,241,182
	including: assets under financial lease	-	
130	Unpaid subscribed capital		-
	including: called-up capital		
140	Own shares		4,996,093
	(nominal value 5,880.95)		
150	Other assets		19,257,001,251
160	Accrued income and prepayments		1,490,432,360
	a) accrued income	1,285,054,770	
	b) prepayments	205,377,590	
	including: issuing discounts	72,310,725	
	TOTAL ASSETS		128,244,721,077

			(in EUR)
	LIABILITIES AND SHAREHOLDERS' EQUITY		**30 June 2003**
10	Due to banks		21,302,091,278
	a) sight	5,591,627,053	
	b) time or requiring advance notice of withdrawal	15,710,464,225	
20	Customer deposits		46,119,319,900
	a) sight	38,243,601,742	
	b) time or requiring advance notice of withdrawal	7,875,718,158	
30	Other borrowed funds backed by negotiable instruments		28,361,674,510
	a) bonds	21,808,474,137	
	b) certificates of deposit	5,948,347,739	
	c) other instruments	604,852,634	
40	Third-party funds under administration		35,585,482
50	Other liabilities		19,069,284,759
60	Accrued liabilities and deferred income		1,504,944,046
	a) accrued liabilities	1,179,366,676	
	b) deferred income	325,577,370	
70	Staff severance indemnity reserve		456,933,853
80	Reserves for risks and other charges:		1,505,503,986
	a) pension fund and similar obligations	401,725,140	
	b) reserve for taxes	424,766,220	
	c) consolidation reserve for risks and future charges	-	
	d) other reserves	679,012,626	
90	Reserve for loan losses		362,851,779
100	Reserve for general banking risks		360,621,138
110	Subordinated debt		3,267,395,086
120	Negative consolidation differences		21,343,097
130	Negative net equity differences		1,570,219
140	Minority interests		22,817,882
150	Share capital		1,935,272,832
160	Additional paid-in capital		522,925,054
170	Reserves:		3,186,774,464
	a) legal reserve	335,004,641	
	b) reserve for own shares or quotas	4,996,093	
	c) statutory reserves	1,065,812,397	
	d) other reserves	1,780,961,333	
180	Revaluation reserves		13,252,909
190	Profit (loss) carried forward		124,177
200	Profit (loss) for the period		194,434,626
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		128,244,721,077

GUARANTEES AND COMMITMENTS

	Account		(in EUR) 30 June 2003
10	Guarantees released		6,315,094,722
	including:		
	acceptances	120,194,377	
	other guarantees	6,194,900,345	
20	Commitments		23,470,911,857
	including:		
	commitments to sell with the obligation to repurchase	-	
30	Commitments for credit derivatives		4,340,673,691

CONSOLIDATED PROFIT AND LOSS STATEMENT

	Account		(in EUR) 30 June 2003
10	Interest and similar income		2,430,096,390
	including:		
	- on customer loans and advances	1,930,450,957	
	- on debt securities	311,458,417	
20	Interest expense and other expense on borrowed funds		1,176,311,348
	including:		
	- on customer deposits	354,401,284	
	- on other borrowed funds backed by negotiable instruments	425,515,093	
30	Dividends and other income		332,110,399
	a) on shares, quotas and other equity securities	302,042,171	
	b) on equity investments	30,068,228	
	c) on equity investments in Group companies	-	
40	Commissions earned		736,808,307
50	Commission expense		91,790,700
60	Profit (loss) on financial transactions		(73,212,110)
65	Income on investment of pension and similar funds		12,230,086
70	Other operating income		229,830,825
80	Administrative expenses		1,451,647,502
	a) personnel expense	898,190,501	
	Including:		
	- wages and salaries	631,616,960	
	- social-welfare charges	181,689,435	
	- staff severance indemnity reserve	44,240,399	
	- pension fund and similar obligations	11,601,764	
	b) other administrative expenses	553,457,001	
85	Provisions for income on investment of pension and similar funds		10,603,005
90	Valuation adjustments to fixed and intangible assets		219,884,507
100	Provisions for risks and charges		55,549,030
110	Other operating expenses		21,281,660
120	Valuation adjustments to loans and provisions for guarantees and commitments		380,438,940
130	Recoveries on loans and on provisions for for guarantees and commitments		121,453,550
140	Provisions to loan loss reserve		11,111,519
150	Valuation adjustments to non-current financial assets		40,395,495
160	Recoveries on non-current financial assets		1,292,185
170	Profit (loss) on investments valued with net equity method		18,843,845
180	Profit (loss) from ordinary operations		350,439,771
190	Extraordinary income		344,292,431
200	Extraordinary charges		342,627,292
210	Extraordinary profit (loss)		1,665,139
220	Use of the consolidation reserve for risks and future charges		-
230	Change in reserve for general banking risks		(412)
240	Income taxes		(155,238,489)
250	Minority interests		2,431,383
260	Profit (loss) for the period		194,434,626

COMPARATIVE FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS (in EUR 000's)

			30/06/2003		31/12/2002		30/06/2002
10	Cash and cash on deposit with central banks and post offices		**493,486**		**833,674**		**596,374**
20	Italian government securities and similar instruments eligible for refinancing with central banks		**347,024**		**541,635**		**916,537**
30	Amounts due from banks		**11,420,952**		**16,027,082**		**14,026,676**
	a) sight	526,573		2,464,429		1,516,204	
	b) other	10,894,379		13,562,653		12,510,472	
40	Customer loans and advances		**70,616,369**		**68,471,970**		**67,068,144**
	including:						
	loans with third-party funds under administration	16,450		16,605		16,847	
50	Bonds and other fixed-income securities		**15,752,294**		**15,454,572**		**14,113,653**
	a) of public issuers	6,011,495		6,345,840		6,296,126	
	b) of banks	3,946,908		3,643,481		2,978,095	
	- including: own securities	1,052,449		874,829		549,805	
	c) of financial institutions	2,150,669		2,368,909		2,708,833	
	- including: own securities	-		-		-	
	d) of other issuers	3,643,222		3,096,342		2,130,599	
60	Shares, quotas and other equity securities		**2,753,142**		**914,380**		**4,224,561**
70	Equity investments		**2,062,923**		**1,603,931**		**1,515,892**
	a) valued with net equity method	328,135		62,555		37,121	
	b) other	1,734,788		1,541,376		1,478,771	
80	Equity investments in Group companies		**512,486**		**584,773**		**599,815**
	a) valued with net equity method	464,516		439,262		586,784	
	b) other	47,970		145,511		13,031	
90	Positive consolidation differences		**719,916**		**756,509**		**751,635**
100	Positive net equity differences		**252,044**		**114,268**		**119,248**
110	Intangible assets		**398,414**		**434,296**		**463,531**
	including:						
	- start-up costs	9,584		12,247		28,319	
	- goodwill	3,774		5,044		1,134	
120	Fixed assets		**2,163,241**		**2,135,218**		**2,144,803**
	including: assets under financial lease	-		393,769		398,298	
130	Unpaid subscribed capital		-		-		-
	including: called-up capital						
140	Own shares		**4,996**		**10,417**		**28,338**
	(nominal value 5,880.95)						
150	Other assets		**19,257,001**		**19,432,319**		**13,851,616**
160	Accrued income and prepayments		**1,490,433**		**1,567,941**		**1,795,351**
	a) accrued income	1,285,055		1,345,375		1,624,742	
	b) prepayments	205,378		222,566		170,609	
	including: issuing discounts	72,311		76,722		17,790	
	TOTAL ASSETS		**128,244,721**		**128,882,985**		**122,216,174**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY (in EUR 000's)

			30/06/2003		31/12/2002		30/06/2002
10	Due to banks		**21,302,091**		**20,516,315**		**22,870,623**
	a) sight	5,591,627		799,834		2,746,473	
	b) time or requiring advance notice of withdrawal	15,710,464		19,716,481		20,124,150	
20	Customer deposits		**46,119,320**		**49,779,799**		**46,968,410**
	a) sight	38,243,602		38,661,446		37,322,100	
	b) time or requiring advance notice of withdrawal	7,875,718		11,118,353		9,646,310	
30	Other borrowed funds backed by negotiable instruments		**28,361,675**		**27,474,692**		**26,116,002**
	a) bonds	21,808,474		20,588,393		18,795,584	
	b) certificates of deposit	5,948,348		6,315,758		6,622,374	
	c) other instruments	604,853		570,541		698,044	
40	Third-party funds under administration		**35,585**		**36,454**		**41,557**
50	Other liabilities		**19,069,285**		**17,218,339**		**12,560,668**
60	Accrued liabilities and deferred income		**1,504,944**		**1,675,215**		**1,831,049**
	a) accrued liabilities	1,179,367		1,344,617		1,562,739	
	b) deferred income	325,577		330,598		268,310	
70	Staff severance indemnity reserve		**456,934**		**434,202**		**449,090**
80	Reserves for risks and other charges:		**1,505,504**		**1,759,479**		**1,789,741**
	a) pension fund and similar obligations	401,725		396,639		381,039	
	b) reserve for taxes	424,766		746,179		832,191	
	c) consolidation reserve for risks and future charges	-		-		-	
	d) other reserves	679,013		616,661		576,511	
90	Reserve for loan losses		**362,852**		**354,515**		**307,176**
100	Reserve for general banking risks		**360,621**		**360,812**		**445,888**
110	Subordinated debt		**3,267,395**		**3,276,115**		**3,061,762**
120	Negative consolidation differences		**21,343**		**21,343**		**20,554**
130	Negative net equity differences		**1,570**		**1,570**		**1,237**
140	Minority interests		**22,818**		**807,605**		**828,163**
150	Share capital		**1,935,273**		**1,675,023**		**1,356,240**
160	Paid-in capital		**522,925**		**522,925**		**522,925**
170	Reserves:		**3,186,774**		**2,372,293**		**2,427,924**
	a) legal reserve	335,005		271,231		271,231	
	b) reserve for own shares or quotas	4,996		10,417		28,338	
	c) statutory reserves	1,065,812		974,812		974,812	
	d) other reserves	1,780,961		1,115,833		1,153,543	
180	Revaluation reserves		**13,253**		**14,406**		**304,911**
190	Profit (loss) carried forward		**124**		**70**		**70**
200	Profit (loss) for the period		**194,435**		**581,813**		**312,184**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**128,244,721**		**128,882,985**		**122,216,174**

GUARANTEES AND COMMITMENTS
(in EUR 000's)

			30/06/2003		31/12/2002		30/06/2002
10	Guarantees released		**6,315,094**		**6,390,897**		**6,303,117**
	including:						
	acceptances	120,194		159,835		119,046	
	other guarantees	6,194,900		6,231,062		6,184,071	
20	Commitments		**23,470,912**		**23,760,343**		**22,353,262**
	including:						
	commitments to sell with the obligation to repurchase	-		-		-	
30	Commitments for credit derivatives		**4,340,674**		**2,119,429**		**287,725**

CONSOLIDATED PROFIT AND LOSS STATEMENT
(in EUR 000's)

			30/06/2003		31/12/2002		30/06/2002
10	Interest and similar income		**2,430,096**		**5,067,428**		**2,446,796**
	including:						
	- on customer loans and advances	1,930,451		3,824,990		1,924,648	
	- on debt securities	311,458		619,933		291,726	
20	Interest expense and other expense on borrowed funds		**1,176,311**		**2,727,382**		**1,308,018**
	including:						
	- on customer deposits	354,401		914,009		455,517	
	- on other borrowed funds backed by negotiable instruments	425,515		910,083		441,808	
30	Dividends and other income		**332,110**		**547,812**		**460,921**
	a) on shares, quotas and other equity securities	302,042		409,370		330,972	
	b) on equity investments	30,068		138,442		129,949	
	c) on equity investments in Group companies	-		-		-	
40	Commissions earned		**736,808**		**1,615,409**		**788,413**
50	Commission expense		**91,791**		**250,117**		**120,674**
60	Profit (loss) on financial transactions		**(73,212)**		**(74,801)**		**(127,174)**
65	Income on investment of pension and similar funds		**12,230**		**13,475**		**(631)**
70	Other operating income		**229,831**		**579,729**		**359,946**
80	Administrative expenses		**1,451,648**		**2,927,529**		**1,434,592**
	a) personnel expense	898,191		1,800,033		887,974	
	including:						
	- wages and salaries	631,617		1,263,290		627,465	
	- social-welfare charges	181,689		350,342		176,529	
	- staff severance indemnity reserve	44,240		94,096		44,696	
	- pension fund and similar obligations	11,602		33,651		13,145	
	b) other administrative expenses	553,457		1,127,496		546,618	
85	Provisions for income on investment of pension and similar funds		**10,603**		**(5,572)**		**(4,053)**
90	Valuation adjustments to fixed and intangible assets		**219,884**		**494,697**		**201,711**
100	Provisions for risks and charges		**55,549**		**42,377**		**17,735**
110	Other operating expenses		**21,282**		**43,091**		**17,347**
120	Valuation adjustments to loans and provisions for guarantees and commitments		**380,439**		**614,863**		**282,460**
130	Recoveries on loans and on provisions guarantees and commitments		**121,454**		**176,878**		**117,598**
140	Provisions to loan loss reserve		**11,112**		**90,008**		**13,669**
150	Valuation adjustments to non-current financial assets		**40,395**		**298,140**		**22,075**
160	Recoveries on non-current financial assets		**1,292**		**7,320**		**5,810**
170	Profit (loss) on investments valued with net equity method		**18,844**		**36,261**		**11,832**
180	Profit (loss) from ordinary operations		**350,439**		**486,879**		**649,283**
190	Extraordinary income		**344,292**		**457,925**		**98,820**
200	Extraordinary charges		**342,627**		**141,368**		**70,132**
210	Extraordinary profit (loss)		**1,665**		**316,557**		**28,688**
220	Use of the consolidation reserve for risks and future charges		-		-		-
230	Change in reserve for general banking risks		-		**84,999**		**(44)**
240	Income taxes		**(155,238)**		**(216,579)**		**(314,530)**
250	Minority interests		**2,431**		**90,043**		**51,213**
260	Profit (loss) for the period		**194,435**		**581,813**		**312,184**

PART B

VALUATION CRITERIA

SECTION 1

VALUATION CRITERIA AND CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2003

The valuation criteria indicated hereunder conform with the criteria provided by prevailing Italian laws and with the criteria adopted in the preparation of the 2002 consolidated financial statements.

These criteria are in conformity with those used by the parent company, Banca Monte dei Paschi di Siena S.p.A., in the preparation of its financial statements.

The 2002 data have been reclassified in order to provide for a single basis of comparison, and specifically, to reflect the deconsolidation of the data relative to the investments in Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato, both of which were sold in 2002.

The figures in the consolidated financial statements as of 30 June 2003 are denominated in thousands of euros.

AREA OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company, Banca Monte dei Paschi di Siena S.p.A., and those of the banking and financial services subsidiaries and other subsidiary companies mainly, or exclusively, performing activities incidental to those of the Group companies. Subsidiaries in liquidation were not consolidated.

Changes in the area of consolidation with respect to 31 December 2002 were dictated by the following:

Transactions effected by the parent company:

- the merger by incorporation of the subsidiaries, Banca Agricola Mantovana and Banca Toscana, with the purpose of optimizing the MPS Group's governance system;
- the divestiture of the banking businesses of the newly incorporated wholly-owned subsidiaries, Banca Agricola Mantovana and Banca Toscana;
- the divestiture of the parent company's property portfolio (inclusive of the properties owned by Banca Agricola Mantovana and Banca Toscana received by the parent company upon the incorporation of the two banks and excluding the historical properties serving as the head offices) to MPS Immobiliare, a subsidiary set up to manage the MPS Group's properties.

Changes following the merger of Banca Agricola Mantovana and Banca Toscana into BMPS:

- the direct consolidation of the subsidiaries, G.I. Profidi and Mantovana Ireland, previously consolidated by BAM;
- the consolidation of the subsidiary, Ulisse 3, whose controlling interest was acquired in 2003 and which is the special-purpose company set up for the securitization of non-performing loans carried out by Banca Toscana in 2001.

Other:

- the consolidation, through the subsidiary, MPS Asset Management, of MPS Asset Management Ireland (f/k/a Mantovana Management), previously consolidated by BAM;
- the consolidation of the subsidiary, Marinella, a company set up through the partial divestiture of the subsidiary, Amministrazioni Immobiliari;
- the consolidation, through the subsidiary, MPS Merchant, of MPS Venture;
- the valuation of the holding in FINSOE with the use of the net equity method.

FINANCIAL STATEMENTS USED FOR CONSOLIDATION

The consolidated financial statements for the first half of 2003 have been prepared on the basis of the financial statements of the consolidated companies as of 30 June 2003, as approved by the respective Boards of Directors. In the case of Banca Agricola Mantovana S.p.A., Intermonte Securities SIM S.p.A., MPS Asset Management SGR, and MPS Merchant S.p.A., the relative consolidated statements were used.

The interim financial statements of the subsidiaries have been consolidated using the line-by-line method, with the full consolidation of the assets, liabilities, guarantees, commitments and income and expense accounts of the subsidiaries.

Investments in Banca Popolare di Spoleto S.p.A. and Banca del Monte di Parma S.p.A., which are jointly controlled institutions pursuant to Article 35 of Law Decree No. 87 of 1992, have been consolidated using the proportional method.

The interim financial statements of the companies included in the consolidation which were prepared on the basis of accounting principles differing from those used for the consolidated financial statements or which include adjustments solely for tax purposes, have been restated to conform to the accounting principles used in the preparation of the consolidated statements.

For the purpose of consolidation, leasing transactions are recorded with criteria based on the financial method.

The interim financial statements denominated in foreign currencies were translated into euros on the basis of the following criteria:

- Assets, liabilities, income and expenses were converted into euros using the spot exchange rates prevailing as of the end of the accounting period;
- The balances in the shareholders equity accounts have been translated at the historical rate applied upon the initial consolidation. Any currency translation differences as a result of the conversion of the accounts into euros at the exchange rate in effect as of the date the consolidated financial statements are booked in the account, "Other reserves".

CONSOLIDATION PRINCIPLES

The book value of investments in subsidiaries has been eliminated against the corresponding portion of net equity, with the related assets and liabilities consolidated on a line-by-line or proportional basis and with any differences ascribed, wherever possible, to the assets and liabilities of the subsidiaries.

Any residual negative differences are recorded as "Negative consolidation differences". Positive differences are netted first against "Revaluation reserves", with any remaining balance recorded as "Positive consolidation differences". The positive differences are offset with the amount of pre-existing negative differences, and those not offset are normally amortized over a period of 10 years, which is considered as the investment pay-back period. In the case of the Banca Agricola Mantovana Group, such period has been extended to 20 years.

The portions of consolidated net equity and of the annual profit attributable to minority interests are disclosed separately in the balance sheet and profit and loss statement.

Assets and liabilities, guarantees and commitments, and income and expenses relating to intercompany transactions have been eliminated, with any differences from suspense accounts and any exchange differences being recorded under "Other assets/liabilities" and "Extraordinary income/charges".

Profits and losses on transactions between the companies included in consolidation – except for transactions involving securities, foreign currency and other financial instruments executed at normal market conditions – are eliminated if they refer to assets which are still on the balance sheet.

As provided by Article 34 of Law Decree No. 87 of 1992, the financial statements include profits and losses on infragroup transactions involving securities, foreign currency and other financial instruments, and executed at normal market conditions.

Entries for dividends, valuation adjustments and recoveries between companies included in consolidation have been eliminated.

1. LOANS, GUARANTEES AND COMMITMENTS

1.1 LOANS

Loans and advances to customers and banks are recorded at the total amount disbursed. Mortgages, deposits with third parties, long-term loans and other subsidies are stated at the equivalent of the residual principal amount. Loans include accrued and past-due interest computed as of the end of the accounting period. Interest accrued and unpaid as of the end of the accounting period is recorded in the profit and loss statement with the offsetting entry to accrued income.

Loans are stated at their estimated realizable value, which is determined by taking into account the solvency of the debtor as well as difficulties in the servicing of debt by countries in which the debtors are resident. Estimated loan losses are computed based on analyses of outstanding loans whose collection may be at risk, with such analyses supplemented by evaluations of country risk.

- Non-performing loans (i.e. loans made to borrowers who are insolvent or in a comparable situation) and watch-list credits (i.e. loans made to borrowers in temporary difficulties) are analyzed by taking into account the financial condition of each borrower and the existence of any collateral or guarantees;
- Loans to countries at risk and loans to residents in countries having difficulties in servicing debt are valued in accordance with the directives of the Bank of Italy and the Italian Bankers Association with respect to the country of the counterparty;
- Provisions for performing loans are estimated on the Bank's ordinary risk;
- Past-due interest is mostly written off completely.

The determination of the estimated realizable value of loans also takes into account the existence of certain credit-risk hedging transactions effected through credit derivatives in which the Group figures as the party purchasing protection.

The writedown of loans is effected by means of a direct charge to the carrying value; the writedown provisions may later be reversed should the reasons therefor no longer apply.

1.2 GUARANTEES AND COMMITMENTS

Guarantees and commitments are valued as follows:

- Agreements covering loans and deposits to be funded: at the value of the amount to be disbursed;
- Irrevocable credit lines: at the value of the residual amount available;
- Other guarantees and commitments: at the value of the Bank's contractual commitment.

Specific credit risks inherent to the guarantees and commitments are valued in accordance with the criteria adopted for valuing loans. Any estimated losses are recorded in the account "Reserve for risks and charges - other reserves". Any capital losses on credit derivatives contracts belonging to the banking book in which the Group acts as the party selling the protection are also ascribed to the aforementioned reserve.

2. SECURITIES AND OFF-BALANCE-SHEET TRANSACTIONS (excluding transactions in foreign currency)

Transactions involving securities are recorded as of the settlement date; securities denominated in foreign currencies are valued at the exchange rate prevailing as of the end of the accounting period.

The cost of securities is determined according to the weighted daily average cost method, with any issuing premiums and discounts recorded in accordance with prevailing laws.

Transfers between the trading portfolio and the investment portfolio are effected at book value as of the date of the transaction.

2.1 INVESTMENT SECURITIES

Securities held for long-term investment purposes are valued at purchase or subscription cost adjusted for any issuing or trading premiums and discounts accrued.

The criterion for the recognition of issuing premiums and discounts is considered along with the criterion for the pro-rata recognition of trading premiums and discounts in a strict sense; both types of premiums and discounts are included in the account "Interest and similar income".

Investment securities are written down to reflect permanent impairment of value resulting from problems with the issuer's solvency and / or with the debt-servicing capacity of the issuer's country of residence. Any writedown provisions taken may later be reversed should the reasons therefor no longer apply.

2.2 TRADING ACCOUNT SECURITIES

Securities held for trading purposes or for the purposes of the Group's treasury management are valued as follows.

Securities quoted on official markets in Italy or abroad are valued on the basis of market prices prevailing as of the close of the final trading session of the accounting period.

Investments in mutual funds are stated at market value as calculated by the funds management companies; this criterion is consistent with that adopted for the valuation of securities traded in organized markets.

Securities not listed on official markets are valued as follows:

- Unlisted debt securities are valued at the lower of cost and "normal value"; normal value is objectively determined by the present value of expected cash flows on the securities, and by taking into account average yields on securities with similar maturity dates as of the end of the accounting period;
- Unlisted equity securities are valued at cost, adjusted to reflect any significant decreases in value;
- Debt or equity securities having an economic relationship with derivatives contracts are valued in accordance with the valuation criterion adopted for the derivatives contracts.

Any gains or losses recorded on the valuation of the trading account securities are booked to Account 60 "Profits/losses from financial transactions".

Any writedown provisions taken may later be reversed should the reasons therefor no longer apply.

2.3 OWN SHARES

The investment in own shares has been fully offset by a restricted reserve set up in accordance with Article 2357 ter of the Italian Civil Code. Shares purchased for trading purposes are valued at the lower of cost and market value, whereas those acquired as a long-term investment are valued at cost.

2.4 OFF-BALANCE-SHEET TRANSACTIONS (excluding those relating to foreign currency)

2.4.1 Commitments for securities transactions to be settled

Contracts covering the purchase or sale of securities which have not been settled as of the date of the financial statements are reported as commitments on the basis of contractual amounts. Such contracts are valued as follows:

- Purchase commitments are valued at the lower of settlement price and market value, using the criteria adopted for the portfolio to which the securities will be added;
- Sale commitments are valued at the lower of the settlement price and the book value of the securities.

2.4.2 **Derivatives contracts (on securities, interest rates, indices and other assets, excluding foreign currencies)**

The valuation of derivative contracts depends on the purpose for which the contracts are executed.

Derivatives used for trading purposes are valued at market value, determined as follows:

- in the case of contracts quoted in organized markets, by using the market value as of the close of the accounting period;
- in the case of contracts not quoted in organized markets, whose parameters of reference are prices, quotes or indices reported on information circuits normally used at an international level and in any case, parameters that may be objectively determined, by using the financial value as determined on the basis of quotations of the aforementioned parameters reported as of the close of the accounting period;
- in the case of other contracts, by taking into account any other specific elements in an objective and standard manner.

Derivatives used for hedging assets and liabilities and off-balance-sheet assets and liabilities are valued in accordance with the hedged assets and liabilities, as indicated as follows:

- at market value, if used to hedge securities belonging to the trading portfolio;
- at cost, if used to hedge interest-bearing assets or liabilities other than trading account securities, in accordance with the accounts hedged.

The differentials and margins on contracts for hedging interest-bearing assets and liabilities other than trading account securities are calculated as part of the interest margin. If the hedging is related to specific assets and liabilities, such differentials and margins are allocated in accordance with the accrual of interest on the underlying assets and liabilities; in the case of general hedging, the differentials and margins are accrued to the interest margin in accordance with the duration of the contracts.

Any gains or losses recorded on the valuation of the derivatives contracts are accrued to Account 60 – "Profits/losses from financial transactions" in the profit and loss statement. The balancing entries are made to Account 130 - "Other assets" and Account 50 - "Other liabilities", without any offsetting of the gains and losses.

Master netting agreements are taken into account only for determining the absorption of capital required for regulatory purposes, without any significance insofar as financial statement reporting is concerned.

Derivatives contracts involved in long-term investment transactions which may eventually involve the purchase of securities to be classified as investments are valued with the criteria used for valuing investment securities.

2.5 REPURCHASE AGREEMENTS

Repurchase agreements are reported as funding or lending transactions, with the relative income and expense recorded in the "Interest and similar income" and "Interest expense and other expense on borrowed funds" accounts in the profit and loss statement as accrued.

3. EQUITY INVESTMENTS

Investments in non-consolidated subsidiaries and in companies where the Group exerts significant influence have been valued in accordance with the net equity method. The net equity of such companies and the differences with respect to the carrying values of the investments are determined pursuant to the criteria described in hereinabove in "Consolidation criteria". The aforementioned differences are indicated as "Positive net equity differences" or "Negative net equity differences" and if positive, the amounts are amortized over a ten-year period, which is considered the investment pay-back period.

Other shareholdings are considered as long-term investments and are valued at cost, inclusive of revaluation required by the law, ancillary charges and any writedowns to reflect permanent impairment of value on the investment whether in relation to a decrease in shareholders' equity or market trends.

Dividends and the tax credits in relation thereto are recognized at the time they are effectively realized.

4. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

(including off-balance-sheet transactions)

Transactions in foreign currency are reported as of the settlement date.

Profits and losses from transactions denominated in foreign currency are reported using the exchange rates prevailing at the date of the transaction.

Assets and liabilities denominated in foreign currency or denominated in euros and indexed to a foreign currency are converted into euros by using the exchange rates prevailing at the end of the accounting period; cross-exchange rates with the U.S. dollar as of the end of the accounting period were used for converting unlisted currencies into euros.

Off-balance-sheet spot transactions are converted into euros using spot rates prevailing as of the end of the accounting period.

Off-balance-sheet forward transactions and derivative contracts are valued as follows:

- in the case of trading transactions, at the forward rate as of the end of the accounting period for corresponding maturities;
- in the case of hedging transactions, at a value consistent with the assets and liabilities hedged; the spot-forward exchange-rate differential is accrued to interest income or interest expense over the life of the contracts.

The result of such valuations is accrued to the profit and loss statement.

5 FIXED ASSETS

Fixed assets are recorded at purchase cost, which is increased to reflect any ancillary charges or costs for improvements. In the case of buildings, the original cost may be revalued in accordance with specific laws.

The values disclosed are net of accumulated depreciation determined on the basis of maximum rates allowed by law, and reflect the residual value of the assets in relation to the estimated useful life of the same.

6 INTANGIBLE ASSETS

Intangible assets are recorded at purchase or production cost, including any ancillary charges. Amortization is computed with reference to the residual possibilities for the use of the assets, as described hereunder:

- Costs sustained for capital increases and for the parent company's stock market listing and other deferred charges are amortized on a straight-line basis over a period of five years;
- Costs sustained for commissions paid on bond issues are amortized in relation to the relative redemption schedules;
- Costs incurred for the purchase and third-party production of software are amortized on a straight-line basis over five years;
- Any other deferred charges are amortized over a maximum period of five years.

7 ACCRUALS AND DEFERRALS

Accruals and deferrals are calculated in accordance with the matching principle, on the basis of the conditions applicable to the individual relationships to which the amounts refer. No provisions are made to adjust such accounts directly.

8. OTHER INFORMATION

8.1 DUE TO BANKS AND CUSTOMERS

Savings deposits, certificates of deposit and current-account deposits of customers and banks are stated at nominal value, including interest paid as of 30 June 2003. Interest accrued on certificates of deposit and time deposits maturing after 30 June 2003 has been recorded as interest expense, with the offsetting entry to accrued liabilities.

8.2 STAFF SEVERANCE INDEMNITY RESERVE

The staff severance indemnity reserve includes all amounts due to full-time employees as of the end of the accounting period in accordance with prevailing laws and labor contracts.

8.3 RESERVES FOR RISKS AND OTHER CHARGES

- Pension fund and similar obligations

Pension funds have been established to cover commitments to employees entitled to a pension and include pension funds established by the parent company as well as several subsidiaries.

- Reserve for taxes

The reserve represents a realistic estimate of tax liabilities to be paid, in accordance with prevailing tax regulations and fiscal practices in the countries where the Group operates. The reserve also includes deferred tax liabilities relative to consolidation adjustments when it is probable that such liabilities will be liquidated for the account of one or more of the consolidated companies.

- Deferred taxes

The Bank of Italy, with its directive of 3 August 1999, and CONSOB, with its memorandum of 30 July 1999, mandated the application of the Italian Accounting Principle No. 25 approved by the Italian Association of Professional Accountants ("Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri"). Pursuant to this accounting principle, deferred tax assets and deferred tax liabilities are recorded, respectively, in the balance sheet accounts, "other assets" and "reserve for taxes". In respect of the general principle of prudence, deferred tax assets are recognized only to the extent that there is reasonable certainty of sufficient taxable income being realized in future years so as to allow for full utilization of the assets in the specific years in which the amounts prepaid due to timing differences become deductible for tax purposes. This determination must be made every year in order to ensure the condition of recoverability

- Other reserves

Other reserves include provisions made to cover risks on guarantees released and commitments undertaken, and reserves to cover liabilities which are probable or certain but whose amount or settlement date were unknown as of the date of the financial statements.

8.4 RESERVE FOR LOAN LOSSES

The reserve covers only potential risks and therefore is not used for adjusting the value of any assets.

8.5 RESERVE FOR GENERAL BANKING RISKS

The reserve has been set up in accordance with Article 11, Paragraph 2 and 3 of Law Decree 87 of 1992, in order to cover risks on general banking business.

8.6 PROFIT AND LOSS STATEMENT

Interest and commission income and expense are recognized in accordance with the accrual accounting method. Interest income and expense include other income and charges of the same nature, including issuing premiums and discounts on trading and investment securities.

The criteria used for the determination of accruals and deferrals make reference to the concept of the allocation of income and expenses applicable to two or more accounting periods.

8.7 CURRENCY OF ACCOUNT

All amounts in the balance sheet and the profit and loss statement are denominated in euros, whereas the amounts in the notes to the financial statements are rounded off to thousands of euros.

In the schedules attached to the financial statements, specific indication is given of any amounts denominated in other currencies.

SECTION 2

ADJUSTMENTS AND FISCAL PROVISIONS

2.1 Adjustments made exclusively for the purpose of compliance with fiscal laws

No adjustments were made.

2.2 Provisions made exclusively for the purpose of compliance with fiscal laws

No provisions were made.

Comments regarding events occurring after the date of the financial statements, relationships between other Group companies, and future developments are provided in the report on operating performance.

PART C

INFORMATION ON THE

CONSOLIDATED BALANCE SHEET

1. Distribution of loans by category of borrowers

Account 40: Customer loans and advances

The distribution of customer loans by principal categories of borrowers is provided in the following table:

	30/06/2003	31/12/2002
a) Governments	1,188,964	1,516,820
b) Other public-sector entities	3,387,555	2,854,253
c) Non-financial companies	41,460,698	40,011,726
d) Financial institutions	5,025,475	6,200,224
e) Family-owned businesses	5,554,643	5,237,664
f) Other	13,999,034	12,651,283
Total	70,616,369	68,471,970

2. Distribution of loans to non-financial companies and resident, family-owned businesses

The distribution of loans to non-financial companies and resident family-owned businesses by economic sector is summarized in the following table:

	30/06/2003	31/12/2002
a) Commercial services, recoveries, repairs	7,490,354	6,880,509
b) Construction and public works	4,803,784	4,114,797
c) Farming, forestry and fishery	2,765,907	2,488,029
d) Textiles, leather footwear, and apparel	3,117,987	2,466,519
e) Food and beverage products	2,031,832	2,098,043
f) Other	23,158,032	19,781,711
Total	43,367,896	37,829,608

3. Distribution of guarantees released (Account 10 of Guarantees and Commitments)

Guarantees are subdivided as follows, according to the nature of the counterparty who is guaranteed:

	30/06/2003	31/12/2002
a) Governments	3,934	4,028
b) Public-sector entities	209,907	213,075
c) Banks	331,701	373,799
d) Non-financial companies	5,034,567	5,011,683
e) Financial institutions	319,461	343,794
f) Family-owned businesses	162,106	170,462
g) Other	253,418	274,056
Total	6,315,094	6,390,897

4. Material risks

Material risks

	30/06/2003	31/12/2002
Amount	3,777,356	4,242,035
Number	4	4

The amount refers to exposure to "groups of customers" which has been appropriately weighted in accordance with prevailing regulations.

5. Distribution of assets and liabilities by maturity

Account	Residual Maturity								
	Sight	To and including 3 months	To and including 12 months	Up to 5 years		Over 5 years		Unspecified	Total
				Fixed rate	Indexed rate	Fixed rate	Indexed rate	Maturity	as of 30/06/2003
Assets:									
1.1 Government bonds subject to financing	191,540	28,014	60,390	2,707	20,978	7,274	36,121	-	347,024
1.2 Amounts due from banks	3,548,806	4,136,451	1,624,200	491,924	13,970	30,580	5,259	1,569,762	11,420,952
1.3 Customer loans and advances	15,257,583	11,693,288	9,404,412	6,224,562	8,898,595	4,763,189	11,684,264	2,690,476	70,616,369
1.4 Bonds and other fixed-income securities	101,260	1,232,731	3,902,821	2,028,669	3,057,193	2,027,786	2,496,779	905,055	15,752,294
1.5 Off-balance-sheet transactions	11,396,227	117,322,527	98,830,594	83,274,898	5,751,118	54,184,262	1,100,986	13,423	371,874,035
TOTAL ASSETS	30,495,416	134,413,011	113,822,417	92,022,760	17,741,854	61,013,091	15,323,409	5,178,716	470,010,674

Liabilities:									
2.1 Due to banks	12,165,153	7,430,137	1,172,808	60,546	19,140	437,719	567	16,021	21,302,091
2.2 Customer deposits	39,364,369	6,434,478	284,323	30,761	-	3,712	-	1,677	46,119,320
2.3 Other borrowed funds backed by negotiable instruments: including:	709,048	4,380,027	3,882,534	5,728,223	8,809,401	3,176,905	1,587,379	88,158	28,361,675
- Bonds	41,188	1,416,921	2,001,412	4,713,215	8,783,296	3,176,905	1,587,379	88,158	21,808,474
- Certificates of deposit	114,007	2,963,106	1,865,122	980,008	26,105	-	-	-	5,948,348
- Other securities	553,853	-	16,000	35,000	-	-	-	-	604,853
2.4 Subordinated debt	-	-	584,732	106,301	850,086	350,000	1,376,276	-	3,267,395
2.5 Off-balance-sheet transactions	11,760,325	127,279,770	96,770,222	76,090,249	4,520,742	53,763,055	1,712,916	21,103	371,918,382
TOTAL LIABILITIES	63,998,895	145,524,412	102,694,619	82,016,080	14,199,369	57,731,391	4,677,138	126,959	470,968,863

6. Geographic distribution of assets and liabilities

The geographic distribution of the balances of the principal asset and liability accounts is shown in the following table:

Account	Italy	Other EU Countries	Other Countries	Total as of 30/06/2003
1. Assets	85,072,267	11,564,853	4,252,661	100,889,781
1.1 Amounts due from banks	6,137,613	4,335,446	947,893	11,420,952
1.2 Customer loans and advances	66,847,000	3,071,520	697,849	70,616,369
1.3 Securities	12,087,654	4,157,887	2,606,919	18,852,460
2. Liabilities	80,449,874	13,331,772	5,304,420	99,086,066
2.1 Due to banks	9,458,298	7,628,405	4,215,388	21,302,091
2.2 Customer deposits	43,195,026	2,482,157	442,137	46,119,320
2.3 Other borrowed funds backed by negotiable instruments	24,927,501	2,793,395	640,779	28,361,675
2.4 Other	2,869,049	427,815	6,116	3,302,980
3. Guarantees and commitments	27,553,247	4,170,751	2,402,682	34,126,680

7. Foreign-currency-denominated assets and liabilities

The consolidated balance sheet includes the following assets and liabilities denominated in foreign currencies:

	30/06/2003	31/12/2002
a) Assets		
1. Amounts due from banks	1,483,864	3,341,662
2. Customer loans and advances	2,141,666	2,608,296
3. Securities	1,454,686	1,546,708
4. Equity investments	352,070	349,673
5. Other	14,321	13,694
	5,446,607	7,860,033
b) Liabilities		
1. Due to banks	4,970,015	6,286,528
2. Customer deposits	1,553,174	1,780,001
3. Other borrowed funds backed by negotiable instruments	2,783,716	2,876,766
4. Other	-	-
	9,306,905	10,943,295

8. Amounts due from banks

Amounts due from banks and from customers are stated at their estimated realizable value.

Detail of Account 30 - Amounts due from banks

	30/06/2003	31/12/2002
a) Amounts due from central banks	1,529,021	882,843
b) Bills eligible for refinancing with central banks	4,880	4,247
c) Credit for financial lease contracts	-	-
d) Repurchase agreements	6,514,131	9,056,638
e) Securities lending		-

The balance reflected in a) includes mandatory reserves in the amount of EUR 1,515,012,000.

The composition of the account is as follows:

	30/06/2003	31/12/2002
Sight	526,573	2,464,429
Current accounts	393,635	437,222
Demand deposits	37,928	2,007,716
Other accounts	95,010	19,491
Time or requiring advance notice of withdrawal	10,894,379	13,562,653
Bank of Italy and other central banks	1,529,021	882,843
Time deposits	1,628,366	2,316,725
Loans and subsidies	756,050	769,153
Mortgage loans	-	-
Repurchase agreements	6,514,131	9,056,638
Other	496,811	537,294
Total	11,420,952	16,027,082

Cash credits are summarized in the following table and include past-due interest

30/06/2003

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	261,176	14,451	246,725
A.1 Non-performing loans	6,083	4,851	1,232
A.2 Watch-list credits	10,199	3,584	6,615
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	244,894	6,016	238,878
B. Performing loans	11,174,227	-	11,174,227

31/12/2002

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	240,975	17,829	223,146
A.1 Non-performing loans	6,177	4,945	1,232

A.2 Watch-list credits	12,482	3,429	9,053
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	222,316	9,455	212,861
B. Performing loans	15,803,935	-	15,803,935

8.2 Trend of doubtful loans to banks

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/2002	6,177	12,482	-	-	222,317
A.1 including: past-due interest	340				
B. Increases	42	-	-	-	165,610
B.1 new performing loans		-			-
B.2 past-due interest	42				
B.3 transfer from other categories					
B.4 other increases	-	-			165,610
C. Decreases	136	2,283	-	-	143,033
C.1 reclassified as performing loans					8
C.2 cancellations	-	-			
C.3 recoveries	136	2,272			140,185
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases		11			2,840
D. Total outstanding as of 30/06/2003	6,083	10,199	-	-	244,894
D.1 including: past-due interest	-				

8.3 Trend of total valuation adjustments to loans to banks

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/2002	4,945	3,429	-	-	9,455	-
A.1 including: past-due interest	340					
B. Increases	42	241	-	-	1,675	-
B.1 valuation adjustments	42	241			1,675	
B.1.1 including: past-due interest	-					
B.2 use of loan loss reserves						
B.3 transfer from other categories						
B.4 other increases						
C. Decreases	136	86	-	-	5,114	-
C.1 recoveries – valuation adjustments		11			656	
C.1.1 including: past-due interest						
C.2 cash recoveries	136	75			4,458	
C.2.1 including: past-due interest						
C.3 cancellations	-	-				
C.4 transfer to other categories						
C.5 other decreases						
D. Valuation adjustments as of 30/06/2003	4,851	3,584	-	-	6,016	-
D.1 including: past-due interest	383	-	-	-	-	-

9. Customer loans and advances

	30/06/2003	31/12/2002
a) Bills eligible for refinancing with central banks	27,200	27,618
b) Credits for financial lease contracts	-	-
c) Repurchase agreements	1,567,975	1,066,683

The composition of the account is as follows:

	30/06/2003	31/12/2002
Current accounts	12,206,051	13,024,249
Discounted notes	563,554	548,696
Repurchase agreements	1,567,975	1,066,683
Mortgages	32,142,541	28,875,404
Advances	5,110,418	5,440,235
Advances and subsidies	11,524,319	11,761,224
Personal loans	1,171,643	1,072,669
Leasing	2,989,937	3,543,031
Transactions with third-party funds	16,188	5,101
Non-performing loans	1,089,517	1,011,427
Other	2,234,226	2,123,251
Total	70,616,39	68,471,970

9.1 Summary of customer loans (including past-due interest and the loan value of financial leases)

30/06/2003

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	3,700,598	1,259,253	2,441,345
A.1 Non-performing loans	2,029,701	940,184	1,089,517
A.2 Watch-list credits	1,504,143	304,345	1,199,798
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	57,470	9,453	48,017
A.5 Unsecured loans to high-risk nations	109,284	5,271	104,013
B. Performing loans	68,417,1717	242,148	68,175,023

31/12/2002

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	3,624,056	1,198,290	2,425,766
A.1 Non-performing loans	1,842,849	831,423	1,011,426

A.2 Watch-list credits	1,529,452	351,397	1,178,055
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	63,868	7,519	56,349
A.5 Unsecured loans to high-risk nations	187,887	7,951	179,936
B. Performing loans	66,280,998	234,795	66,046,203

9.2 Trend of doubtful loans to customers

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/2002	1,842,849	1,529,452	-	63,868	187,887
A.1 including: past-due interest	218,633	25,473	-	419	63
B. Increases	394,683	614,111	-	9,586	20,726
B.1 new performing loans	108,919	480,597		2,274	377
B.2 past-due interest	34,296	7,887			-
B.3 transfer from other categories of doubtful loans	205,954	10,871		1,388	840
B.4 other increases	45,514	114,756		5,924	19,509
C. Decreases	207,831	639,420	-	15,984	99,329
C.1 reclassified as performing loans	746	26,190	-	-	
C.2 cancellations	106,079	47,378			93,864
C.3 recoveries	98,473	310,789		3,982	-
C.4 sales	-	-			
C.5 transfer to other categories of doubtful loans	1,117	205,987		11,949	
C.6 other decreases	1,416	49,076		53	5,465
D. Total outstanding as of 30/06/2003	2,029,701	1,504,143	-	57,470	109,284
D.1 including: past-due interest	244,329	27,826		418	47

9.3 Trend of total valuation adjustments to customer loans

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/2002	831,422	351,396	-	7,518	7,951	234,795
A.1 including: past-due interest	200,033	23,825	-	419	63	1,782
B. Increases	281,382	120,311	-	5,125	125	45,571
B.1 valuation adjustments	214,741	113,102		5,028	125	40,115
B.1.1 including: past-due interest	31,040	7,171				442
B.2 use of loan loss reserves	1,103	3				
B.3 transfer from other categories	48,693	5,434		97		4,949
B.4 other increases	16,845	1,772			-	507
C. Decreases	172,620	167,363	-	3,190	2,805	38,218
C.1 recoveries – valuation adjustments	16,106	30,559		260	2,783	20,423
C.1.1 including: past-due interest	650	7				13

C.2 cash recoveries	9,489	20,048		578	19	9,979
C.2.1 including: past-due interest	2,472	2,614			-	216
C.3 cancellations	99,311	47,351				128
C.4 transfer to other categories	19	52,078		2,352		4,722
C.5 other decreases	47,695	17,327		-	3	2,966
D. Valuation adjustments as of 30/06/2003	940,184	304,344	-	9,453	5,271	242,148
D.1 including: past-due interest	224,074	25,817	-	418	47	-

10. Secured customer loans and advances

Secured customer loans and advances, including outstandings which are partially secured, are summarized in the following table, which excludes loans to governments and public entities:

	30/06/2003	31/12/2002
a) Loans secured by mortgages	20,532,562	18,340,641
b) Loans secured by liens on:		
cash deposits	611,967	790,573
securities	1,781,883	2,466,070
other negotiable instruments	394,646	270,368
	2,788,496	3,527,011
c) Loans secured by guarantees of:		
governments	-	-
other public-sector entities	38,237	37,436
banks	560,246	634,844
other	10,770,267	10,724,067
	11,368,750	11,396,347
Total	34,689,808	33,263,999

11. Amounts due from central banks

	30/06/2003	31/12/2002
a) Amounts due from central banks	1,529,021	882,843

The balance as of 30 June 2003 includes mandatory reserves in the amount of EUR 1,515,012,000.

12. Mix of securities portfolios

Securities held by the Bank are reported in the balance sheet as follows:

			30/06/2003
	Investment Securities	Trading Securities	Total
20 Treasury bonds and similar instruments eligible for refinancing	894	346,130	347,024
50 Bonds and other fixed-income securities	4,062,103	11,690,191	15,752,294
60 Shares, quotas and other equity securities	2,066	2,751,076	2,753,142
Total	4,065,063	14,787,397	18,852,460

			31/12/2002
	Investment Securities	Trading Securities	Total
20 Treasury bonds and similar instruments eligible for refinancing	51,624	490,011	541,635
50 - Bonds and other fixed-income securities	4,398,945	11,055,627	15,454,572
60 - Shares, quotas and other equity securities	2,066	912,314	914,380
Total	4,452,635	12,457,952	16,910,587

12.1 Investment securities

The holdings in the investment securities portfolio are made up as follows:

	30/06/2003 Book Value	30/06/2003 Market Value	31/12/2002 Book Value	31/12/2002 Market Value
1. Debt securities	4,062,996	4,095,161	4,450,569	4,419,244
1.1 Government securities	771,054	794,746	1,042,751	1,033,485
- Listed	755,302	777,724	1,010,493	1,000,565
- Unlisted	15,752	17,022	32,258	32,920
1.2 Other securities	3,291,942	3,300,415	3,407,818	3,385,759
- Listed	2,045,206	2,064,684	2,267,778	2,053,866
- Unlisted	1,246,736	1,235,731	1,140,040	1,331,893
2. Equity securities	2,066	1,502	2,066	1,760
- Listed	2,066	1,502	2,066	1,760
- Unlisted	-	-	-	-
Total	4,065,062	4,096,663	4,452,635	4,421,004

Investment securities incorporate unrealized capital losses of EUR 32 million as computed on the basis of prices for the six-month period prior to the date of the financial statements.

Changes in investment securities

	30/06/2003	31/12/2002
A. Opening balance	4,452,635	4,310,283
B. Increases	1,641,249	1,424,714
B.1 Purchases	1,060,729	1,057,317
B.2 Recoveries in value	-	7,277
B.3 Transfers from trading account portfolio	400,348	360,120
B.4 Other changes	180,172	-
C. Decreases	2,028,822	1,282,362
C.1 Sales	102,271	83,604
C.2 Redemptions	704,861	1,086,788
C.3 Valuation adjustments	21,841	27,780
including: permanent writedowns	21,827	-
C.4 Transfers to trading account portfolio	1,190,208	1,010
C.5 Other changes	9,641	83,180
D. Closing balance	4,065,062	4,452,635

The transfers shown in Points B.3 and C.4 were effected as part of the revision of the management of the investment securities portfolio and pursuant to a resolution passed by the Board of Directors on 26 March

2003. In accordance with the resolution, a ceiling on the amount of securities held as investments has been established and the management of the portfolio itself has been concentrated with the parent company.

Accordingly, the Board of Directors approved:
a) the transfer of a series of asset-backed securities acquired through the mergers effected in 2002 and 2003 from the trading to the investment portfolio, in accordance with the strategies outlined in a general resolution previously approved by the Board;
b) the reclassification and transfer of a part of the securities acquired through the merger transactions initially booked as investments and now classified as trading securities.

The sales of EUR 102,271 indicated in Point C.1 include EUR 100,592 to Mantovana Ireland and EUR 1,679 to G.I. Profidi S.p.A.; the earnings effects of such sales were not material.

Issuing and trading discounts and exchange differences are included in the amounts reported in Points B.4 and C.5.

12.2 Trading account securities

Trading account securities include the following:

	30/06/2003 Book Value	30/06/2003 Market Value	31/12/2002 Book Value	31/12/2002 Market Value
1. Debt securities	12,036,321	12,059,748	11,545,637	11,550,974
1.1 Government securities	5,212,909	5,213,657	4,726,706	4,726,775
- Listed	5,186,118	5,186,118	4,702,017	4,702,017
- Unlisted	26,791	27,539	24,689	24,758
1.2 Other securities	6,823,412	6,846,091	6,818,931	6,824,199
- Listed	3,895,150	3,894,452	3,838,036	3,838,374
- Unlisted	2,928,262	2,951,639	2,980,895	2,985,825
2. Equity securities	2,751,076	2,749,029	912,315	913,482
- Listed	2,455,988	2,455,988	671,395	671,413
- Unlisted	295,088	293,041	240,920	242,069
Total	14,787,397	14,808,777	12,457,952	12,464,456

The market value is roughly EUR 21,380,000 higher than book value due to unrealized gains on unlisted securities unrelated to derivatives held in the parent company's portfolio.

Changes in trading account securities

	30/06/2003	31/12/2002
A. Opening balance	12,457,952	11,181,318
B. Increases	103,335,428	273,464,875
B.1 Purchases	101,250,042	272,813,809
- Debt securities:	94,236,705	259,218,563
Government securities	75,487,452	223,045,378
Other securities	18,749,253	36,173,185
- Equity securities	7,013,337	13,595,246
B.2 Revaluations and recoveries in value	301,015	174,675
B.3 Transfers from investment securities portfolio	1,190,208	1,010

B.4 Other changes	594,163	475,381
C. Decreases	101,005,983	272,188,241
C.1 Sales and redemptions	100,456,881	271,378,680
- Debt securities:	95,154,465	257,804,033
Government securities	75,270,927	223,599,527
Other securities	19,883,538	34,204,506
- Equity securities	5,302,416	13,574,647
C.2 Valuation adjustments	53,371	185,447
C.3 Transfers to investment securities portfolio	400,348	624,114
C.4 Other changes	95,383	-
D. Closing balance	14,787,397	12,457,952

Additional information on Points B.3 and C.3 is given in Section 12.2.

The trading portfolio includes securities relative to a defined-contribution pension fund set up for staff as of 1 January 1991, and the amounts shown in the table thus include changes relative to the pension fund.

The revaluation and valuation adjustments indicated in Points B.2 and C.2, respectively, are booked as profits (losses) from financial transactions. The foregoing does not apply to the securities held in the defined-contribution pension fund; any revaluation or valuation adjustments for those securities are booked as income on the investments of pension funds.

Issuing discounts and exchange differences are included in the amounts reported in Points B.4 and C.4.

13. Guarantees and commitments

13.1 Composition of Account 10 – Guarantees released

	30/06/2003	31/12/2002
a) Endorsement credits of a commercial nature	3,221,747	3,247,327
b) Endorsement credits of a financial nature	3,076,688	3,118,448
c) Assets pledged under guarantees:	16,679	25,122
Total	6,315,094	6,390,897

13.2 Composition of Accounts 20 and 30 - Commitments

	30/06/2003	31/12/2002
a) Commitments to disburse funds for which usage is certain	7,410,515	7,369,644
b) Commitments to disburse funds for which usage is not certain	20,401,071	18,510,128
Total	27,811,586	25,879,772

14 Available margins on lines of credit

The Group has availability under credit lines as shown below:

	30/06/2003	31/12/2002
a) Central banks	1,494,814	857,876
b) Other banks	353,141	467,237
Total	1,847,955	1,325,113

15 Forward transactions as of 30 June 2003

Types of Transactions	Hedging	Trading	Other
1. Sales and purchases			
1.1 Securities:			
Purchases	-	1,719,846	
Sales (°)	2,000	2,229,450	
1.2 Foreign exchange:			
Currency against currency	938,452	181,030	
Purchases against euros	4,459,810	167,599	
Sales against euros	1,451,145	787,523	
2. Deposits and loans:			
to be disbursed	12,865	9,702	212,192
to be received	60,086	84,257	3,289,598
3. Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
Purchases (1)	702,050	5,737,094	608,585
Sales	157,150	5,848,608	-
b) Foreign exchange:			
Currency against currency	38,500	18,037,464	
Purchases against euros	404,715	12,507,883	
Sales against euros	109,101	12,498,487	
c) Other negotiable instruments:			
Purchases		405,495	
Sales		422,363	
3.2 Without exchange of principal:			
a) Foreign exchange			
Currency against currency		-	
Purchases against euros	82,181	282,722	
Sales against euros	7,370	236,150	
b) Other negotiable instruments:			
Purchases (2)	34,285,736	196,390,060	2,140,185
Sales	28,054,203	261,392,613	3,688,053

(1) The "other" amount incorporates a 3-year extension of an equity swap between leading financial institutions and BAM (put transaction with expiration in March 2005).
(2) As a result of Banca Agricola Mantovana's being merged by incorporation into BMPS in the first quarter of 2003, the options as per point 2) concern the number of BMPS shares computed on the basis of the share-exchange ratio used for the merger.

15.1 Credit derivatives contracts

	30/06/2003		31/12/2002	
Types of Transactions	Trading	Other	Trading	Other
1. Purchase of protection				
1.1 With exchange of capital	1,462,523	95,447	1,485,437	125,446
1.2 Without the exchange of capital	1,903,980	177,740	334,420	173,450
2. Sale of protection				
1.1 With exchange of capital	3,255,967	173,820	1,764,052	217,227
1.2 Without the exchange of capital	910,880		88,150	-

16. Assets and liabilities with respect to companies of the MPS Group

As of 30 June 2003, the amount of assets and liabilities outstanding with respect to the companies of the MPS Group was not material and consisted of offsetting entries with respect to investments in insurance companies valued with the net equity method.

17. Asset management and intermediation for the account of third parties

17.1 Individual portfolios under management

	30/06/2003	31/12/2002
Individual portfolios under management	10,443,773	10,811,295

17.2 Administration and safekeeping of securities

The following table provides a summary of securities under administration and in safekeeping with the Group:

	30/06/2003	31/12/2002
Securities of third parties held in custody (excluding portfolio management)	166,413,372	176,038,499
Securities of third parties held by others	76,857,744	75,911,935
Own securities in third-party custody	13,424,991	15,087,712

The securities held are reported at their nominal values. Own securities in third-party custody include securities to be purchased at the expiration of repurchase agreements.

18. Shareholders' equity and capital required for regulatory purposes

18.1 Composition of shareholders' equity

		30/06/2003	31/12/2002
100	Reserve for general banking risks	360,621	360,812
120	Negative consolidation differences	21,343	21,343
120	Negative net equity differences	1,570	1,570
150	Share capital	1,935,273	1,675,023

	(2,448,491,901 ordinary shares outstanding at par value of EUR 0.64 each)		
	(9,432,170 savings shares outstanding at par value of EUR 0.64 each)		
	(565,939,729 preferred shares outstanding at par value of EUR 0.64 each)		
160	Paid-in capital	522,925	522,925
170	Reserves	3,186,774	2,372,293
180	Revaluation reserves	13,253	14,406
190	Profit (loss) carried forward	124	70
200	Profit (loss) for the year	194,435	581,813
	Total shareholders' equity	6,236,318	5,550,255

The changes in the share capital account are the result of shareholder resolutions approved at the ordinary and extraordinary shareholders meetings held on 28 February 2003 and 14 June 2003, and, as detailed in the exhibit to the financial statements, regard the increase in share capital to service the merger by incorporation of Banca Agricola Mantovana and Banca Toscana into the parent company and the transformation of ordinary shares into preferred shares.

18.2 Minority interests

	30/06/2003	31/12/2002
Opening balance	807,605	941,958
Increase/decrease due to changes in holdings and/or the area of consolidation	(775,495)	929
Other changes (°)	(11,723)	(225,325)
Profit (loss) for the period	2,431	90,043
Total	22,818	807,605

The reduction in minority interests is mainly the result of the merger by incorporation of Banca Agricola Mantovana and Banca Toscana. The amount involved in such transactions was offset, in relation to the agreed share-exchange ratios, by a capital increase of the parent company and by a merger surplus booked to "other reserves".

(°) Imputable for the most part to the distribution of dividends to third parties.

18.3 Composition of Account 180 - Revaluation reserve

	30/06/2003	31/12/2002
Revaluation reserve	13,253	14,406

Amounts of the revaluation reserve referring to minority interests were EUR 45,000 as of 30 June 2003, and EUR 1,989,000 as of 31 December 2002. These amounts were computed in relation to the amount of equity held by the minority interests in the consolidated companies.

18.4 Positive consolidation differences

A breakdown of the positive consolidation differences by company is shown in the table below.

	30/06/2003	31/12/2002
Banca Toscana	15,541	16,455
Gruppo Banca Agricola Mantovana	611,506	631,232
Cooperbanca	3,146	6,292

Banca C. Steinhauslin & C.	6,371	8,494
Banca Popolare di Abbiategrasso	15,439	18,528
G.I. Profidi SIM	84	96
Intermobiliare Securities Sim	4,684	5,257
Banca Monte Paschi Belgio	3,003	3,433
Banca Popolare di Spoleto	9,675	10,642
MPS Banca Verde	789	1,052
MPS Merchant	3,458	4,611
Banca Monte Parma	46,215	50,417
Other minor holdings	5	-
Total	719,916	756,509

The criteria for the determination of the differences are indicated in Section 1, Part B.

18.5 Own shares

The table below provides a summary of own shares held, subdivided by issuer:

	No. Shares	Par Value 30/06/2003	Par Value	Book Value 30/06/2003	Book Value 31/12/2002
Banca Monte dei Paschi di Siena	1,676,137	€0.64	1,072,728	4,068	2,294
Banca Toscana		€1.20		-	7,356
MPS Finance Banca Mobiliare	383,000	€0.64	245,120	928	746
Banca Agricola Mantovana				-	21
Total	2,059,137		1,317,848	4,996	10,417

The shares are mainly held for trading purposes, in accordance with the limits set by the special resolutions approved by the respective boards of directors. The shares are carried at market value; the asset account is offset by a reserve of the same amount set up pursuant to Article 2357 ter of the Italian Civil Code.

18.6 Capital and capital required for regulatory purposes

Category/Amounts	30/06/2003	31/12/2002
A. Calculation of capital for regulatory purposes		
A.1 Total Tier 1 capital	5,170,660	5,160,134
A.2 Total Tier 2 capital	2,484,392	2,530,064
A.3 Deductions	(682,420)	(790,539)
A.4 Capital for regulatory purposes	6,972,632	6,899,659
B. Capital required for regulatory purposes		
B.1 Credit risks	5,884,888	5,862,329
B.2 Market risks	632,681	649,318
including:		
- risks on trading securities portfolio	621,778	641,813
- exchange-rate risks	10,903	7,505
B.2.1 Subordinated debt	600,000	600,000
B.3 Other requirements	305,580	315,001
B.4 Total capital required for regulatory purposes	6,223,149	6,226,648

Surplus capital	749,483	673,011
C. Risk-weighted assets and capital adequacy ratios		
C.1 Risk-weighted assets	85,289,363	85,333,103
Total credit risks	73,561,094	73,279,115
Market risk °	7,908,513	8,116,475
C.2 Tier 1/risk-weighted assets	6.06	6.05
C.3 Capital for regulatory purposes/ risk-weighted assets	8.88	8.79
Solvency coefficient for credit risks	9.48	9.42

° Total capital requirement multiplied by the reciprocal of the minimum obligatory coefficient for credit risks

19. Composition of Account 10 - Due to banks

	30/06/3003	31/12/2002
a) Repurchase agreements	7,435,173	7,437,044
b) Pledged securities	245,339	16,014

Funding from banks consists of the following amounts:

	30/06/2003	31/12/2002
Sight	5,591,627	799,834
Current accounts	687,343	450,858
Demand deposits	4,794,883	238,596
Other	109,401	110,380
Time or requiring advance notice of withdrawal	15,710,464	19,716,481
Time deposits	7,120,148	11,299,364
Deposits received from central banks	157,522	-
Borrowings from central banks	-	454,598
Borrowings from banks	289,445	906
Borrowings from international institutions	218,672	476,940
Re-financing from medium-term and other specialized lenders	23,191	28,077
Repurchase agreements	7,680,512	7,437,044
Pledged securities	-	16,014
Other	220,974	3,538
Total	21,302,091	20,516,315

20 Composition of Account 20 - Customer deposits

	30/06/2003	31/12/2002
a) Repurchase agreements	5,224,811	7,832,685
b) Securities lending	228,279	6,215

Customer deposits consist of the following amounts:

	30/06/2003	31/12/2002
Sight	38,243,602	38,661,446
Current accounts	34,452,628	34,837,400
Demand deposits	3,478,954	3,524,249
Other	312,020	299,797
Time or requiring advance notice of withdrawal	7,875,718	11,118,353
Saving deposits	603,762	605,801
Current accounts	1,766,704	2,190,838
Repurchase agreements	5,453,090	7,832,685
Securities lending	7,069	6,215
Other	45,093	482,814
Total	46,119,320	49,779,799

21. Composition of Account 30 - Other borrowed funds backed by negotiable instruments

	30/06/2003	31/12/2002
Bonds	21,808,474	20,588,393
Certificates of deposit	5,948,348	6,315,758
Other securities	604,853	570,541
Total	28,361,675	27,474,692

The other securities include cashier checks and bank drafts still outstanding.

SEPARATE STATEMENT OF SPECIAL-PURPOSE COMPANY

ULISSE - Statement as of 30 June 2003

22.1 Summary of securitized assets

EU Code	Description	30/06/2003	31/12/2002
A.	**SECURITIZED ASSETS**		
A.1	Loans	198,163	207,855
A.2	Securities		-
B.	**EMPLOYMENT OF FUNDING COMING FROM MANAGEMENT OF CREDITS**		
B.1	Debt securities	3,459	2,715
B.2	Equity securities		-
B.3	Other		
B.3.1	Due from banks	3,446	2,704
B.3.2	Receivables for withholding tax on interest earned	13	11
B.3.3	Other	-	-
C.	**SECURITIES ISSUED**	**219,351**	**224,603**
	Class A	85,091	90,343
	Class B	36,500	36,500
	Class C	36,500	36,500
	Class D	61,260	61,260
D.	**FINANCING RECEIVED**	**-**	**-**
E.	**OTHER LIABILITIES**	**3,050**	**2,499**
E.1	Accrued interest payable on securities issued	459	349
E.2	Due to suppliers of services	114	248
E.3	Other liabilities	14	53
E.4	Reserve for risks and charges	13	11
E.5	Interest on Class D notes	2,450	1,838
F.	**INTEREST PAYABLE ON SECURITIES ISSUED**	**6,357**	**14,219**
G.	**COMMISSIONS ACCRUED TO TRANSACTION**	**907**	**2,166**
G.1	Servicing commissions	907	1,974
G.2	Commissions on other services	-	192
H.	**OTHER CHARGES**	**63**	**796**
H.1	Capital losses on credits transferred	18	12
H.2	Administrative expenses	43	162
H.3	Services of rating agencies	-	-
H.4	Charges on accessory financial transactions	-	-
H.5	Provisions for risks	2	6
H.6	Foreign-exchange losses	-	3
H.7	Interest on Class D notes	-	613
I.	**INTEREST GENERATED FROM SECURITIZED ASSETS**	**90**	**945**
L.	**OTHER REVENUES**	**2,991**	**4,671**
L.1	Interest earned from banks	-	-
L.2	Foreign-exchange gains	-	2
L.3	Capital gains on credits	2,991	4,669

SEPARATE STATEMENT OF SPECIAL-PURPOSE COMPANY
ULISSE 2 - Statement as of 30 June 2003

22.2 Summary of securitized assets

EU Code	Description	30/06/2003
A.	**SECURITIZED ASSETS**	
A.1	Loans	470,717
A.1.1	Non-performing loans	470,717
B.	**EMPLOYMENT OF FUNDING COMING FROM MANAGEMENT OF CREDITS**	
B.1	Debt securities	
B.2	Equity securities	
B.3	Other:	22,652
B.3.1	Capitalized costs	184
B.3.2	Liquid assets	22,468
B.3.3	Other	-
	TOTAL ASSETS	**493,369**
C.	**SECURITIES ISSUED**	
C.1	Category A securities	74,990
C.2	Category B securities	30,000
C.3	Category C securities	328,970
D.	**FINANCING RECEIVED**	**-**
E.	**OTHER LIABILITIES**	
E.1	Due to management company	63
E.2	Due to Banca MPS - residual transfer price	240
E.3	Due to Banca MPS - servicing commissions	373
E.4	Due to Banca MPS - interest on transfer price	5,816
E.5	Due to Banca MPS - collections	353
E.6	Due to suppliers	21
E.7	Accrued interest payable on Class A securities	1,252
E.8	Accrued interest payable on Class B securities	3,475
E.9	Accrued interest payable on Class C securities	47,816
	TOTAL LIABILITIES	**493,369**
F.	**INTEREST PAYABLE ON SECURITIES ISSUED**	**19,433**
G.	**COMMISSIONS ACCRUED TO TRANSACTION**	**1,735**
G.1	Servicing commissions	1,735
H.	**OTHER CHARGES**	**5,727**
H.1	Amortization of capitalized costs	37
H.2	Chargeback of costs of company management	51
H.3	Losses on credits	751
H.4	Interest rate swaps	4,528
H.5	Other expenses	360
I.	**INTEREST GENERATED FROM SECURITIZED ASSETS**	**7,535**
L.	**OTHER REVENUES**	**19,360**
L.1	Recoveries of value	16,675
L.2	Interest rate swaps	2,685
	RESULT OF SECURITIZATION TRANSACTION	**-**

SEPARATE STATEMENT OF SPECIAL-PURPOSE COMPANY

ULISSE 3 - Statement as of 30 June 2003

22.3 Summary of securitized assets

EU Code	Description	30/06/2003	31/12/2002
A.	**SECURITIZED ASSETS**	**121,939**	**128,531**
A.1	Loans	121,939	128,531
A.2	Securities		
A.3	Other		-
B.	**EMPLOYMENT OF FUNDING COMING FROM MANAGEMENT OF CREDITS**	**54,805**	**100,837**
B.1	Debt securities	44,754	44,754
B.2	Equity securities	-	-
B.3	Other:	10,051	56,083
	Due from banks	9,082	55,188
	Receivables for withholding tax on interest earned	580	436
	Accrued income and prepayments	367	434
	Other	22	25
	TOTAL ASSETS	**176,744**	**229,368**
C.	**SECURITIES ISSUED**	**103,431**	**159,580**
C.1	Class A	43,851	100,000
C.2	Class B	40,000	40,000
C.3	Class C	19,580	19,580
D.	**FINANCING RECEIVED**	**44,849**	**44,849**
E.	**OTHER LIABILITIES**	**28,464**	**24,939**
E.1	Reserve fund (°)	21,767	17,893
E.2	Liabilities from the transfer	3,059	3,059
E.3	Amounts due to special-purpose company	27	27
E.4	Other liabilities	404	404
E.5	Accrued liablities	2,771	3,120
E.6	Reserve for risks and charges	436	436
	TOTAL LIABILITIES	**176,744**	**229,368**
F.	**INTEREST PAYABLE ON SECURITIES ISSUED**	**3,181**	**7,043**
G.	**COMMISSIONS ACCRUED TO TRANSACTION**	**855**	**1,684**
G.1	Servicing commissions	814	1,604
G.2	A/C and note fees	16	33
G.3	Corporate servicer fees	14	32
G.4	Rating fees	11	15
H.	**OTHER CHARGES**	**2,253**	**6,188**
H.1	Portfolio management expenses	71	103
H.2	Interest on limited recourse mortgage	420	1,633
H.3	Negative differentials on swaps	1,650	3,099
H.4	Legal servcies	-	18
H.5	Reversal of previously booked income	60	401
H.6	Credit losses	52	498
H.7	Provision to reserve for risks and charges	-	436
I.	**INTEREST GENERATED FROM SECURITIZED ASSETS**	**8,950**	**20,869**
I.1	Past-due interest receivable	2,449	4,629
I.2	Reversal due to recovery of charges booked in the past	6,501	16,240
I.3	Expense recovery	-	-
L.	**OTHER REVENUES**	**1,213**	**3,565**
L.1	Interest earned from banks	534	1,468

L.2	Interest earned on other financial assets	672	1,680
L.3	Reversal of previously booked charges	7	417
	TOTAL REVENUES	**10,163**	**24,434**

PART D

INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

1 Interest income and interest expense

1.1 Composition of Account 10 - Interest and similar income

Interest and similar income was realized as follows:

	30/06/2003	30/06/2002
a) Interest earned on amounts due from banks	186,285	226,877
including:		
Amounts due from central banks	*12,690*	*25,527*
b) Interest earned on customer loans and advances	1,930,451	1,924,648
including:		
loans using third-party funds under administration	*642*	*958*
c) Interest earned on debt securities	311,458	291,727
d) Other interest income	1,902	3,544
e) Positive balance of differentials on hedging transactions	-	-
Total	2,430,096	2,446,796

1.2 Composition of Account 20 - Interest expense and other expense on borrowed funds

Interest expense and other expense on borrowed funds were realized as follows:

	30/06/2003	30/06/2002
a) Interest expense on amounts due to banks	262,224	248,890
b) Interest expense on amounts due to customers	349,804	450,679
c) Interest expense on other borrowed funds backed by negotiable instruments	425,515	441,809
including:		
on certificates of deposit	*45,510*	*72,825*
d) Interest expense on third-party funds under administration	4,597	4,837
e) Interest expense on subordinated debt	79,161	77,738
f) Negative balance of differentials on hedging transactions	55,010	84,065
Total	1,176,311	1,308,018

2. Detail of interest income and interest expense

2.1 Interest and similar income on foreign-currency-denominated assets

	30/06/2003	30/06/2002
Interest and similar income on foreign-currency-denominated assets	55,250	84,434

2.2 Interest expense and other expense on borrowed funds on foreign-currency-denominated liabilities

	30/06/2003	30/06/2002
Interest and other expense on liabilities denominated in foreign currency	55,480	119,441

3. Commissions

3.1 Composition of Account 40 - Commissions earned

Commissions earned consist of the following amounts:

	30/06/2003		30/06/2002	
a) Guarantees released		20,590		19,212
b) Credit derivatives		269		456
c) Trading, management and advisory services		426,016		502,352
- Securities trading	24,409		50,112	
- Foreign-exchange trading	24,372		23,158	
- Asset management				
3.1 individual portfolios under management	27,907		29,149	
3.2 investments in mutual funds	153,703		163,668	
4. Securities safekeeping and administration	21,961		44,645	
5. Custodian bank	13,990		13,800	
6. Securities placement	44,347		58,189	
7. Order taking	24,699		34,447	
8. Advisory services	6,108		1,251	
9. Distribution of services to third parties:				
9.1 Asset management:				
a) individual portfolios under management	24		-	
b) investments in mutual funds	-		-	
9.2 Insurance products	52,265		54,325	
9. 3 Other products	32,231		29,608	
d) Collection and payments services		45,197		57,884
e) Servicing for securitization transactions		8,486		3,599
f) Tax collection services		121,635		82,893
g) Other services		114,615		122,017
- Commissions on loans to customers	43,404		33,782	
- Recoveries, expenses and other profits on customer loans	30,005		30,043	
- Commissions claimed from banks	2,267		1,131	
- Safe-deposit boxes	845		813	
- Commissions for services to subsidiaries and associated cos.	-		-	
- Commissions on services to third parties	5,886		9,029	

- Other	32,208	47,219
Total	736,808	788,413

3.2 Detail of Account 40 – Commissions earned

Following is a breakdown of commissions earned based on distribution channel.

	30/06/2003		30/06/2002	
a) Branches:		306,102		174,839
Asset management	180,350		37,556	
Securities placement	43,317		57,778	
Third party's services and products	82,435		79,505	
b) Other distribution channels:		4,375		6,788
Asset management	1,260		1,950	
Securities placement	1,030		411	
Third-party services and products	2,085		4,427	

3.3 Composition of Account 50 - Commission expense

Commission expense consists of the following amounts:

	30/06/2003		30/06/2002	
a) Guarantees released		609		526
b) Credit derivatives		365		641
c) Trading and intermediation		34,074		58,550
Securities trading	7,450		14,314	
Foreign-exchange trading	27		38	
Asset management				
Own portfolio	111		-	
Third-party portfolios	26		3	
Securities safekeeping and administration	8,419		7,377	
Securities placement	2,749		20,692	
Off-site offer of securities, products and services	15,292		16,126	
d) Collection and payment services		6,178		8,855
e) Other services		50,565		52,102
Commissions on endorsement credits	-		-	
Commissions paid to brokers	1,810		3,593	
Commissions on services to third parties	8,441		12,100	
Commissions paid to banks	1,001		11,634	
Tax collection commissions				
Commissions on securities transactions	-		-	
Other	39,313		24,775	
Total		91,791		120,674

4. Composition of Account 60 – Profits/losses on financial transactions

30/06/003

Account	Securities	Foreign-Currency	Other
A.1 Revaluations	668,125	xxx	1,990,783
A.2 Writedowns	(524,368)	xxx	(2,105,603)
B. Other profits/losses	(141,104)	(6,576)	45,531
Total	2,653	(6,576)	(69,289)
1. Government securities	28,018		
2. Other debt securities	142,982		
3. Equity securities	132,584		
4. Securities-related derivatives	(300,931)		

30/06/2002

Account	Securities	Foreign-Currency	Other
A.1 Revaluations	1,045,291	xxx	1,410,177
A.2 Writedowns	(1,209,328)	xxx	(1,353,307)
B. Other profits/losses	(65,641)	11,580	34,054
Total	(229,678)	11,580	90,924
1. Government securities	(6,312)		
2. Other debt securities	28,850		
3. Equity securities	(199,403)		
4. Securities-related derivatives	(52,813)		

5. Extraordinary income and extraordinary charges

5.1 Composition of Account 190 - Extraordinary income

	30/06/2003	30/06/2002
Profit on disposal of fixed assets	4,007	1,688
Gains on disposal of equity investments (°)	281,608	15,871
Profit on disposal of investment securities	64	41
Non-recurring income and past-due interest: tax collection	-	-
Non-banking income	10,902	3
Deferred tax assets regarding previous years	-	-
Other	47,711	81,217
Total	344,292	98,820

(°) The amount recorded for the first half of 2003 includes EUR 278,829,000 booked by the parent company with reference to its sale of an interest held in Cassa di Risparmio di Prato.

5.2 Composition of Account 200 - Extraordinary charges

	30/06/2003	30/06/2002
Non-banking operating expenses	128	334
Losses on robberies	5,138	1,932
Losses on disposal of fixed assets	183	39
Loss on disposal of non-current financial assets	-	-
Interest not applicable to current period	92	111
Loss on sale of investment securities	5	24
Other	337,081	67,692
Total	342,627	70,132

PART E

OTHER INFORMATION

1. Average number of employees by job category

	30/06/2003	30/06/2002
a) Executives	583	578
b) Middle managers	5,365	4,784
c) Remaining personnel	22,138	22,573
Total	28,086	27,935

PART F

CONSOLIDATION AREA

		Company Name	Registered Office	Type of Holding (°°)	Shareholders' Equity	Net Profit for the Period	Investment Relationship Investor	% Held	% of Votes	Book Value
		A.1 Companies included in the consolidation (consolidated on a line-by-line basis)								
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena		6,373,177	110,659				xxx
A.1		BANCA TOSCANA S.p.A.	Florence	1	1,033,600	33,600	A.0	100.000	100.000	xxx
A.2		MPS BANCA VERDE S.p.A.	Florence	1	120,605	5,046	A.0	70.770	100.000	xxx
							A.1	29.230		
A.3		MPS MERCHANT BANCA PER LE PICCOLE E MEDIE IMPRESE S.p.A.	Florence	1	300,798	19,446	A.0	88.053	99.733	xxx
							A.1	11.680		
	3.1	MPS VENTURE SGR S.p.A.	Florence	1	7,214	(257)	A.3	70.000	100.000	
							A.12	30.000		
A.4		BANCA 121 PROMOZIONE FINANZIARIA S.p.A.	Lecce	1	127,254	(30,957)	A.0	99.961	99.961	xxx
A.5		BANCA C. STEINHAUSLIN & C. S.p.A.	Florence	1	30,683	(10,313)	A.0	100.000	100.000	xxx
A.6		MPS GESTIONE CREDITI S.p.A.	Siena	1	104,351	4,035	A.0	99.500	100.000	xxx
							A.1	0.500		
A.7		MPS LEASING E FACTORING S.p.A.	Siena	1	256,918	6,648	A.0	86.916	100.000	xxx
							A.1	6.647		
							A.9	6.437		
A.8		MPS FINANCE BANCA MOBILIARE S.p.A.	Siena	1	261,334	36,877	A.0	100.000	100.000	xxx
A.9		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua	1	809,463	20,829	A.0	100.000	100.000	xxx
	9.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	1	800,224	20,224	A.0	100.000	100.000	xxx
	9.2	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		1,091	224	A.9	100.000	100.000	
	9.3	PADANA RISCOSSIONI S.p.A.	Mantua		3,673	154	A.9	54.538	54.538	
	9.4	PADANA IMMOBILIARE S.p.A.	Mantua		25,791	(557)	A.9	100.000	100.000	
	9.5	AGRISVILUPPO S.p.A.	Mantua		7,758	52	A.9	96.973	98.873	
							A.2	1.900		
	9.6	AIDA S.p.A.	Villafranca (VR)	1	-	-	A.9.4	70.000	70.000	
A.10		MPS ASSET MANAGEMENT SGR S.p.A.	Milan	1	76,100	22,500	A.0	79.430	100.000	xxx
							A.1	6.192		
							A.9	10.550		
							A.4	3.828		
	10.1	MPS ALTERNATIVE INVESTMENTS SGR S.p.A.	Milan	1	6,168	63	A.10	100.000	100.000	
	10.2	MPS ASSET MANAGEMENT IRELAND LTD	Dublin	1	6,600	2,500	A.10	100.000	100.000	
A.11		121 FINANCIAL SERVICE LTD	Dublin	1	48,815	(427)	A.0	100.000	100.000	xxx
A.12		INTERMONTE SECURITIES SIM S.p.A.	Milan	1	57,666	7,246	A.8	34.336	68.672	xxx
							A.9	34.336		
	12.1	WEB SIM S.p.A.	Milan	1	3,353	626	A.12	84.000	84.000	
A.13		MONTE PASCHI FIDUCIARIA S.p.A.	Siena	1	1,344	4	A.0	86.000	100.000	xxx
							A.1	14.000		
A.14		ULISSE S.p.A.	Milan	1	75	-	A.0	60.000	60.000	xxx
A.15		ULISSE 2 S.p.A.	Milan	1	100	-	A.0	60.000	60.000	xxx
A.16		ULISSE 3 S.p.A.	Milan	1	100	-	A.0	60.000	60.000	xxx
A.17		CONSUM.IT S.p.A.	Florence	1	35,886	3,601	A.0	70.000	100.000	xxx
							A.1	30.000		
A.18		AMMINISTRAZIONI IMMOBILIARI S.p.A.	Siena	1	51,046	(940)	A.0	100.000	100.000	xxx
A.19		MPS IMMOBILIARE S.p.A.	Siena	1	1,302,159	5,729	A.0	100.000	100.000	xxx
A.20		MARINELLA S.p.A.	La Spezia	1	10,042	(95)	A.0	100.000	100.000	xxx
A.21		BA. SA. SERVIZI S.p.A.	Lecce	1	9,664	2,615	A.0	99.979	99.979	xxx
A.22		G.IMM.ASTOR Srl	Lecce	1	1,614	67	A.0	52.000	52.000	xxx
A.23		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	1	5,520	5	A.0	100.000	100.000	xxx
A.24		G.I. PROFIDI SIM S.p.A.	Rome	1	3,312	(66)	A.0	100.000	100.000	xxx
A.25		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	140,402	-	A.0	99.639	99.891	xxx
							A.1	0.028		
							A.2	0.028		
							A.3	0.028		
							A.4	0.028		
							A.5	0.028		
							A.6	0.028		
							A.7	0.028		
							A.8	0.028		
							A.9	0.028		
A.26		ITALRISCOSSIONI S.p.A.	Rome	1	9,968	(121)	A.0	100.000	100.000	xxx
A.27		G.E.R.I.T. S.p.A.	L'Aquila	1	2,037	(345)	A.0	99.978	99.978	xxx
A.28		MONTE PASCHI SERIT S.p.A.	Palermo	1	8,420	(11,661)	A.0	100.000	100.000	xxx
A.29		SO.RI.T. S.p.A.	Foligno	1	1,781	(462)	A.0	54.593	54.593	xxx
A.30		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	47,853	(5,181)	A.0	64.473	100.000	xxx
							A.1	35.527		
A.31		BANCA MONTE PASCHI SUISSE S.A.	eneva	1	19,578	(419)	A.0	99.996	99.996	xxx
A.32		MPS PREFERRED CAPITAL I LLC	New York	1	29,722	(109)	A.0	100.000	100.000	xxx
A.33		MONTE PASCHI BANQUE S.A.	Paris	1	98,052	5,364	A.0	70.175	100.000	xxx
							A.1	29.825		
	33.1	MONTE PASCHI CONSEIL FRANCE	Paris		(°)	(°)	A.33	99.840	99.840	
	33.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		(°)	(°)	A.33	99.973	99.973	
	33.3	M.P. ASSURANCE S.A.	Paris		(°)	(°)	A.33	99.600	99.600	
	33.4	S.N.C. IMMOBILIARE POINCARE	Paris		(°)	(°)	A.33	100.000	100.000	
	33.5	IMMOBILIARE VICTOR HUGO	Paris		(°)	(°)	A.33	100.000	100.000	
A.34		MONTEPASCHI LUXEMBOURG S.p.A.	Brussels	1	635	105	A.0	99.200	100.000	xxx
							A.33	0.800		
A.35		MANTOVANA IRELAND LTD	Dublin	1	81,665	3,629	A.0	100.000	100.000	xxx
A.36		M.P.S. COMMERCIAL PAPER	New York	1	281	32	A.0	100.000	100.000	xxx
A.37		BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD	Guernsey C.	1	9,996	92	A.0	100.000	100.000	xxx
	37.1	CITY NOMINESS LTD	Guernsey C.		(°)	(°)	A.37	100.000	100.000	
	37.2	BMPS CORPORATE SERVICES LTD	Guernsey C.		(°)	(°)	A.37	100.000	100.000	
	37.3	BMPS NOMINESS (CI) LTD	Guernsey C.		(°)	(°)	A.37	100.000	100.000	
	37.4	BMPS TRUSTEES (CI) LTD	Guernsey C.		(°)	(°)	A.37	100.000	100.000	
	37.5	SAINTS TRUSTEES LTD	Guernsey C.		(°)	(°)	A.37	100.000	100.000	

		A.2 Companies included in the consolidation (consolidated with the proportional method)								
A.38		BANCA POPOLARE DI SPOLETO S.p.A. *(book value at 20% of nominal value)*	Spoleto	1	23,265	522	A.0	20.000	20.000	xxx
A.39		BANCA MONTE PARMA S.p.A. *(book value at 41% of nominal value)*	Parma	1	57,772	2,954	A.0	41.000	41.000	xxx
A.40		S.E.I.T S.p.A. *(book value at 40.205% of nominal value)*	Parma	1	2,117	198	A.39	40.205	40.205	xxx
		B. Companies booked with net equity method (detail of Account 80 a)								
B.1		MONTE PASCHI VITA S.p.A.	Rome	1	260,357	9,088	A.0	100.000	100.000	264.721
B.2		TICINO - COMP.ITAL. ASS.NI S.p.A.	Rome	1	36,818	2,339	A.0	100.000	100.000	36.818
B.3		TICINO VITA S.p.A.	Rome	1	101,539	1,928	A.1	40.000	100.000	108.210
							B.1	60.000		
B.4		DIPRAS S.p.A.	Rome	1	953	84	A.0	100.000	100.000	953
B.5		GROW LIFE LTD.	Dublin	1	37,726	9,165	A.0	40.000	100.000	15.090
							B.1	60.000		
B.6		E-IDEA S.p.A.	Rome	1	2,809	(1,020)	A.0	70.000	100.000	2.809
							A.1	30.000		
B.7		MPS NET S.p.A.	Siena	1	29,563	(5,925)	A.0	99.000	100.000	27.352
							A.3	1.000		
B.8		SAN PAOLO ACQUE S.r.l.	Lecce	1	235	(175)	A.0	100.000	100.000	235
B.9		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantua	1	8,327	(92)	A.9	100.000	100.000	8.327
		Total								464.515
		C. Other companies booked with net equity method (detail of Account 70 a)								
C.1	(°°°)	BANQUE DU SUD	Tunis	8	103,060	-	A.0	14.961	14.961	15.419
C.2	(°°°)	AEROPORTO SIENA S.p.A.	Siena	8	2,460	-	A.0	20.000	40.000	984
							A.1	20.000		
C.3		FIDI TOSCANA S.p.A.	Florence	8	62,043	1,038	A.0	13.390	28.875	17.887
							A.1	10.359		
							A.3	4.127		
							A.2	0.999		
C.4	(°°°)	FINSOE S.p.A.	Florence	8	658,475	23,896	A.0	39.000	39.000	259.925
C.5	(°°°)	I.B.A. VIENNA	Vienna	8	11,598	1,296	A.0	35.007	35.007	4.060
C.6		LINEAR COMPAGNIA ASS. S.p.A.	Bologna	8	23,309	3,000	A.9	20.000	20.000	4.662
C.7		QUADRIFOGLIO VITA S.p.A.	Bologna		43,489	4,697	A.9	50.000	50.000	21.846
C.8		SI.CI. Sviluppo Imprese Centro Italia S.p.A.	Florence	8	5,758	226	A.3	45.000	45.000	2.592
C.9		S.I.S. IMMOBILI S.p.A.	Villafranca (VR)	8	2,461	(20)	A.9.4	24.809	24.809	611
C.10		UNION CAPITAL SIM S.p.A. (in liquidation)	Milan	8	(207)	-	A.9	36.000	36.000	149
		Total								328.135

(°) Companies already included in the consolidated statements for their respective parent companies.
(°°) Code 1 indicates a majority of voting rights at the ordinary shareholder meetings; code 8 indicates associated companies.
(°°°) The data relative to shareholders' equity and the net profit for the period refer to the financial statements as of 31 December 2002.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	30/06/2003	31/12/2002
SOURCES OF FUNDS:		
Net profit for the period	194,435	581,813
Provision for staff severance indemnity reserve	44,240	84,402
Provision for pension fund	11,602	51,888
Provisions for loan losses	11,112	90,169
Other changes in shareholders' equity	709,650	(445,186)
Total funds generated from operations	971,039	363,086
Increases:		
Due to banks	785,776	5,410,060
Other borrowed funds backed by negotiable instruments	886,983	674,827
Other reserves	62,352	34,611
Other liabilities	1,850,946	5,847,117
Decreases:		
Cash and cash equivalents	340,188	(152,524)
Fixed assets	7,859	(37,540)
Other assets	175,318	(5,990,180)
Accrued income and prepayments	77,508	76,933
Own shares or quotas	5,421	8,227
TOTAL SOURCES OF FUNDS	5,163,390	6,234,617
USES OF FUNDS		
Payment of dividends	217,831	269,382
Payment of staff severance indemnities	21,508	74,226
Payment of pension benefits	6,516	44,274
Use of reserve for loan losses	2,775	35,595
Use of reserve for general banking risks	191	84,476
Increases:		
Equity investments	386,705	(730,249)
Positive consolidation and net equity differences	101,183	27,462
Decreases:		
Customer deposits	3,660,479	(2,778,328)
Third-party funds under administration	869	7,123
Accrued liabilities and deferred income	170,271	201,338
Reserve for taxes	321,413	96,491
Minority interests	784,787	134,354
Subordinated debt	8,720	(231,378)
TOTAL USES OF FUNDS	5,683,248	(2,765,234)
Difference	(519,858)	8,999,851

CHANGES IN INTEREST-BEARING USES OF FUNDS		
Increases:		
Customer loans and advances	2,144,399	5,433,873
Amounts due from banks	(4,606,130)	2,146,992
Securities and certificates of deposit	1,941,873	1,418,986
Total	(519,858)	8,999,851

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Paid-in Capital	Provision for General Banking Risks	Negative Cons. Diff.	Negative Net Equity Diff.	Legal Reserve	Statutory Reserves	Reserves for Own Shares	Other Reserves	Reval. Reserves	Retained Earnings	Profit for the Period	TOTAL
Consolidated net equity as of 31 December 2002	1,675,023	522,925	360,812	21,343	1,570	271,231	974,812	10,418	1,115,832	14,405	70	581,813	5,550,254
Net profit allocation						63,774	91,000		209,154		54	(363,982)	-
Dividends									-			(217,831)	(217,831)
Share capital increase with to service BAM and BT mergers	260,250								-				260,250
Securitization effects	-								(2,783)				(2,783)
BAM and BT merger surpluses									490,100	-			490,100
Change in reserve for own shares								(5,422)	5,422				-
Other changes			(191)	-				-	(36,764)	(1,152)			(38,107)
Profit for the period									-			194,435	194,435
Consolidated net equity as of 31 December 2002	1,935,273	522,925	360,621	21,343	1,570	335,005	1,065,812	4,996	1,780,961	13,253	124	194,435	6,236,318

RECONCILIATION OF PARENT-COMPANY EARNINGS AND NET EQUITY AND CONSOLIDATED EARNINGS AND NET EQUITY

	30/06/2003		31/12/2002	
	Shareholders' Equity	*Profits and Losses*	*Shareholders' Equity*	*Profits and Losses*
Balances as reported in parent-company financial statements	6,373,176	110,659	5,622,414	599,497
Effects of line-by-line consolidation of subsidiaries	(231,604)	161,565	(22,439)	180,965
Excess of net equity over carrying value for subsidiaries consolidated with net equity method	177,920	15,917	157,130	30,900
Reversal for dividends distributed by subsidiaries	580	(9,942)	-	(22,699)
Reversal for dividends accrued by subsidiaries	(83,764)	(83,764)	(206,850)	(206,850)
Total	6,236,318	194,435	5,550,255	581,813