MONTE
DEI PASCHI
DI SIENA
GROUP

2001 CONSOLIDATED FINANCIAL STATEMENTS

Report of the Board of Directors

Siena, 27 March 2002

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MPS GROUP: SUMMARY FINANCIAL DATA

(in EUR mn)

	31.12.2001	31.12.2000	% Change
Aggregate customer funding	**173,239**	**164,053**	**5.6**
Values of products placed:			
Mutual funds (net new investment)	739	3,530	-79.1
Life insurance policies / pension funds	3,143	2,349	33.8
Innovative financial products	4,740	1,350	251.3
Customer loans	**64,944**	**60,952**	**6.6**
Total number of customers (actual number at period end) excluding customers of banks consolidated with proportional method and Consum.it customers	**4,482,500**	**4,253,500**	**5.4**
Number of online customers (number of connections)	**974,948**	**455,532**	**114.0**
Gross operating profit	**2,204**	**1,938**	**13.8**
Gross operating profit excluding profits (losses) from financial transactions	**1,972**	**1,757**	**12.2**
Net profit	617	566	9.1
Net profit adjusted to exclude amortization of positive consolidation and positive net equity differences	700	634	10.5

CORPORATE OFFICERS, SENIOR MANAGEMENT AND AUDITORS

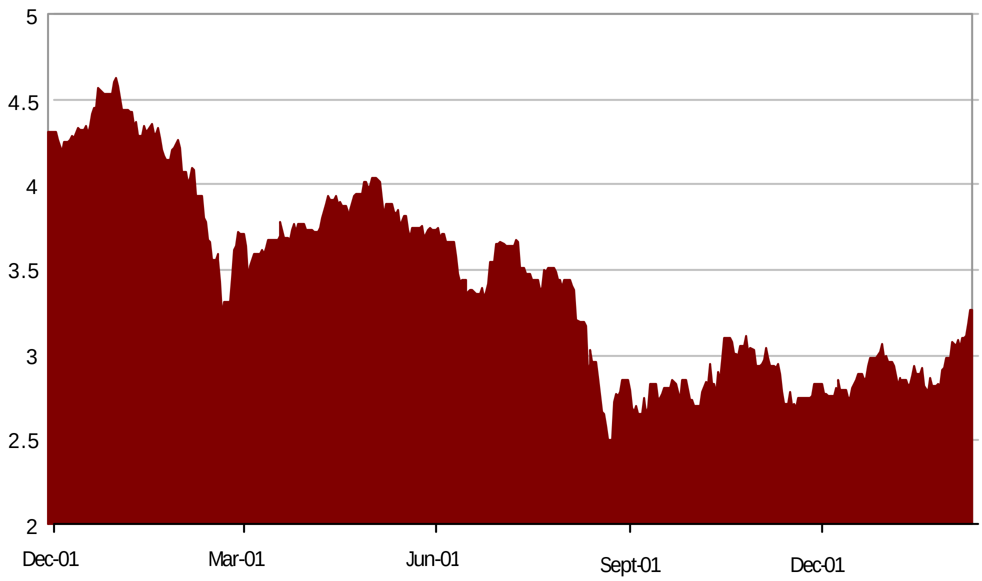
Board of Directors:	Pier Luigi Fabrizi, Chairman
	Mauro Faneschi, Vice Chairman
	Antonio Silvano Andriani, Director
	Stefano Bellaveglia, Director
	Francesco Saverio Carpinelli, Director
	Giuseppe Catturi, Director
	Carlo Querci, Director
	Ivano Sacchetti, Director
	Antonio Sclavi, Director
	Giovanni Semeraro, Director
	Alessandro Vercelli, Director
Board of Statutory Auditors:	Giuseppe Vittimberga, Chairman
	Pietro Fabretti, Acting Auditor
	Luciana Granai De Robertis, Acting Auditor
	Angiola Lippi, Alternate Auditor
	Duccio Neri, Alternate Auditor
Senior Management:	Vincenzo De Bustis, Chief Executive Officer
	Pier Giorgio Primavera, Deputy Chief Executive Officer
	Antonio Vigni, Assistant Chief Executive Officer
	Pier Luigi Corsi, Assistant Chief Executive Officer
Independent Auditors:	KPMG S.p.A.

TREND OF BANCA MPS SHARES AND REVIEW OF SHAREHOLDER BASE

PRICES AND CAPITALIZATION

At the end of a particularly difficult year for the financial markets, the shares of Banca Monte dei Paschi di Siena S.p.A. ("Banca MPS") had performed virtually in line with the shares of major competitors and the indices of reference (the MIB30 and the MIB Banking Index). The annual high of EUR 4.72 was realized at the end of January. At the close of the year, the market value stood at EUR 2.82, thereby reflecting a recovery of 17 percent in comparison with the annual low of EUR 2.41 recorded in mid-September. In the first two months of 2002, the share price moved up to around EUR 3.00, and then climbed to EUR 3.30 in mid-March, with the increase as from the start of the year amounting to approximately 17 percent.

Banca MPS SHARE PRICE (from 29 December 2000 to 14 March 2002)
Source: Bloomberg



In terms of capitalization, the market value of Banca MPS at the end of 2001 totaled EUR 7,318 million, and represented roughly 1.3 percent of total market capitalization. By mid-March 2002, the Bank's market value was up to more than EUR 8.5 billion.
Following two share capital increases, the shareholder base expanded by more than 10 percent in 2001. The first capital increase took place through the transfer of reserves to the share capital account, and the simultaneous bonus issue of 236,046,981 new shares; one new share was issued and given free of charge for each 10 ordinary or savings shares outstanding. The second capital increase was realized with the implementation of a stock granting plan, and involved the issue of 11,472,551 new shares for assignment to employees of Banca MPS and of several subsidiary companies (the stock granting plan was completed on 7 February 2002 with the issue of another

165,150 shares). At the end of 2001, the share capital of Banca MPS consisted of 2,598,557,169 ordinary shares and 9,432,170 savings shares.
As a result of the aforementioned transactions, the interest held by the Bank's largest shareholder, MPS Foundation, decreased from 66.03 percent at the end of 2000 to 65.74 percent at the end of 2001.

Significant Shareholders as of 31 December 2001
(disclosure required under Article 120 of Legislative Decree No. 58 of 1998)

MPS Foundation	65.74%
Fondiaria Group	2.01%

Source: CONSOB, March 2002

VOLUMES

The number of Banca MPS shares traded on a daily basis averaged 5 million for the year. A total of about 52 percent of the Bank's ordinary capital changed hands in 2001, with the turnover of the market float amounting to approximately 151 percent.

Trading Volumes

Month	(number of shares traded in mn)
January	122
February	64
March	142
April	120
May	146
June	97
July	76
August	73
September	135
October	123
November	123
December	125

MAIN MARKET INDICATORS

During the first half of 2001, the shareholders adopted a resolution approving the distribution of ordinary dividends of ITL 200 per share and savings dividends in the amount of ITL 220 per share. Accordingly, the dividend payout amounted to 43.1 percent of the MPS Group's earnings for 2000.

(consolidated data)	2001	2000
Shareholders' equity (in EUR mn)	5,786	5,573
Net profit (in EUR mn)	617	566

Dividends (in EUR mn)(°)	269	244
R.O.E.	14.3%	14.0%
Payout Ratio (°)	43.6%	43.1%

(°): With reference to the proposed allocation of earnings submitted to the ordinary shareholders' meeting on 27 April 2002.

Even though the number of shares outstanding rose by more than 10 percent as a result of the capital increases effected during the year, the earnings per share remained virtually unchanged due to improvements in profitability of the MPS Group that were achieved despite the unfavorable market conditions.

(consolidated data)	**2001**	**2000**
Earnings per share (EUR)	0.24	0.24
Book value per share (EUR)	2.23	2.36
Ordinary dividend (°) (EUR)	0.1033	0.1033
Savings dividend (°) (EUR)	0.1137	0.1136
Price/earnings per share	11.75	17.94
Price/book value per share	1.27	1.82
Dividend yield on ordinary shares (based on year end price)	3.7%	2.2%

(°): With reference to the proposed allocation of earnings submitted to the ordinary shareholders' meeting on 27 April 2002.

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 2000.

Agency	Short-Term Rating as of 31.12.2001	Medium- and Long-Term Rating as of 31.12.2001
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch IBCA Ltd.	F-1	A+

In addition, Moody's Investors Service upgraded the rating of the Bank's financial strength from C+ to B-.

Letter to the Shareholders

To the Shareholders:

The year of 2001 presented many challenges in terms of the performance of the economy and the trend of the financial markets. Relatively weak levels of output at a domestic and international level, and descending prices in stock markets around the world represented the most critical aspects of this scenario and were followed by the dramatic terrorist attacks of 11 September and the armed conflict thereafter which did nothing but accentuate the negative trends.

Against this backdrop and the instability and uncertainty which it generated, Banca Monte dei Paschi di Siena (the "Bank") and the Monte dei Paschi di Siena Group (the "MPS Group") continued to pursue expansion of operations and improved performance, and secured impressive results in terms of margins and volumes.

The Bank and the Group both achieved increases in net earnings in 2001. The Bank's net profit advanced by 9.6 percent to EUR 555 million, while the Group's was 9.1 percent higher at EUR 617 million. As a result of this improvement, the Bank's ROE went from 12.5 percent to 12.8 percent (based on reclassified data, excluding inter-company transactions within the Group). At the Group level, the ROE climbed from 14.0 percent to 14.3 percent, and from 15.7 percent to 16.1 percent when positive consolidation and positive net equity differences are excluded from the calculation.

The improvement in the profitability profile is the by-product of favourable developments in lending and deposit-taking activity, excellent returns on services and some deceleration in the growth of operating expenses.

Lending and deposit-taking activity during the year yielded increases in the interest margin. In the case of the Bank, the margin rose by 5.9 percent to EUR 1,228 million. At the Group level, the margin was 8.4 percent higher than the margin in 2000, totalling EUR 2,291 million. These improvements came as a result of higher volumes of loans and deposits, and an increase in the spread between average rates on short-term loans and the average cost of funds which was realized through more accurate pricing. The latter development is even more impressive when considering that spreads across the banking industry declined on average during 2001.

The contribution of services was even more significant than that of traditional lending and deposit-taking activity. The Bank's service margin rose by 13.6 percent to EUR 1,615 million while the Group's was 12.2 percent higher at EUR 2,822 million. These results reflect the importance of product innovation and the effectiveness of marketing policies, two elements which were fundamental in supporting the growth of placement commissions when income from funds management products was on the decline. The growth of the service margin is also indicative of the quality of traditional services, which is another core element driving the growth of the more stable commissions realized on payment and other base services. Finally, higher earnings from companies consolidated with the net equity method and an increase in dividend income also contributed to the increase in net earnings.

Though operating expenses for the year grew by 8.4 percent at the Bank and by 8.1 percent within the Group, the expansion was accompanied by a significant effort to reconfigure the mix of expenditures. Outlays for personnel, for example, were 7.6 percent higher for the Bank and 5.3 percent higher for the Group as a result of: the renewal of corporate labour contracts supplementing the national contracts (net of this component, the increase in personnel expenses for the Group would have been 3.8 percent); additional bonus incentives tied to results; and an appreciable increase in staffing, with the recruitment of around 400 new employees. Most new employees, many of them with specialized skills and professional credentials, were assigned to the distribution networks and innovative business areas. Other operating expenses rose by 9.4 percent at the Bank and by 12.8 percent within the Group. Such increases primarily reflect the commitment to important programs for reinforcing the marketing and operating areas of the Bank and the Group, while expenditures for ongoing operations were limited as much as possible. In more general terms, the cost-income ratios for the Bank and the Group showed improvement over the prior year. In the case of the Bank, the ratio computed net of depreciation and amortization decreased from 52.5 percent to 51.6 percent, and from 55.7 percent to 55.1 percent when depreciation and amortization are included. The Group's ratio went from 58.1 percent to 56.9 percent net of depreciation and amortization, and from 63.3 percent to 62.6 percent inclusive of depreciation and amortization.

As indicated, the Bank and the Group achieved impressive results in terms of volumes. In this regard, increases were realized in all strategic aggregates (funding, loans and shareholders' equity).

Total funding for the Bank rose by 5.9 percent for the year, while funding at the Group level was 5.6 percent higher. The increases reflect a positive trend for both funding components (direct and indirect funding). Direct funding grew by 5.0 percent at the Bank and by 8.5 percent within the Group, with much of the increase attributable to current accounts and bonds. Indirect funding rose by 6.7 percent for the Bank and by 3.3 percent for the Group; in this case, significant flows into innovative finance products, insurance policies and retirement plans allowed for offsetting the negative effects which lower securities prices had on the value of the total stock of indirect funding. As emphasized above, product innovation and effective marketing had a positive impact on both funding components. Specifically, by changing the mix of the products offered and intensifying the selling efforts of the distribution network, the Group was in a prime position to capitalize on opportunities arising from the recomposition of household financial assets prompted by uncertainty about the economy and by the volatility of the financial markets.

Equally positive were the results in terms of the trend of lending. Customer loans at the Bank rose by 6.3 percent for the year, while total outstandings for the Group advanced by 9.5 percent. Net of securitizations, the loan portfolios of the Bank and the Group were 0.6 percent lower and 6.6 percent higher, respectively. Such results were realized in the midst of an overall deceleration in lending activity with respect to 2000 that was partly due to general circumstances regarding a slower rate of economic growth and more limited non-recurring lending opportunities with regard to several industrial sectors. As in the past, the biggest contribution to loan growth came from medium- and long-term credits in the form of traditional mortgages and from specialized financing such as industrial, agricultural and environmental lending and consumer credit.

The Group's lending policy is defined by the Parent Bank in terms of the guidelines for determining creditworthiness, the assessment of the merits of the credit, the industry and geographic mix of the loan portfolio and interest rates. Incorporating this policy, the Group's lending activity in 2001 was geared to several objectives, including: a further reduction of the average level of credit risk, optimization of pricing, and containment of capital absorption. This approach yielded further significant improvement in credit-quality indicators. In addition, several sizeable securitization transactions were effected on the basis of the same objectives. By combining attentive lending policy with punctual monitoring of outstanding loans and with the development of securitization activity, significant progress was made in reducing in the ratios of net, non-performing loans to total loans: in the case of the Bank, the ratio fell from 3.1 percent to 1.0 percent; at the Group level, the ratio went from 2.9 percent to 1.2 percent. Improvement was also seen in the ratio of doubtful loans (the sum of non-performing loans, watchlist credits and credits to high-risk nations) to total loans: in the case of the Bank, the ratio fell from 4.8 percent to 3.0 percent; at the Group level, it decreased from 4.7 percent to 3.1 percent.

The changes in the balance-sheet aggregates also include important improvements in capital computed for regulatory purposes. Growing by 10.8 percent with respect to the prior year end, the Bank's regulatory capital totalled EUR 6,746 million as of 31 December 2001; the aggregate for the Group amounted to EUR 6,583 million, reflecting an increase of 9.4 percent for the year. The increases, which were generated by varying changes in supplemental capital and core capital at the Bank and Group levels, led to improvement in the Tier I and solvency ratios. In the case of the Bank, the Tier I ratio went from 9.00 percent to 9.02 percent, while for the Group, it rose from 5.24 percent to 5.77 percent. Instead, the solvency ratio climbed from 12.96 percent to 13.50 percent for the Bank, and from 8.41 percent to 8.53 percent for the Group.

The development of the customer portfolio was also very significant in 2001, as shown by the nearly 2.5 million customer relationships for the Bank and roughly 4.5 million for the Group. These figures, flanked by improvements in the cross-selling and customer-retention indicators, are yet another confirmation of the effectiveness of the product and marketing policies. The central role of the customer has long been a dominant theme in the policies of the Bank and the Group, and it is thus gratifying to indicate the Bank's and Group's capacity to put this principle into practice during a year such as 2001 when the uncertainties about the economy and the volatility of the financial markets severely tested the stability of customer relationships across the entire banking industry.

Aside from emphasizing the central role of the customer, the MPS Group's Statement of Values approved by the Bank's Board of Directors also stresses another fundamental principle, namely, that of corporate responsibility and in particular, responsibility for safeguarding the environment and the dignity of individuals. Though many initiatives were carried out in the past year to confirm the Bank's and the Group's sensitivity to social and environmental issues, it appears sufficient to mention here the publication during 2001 of the first editions of the Bank's Environmental Report and Social Responsibility Report which contain a detailed description of the Bank's initiatives in this field.

While the overall results described thus far are certainly satisfying, one area of operations, Tax Collection, continues to be perceived as critical in that its future prospects are heavily conditional on external variables, and in particular, developments in the regulatory framework. Notwithstanding these circumstances, the direct collections area managed to close 2001 with a profit. Instead, with reference to Monte Paschi Serit, the emphasis went to upgrading the information systems and to programs designed to boost efficiency and streamline the organization; these efforts should produce their first benefits in 2002.

Turning to the issues of strategy and business development, the efforts of the Bank and the Group in 2001 were again oriented toward the objectives of growth and the creation of value. Such objectives were pursued first and foremost through the implementation of the 2001-2004 Business Plan approved by the Parent Bank's Board of Directors on 14 November 2000, and largely explained in the "summary considerations" presented at the Shareholders' Meeting in April 2001.

The aforementioned Business Plan provided for organizational changes in the Group in order to adapt to the new structure created by the rapid and intense external growth process realized in 1999 and in 2000. Specifically, the aim was to transform the MPS Group from a financial conglomerate with a low level of central office coordination and a limited degree of operational and commercial specialization into an integrated and coordinated, multi-specialist group focused on four areas of business (Commercial Banking, Private Banking, Personal Financial Services and E-Business). This transformation was based on coordination, specialization, and the creation of divisions, all backed by product and process innovation and a drive toward achieving better operating efficiency.

All phases of the Business Plan contemplated for 2001 were carried out on schedule. In particular, various projects were realized during the year in order to streamline and update various areas and processes within the organization, as well as the use of human resources.

The main development from an organizational perspective was the completion of the restructuring of the Parent Company. As a result of the restructuring, the ordinary banking activity of the Parent Company was concentrated in the Banca Monte dei Paschi di Siena Division, while the Parent Company's coordination of the Group was delegated to the Corporate Center. The two units became operational during the year, thereby assuring efficient head-office coordination of the Group on the one hand, and the safeguarding of the Bank's market position and customer relationships on the other hand.

A set of governance rules for the Group was approved by the Parent Bank's Board of Directors and by the Boards of Directors of the individual subsidiary companies in order to provide for more fluid administration of the Group's new structure. The rules specifically regulate the relationships between the Parent Company and the subsidiaries in terms of strategic governance issues and between the Corporate Center and the Head Office of the various subsidiaries in terms of operational issues.

During 2001 the Group companies have taken peculiar steps which are targeted at specific business areas, production units, and distribution and service structures.

Key developments in the business areas are summarized as follows:

- Commercial Banking: the Head Office of Banca Agricola Mantovana was reorganized along the lines adopted for the Banca Monte dei Paschi di Siena Division;
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- Private Banking: the Parent Company acquired total control of Banca Steinhauslin, and the subsidiary proceeded thereafter to transfer its corporate and retail business to other banks of the MPS Group and to embark on an important internal restructuring which will result in business being handled through relationship managers and private-banking centers;
- Personal Financial Services: enhancements were made to Banca 121's multiple-channel distribution network, and the unit ended 2001 with around 350 points of sale (including branches, financial stores and teleboutiques) and a total of 1,541 financial advisors;

- E-Business: the Group launched the operations of the specialized company, MPS.net.

Highlights of the production units include the following:

- corporate finance: MPS Merchant made its market debut through extending the range of operations of its predecessor, Mediocredito Toscano, to include merchant banking and private equity transactions; at the same time, Intermonte Securities added corporate finance services for small and medium-sized companies;

- agricultural and environmental lending: the new MPS Banca Verde became a reality, taking over the operations of its predecessor, Istituto Nazionale di Credito Agrario, and adding services for companies active in the environmental business;

- special credits: MPS Leasing & Factoring was created for the purpose of concentrating all of the Group's leasing and factoring activity;

- loan recovery: MPS Gestione Crediti Banca was established to serve as the focal point for management of all non-performing loans at a Group level;

- securities markets: the Parent Company acquired total control of MPS Finance Banca Mobiliare and further progress was made in developing the unit's dealing capacity, in its product engineering efforts for the retail market and in its role as a full-service financial intermediary for small and medium-sized firms;

- asset management: a project undertaken to streamline the market presence resulted in the three Group's asset management companies being incorporated into MP Asset Management SGR (the new name of former Gruppo Monte Paschi Asset Management SGR); services were further enhanced through the creation of MPS Alternative Investment SGR, a company that will operate in open and closed speculative funds;

- insurance: the Parent Company acquired total control of MP Vita, Ticino Assicurazioni and Dipras through the purchase of the relative minority stakes previously held by SAI.

In addition to the changes outlined for Banca Steinhauslin and Banca 121, developments in the distribution network included:

- the reorganization of the front line of three commercial banks (Banca Monte dei Paschi di Siena, Banca Toscana and Cassa di Risparmio di Prato) with the introduction of account managers dedicated to specific customer segments, and the start of a similar process for Banca Agricola Mantovana;

- the incorporation of MPS Professional, a company which is aimed at the procurement of new corporate customers through the offer of a range of specialized services in partnership with various professional categories and with corporate consulting firms;

- the redesign of the role of the foreign Branches and the Representative Offices in line with a more specific market logic, and the start-up of a process to streamline the foreign operations of the subsidiary banks with the possible transfer of some activities to a private-banking unit and additional emphasis on supporting Italian customers involved in foreign trade.

Finally, with regard to the service units, further progress was made in developing a technological platform for the Group. The Group information system created to date was extended to Banca Agricola Mantovana and MPS Finance for their back-office activity. The so-called peripheral applications continue to be standardized, especially with regard to services and products marketed through multiple distribution channels. All of these efforts have been designed to yield significant gains in terms of efficiency and competitive position.

Various processes within the organization were also updated during the year, with highlights as follows:

- performance measurement: a value-based management system was implemented across the Group to improve the Parent Company's control over the mechanisms for creating value and to gain greater involvement of the Management at the subsidiaries in the pursuit of Group objectives;

- commercial policy: a Customer Relationship Management system was implemented within the Banca Monte dei Paschi network which had the effect of improving the efficiency and effectiveness of distribution, by developing integrated marketing programs which provide for the simultaneous use of multiple distribution channels and new ways of making contact with the clientele;

- credit policy: a credit risk management project completed at Banca Monte dei Paschi will have the effect of improving the measurement and monitoring of credit risk while also supporting the re-engineering of lending activity with a view toward optimizing its organizational, operational and procedural aspects;

- organization: a benchmarking model was tested with the objective of developing an instrument for valuing operating processes and aligning branch operations to a best-practices scheme.

With regard to human resources, the 2001-2004 Business Plan focuses on the issues of corporate culture and skills development. In the first area, significant efforts went to ensuring a balanced approach to safeguarding traditional values and opening up to innovation, and to facilitating the development of a common culture for the Group. The emphasis on the second issue was manifested through the construction of a knowledge management system aimed at the development and dissemination of information.

Even though the implementation of the 2001-2004 Business Plan entailed a significant effort, the strategy to expand the Bank and the Group was also a priority, and various initiatives for internal and external growth were carried out during the year.

Internal growth initiatives for the Group were addressed to the physical distribution channels as well as to the virtual distribution channels.

The physical distribution channels were expanded considerably in 2001, through: the opening of new branches (+4.6 percent for a total of 1,812 units at the end of 2001); the start-up of new ATMs (+12.0 percent for a total of 2,336 units) and POS terminals (+35.5 percent for a total of 59,699 units); the inauguration of new financial boutiques (+46.9 percent for a total of 257 units) and the recruitment of new financial advisors (+40.8 percent for a total of 1,719).

The growth of the virtual distribution channels (Internet banking, phone banking, television banking and remote banking) is confirmed by the strong 114.0 percent increase in the number of contracts in effect, which went from 455,532 at the end of 2000 to 974,948 at the end of 2001.

The expansion of the physical and virtual networks continued to be realized within the framework of the more general strategy of developing an integrated, multiple-channel distribution system. The priority objectives pursued in this regard included: the enhancement of the supply of products and services available to retail customers; and the achievement of higher levels of efficiency, partly by migrating an increasing number of customers to the more innovative distribution channels which are operated at a lower cost. The validity of the strategy pursued is indirectly confirmed by the increase in the number of customers cited above.

The decisions taken in 2001 with reference to external growth were all linked to a more general objective of safeguarding and, if possible, reinforcing the position of the MPS Group as a leading Italian banking group with a European reach.

This objective was the basis for the decision to purchase 4.75 percent of the capital of Banca Nazionale del Lavoro from Banca Popolare Vicentina. As explained in the "summary considerations" presented at the Shareholders' Meeting in April 2001, this acquisition had the effect of keeping the MPS Group in the game of large-scale banking alliances, and providing the Group with an option for various strategic development alternatives to be assessed by the Shareholders.

Similar considerations can be made with regard to the Bank's decision to acquire 20.0 percent of the capital of Finsoe, a financial holding company controlling the Unipol insurance group. Taking into account the Banca Agricola Mantovana's 5.6-percent interest in Finsoe, the MPS Group has a total interest of 25.6 percent in the capital of this company. This investment is linked to a more general plan to form a working partnership with the insurance group, which, in turn, is another option that is subordinated to possible developments within the framework of the Group's strategic alliances.

The issue of strategic alliances also involves industrial and financial investments which merit separate comment, even though such investments are not strictly linked to the Bank's and Group's expansion.

In 2001, the Bank sold a large investment held in the Olivetti Group to Bell S.p.A., realizing a significant capital gain on the transaction. From a financial point of view, the sale of the Bank's holding made a significant contribution to the restructuring of the ownership of Olivetti, and as such, the Bank continued to hold its seat on the Board of Directors of Olivetti S.p.A., even after the transaction was completed.

The Bank also purchased a 3.72-percent interest in the capital of HOPA S.p.A. as part of a reserved capital increase. As a result, the total interest of the MPS Group held in the company rose to 5.0 percent (before the Bank purchased its interest, Banca Agricola Mantovana held a 1.69-percent share in the company through its subsidiary, Finanziaria BAM; this interest decreased to 1.28 percent as a result of the aforementioned reserved capital increase). Following this acquisition, the Bank entered into an agreement with other principal shareholders, with the provisions of the shareholders' pact covering significant rights in terms of governance of the company.

Both of the aforementioned transactions respond to the need to maintain close contact with the business community. As a consequence, the MPS Group has greater opportunities to play a leading role in financial transactions affecting changes in the structure and ownership of large industrial and financial firms in Italy.

In summary, the accomplishments of the Bank and the Group in 2001 are the source of much satisfaction and pride, and include:

- strong performance in terms of profit-and-loss and balance-sheet aggregates which in many cases was better than that of principal competitors;

- the implementation of the Business Plan which was carried out with commitment and in accordance with the scheduled timetable;

- actions to create strategic options which will allow for looking toward the future with peace of mind and more importantly, with the knowledge of being able to choose between alternatives.

As business moves ahead, there is no time to indulge in the accomplishments of the past; the Bank and the Group must also look to the future, especially now when the impact and velocity of change are so intense.

Given this philosophy and the significant changes occurring in the economy and financial markets, some of which followed the dramatic events of 11 September, the Bank set out to adapt the MPS Group operating strategies to the new realities of the marketplace, and this led to the development of a new Business Plan (the 2002-2005 Group Business Plan) which was approved by the Parent Bank's Board of Directors on 10 January 2002.

The new Business Plan is based on the same fundamentals as the preceding plan, thus re-affirming the priority nature of several objectives in the future development of the Bank and of the Group, including: internal and external growth; the creation of value; the improvement of earnings; and the increase in transaction volumes handled directly and indirectly.

Although modified to incorporate the new scenario for the economy and financial markets, the specific objectives remain ambitious and challenging. In essence, the new Business Plan contemplates the steady growth of ROE from 14.3 percent in 2001 to 20.9 percent in 2004, and the ongoing reduction of the cost/income ratio (net of depreciation and amortization charges) from 56.9 percent in 2001 to 51.6 percent in 2004.

The achievement of the objectives is based on programmed initiatives which involve operating policies, the organizational structure and human resources.

With regard to operating policies, the actions contemplated include:

- further development of the focus on specialization and segmentation, to be realized through (i) greater integration between the product companies and distribution networks, (ii) more intense marketing efforts and (iii) service models and supplies of products which are well defined with reference to the base, affluent and private segments of the retail market and the small business, middle market, large corporate, financial institutions and public-sector segments of the corporate market;

- the improvement of efficiency, to be achieved by specific cost-containment measures, the streamlining of operating processes at the Head Office and in the networks, and a significant increase in productivity;

- the optimization of risk management to be obtained through the development of models and refinement of procedures for controlling and measuring credit, financial and operating risks;

- the reinforcement of the MPS Group's position in the various local markets in which it operates, to be pursued through the defense and value-enhancement of the brands and the transfer of responsibility for customer relationships to the individual commercial banks.

From an organizational perspective, the new Business Plan re-affirms basic guidelines with reference to coordination, specialization and the divisional structure while also proposing further modifications to the Group's model. In general, the organization will shift from its current configuration as an integrated group with multiple areas of specialization to a divisional group serving multiple markets. The implementation of this shift contemplates the creation of divisions within the Corporate Center and the commercial banks, with specialized units assigned to handling retail and corporate customers, with the focus on specialization and segmentation remaining as previously described.

The initiatives with regard to human resources are mainly centered on streamlining staffing by function and on professional development. In the first case, the Business Plan provides for the migration of staff from administrative and executive areas to the sales and marketing areas. In the second case, the emphasis will go toward getting the most value out of existing staff, and the cultivation of new professionals through internal development of skills and more intense training.

In summary, the new Business Plan is ambitious in its objectives and its actions, but these objectives and actions are achievable, obviously with the commitment, input and professional skills of all of the personnel involved. This optimism is also supported by the strong backing which the Plan has received from the market. The favourable view of the Plan by financial analysts in Italy and abroad is no doubt linked to several indisputably positive aspects of the Plan, including: the balance in terms of revenue and cost objectives; the symmetry between an approach to innovation and a view to safeguarding tradition; the consistency with regard to the prospects for the economy and the trend of the financial markets; the Plan's compatibility with recent developments in the organization structures of large banking groups in Italy; and the Plan's flexibility and adaptability, including with regard to various alternatives for external growth.

The definition and approval of a new Business Plan is not the only development affecting the MPS Group in early 2002. Alongside the Group's Plan, a new Business Plan was drawn up and approved for Banca 121 with a view toward boosting efficiency during a period that has been very challenging for institutions such as Banca 121 which operate primarily in asset management and in securities trading in general. With the implementation of this Plan, the Parent Company purchased a business unit from Banca 121 consisting of 30 branches located outside of the subsidiary's home market of Apulia, and a 100-percent interest in the Irish-law company, 121 Financial Services, along with its assets and liabilities.

This transaction is added to another, similar transaction which was perfected in December 2000, in which Banca 121 transferred its corporate business unit to the Parent Company, and is based on the logic of transforming Banca 121 from a full-service institution to a business unit specialized in servicing affluent customers in the area of personal financial services.

In essence, the Banca 121 transactions are similar to those involving Banca Steinhauslin, which has been transformed from a full-service bank into an institution specializing in another business area, namely, private banking.

There is another common element to the strategies which the Group has pursued for Banca 121 and those for Banca Steinhauslin: in both cases, the business plans are aimed at strategic repositioning of the institutions. This is to be achieved through developing the two banks in a manner that is consistent with the roles and responsibilities for specific and important customer segments as spelled out in the MPS Group's Business Plan.

The various elements reviewed in this letter to the Shareholders suggest a very satisfactory overall framework for the Bank and the Group.

As Chairman, I wish to acknowledge the important contribution of the staff in the results achieved to date, and to thank all employees for their professionalism, dedication and sense of commitment. This note of appreciation also extends to Union Representatives for their collaboration in a relationship that is obviously open to debate, but that is also based on mutual respect and the pursuit of best interests of the Bank and the Group.

I also wish to thank the Head-Office Executives and other Managers for the ideas and skills which they have contributed and which have helped in running the Bank and the Group at a time of considerable uncertainty and significant change. I should like in particular to acknowledge the contribution of the Chief Executive Officer Vincenzo De Bustis Figarola who, working together with the Board of Directors, has intelligently and creatively continued to guide the process of change within the Group.
I am also grateful for the quality of the consultative input received from other members of the Board of Directors at our numerous meetings throughout the year, and more importantly, for the firm and continuous support which they have willingly assured to the Chairman's Office.

A final note of thanks goes to the Chairman of the Board of Statutory Auditors, Giuseppe Vittimberga, and his two colleagues for their diligent and effective efforts in the area of internal controls.

Considering the achievements of 2001, the decisions taken in early 2002, and the positive indications relative to performance in the first quarter of this year, we look to the future with confidence and peace of mind. The Bank and the MPS Group have achieved an earnings track record and growth in principal balance-sheet aggregates which are fully satisfactory and highly competitive with other leading bank groups in Italy.

The current structure of the organization guarantees efficient coordination of the Group's activity through the Parent Company and a strong orientation to the customer. The governance of operational issues is handled by the Head Office with skill and leadership. The governance of strategy is ensured by the Board of Directors and the Executive Committee which are active and committed, as affirmed by their numerous meetings (35 and 42, respectively, in 2001, and 37 and 41, respectively, in 2000). Such meetings are much more frequent than in other top institutions in Italy and abroad.

The relationship with the market has developed smoothly and efficiently by placing the priority on the customer and on satisfying his needs in a completely transparent manner, and by measuring, controlling and managing risks with the prudence and professionalism typical of the MPS tradition.

In conclusion, the Bank and the MPS Group are poised to face the many challenges which the future will bring, with an awareness of their strengths and with the firm conviction of being able to blend the safeguarding of their values and culture with an attitude open to change and innovation.

CORPORATE GOVERNANCE

As communicated to the shareholders meeting on 30 April 2001 (and indicated in the report on operations relative to the 2000 financial statements), Banca Monte dei Paschi di Siena S.p.A. (the "Bank") has adopted the Self-Discipline Code for Quoted Companies (the "Code") as its point of reference for an effective system of corporate governance. Following is a summary of the more significant points of this code.

THE BOARD OF DIRECTORS

1. The Board of Directors has a pivotal position within the Bank's organization, handling the formulation of strategy for both the Bank and the MPS Group, and controlling the achievement of the pre-established objectives.

The Board of Directors is currently composed of 11 members whose term of office covers the years of 2000, 2001 and 2002:

Pier Luigi Fabrizi	-	Chairman
Mauro Faneschi	-	Vice Chairman
Antonio Silvano Andriani	-	Director

Stefano Bellaveglia	-	Director
Francesco Saverio Carpinelli	-	Director
Giuseppe Catturi	-	Director
Carlo Querci	-	Director
Ivano Sacchetti	-	Director
Antonio Sclavi	-	Director
Giovanni Semeraro	-	Director
Alessandro Vercelli	-	Director

The Directors currently serving on the Board were appointed by the shareholders' meeting held on 20 April 2000, with the exception of Giovanni Semeraro, who was elected at the shareholders' meeting held on 7 June 2000, and Ivano Sacchetti, who was appointed by the Board of Directors on 5 April 2001 and confirmed by the shareholders meeting on 30 April 2001.

2. Within the framework of the Code, "executive directors" are defined as managing directors, including the Chairman when empowered to act as a managing director and any other directors who cover managerial roles within the Bank. All members of the Bank's Board of Directors are to be considered as "non-executive directors" since the position of managing director, though contemplated by the Bank's By-Laws, has not been filled and there are no directors with managerial responsibilities within the Bank. The Chairman has been vested with the authority to take decisions in relation to the Bank's administration in urgent situations, and should the Chairman be absent or unable to take such decisions, such powers are delegated to the Vice Chairman. It is doubtful, however, that the Chairman or Vice Chairman could be classified as "executive directors" in consideration of both (a) the meaning ascribed by the Code to the term "executive director" and (b) the fact that the exercise of the decision-making authority by the Chairman is only an eventuality and of a supplemental nature.

3. Within the framework of the Code, the members of Board of Directors are to be considered as "independent" directors since none of them has any economic relationship with the Bank which would condition his independent judgment with respect to the Bank, its subsidiaries, or shareholder or group of shareholders controlling the Bank. In addition, the directors do not own directly or indirectly quantities of shares in the Bank which would allow them to exercise control over the Bank or to participate in shareholder agreements for the purpose of controlling the Bank.

4. The Bank's By-Laws assign to the Board of Directors all powers of ordinary and extraordinary administration for the achievement of the corporate purpose other than those powers specifically vested with the shareholders pursuant to the law or the By-Laws. More specifically, the By-Laws exclusively empower the Board of Directors:

- to formulate strategy for the Bank and the MPS Group and to approve the plans in relation thereto;
- to oversee the correct and consistent implementation of the aforementioned strategies and plans within the operations of the Bank and of the MPS Group;
- to determine the principles for the Bank's organization and to approve the organizational structure of the same;

- to set forth the general guidelines for the structure and operations of the MPS Group, determining the criteria for the coordination and management of the companies belonging to the Group and for the execution of directives handed down by the Bank of Italy.

5. The Board of Directors has not delegated any authority to the Chairman. Instead, as indicated above, the Chairman may, in a matter of necessity or urgency, authorize any business or transaction that would normally be authorized by Board of Directors (other than business or transactions to be authorized exclusively by the Board of Directors), with the obligation of providing notice thereof at the first meeting of the Board of Directors thereafter. The Bank's By-Laws expressly provide that the Chairman is empowered to convene meetings of the Board of Directors and of the executive committee, and to preside over the same (Article 23. Paragraph 1, Letter "b"), and to establish the relative meeting agenda (Article 16, Paragraph 1, and Article 19, Paragraph 3). The By-Laws also empower the Chairman to promote and sustain legal proceedings within the limits established by the Board of Directors. Should the Chairman be absent or unable to exercise such authority, it may be exercised by the Vice Chairman. The Board of Directors has passed resolutions vesting authority with the executive committee, rather than with the individual directors.

Pursuant to Article 18, Paragraph 7 of the By-Laws, "The decisions taken by the persons vested with authority shall be communicated to the Board of Directors, in accordance with the terms and conditions set by the Board of Directors." In the case of lending, for example, a monthly report is contemplated.

6. The Bank's By-Laws provide that the Board of Directors meets "once a month". The meetings, however, actually take place more often. During 2001, for example, the Board held 35 meetings, and a similar schedule is contemplated for 2002.
The Bank has also adopted the practice of sending the directors all of the documentation and information to be reviewed and approved by the Board of Directors for each meeting as of the date on which the meeting agenda is communicated, or as soon as possible thereafter.

7. The Bank's By-Laws do not stipulate any list voting or other specific procedures for the presentation of candidates for the position of director.
In accordance with the provisions of the Code, shareholders are entitled to propose candidates for appointment to the Board of Directors. In consideration thereof, the Board of Directors passed a resolution whereby shareholders, in advance of a shareholders' meeting held for the appointment of members of the Board of Directors, are requested (including through a specific indication in the notice of the shareholders' meeting) to deposit with the Bank's head office at least ten days prior to the meeting (a) the names of the proposed candidates for the position of director and (b) extensive information on the personal and professional attributes of the candidates, taking into account that the Code recommends an adequate number of non-executive directors who are "independent" pursuant to Article 3 of the Code, and with the notice, in any event, that the filing of the names and of the information is not obligatory.

8. The compensation to the directors was determined by a shareholder resolution passed on 20 April 2000, and consists of three components: annual compensation, meeting attendance fees, and daily allowances. The current compensation scheme does not provide for any form of variable

compensation linked to the Bank's earnings and/or the achievement of specific objectives, nor is there any form of stock option plan available to directors.

THE EXECUTIVE COMMITTEE

1. In accordance with the Bank's By-Laws, the Board of Directors may nominate a minimum of five directors and a maximum of seven directors to an executive committee. The members of the executive committee include the Chairman and Vice Chairman as well as other directors chosen annually in the first meeting of the Board of Directors following the annual meeting of the shareholders for the approval of the financial statements.

Pursuant to the By-Laws, the Board of Directors appointed six directors to executive committee on 4 May 2001. The members of the committee include the Chairman and the Vice Chairman, and the directors Antonio Silvano Andriani, Stefano Bellaveglia, Francesco Saverio Carpinelli and Giuseppe Catturi. Prior to 4 May 2001, the members of the executive committee (appointed by the Board of Directors in May 2000) included Carlo Querci, Antonio Sclavi and Alessandro Vercelli, as well as the Chairman and Vice Chairman. During 2001, the executive committee held 42 meetings.

2. With the appointment of the executive committee, the Board of Directors vested the committee with lending authority as well as with other powers, setting the limits thereof.

3. The executive committee may, in a matter of necessity or urgency, authorize any business or transaction that would normally be authorized by the Board of Directors (other than business or transactions to be authorized exclusively by the Board of Directors), with the obligation of providing notice thereof at the first meeting of the Board of Directors thereafter.

SPECIALIZED COMMITTEES

As reported to the shareholders' meeting on 30 April 2001, members of the Board of Directors have been appointed to a compensation committee and an internal controls committee, with the Board of Directors approving the rules therefor. The Board of Directors instead opted not to establish a "committee for proposed directors".

COMPENSATION COMMITTEE

This committee, which consists of three members (directors Antonio Silvano Andriani, Carlo Querci and Antonio Sclavi), is charged with presenting the Board of Directors with proposals covering compensation to directors vested with special powers and compensation to senior executives. The committee also carries out other tasks as assigned by the Board of Directors. The Chairman of the Board of Statutory Auditors or a substitute participates in the committee's work.
During its first period of activity, the committee held two meetings for the purpose of examining compensation to senior management (Chief Executive Officer, Deputy Chief Executive Officer, and Assistant Chief Executive Officers), thereafter providing proposals to the Board of Directors in this regard.

INTERNAL CONTROLS COMMITTEE

This committee also consists of three members (directors Francesco Saverio Carpinelli, Giuseppe Catturi, and Alessandro Vercelli). The Chairman of the Board of Statutory Auditors or his substitute and the Chief Executive Officer or his substitute participate in the committee's work.

The committee is charged with:

- evaluating the adequacy of the internal controls system;
- evaluating the work plan prepared by the internal controls area and reviewing the periodic reports generated by the same;
- evaluating proposals submitted by independent auditors covering bids for the independent audit of the Bank's financial statements, as well as the work plan drawn up for the audit and the results disclosed in the report and in the letter of recommendations;
- reporting to the Board of Directors, at least every six months (at the time of the approval of the annual and semi-annual financial statements), regarding the activity carried out and the adequacy of the internal controls system;
- carrying out other assignments mandated by the Board of Directors, and in particular, with regard to the relationships between the Bank and the independent auditors.

The committee also oversees compliance with the rules for corporate governance and the periodic update of the same, providing relative feedback to the Board of Directors and formulating any proposals, if applicable.

During its initial period of activity (July-December 2001), the committee held five meetings and focused on: analyzing the operation of the internal controls system; the activity of Internal Audit; the areas of risk to be covered by internal and external audit activity; the regularity and accuracy of the information supplied to management and/or to the Board of Directors; and a review to determine the extent to which the bank's activities comply with the law and with internal regulations. The committee also reviewed the process of developing controls within the Bank, with particular reference to the general principles underlying the internal controls system. Such principles embrace: the objectivity of decision-making processes; the reliability of the information system; the consistency/suitability of the Bank's actions and organization vis-à-vis strategies and the operational and market framework; the functionality of the organization structure and processes; and the regularity of operations. The results of the committee's evaluations are communicated to the Board of Directors by means of a semi-annual report which is expressly provided as one of the committee's tasks.

THE INTERNAL CONTROLS SYSTEM

1. The Bank's internal controls system complies with the requirements of prevailing supervisory regulations. In the opinion of the Board of Directors, this internal controls system is in line with the provisions of the Self-Discipline Code and responds well to the various needs indicated by the Code. In particular, the Internal Controls Area has been set up on the basis of individual units of a conglomerate so as to ensure that the internal controls system changes in response to new directives from the Regulatory Authorities. This structure also supports the procedures of controlling risks so as to safeguard the reliability, functionality and consistency of the system of controls. Similarly, the system identifies and reports risks from new business areas,

and possible improvements to policies for managing risks, instruments for risk measurement and Bank processes. In addition, the Internal Controls Area of the Bank has reinforced functional ties with the internal auditors of the subsidiary companies.

2. The Bank's Internal Controls Area does not respond to any Operational Area Executive, but reports directly to the Chief Executive Officer. The Head of the Internal Controls Area regularly participates in the meetings of the internal controls committee.

MANAGEMENT OF SENSITIVE INFORMATION

1. The Bank maintains internal procedures for managing confidential information which could affect the Bank's stock price. On the basis of these procedures, the Chairman, on his own initiative or upon the recommendation of senior management, including through the General Secretary's office, reviews and evaluates situations which might warrant communication to the market (whether obligatory or voluntary). The drafts of any press releases issued are normally discussed and approved by the Board of Directors. Considering the internal procedures function properly, the Board of Directors has not, at least for now, decided to make them official through a specific internal regulation.

2. In conformity with prevailing laws and CONSOB regulations, instructions have been provided to all of the MPS Group companies regarding information which must be sent to the Parent Company in order to allow the Parent Company to meet the communications obligations provided by Article 114 of the Financial Act 1998.

INVESTOR RELATIONS

1. Since the public listing of its shares, the Bank has taken steps to build a well-balanced relationship with the shareholder base, and in particular, with institutional investors. Two specific units have been established in this regard:

- Investor Relations, which is part of the Planning, Control and Cost Management Area;
- Corporate Relations, which is part of the General Secretary's office.

2. In the case of rules for the shareholder meetings, the Board of Directors has initially opted to adopt rules which allow for some degree of flexibility, and which thus allow for quickly making changes which have already proven necessary from the initial application of the rules.

Taking into account that (a) Article 12, Paragraph 3 of the Bank's By-Laws require "the shareholders' meeting to be chaired by the Chairman of the Board of Directors or by the Vice Chairman in the event in which the Chairman is absent or unable to chair the meeting or by a person elected by the shareholders attending the meeting in event in which the Chairman and Vice Chairman are absent or unable to chair the meeting" and (b) Paragraph 4 of Article 12 of the By-Laws requires "the Chairman of the Shareholders' Meeting to be responsible for ascertaining the regular constitution of the meeting and the right of the attendees to vote and to participate in the meeting, as well as the power to direct the meeting, to coordinate the discussion, to establish the means for individual votes - which are to occur in any event by open vote - and to proclaim the results of the voting", the Board of Directors approved rules for the shareholders' meeting which are based on a set of sample rules drawn up jointly by the ASSONIME association and the Italian Bankers' Association. The Board of Directors has indicated its consent that such rules be adopted by the Chairman as his *ex-ante* determination of the manner in which he shall exercise the management and control powers vested with him by the By-Laws, and thus that this set of rules be considered as an act of the Chairman in relation to the rules of conduct by which he shall abide during the shareholders' meeting for the exercise of his responsibility.

The Board of Directors furthermore deliberated that the publication of the rules for the shareholders' meetings drawn up by the Chairman must be insured by means of the filing of the same with the Bank's head office as of the date of any shareholders' meeting. Documentation for the shareholders meeting is also to be filed along with the rules for the meeting. Such information is made available to the shareholders pursuant to Article 130 of Legislative Decree n. 58/1998. The rules shall also be disclosed through special mention in the notice of the Shareholders' Meeting.

BOARD OF STATUTORY AUDITORS

The Bank's By-Laws provide for the nomination of statutory auditors by means of list voting, though there is no indication of the term within which the lists must be presented prior to the shareholders' meetings.
In accordance with the provisions of the Code, shareholders are entitled to propose candidates for appointment to the Board of Statutory Auditors. In consideration thereof, the Board of Directors passed a resolution whereby shareholders, in advance of a shareholders' meeting held for the appointment of members of the Board of Statutory Auditors, are requested (including through a specific indication in the notice of the shareholders' meeting) to deposit with the Bank's head office at least ten days prior to the meeting (a) the names of the proposed candidates for the position of statutory auditor and (b) extensive information on the personal and professional attributes of the candidates, with the notice, in any event, that the filing of the names and of the information is not obligatory.

CHIEF EXECUTIVE OFFICER

1. In accordance with the By-Laws, the Chief Executive Officer:
- is empowered to sign on behalf of the Bank for all matters of ordinary administration;
- oversees and manages the Bank's organization structure;
- executes all transactions and acts of ordinary administration;
- submits proposals and reports to the Board of Directors and Executive Committee which are backed up by the logic in relation thereto;
- arranges for the execution of resolutions by the Bank's Board of Directors and Executive Committee as well as the coordination of the activity of the subsidiary companies belonging to the MPS Group, in conformity with the general strategies and criteria established by the Board of Directors;
- is the top-level manager of human resources.

2. The Chief Executive Officer exercises the powers vested with him by the Board of Directors in the case of lending activity and in the ordinary management of other operations,

carrying out his functions with the input of the Deputy and Assistant Chief Executive Officers, Senior Executives and other executives.

MONTE DEI PASCHI DI SIENA GROUP: NEW ORGANIZATIONAL MODEL

1. The Monte dei Paschi di Siena Group has recently outlined plans for significant business development, through both external and internal growth and through the streamlining of existing operations. Such plans are designed to ensure tangible and long-standing growth of value for the shareholders.

2. As the Parent Company of the MPS Group, Banca MPS has been charged with (a) developing strategy and handling the governance of the Group, and (b) managing marketing and the development of customer relationships. Two distinct organizational units have been established in order to provide for a clear-cut separation between the areas carrying out the activity associated with each of these roles:

- The "Corporate Center" is responsible for the management, coordination and control of the general strategies defined by the Bank's Board of Directors. The unit also serves as the focal point for certain operations and services for the account of the companies of the MPS Group, which are provided directly by the "Corporate Center" or by other entities of the MPS Group, and which are the source of economies of scale and/or of scope.
- The Commercial Bank Division of the parent company is equivalent to the other commercial banks in the MPS Group in terms of activity carried out, profitability and growth objectives, and organization structure.

The "Corporate Center", which includes the Head Office of the Parent Company, is the executive component of the Bank and reports to the Bank's Board of Directors with regard to all areas of responsibility, in accordance with the provisions therefor set forth in the Bank's By-Laws. The "Corporate Center" includes staff areas, planning and governance areas, services and areas which are primarily operational and which provide operational support to the companies of the MPS Group, with the resulting realization of possible economies of scope.

The Commercial Bank Division aims at operating as a streamlined and flexible structure, with an organization defined along divisional lines and a strong customer orientation.

3. A precise structure for the delegation of authority has been defined which is functional to the new organizational model. This structure provides for a certain degree of autonomy in terms of:

- <u>lending</u>, with the Commercial Bank Division being given an appropriate level of autonomy in relation to its mission and responsibilities; Senior Management is charged with periodically informing the Board of Directors regarding the trend of credit policy vis-à-vis the strategies in relation thereto as established by the Board of Directors;
- <u>personnel management</u>;
- expenditures and profit-and-loss accounts, with a re-definition of the responsibilities of each organizational unit;

- <u>interest rates and other conditions</u>, in order to take into account the different responsibilities attributed to the "Corporate Center" and Commercial Bank Division.

4. The first tier of MPS Group's governance system is structured so as to take into account the interests of shareholders and the organization of the Boards of Directors of the companies of the MPS Group, in accordance with the reasoning and the terms and conditions defined in the Bank's By-Laws and in the By-Laws of the other Group companies. In addition, from an operational perspective, the governance system refers to the guidelines and the terms and conditions for the Parent Company's exercise of the authority to manage and coordinate the Group.

Drawing on the general strategies formulated by the Board of Directors while also adhering to the provisions of the Bank's By-Laws, the "Corporate Center" has the role of establishing general policies and objectives with respect to relationships between the Parent Company and the other companies, and presenting the same, along with the steps to be taken for implementation, to the Board of Directors.

REPORT ON CONSOLIDATED OPERATIONS

THE IMPLEMENTATION OF THE MPS GROUP BUSINESS PLAN

THE IMPLEMENTATION OF THE 2001-2004 BUSINESS PLAN

During 2001, the MPS Group embarked on a strategic and organizational transformation as outlined in the MPS Group business plan approved by the Board of Directors on 14 November 2000.
The plan calls for (a) the creation of a group with four areas of specialization (Commercial Banking, Personal Financial Services, Private Banking, and New Initiatives which have a particular focus on e-business), (b) the adoption of an integrated business model which allows for the acquisition of new components, and (c) a strong orientation to the creation of value to be pursued through excellence in operations and endogenous and exogenous growth. During 2001, the Group activated all of the main organizational and strategic actions required under the defined implementation plan.

The strategic and organizational changes made were flanked by a trend in earnings which was both positive and better than most main competitors, even though conditioned by the less-than-favorable performance of the economy.

The results of 2001 represent the foundation for inaugurating further changes as outlined in new 2002-2005 Business Plan. The gradual implementation of the plan is aimed at positioning the MPS Group to meet with the profound changes in the marketplace, including changes in customer expectations which have prompted a greater need for specialized professional support of corporate activity and of the investment choices made by individuals.

ORGANIZATIONAL DEVELOPMENT OF THE MPS GROUP DURING 2001

The principal results achieved in 2001 in relation to the strategic plans for organizational development are summarized below.

Organizational developments fundamental to the transformation of the MPS Group:

STREAMLINING GROUP'S DEVELOPMENT

Reorganization of the Parent Company. The strategic planning and governance functions for the MPS Group were separated and concentrated in the Corporate Center, while the activities of marketing and the development of customer relationships were centralized in the Commercial Bank Division, which was also restructured during the year. This reorganization had the effect of clearly defining the structures and the interdependencies of the governance center, the distribution system, the product companies and the service centers.

MPS Group governance rules. All of the companies of the MPS Group approved the operation of the governance system, defining: the structure of the MPS Group and the role of the different entities within the Group; the mechanisms for governance and infragroup relationships; and the infragroup units.

Administration. During the year, the Boards of Directors of several of the principal companies of the MPS Group were renewed, with the addition of directors coming from Banca MPS with the aim of ensuring consistent application of strategy across the Group.

Management structure. New highly-professional executives joined the ranks of the MPS Group's management team, with the additions mainly concentrated with the Parent Company and other principal subsidiaries of the Group.

Streamlining of the Head-Office operations of the commercial banks within the MPS Group: The Head Office of Banca Agricola Mantovana underwent a rapid and full-scale reorganization which produced a structure organized similarly to the Commercial Bank Division of Banca MPS. The reorganization involved: the retraining of around 120 employees for assignment to the network; the migration to the MPS Group information system; and concentration of the operation of the information systems within the MPS Group Operating Consortium.

Reorganization of the MPS Group:
The Parent Company secured total control over Banca Steinhauslin, which is exclusively dedicated to the private-banking market. The acquisition was preceded by the transfer of Banca Steinhauslin's retail and corporate business to other banks of the MPS Group.

MPS.net was inaugurated for the purpose of developing e-business initiatives for the MPS Group.

MPS Professional was set up as a venture to procure new corporate customers through a series of partnerships with firms providing professional services.

MPS Finance began marketing its products and services; the company, which is wholly owned by the Parent Bank, is involved in securities trading, the engineering of products for the retail market and a broad array of services for small-/medium-sized firms.

Intermonte Securities started up a corporate finance unit specializing in services for small-/medium-sized firms.

The Group's activity in the area of asset management was streamlined with the start-up of the company, Monte Paschi Asset Management SGR, and the transfer of the other asset management companies of the MPS Group to this new company.

The Bank acquired full control over MP Vita, buying out an interest previously held by SAI.

MPS Leasing & Factoring was incorporated for the purpose of serving as the hub for the MPS Group's leasing and factoring operations; all leasing and factoring companies of the Group will be merged into the new company in 2002.

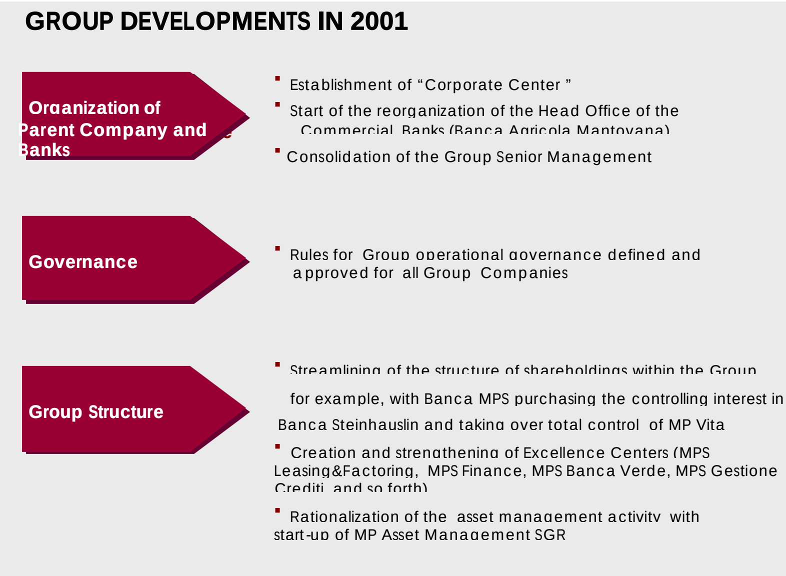
The scope of Mediocredito Toscano's activity in the field of merchant banking and private equity transactions was extended and the company was simultaneously renamed MPS Merchant.

MPS Banca Verde was launched, incorporating the operations of Istituto Nazionale di Credito Agrario (INCA) and new services for companies operating in the environmental sector.

MPS Gestione Crediti Banca was established for the purpose of concentrating the management of problem credits within the MPS Group.

Value-Based Management System. The MPS Group implemented a value-based management system, which has improved the Parent Company's control over mechanisms for generating value. As a result of the adoption of this system, managers at the subsidiary companies are now more involved in pursuing the objectives of the MPS Group, with budgetary controls being aligned to best practices.

Renewal of distribution system. The marketing and sales staff of three banks (Banca MPS, Banca Toscana and Cassa di Risparmio di Prato) was segmented, with the creation in their Branch networks of account managers dedicated to the various customer classifications. A similar process of specialization has been initiated at BAM.



THE NEW 2002-2005 BUSINESS PLAN

On 10 January 2002, the Board of Directors of Banca Monte dei Paschi di Siena approved the new 2002-2005 Business Plan, which basically updates the MPS Group's growth objectives in light of the changes in the macroeconomic scenario and developments in the financial markets.
The key objectives of the new plan are focused on the realization of **additional productivity gains** in the sales and marketing areas, and the **improvement of efficiency**, with both variables aiming at levels of excellence.

The new Business Plan is based on specialization and efficiency of the business model in order to achieve growth of revenues, higher profits, an increased rate of customer retention and enhanced customer satisfaction.

FOCUS ON COMMERCIAL SPECIALIZATION AND EFFICIENCY

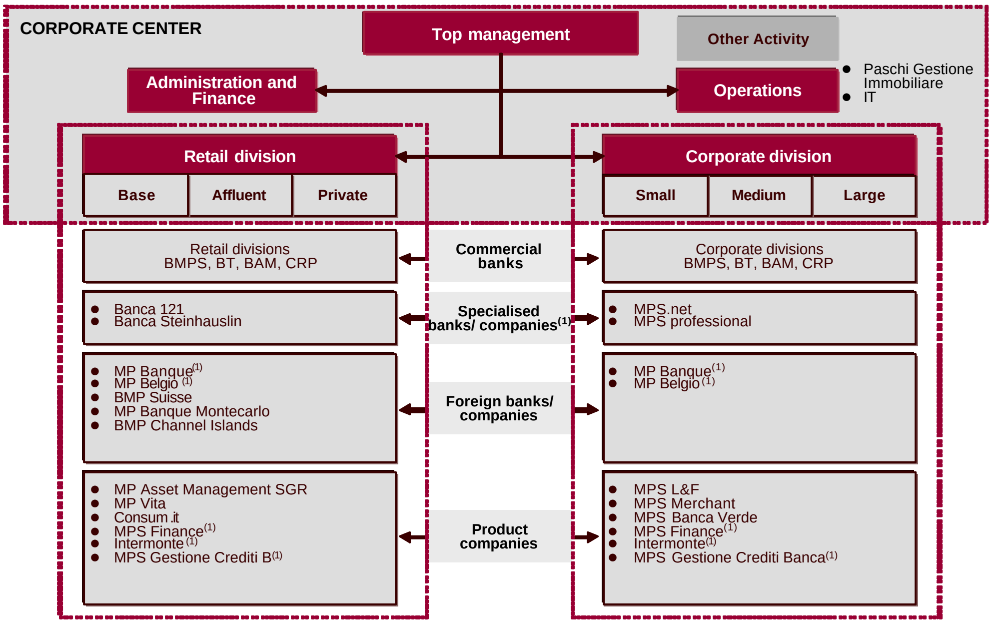
The commercial strategies are focused on a high level of specialization in terms of products, pricing and service to customers. Operating from this perspective, the priority will be placed on actions to maximize the value of customer relationships, with services and products specialized by customer segment. Credit management is to be improved with the ongoing efforts to reduce operating costs and the cost of risk, the specialization of lending by vertical markets and the start-up of a credit recovery unit for the MPS Group (MPS Gestione Crediti Banca). Enhancements to the sales force are to be flanked by increasing integration of the product companies and the distribution network.

The drive to boost efficiency will involve the restructuring of centralized and peripheral operating processes. In addition, the plan provides for the centralization of the back office and logistics management, and the rationalization of the cost structure through concentrating the purchasing function for the entire Group.

The business model's market orientation is to be maintained by the gradual shift from an integrated multi-specialist approach to a multi-market divisional model.

The "Corporate Center" will be charged with overseeing the implementation of the strategies indicated. The individual banks will be responsible for strategy execution, formulating business plans which are consistent with the overall strategies and focusing on the defense of the local markets and the enhancement of value of the individual brands (Banca Agricola Mantovana, Banca Toscana, Cassa di Risparmio di Prato and Banca MPS-Commercial Bank Division).
The business development efforts and the drive to hold down costs are expected to produce a steady increase in the return on the capital invested by shareholders.

With the implementation of the new business plan, the MPS Group will work toward the objective of an ROE of more than 20 percent by 2004, and a cost-income ratio that should decline to around 50 percent.

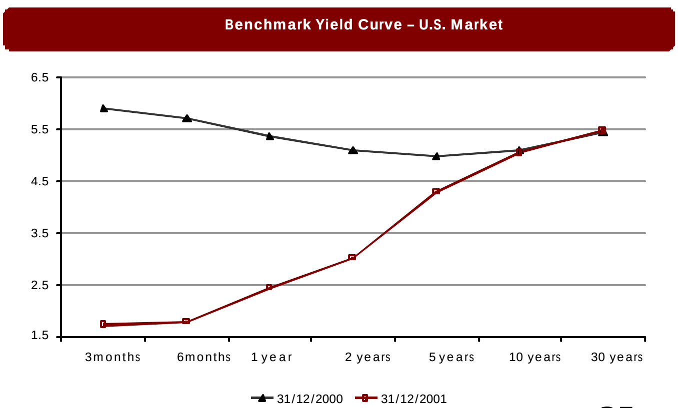


(1) Servicing both Retail and Corporate markets

OVERVIEW OF ECONOMY AND INDUSTRY TRENDS

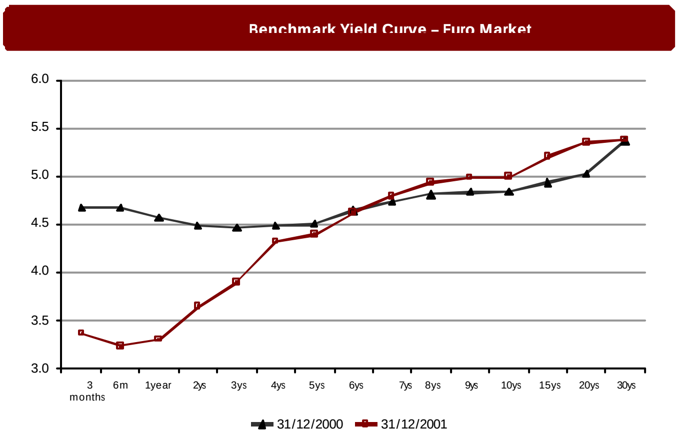
MACROECONOMIC SCENARIO

During 2001, the **global economy** experienced a significant slowdown in terms of growth. Though initially affecting the U.S., the slowdown later extended to other areas of the world, with the intensity varying from area to area. The terrorist attacks of 11 September had the effect of exacerbating the trend. Altogether, the global economy expanded at a rate of less than 2 percent for the year, compared with the 4.7 percent gain of 2000.



The deceleration of the U.S. economic expansion that began in 1991 was initially apparent in the manufacturing sector, but later spilled over into other areas of the economy. Low prices for commodity goods and expansionist economic policy helped to prevent the situation from deteriorating. With repeated intervention, the Federal

Reserve Bank orchestrated a significant reduction in the interbank rate, which fell from 6.5 percent to 1.75 percent during 2001. The year-end rates on benchmark issues were already incorporating expectations of an economic recovery and an interruption in the trend of current monetary policy.



In Japan, the deflationary trend gained even greater momentum. Enveloped by a recession prompted by sluggish domestic demand, the country faced an international marketplace which was anything but favourable for building the export volumes needed to trigger a recovery.

In Latin America, as prospects for the economy were deteriorating, a financial crisis erupted in Argentina which led to a default on the payment of interest on the country's foreign debt. The situation also directly affected investors in Italy (who hold around 15 percent of Argentina's public debt) and several Italian banks (whose aggregate exposure stands at around EUR 4 billion according to the Bank for International Settlements).

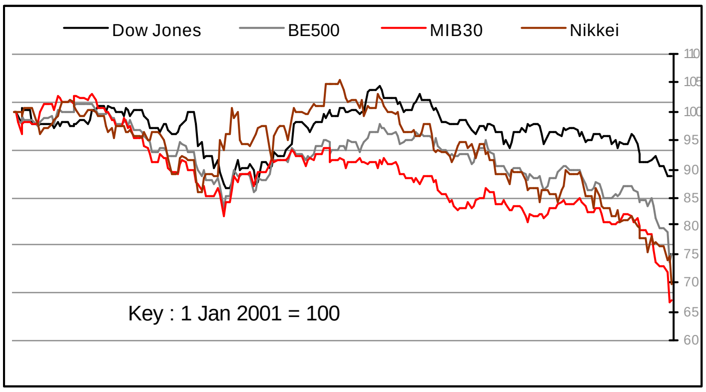
The developments in the Eurozone economy more or less emulated those in the United States, albeit with a certain delay and with less intensity. Significant differences in performance were reported in the major national economies in the Eurozone, with France and Italy tending to hold up better than Germany. Reflecting the relative weakness of demand and fewer pressures on commodity prices, the annual inflation rate descended at a rather intense pace in the second half of the year, falling from 3.4 percent in May to 2.1 percent in December.

The euro descended to a low of 0.85 against the dollar in June (monthly average), and though showing some signs of recovery thereafter, the new currency failed to assume a dominant role in the foreign exchange market. In any event, the new euro banknotes and coins were successfully placed into circulation at the beginning of 2002.

The European Central Bank basically maintained a neutral wait-and-see stance through May, while the intervention following the events of 11 September steered the reference rate down from 4.75 percent to 3.25 percent by year end. A resulting increase in the slope of the yield curve tended to reflect the less restrictive orientation of monetary policy.

The year of 2001 ended with losses for leading stock exchanges worldwide. While the negative performance was triggered by the deterioration of expectations about the macroeconomic scenario, prices virtually collapsed in the aftermath of the events of 11 September, though this was eventually followed by a conspicuous rebound. On balance, the New York Stock Exchange (Dow Jones) gave up 12 percent for the year, thus managing to hold up better than the markets in Europe and Japan (see graph).

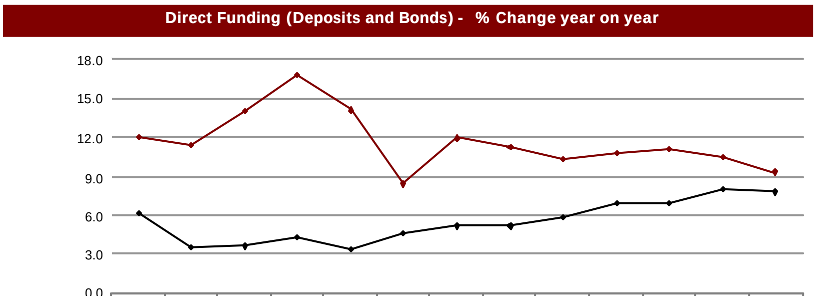
Trend of Leading Stock Exchanges in 2001



In Europe, the Italian "Borsa" turned in the worst performance, losing some 25 percent, while the Spanish market had the best track record with a decline of 7.8 percent. In terms of sectors in the European markets, the biggest setbacks were registered in technology issues whose prices tumbled by an average of 43 percent. Shares in the automotive industry and food industry remained some of the stronger performers, giving up 1.3 percent and 3 percent respectively. Bank stocks were almost 10 percent lower for the year. The amount of equity capital raised by local companies during the year doubled in comparison with 2000.

Annual Changes in GDP	1999	2000	2001
%			
OECD countries	3.1	3.5	1.2
United States	4.2	4.1	1.2
Eurozone	2.5	3.3	1.5
Italy	1.4	2.9	1.8
Germany	1.4	3.2	0.7
France	3.0	3.4	2.0
Japan	0.8	2.2	-0.5

The economic slowdown also affected Italy, though it was partially mitigated by the implementation of new measures designed to support GDP growth. Alongside less buoyant domestic demand (particularly in terms of investments in equipment), exports were down substantially. The improvement in terms of trade only partially mitigated the negative effects of a deceleration in trade volumes worldwide. Industrial production fell by almost 1 percent for the year, while the turnover expanded by the modest nominal rate of 1.2 percent and orders were off by 3.5 percent. The consumer price index rose on average by 2.7 percent for the year, compared with an increase of 2.6 percent in 2000; while the inflationary pressure from oil prices tended to wane during the year, there was evidence of some tensions on food prices and the prices of certain services.



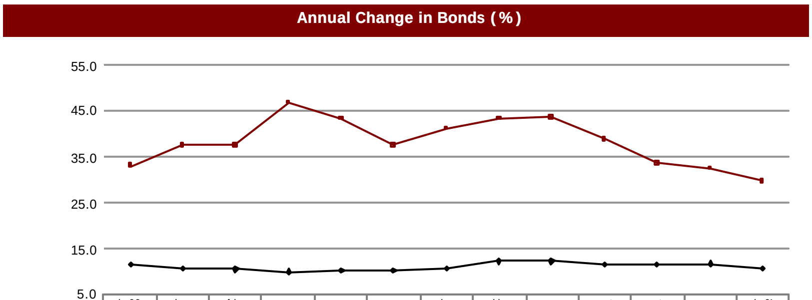
	dec-00	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	12.0	11.4	14.1	16.8	14.2	8.4	11.9	11.2	10.3	10.8	11.1	10.5	9.3
Banking Industry	6.2	3.5	3.6	4.2	3.3	4.7	5.1	5.2	5.9	6.9	6.9	8.0	7.8

After remaining virtually stable from January to April, interest rates began to descend in a rather pronounced manner. In the interbank market, for example, the one-month Euribor rate went from an average of 4.8 percent during the first four months of the year to 3.35 percent at year end; yields on Italian Treasury Bills (BOTs) declined from 4.5 percent at the outset of the year to less than 3 percent by late December. In the case of medium-/long-term rates, the performance was mixed. After declining by a limited 30 basis points between January and August, yields on five-year maturities dipped by a significant 50 basis points following the events of 11 September and then, with the recovery of investor confidence, moved back to levels very close to those on record in early September (4.5 percent).

BANKING INDUSTRY TRENDS

The Italian banking industry encountered many challenges in 2001, among them reduced flows into funds management accounts, weaker lending volumes and pressures on costs. In certain cases, banks dealt with these developments by enhancing and diversifying operations, improving the quality of the products and services offered and streamlining production and distribution.

Direct funding through deposits, repurchase agreements and bonds expanded gradually during the year, with current accounts representing the main source of growth. Uncertainty about the economy and the volatility of the financial markets prompted many individuals to put their funds into instruments that could quickly be converted into cash and/or with guaranteed returns. On average, the growth of direct funding for the year was 4.5 percent, thereby exceeding only slightly the 4 percent expansion registered in 2000.



	dec-00	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	32.9	37.6	37.4	46.8	43.2	37.5	41.1	43.4	43.5	38.8	33.4	32.3	29.5
Banking Industry	11.4	10.6	10.5	9.9	10.0	10.0	10.6	12.0	12.2	11.4	11.3	11.6	10.6

The MPS Group enjoyed growth of direct funding that was stronger than the industry average. As a result, the Group's market share moved higher, closing 2001 at just under 7 percent. In the case of current accounts, the most common form of funding, the MPS Group maintained a market share of around 7.3 percent. Funding through certificates of deposit and savings deposits continued to shrink, with the aggregates falling by 21.3 percent and 5.6 percent, respectively, on an annual basis. Considered net of subordinated loans, bond funding rose by more than 7 percent. The MPS Group's share of total bond funding by banks exceeded 6.3 percent at the end of the year, having advanced significantly over the prior year level.

The trend of sight deposits in the Eurozone also accelerated during the year, with the rate of growth climbing from 6.4 percent at the end of 2000 to near 10 percent in the final quarter of 2001. The annual increase in bond funding was almost stable year on year at around 5 percent.

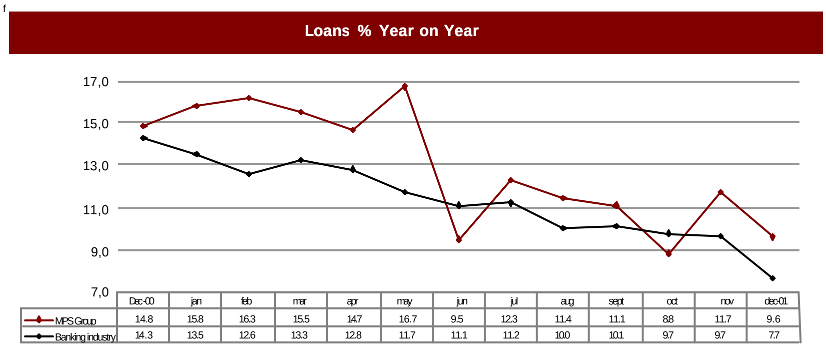
The growth of funds under administration by banks intensified during the year mainly due to renewed demand for government securities and other bonds. Instead, the difficulties in the financial markets had negative repercussions on the funds management business, adversely impacting both the value of assets under management and net new investment flows. Investor preferences went to liquid instruments such as money-market funds and instruments less subject to market trends, such as traditional life policies and/or investments with guaranteed returns.

Mutual funds experienced net redemptions for the year, albeit for only EUR 766 million. After eight months in which net inflows were close to nil, a sell-off in September was later almost completely reversed. The balance of net assets under management as of the end of the year was roughly 6 percent lower than the comparable figure as of 31 December 2000, mainly due to the negative performance of the equity prices. Instead, the returns on money-market and bond funds were positive, with the gains on the order of 3.5 percent. On balance, the market share of the MPS Group's asset management company remained stable for the year around 4.4 percent.

The balance of assets in individual portfolios under management by Italian banks was approximately 18 percent lower year on year, with the MPS Group's market share in this segment totaling 7.7 percent.

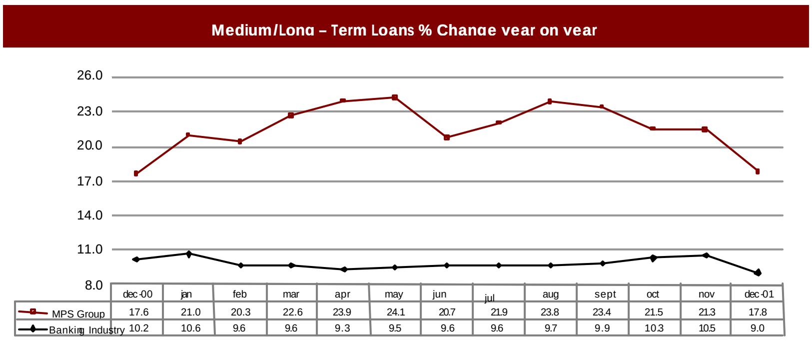
The bancassurance market witnessed a significant revival in the final quarter of the year, with premium flows amounting to more than EUR 26 million for a 17 percent gain in comparison with 2000. The positive momentum of this market is mainly attributable to higher sales of traditional, single-premium policies. In addition, with the yields on separately managed accounts topping 5 percent in 2000, investor confidence in the insurance product grew stronger and insurance polices garnered a significant share of the flows into the market for funds management in 2001. In terms of mix, traditional products accounted for approximately 30 percent of net premiums, while guaranteed unit products and "classic" unit-linked policies represented another 22 percent and 20 percent, respectively; the remainder of premiums were sourced through index-linked products. The MPS Group reinforced its position in this business, accounting for 11.5 percent of aggregate premiums in comparison with 10.1 percent for the previous year.

The rate of growth of bank loans decelerated to 6.5 percent in 2001 from 18.6 percent in the prior year, with the variance primarily due to the trend of short-term credit (from December 2000 to the end of 2001). The weaker momentum is reflective of the economic slowdown and the absence of several circumstances (such as the boom in mergers and acquisitions) which had fuelled loan demand in several industrial sectors. The growing trend of substituting bank credit with direct recourse to debt funding through the capital markets (issue of corporate bonds) is another factor which contributed to the deceleration of loan growth.



	Dec-00	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	14.8	15.8	16.3	15.5	14.7	16.7	9.5	12.3	11.4	11.1	8.8	11.7	9.6
Banking industry	14.3	13.5	12.6	13.3	12.8	11.7	11.1	11.2	10.0	10.1	9.7	9.7	7.7

Medium- and long-term financing provided by banks rose by around 10 percent for the year, reflecting both more favourable borrowing costs and more flexible solutions in terms of the types of loans available. The trend of home mortgages was particularly positive, with the balance of loan outstandings in this segment rising by roughly 15 percent for the year.



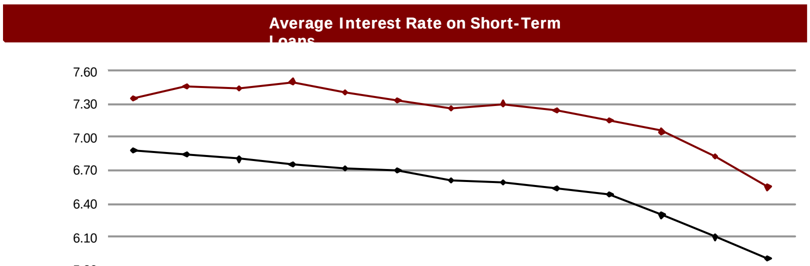
	dec-00	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	17.6	21.0	20.3	22.6	23.9	24.1	20.7	21.9	23.8	23.4	21.5	21.3	17.8
Banking Industry	10.2	10.6	9.6	9.6	9.3	9.5	9.6	9.6	9.7	9.9	10.3	10.5	9.0

For almost the entire year the growth of loans to the private sector in the Eurozone was some three percentage points below the comparable rate of growth in the Italian market.

The market share of the MPS Group rose slightly, going from 6.19 percent to 6.29 percent, with much of the gain due to very different performance between short-term and medium-/long-term loans; in the latter segment, the Group share was almost 7 percent.

The decreasing trend of non-performing loans across the industry was interrupted in June, and in the second half of the year, the aggregate balance of such loans rose by around 1 percent. The increase was almost exclusively associated with loans to non-financial companies, and to a more moderate extent, to consumer credit. Notwithstanding this increase, the annual rate of reduction of non-performing loans of roughly 12 percent is very significant, and was influenced to a considerable extent by securitization transactions. The ratio of net, non-performing loans to total loans decreased from 2.78 percent in December 2000 to 2.32 percent in December 2001. In the case of the MPS Group, the comparable value at the end of 2001 was 1.2 percent.

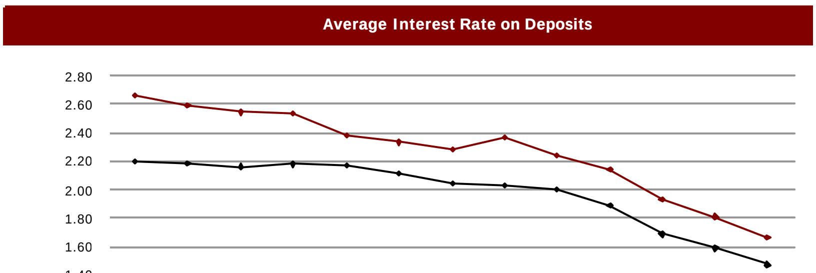
The average cost of bank deposits came down by more than 70 basis points in 2001, falling to 1.47 percent from 2.2 percent in December 2000. The mark-down (calculated with respect to Euribor rates for maturities ranging from one month to 360 days) was significantly lower, going from 2.76 percentage points to less than two. Thus banks faced a lower opportunity cost for holding deposits. Similarly, the average rate of bank funding (deposits, bonds and repurchase agreements) dipped from 3.29 percent to 2.56 percent. In the case of the MPS Group, the cost of deposits decreased by one percentage point between December 2000 and the end of 2001.



	dec-00	Jan.g	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	7.35	7.46	7.44	7.51	7.41	7.34	7.27	7.30	7.24	7.15	7.05	6.82	6.55
Banking Ind.	6.88	6.84	6.80	6.76	6.72	6.69	6.61	6.59	6.54	6.48	6.29	6.10	5.91

The rates charged by banks on short-term loans fell by an average of 90 basis points to less than 6 percent by year end, with this reduction thus exceeding the decline registered in the cost of deposits. The mark-up instead rose to 2.6 percentage points from comparable figure of two points at the start of the year. Lending rates also declined within the MPS Group, with the intensity thereof varying from bank to bank, though with an aggregate decrease which was below the industry average.

Given these dynamics, the actual spread between short-term lending rates and the cost of deposits at the end of 2001 had fallen to 4.44 percentage points from 4.69 points at the end of 2000. Instead, on average for the year, the spread rose from 4.42 percent in 2000 to 4.56 percent in 2001. In the case of the MPS Group, the actual spread at the start of the year was in line with the industry average, whereas by year end it was approximately 20 basis points higher, thereby significantly departing from the industry trend.



	dec-00	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec-01
MPS Group	2.66	2.59	2.54	2.54	2.39	2.33	2.28	2.36	2.25	2.13	1.94	1.81	1.66
Banking Industry	2.20	2.19	2.16	2.18	2.17	2.11	2.04	2.03	2.00	1.89	1.69	1.59	1.47

The banking industry experienced limited growth of the interest margin in 2001, mainly due to the deceleration of lending and deposit volumes. Considering this and the significant reduction in commissions and in profits from financial transactions, the scenario for bank profitability was not particularly favourable. Despite greater emphasis on controlling operating costs, incremental operating profits were not sufficient to lead to the improvement of ROE at the system level, partly due to the effect of higher provisions for covering risks.

Regulatory developments affecting Italian banks in 2001 include: the abrogation (as of 4 August) of the equalization mechanism in the taxation of financial income generated from funds under administration; the enactment of legislation providing incentives for the declaration and repatriation of financial assets and other assets held abroad in violation of fiscal regulations; and the modification of several aspects of the laws regarding banking foundations which define the concept of joint control of a bank by two or more foundations and allow for the divestiture of the controlling interests, including through asset management companies by the end of 2006 (compared with the April 2003 deadline for the direct sale of the interests on the market).

2001 CONSOLIDATED FINANCIAL STATEMENTS

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT AND RECLASSIFIED CONSOLIDATED BALANCE SHEET

The balance sheets and the profit and loss statements as of 31 December 2001 and 31 December 2000 have been reclassified as usual in order to facilitate the analysis of operations and earnings, and a comparison of data year on year.

The principal criteria for the reclassification of the profit and loss statement are summarized as follows:

- Profits and losses from equity swaps and complex transactions have been eliminated from "dividends and other income" (Account 30) and reclassified as "profits and losses from financial transactions". The latter aggregate also incorporates the cost of funding equity-swap transactions, which was eliminated from "interest expense and other expense on borrowed funds" (Account 20).

- For the year ending 31 December 2000, amounts not pertaining to operations have been eliminated from "interest expense and other expense on borrowed funds" (Account 20), and have been reclassified as "extraordinary charges".

- The aggregate, "net income from services", includes "commissions earned" (Account 40), "commissions expense" (Account 50), "other operating income" (Account 70) and "other operating expense" (Account 110). The "net income from services" also includes earnings from the placement of innovative financial products with customers which are included as "profits and losses from financial transactions" (Account 60) in the format required under Italian law.

- "Profits and losses from financial transactions" include income referring to the sale of the investment securities portfolio, eliminating it from "extraordinary income" (Account 180).

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in EUR mn)

	31.12.2001	31.12.2000	Change vs. 2000	% Change vs 2000
ASSETS				
Cash and cash on deposit with central banks and post offices	708	474	234	49.3
Loans				
a) Customer loans and advances	64,944	60,952	3,992	6.6
including: net non-performing loans	808	1,792	-984	-54.9
b) Amounts due from banks	14,089	15,870	-1,781	-11.2
Trading Account Securities	11,467	10,469	998	9.5
Non-current assets				
a) Investment securities	4,336	5,335	-999	-18.7
b) Equity investments	2,719	1,872	847	45.2
c) Fixed assets and intangible assets	2,616	2,375	241	10.2
Positive consolidation differences & positive net equity differences	857	806	51	6.3
Own shares or quotas	19	18	1	3.4
Other assets	15,199	10,056	5,143	51.1
Total Assets	**116,954**	**108,227**	**8,727**	**8.1**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
a) Customer deposits and borrowed funds backed by negotiable instruments	75,900	70,971	4,929	6.9
b) Due to banks	15,142	17,778	-2,636	-14.8
Reserves for specific use				
a) Staff severance indemnity reserve	446	446	-1	-0.2
b) Pension funds	437	432	4	1.0
c) Other reserves for risks and charges	590	543	46	8.6
d) Reserve for taxes	855	936	-80	-8.6
Other liabilities	13,447	8,675	4,773	55.0
Reserve for loan losses	317	290	27	9.4
Subordinated debt	3,060	1,795	1,265	70.5
Minority interests	973	788	186	23.6
Shareholders' equity				
a) Share capital	1,356	1,219	137	11.0
b) Paid-in capital	523	523	0	0.0
c) Reserve for general banking risks	456	451	5	1.2
d) Negative consolidation and net equity differences	22	23	-1	-5.0
e) Reserves	2,812	2,791	21	0.7
f) Profit (loss) for the year	617	566	52	9.1
Total Liabilities and Shareholders' Equity	**116,954**	**108,227**	**8,727**	**8.1**

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT

(in EUR mn)

	31.12.2001	31.12.2000	Change vs. 2000	% Change vs 2000
Interest margin	**2,291**	**2,112**	**178**	**8.4**
Profit (loss) on financial transactions	232	180	52	29.0
Net income from services	2,283	2,192	91	4.2
Dividends and tax credits	252	112	140	125.3
Profits from companies evaluated according to the net equity method	55	31	24	77.7
Service margin	**2,822**	**2,515**	**307**	**12.2**
Total banking income	**5,113**	**4,627**	**485**	**10.5**
Total banking income excluding profits (losses) from financial transactions	**4,880**	**4,447**	**433**	**9.7**
Administrative expenses				
- personnel expense	-1,765	-1,676	-89	5.3
- other expenses	-1,143	-1,013	-130	12.8
Total administrative expenses	-2,909	-2,690	-219	8.1
Gross operating profit	2,204	1,938	267	13.8
Gross operating profit excluding profits (losses) from financial transactions	1,972	1,757	214	12.2
Valuation adjustments to fixed and intangible assets	-377	-308	-68	22.1
Provisions for risks and charges	-76	-107	32	-29.6
Valuation adjustments to loans and provisions for risks, net of recoveries	-384	-413	29	-7.0
Writedowns to non-current financial assets	-22	2	-24	n.s.
Extraordinary income (charges)	-17	108	-125	n.s.
Change in reserve for general banking risks	-6	2	-7	n.s.
Income taxes	-611	-572	-39	6.9
Profit for the year before minority interests	713	650	64	9.8
Minority interests	-96	-84	-12	14.6
Net profit for the year	617	566	52	9.1

KEY DATA AND RATIO ANALYSIS

in EUR mn

	31.12.2001	31.12.2000	% Change
Profit and loss aggregates			
Total banking income	5,113	4,627	10.5
Gross operating profit	2,204	1,938	13.8
Gross operating profit excluding profits (losses) from financial transactions	1,972	1,757	12.2
Net profit	617	566	9.1
Net profit excluding amortization of positive consolidation and net equity differences	700	634	10.5
Balance sheet aggregates			
Total funding	**173,239**	**164,053**	**5.6**
Direct funding - including subordinated debentures	78,960	72,766	8.5
Indirect funding	94,279	91,287	3.3
including: Funds under management	39,484	41,609	-5.1
including: Funds under administration	54,795	49,678	10.3
Customer loans and advances	**64,944**	**60,952**	**6.6**
including: non-performing loans, net	**808**	**1,792**	**-54.9**
Consolidated shareholders' equity	**5,786**	**5,573**	**3.8**
Profitability ratios (%)			
Banking commissions / total banking income (%)	36.8	37.5	
Service margin / total banking income (%)	55.2	54.3	
Cost/income ratio (%)	56.9	58.1	
Cost/income ratio inclusive of depreciation and amortization (%) (°)	62.6	63.3	
Cost/income ratio inclusive of depreciation and amortization and excluding the Tax Collection area (%)	60.6	60.9	
ROE (%) (§)	14.3	14.0	
ROE excluding positive consolidation and positive net equity differences (§)	16.1	15.7	
Service margin / administrative expenses (%)	97.0	93.5	

(°) excluding quotas of amortization of positive consolidation differences
(§) net of revaluation at 31.12.00 (buildings and share held in SanPaolo-IMI)

QUALITY RATIOS (%)

Net bad loans/Total customer loans	1.2	2.9
Doubtful loans (*)/Total customer loans	3.1	4.7

(*) "doubtful loans" include bad loans, non-performing loans and loans to risk countries.

EQUITY RATIOS (%)

Solvency ratio	8.53	8.41
Tier 1 ratio	5.77	5.24

INFORMATION ON BMPS SHARES

Ordinary shares outstanding	2,598,557,169	2,351,895,107
Savings shares outstanding	9,432,170	8,574,700
Ordinary share price over the year:		
Average	3.52	
Low	2.41	
High	4.72	
EPS (outstanding shares)	0.24	
Net equity/outstanding shares	2.22	

OPERATIONS

	31/12/01	31/12/00	Change
Staff	28,079	27,678	401
Domestic Branches (*)	1,838	1,754	84
Foreign branches & representative offices	43	41	2
Electronic banking: contracts outstanding	974,948	455,532	519,416

(*) Including MPS Banca Verde and MPS Merchant (26 operating units in 2001; 22 operating units in 2000)

OVERVIEW OF OPERATIONS

Although operating amidst a particularly difficult industry backdrop in 2001, the MPS Group achieved positive results, with all of the principal areas of business reporting significant growth for the year. Substantial changes of an organizational nature were made during the year, with the launch of several important projects aimed at improving the effectiveness of sales and marketing efforts in both the retail and corporate markets. The drive to improve operating efficiency continued, and was flanked by the implementation of various procedures designed to provide more specialized monitoring of various forms of risk.

From an operational perspective, the main developments during 2001 can be summarized as follows:

- significant growth of total customer funding, with sizeable volumes of product placements which required a market-sensitive commercial policy capable of adapting the value proposition of the MPS Group centers of excellence to the changing needs of households and businesses. The distribution networks responded rapidly to the new demands of the market, changing the mix of the products offered and putting the accent on new financial products, bancassurance products, and specific forms of direct funding (bonds, first and foremost). The enrichment of the product portfolio of MPS Finance was a fundamental development in this regard as it allowed for marketing innovative products (including some products for retirement planning) and products which could be differentiated based on the customer's propensity to risk;

- expansion of loans volumes primarily in the more stable components of the portfolio (medium-/long-term loans), in line with the efforts to establish the Group's banks as "banks of reference" for the customers and to get the full value out of the "product factories" (higher quality and more specialization in the supply of products). The growth of the loan portfolio was achieved with the backing of a lending policy which emphasizes containing capital absorption by putting the accent on the quality of risk and appropriate pricing (with a special focus in this regard on loans to small- and medium-sized firms and consumer credit);

- a significant increase in interest margin (much of which came from corporate business) for the combined effect of the expansion of average lending and deposit volumes and the improvement of the spread between short-term lending rates and the cost of short-term funding (effective management of lending rates and increase of the mark-down);

- growth of banking commissions due to the significant contribution of traditional income (fees on base services, payment systems, and so forth) and the contribution of new financial instruments; higher commissions from these areas more than offset the reduction in fees generated through the funds management and brokerage businesses;

- additional growth of the customer portfolio, with improvement in both the cross-selling and customer-retention indicators;

- significant progress in terms of innovation, with particular regard to the supply of products and services through multiple distribution channels.

The results for 2001 were also positively influenced by:

- the expansion of the MPS Group in recent years, realized through (a) the acquisitions of Banca Agricola Mantovana, Banca 121 and other interests in smaller banks with a strong franchise in their local markets, and (b) the extension of the sales network through traditional branches and new electronic channels;
- a more enriched product portfolio as a result of innovation and an accent on customized service/products, complemented by increasing integration between the distribution networks and the centers of excellence of the MPS Group;

- the benefits (in terms of the growth of synergies of scale and scope) associated with the initiatives to streamline the organization (creation and expansion of centralized units for sales and marketing, information processing, purchasing and property management).

FUNDING

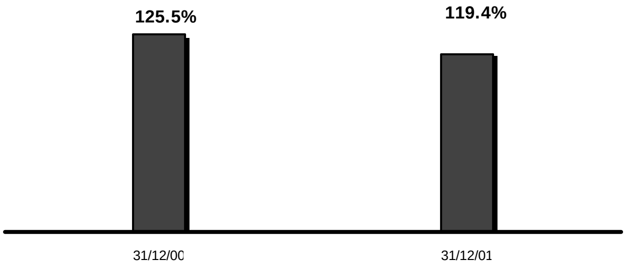
A priority within the framework of the MPS Group's business development policy, aggregate customer funding rose by 5.6 percent in 2001, with an incremental flow of roughly EUR 9,000 million in comparison with the balance as of 31 December 2000.

Aggregate Customer Funding
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total	% of 2000 Total
Direct funding from customers	**78,960**	**8.5**	**45.6**	**44.4**
- customer deposits	48,435	3.2	28.0	28.6
- other borrowed funds backed by negotiable instruments	27,465	14.3	15.9	14.6
- subordinated liabilities	3,060	70.5	1.8	1.1
Indirect funding from customers	**94,279**	**3.3**	**54.4**	**55.6**
- funds under management	39,484	-5.1	22.8	25.4
- funds under administration	54,795	10.3	31.6	30.3
Total customer funding	**173,239**	**5.6**	**100.0**	**100.0**

While particularly significant when compared with the average growth of funding at an industry level, this result is also indicative of effective customer-relationship management. Thus, even in a difficult year, the MPS Group was able to grow the mass of funds under administration. With the negative impact of lower stock prices on the aggregate funds under management, the ratio of indirect funding to total funding slightly declined year on year.

Ratio of Indirect Funding to Direct Funding



DIRECT FUNDING

At 8.5 percent, the expansion of direct funding was higher than the industry average, with the MPS Group's market share consequently rising to approximately 7 percent. The growth was mainly realized through sight instruments (current accounts were up by 8.4 percent) and bonds (whose outstandings were 24.2 percent higher). Such increases reflected customer demand for low-risk and highly liquid instruments in light of ongoing uncertainty about the trend of the financial markets. The balances maintained in repurchase agreements were lower year on year, and continued to represent only a limited portion of overall funding.

Breakdown of Deposits
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total	% of 2000 Total
Savings deposits	4,401	2.0	5.6	5.9
Current accounts	36,444	8.4	46.2	46.2
Certificates of deposit	8,522	0.3	10.8	11.7
Repurchase agreements	6,741	-15.9	8.5	11.0
Bonds	18,136	24.2	23.0	20.1
Other	1,656	-13.9	2.1	2.6
Sub-total	**75,900**	**6.9**	**96.1**	**97.5**
Subordinated liabilities	3,060	70.5	3.9	2.5
Total	**78,960**	**8.5**	**96.1**	**97.5**

DISTRIBUTION OF FUNDING BY SECTOR OF ACTIVITY

Highlighting the MPS Group's retail orientation, the distribution of traditional funding by sector of activity shows that retail customers and family-owned businesses accounted for some 68 percent of direct funding as of the end of 2001.

Breakdown of Deposits (from ordinary residential customers with Italian Branches)
(in EUR mn)

	31.12.2001	% Change	% of	% of

		vs 2000	2001 Total	2000 Total
Governments	1,577	-34.7	3.9	6.4
Financial institutions & insurance companies	3,261	1.0	8.1	8.5
Non-financial companies	7,958	15.0	19.9	18.3
Family-owned businesses	2,701	17.5	6.7	6.1
Retail deposits (°)	24,590	6.8	61.3	60.8
Total	**40,086**	**5.8**	**100.0**	**100.0**

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

GEOGRAPHICAL DISTRIBUTION OF FUNDING

The MPS Group enjoys strong penetration of the retail market in the central regions of Italy which account for 52 percent of total deposits (current accounts, savings deposits and certificates of deposit). Following the acquisition of Banca Agricola Mantovana and the purchase of a significant stake in Banca Monte Parma (consolidated on a pro rata basis), the deposits sourced from the northern regions of the country have also grown more significant, accounting for 23.5 percent of the total as of the end of 2001.

Deposits of Ordinary Customers with Italian Branches
Distribution by Customer Residence - in EUR mn

	31.12.2001	% of Total
Northwestern Italy	7,274	18.1
Northeastern Italy	2,178	5.4
Central Italy	20,855	52.0
Southern Italy	7,849	19.6
Islands	1,930	4.8
Total	**40,086**	**100.0**

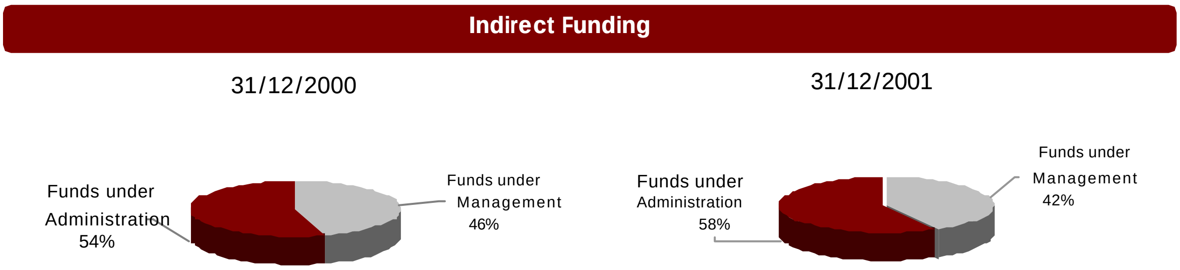
INDIRECT FUNDING

Indirect funding expanded by 3.3 percent in 2001, mainly due to the significant amounts of funds placed in products of the MPS Group. Such flows compensated for the adverse effects of the poor performance of the financial markets, which mostly impacted holdings of equities in managed fund accounts.

Product Placements
(in EUR mn)

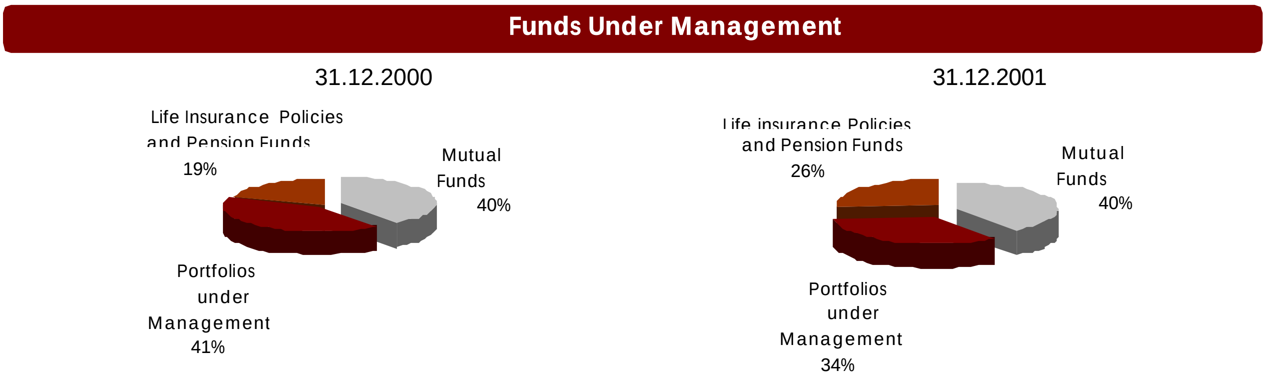
	31.12.2001	31.12.2000
Mutual Funds	739	3,530
Life insurance policies	3,104	2,314
including: ordinary life insurance policies	2,027	568
including: index-linked policies	549	780
including: unit-linked policies	528	966
Pension funds	39	35
Innovative financial products	4,740	1,350
Total	**8,622**	**7,229**

Given the effects of declining securities prices, total funds under management decreased from 46 percent of indirect funding as of the end of 2000 to 42 percent as of the end of 2001.



FUNDS UNDER MANAGEMENT

Funds in managed accounts amounted to EUR 39,484 million at the end of 2001, declining by 5.1 percent for the year. As indicated, this decrease stemmed from the strong volatility of the financial markets in 2001, the effects of which were only partially offset by net new investments.



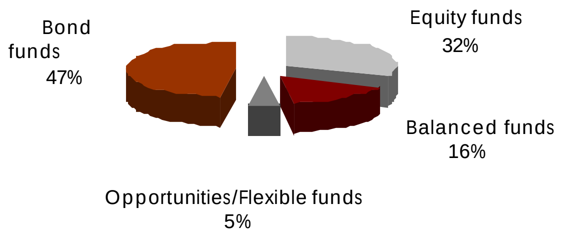
Following are comments on the individual components of indirect funding

MUTUAL INVESTMENT FUNDS

Net new investment flows came to EUR 739 million for the year. The result is particularly significant when considering the funds management industry as a whole experienced net redemptions of EUR 766 million in 2001. The MPS Group managed to maintain its market share of 4.4 percent, measured in terms of total investment in mutual funds. In terms of stock, the direct subscriptions of MPS Group customers accounted for EUR 15,799 million of quotas outstanding, for a 4.5 percent decrease versus the prior year.

Mutual Investment Funds

Composition of Assets Under Management as of 31 December 2001



The following graph shows the overall mix of the assets invested in mutual funds managed by the MPS Group (Ducato, Spazio Finanza and Gi.Gest). As indicated, bond funds (including money-market funds) accounted for the bulk of investment, while the amount invested in equity funds fell to 32 percent of the total in 2001, as compared with 37 percent as of 31 December 2000.

Mutual Funds of the MPS Group as of 31 December 2001

Composition of Assets Managed by Individual Funds (in EUR mn)

Fund	Total Assets	%
DUCATO Monetario Dollaro	10	0.1
DUCATO Monetario Euro	3,071	30.0
DUCATO Obblig. Dollaro	390	3.8
DUCATO Reddito Impresa	185	1.8
Spazio Corporate Bond	11	0.1
DUCATO Obblig.Euro B.T.	473	4.6
DUCATO Obbligaz Tasso Var.	677	6.6
Quadrifoglio monetario	117	1.1
Spazio Monetario	299	2.9
Ducato obbligazionario internazionale	985	9.6
Portfolio Global bond	181	1.8
Quadrifoglio Obbligazionario Internazionale	88	0.9
Spazio Obbligaz.Globale	16	0.2
Ducato Euro plus	687	6.7
Quadrifoglio obbl. misto	91	0.9
Spazio Obbligazionario	35	0.3
Obblig.Euro MT	237	2.3
Quadrifoglio obbligazionario	752	7.3
Obblig. Paesi emergenti	1,930	18.9
Total Bond Funds	**10,231**	**100.0**
DUCATO Civita	15	1.5
Portfolio Strategy	108	10.8
DUCATO Securpac	498	50.0
Quadrifoglio flessibile	110	11.0
Spazio Azionario	69	6.9
Spazio Concentrato	197	19.7
		-
Total Opportunities F.	**997**	**100.0**

Fund	Total Assets	%
DUCATO Azionario America	663	9.8
DUCATO Ambiente	4	0.1
DUCATO Finanza	52	0.8
DUCATO Industria	11	0.2
DUCATO PMI	43	0.6
Portfolio Commodity	5	0.1
Portfolio Small Caps	8	0.1
DUCATO Azionario Paesi Emergenti	188	2.8
DUCATO Nuovi Mercati	47	0.7
DUCATO Azionario Europa	2,771	40.9
Quadrifoglio azionario europa	310	4.6
DUCATO Azionario Internazionale	319	4.7
Ducato Immobile attivo	63	0.9
Portfolio Global Equity	151	2.2
Portfolio Mega Trends	34	0.5
DUCATO Trend	326	4.8
Spazio Azionario Globale	47	0.7
DUCATO Azionario Italia	776	11.5
Quadrifoglio Azionario Italia	92	1.4
DUCATO Azionario Asia	236	3.5
DUCATO Azionario Giappone	418	6.2
Portfolio High Tech	17	0.3
DUCATO Web	84	1.2
Spazio Euro.NM	111	1.6
Total Equity F.	**6,776**	**100.0**
DUCATO Crescita globale	541	15.7
DUCATO Portfolio Equity 70	32	0.9
DUCATO Bilanciato Europa	23	0.7
DUCATO Bilanciato globale	1,106	32.1
Portfolio Capital Plus	35	1.0
Portfolio Equity 50	60	1.7
Quadrifoglio bilanciato internaz.	275	8.0
Spazio Bilanciat.Italia	116	3.4
Portfolio Equity 30	106	3.1
DUCATO Reddito Globale	1,148	33.4
Total Balanced	**3,442**	**100.0**
TOTAL FUNDS	**21,446**	

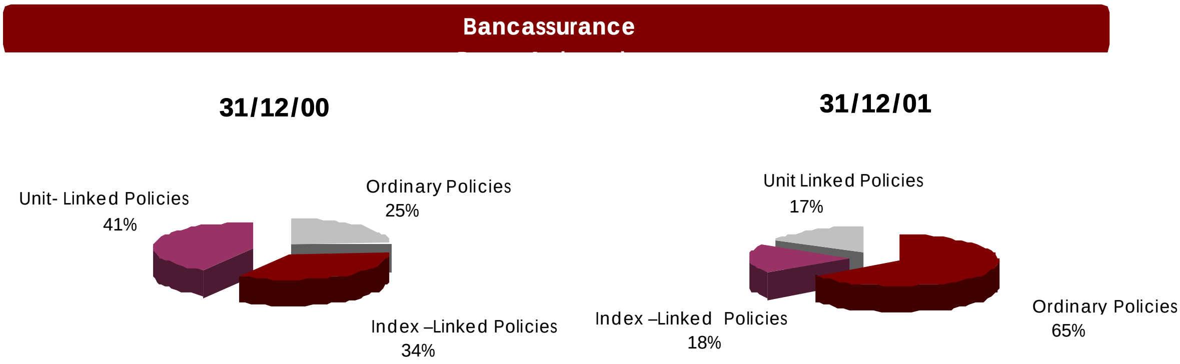
The above table provides a breakdown of balances in the individual funds managed by MP Asset Management SGR (inclusive of the quotas in individual portfolios under management):

PORTFOLIOS UNDER MANAGEMENT

Balances in portfolios under management amounted to EUR 13,347 million at year end, falling by 21.4 percent compared with 31 December 2000. The decrease, which was slightly higher than the 18 percent industry average, was mainly due to customers opting to convert investments into cash, and to redirect their funds into assets-held administered accounts or in other marketable instruments. From a qualitative perspective, efforts went toward further diversification of the array of investment strategies available, and this helped to stem the liquidation of investments in the final months of the year. The MPS Group's market share in this business remained stable at around 7.7 percent.

BANCASSURANCE

Increasing by a significant 27.7 percent, the actuarial reserves supporting life policies came to EUR 10,248 million at the end of the year. This growth is the result of premium inflows in the aggregate amount of EUR 3,104 million (EUR 1,791 million from Monte Paschi Vita, EUR 488 million from Ticino Vita, EUR 493 million from Grow Life and EUR 332 million from Quadrifoglio Vita). Traditional policies accounted for around EUR 2,027 million of the premium volume, or 65 percent of the total; such volumes reflect the benefits of a broader array of products available and customer preferences for investments with a lower degree of risk. On the basis of these volumes, the MPS Group boosted its market share from 10.1 percent to 11.5 percent of new production.



PENSION FUNDS

Closing the year with a balance of EUR 105 million, pension funds still represent only a limited portion of total volumes, though the business is steadily growing. The future potential of this segment is mainly expressed by the number of participants. The MPS Group currently services accounts for more than 55,400 participants, which represents market share around 19.2 percent.

FUNDS UNDER ADMINISTRATION

The 10.3 percent growth of the aggregate was favorably influenced by the procurement of several important institutional accounts. The placement of innovative finance products (around EUR 4,740 million) also had a positive impact on the aggregate, and represented a prompt response to the investment demands of customers.

LENDING

Outstanding loans grew by 6.6 percent for the year to reach EUR 64,944 million as of 31 December 2001. The MPS Group's share of the loan market rose from 6.2 percent to 6.3 percent. The trend of loan growth was affected by several securitization transactions effected by some banks of the MPS Group primarily in the first few months of the year (additional information is provided in the section entitled "Securitization Transactions") and by a slowdown in lending volumes following the events of 11 September, with the balance of outstandings remaining virtually flat in the third quarter. After reclassifying the data for 2000 and 2001 in order to provide the same basis for comparison, the growth of the loan portfolio climbs to 9.5 percent.
The lending policy has continued to emphasize the medium-/long-term components of the portfolio (+17.8 percent). The advantages of this approach include: the possibility of building stronger customer relationships; the potential for maximum integration between the distribution networks and the product companies which, in turn, can elevate the level of quality and specialization of the service; and a more intense focus on containing risk and capital absorption.
In short-term lending, the MPS Group has continued to orient its business toward commitments of a commercial nature.

A breakdown of loans by type is provided in the following table:

Distribution of Loan Portfolio by Type of Loan
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total	% of 2000 Total
Current accounts	11,983	-1.0	18.5	19.9
Advances	6,489	-0.1	10.0	10.7
Advances and subsidies	12,384	20.2	19.1	16.9
Personal loans	1,909	15.2	2.9	2.7
Mortgages	26,453	10.0	40.7	39.5
Loan value of financial leases	2,283	68.3	3.5	2.2
Other	2,635	-17.3	4.1	5.2
Non-performing loans, net	808	-54.9	1.2	2.9
Total	**64,944**	**6.6**	**100.0**	**100.0**

The lending policy for the MPS Group has been developed on the basis of guidelines provided by the Parent Company in order to assure standardization in the distribution of the portfolio by geographic area and industry, the determination of creditworthiness, and the definition of pricing, and in order to achieve the optimal risk-return profile.

LOANS BY SECTOR OF ECONOMIC ACTIVITY

The distribution of the loans of Italian branches by sector highlights the predominant weight of loans to support production (63.2 percent) and the growth of consumer credit (+15.1 percent):

Italian Branches (ordinary resident customers)
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total	% of 2000 Total
Governments	4,355	4.7	7.5	7.8
Financial institutions & insurance companies	4,967	10.8	8.5	8.4
Loans for production purposes	36,807	8.3	63.2	64.0
- non-financial companies	32,148	6.9	55.2	56.6
- family-owned businesses	4,658	19.4	8.0	7.3
- artisans	1,050	17.1	1.8	1.7
- other family-owned businesses	3,609	20.0	6.2	5.7
Retail loans	11,784	15.1	20.2	19.3
Other	316	16.7	0.5	0.5
Total	**58,228**	**9.6**	**100.0**	**100.0**

The table below highlights the traditional, broad-based diversification of the Bank's loan portfolio which incorporate specific strategies aimed at minimizing credit risk.

LOANS FOR PRODUCTION PURPOSES TO ORDINARY RESIDENT CUSTOMERS (Italian Branches)
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total
Farming, forestry and fishing	2,263	15.1	6.1
Energy products	1,014	18.2	2.8
Ferrous and non-ferrous minerals and metals	408	-8.5	1.1
Non-metal minerals and products	908	13.3	2.5
Chemical products	564	0.3	1.5
Metal products	1,268	12.5	3.4
Agricultural and industrial machinery	1,099	14.6	3.0
Office equipment	251	-68.9	0.7
Electrical materials and supplies	733	1.0	2.0
Transportation equipment and vehicles	407	16.5	1.1
Food, beverage and tobacco products	1.858	8.3	5.0
Textiles, leather, footwear and apparel	2,841	7.7	7.7
Paper, printed products and publishing	720	-40.0	2.0
Plastic and rubber products	582	8.9	1.6
Other industrial products	1,126	13.5	3.1
Building and public works	3,877	7.5	10.5
Commercial services, recoveries and repairs	6,563	8.2	17.8
Hotels and public establishments	1,306	22.2	3.5
Inland transport services	577	9.6	1.6
Sea and air transport services	461	33.7	1.3
Transport-related services	552	30.0	1.5
Communications services	585	21.9	1.6
Other marketable services	6,844	18.3	18.6
Total	**36,807**	**8.3**	**100.0**

GEOGRAPHICAL DISTRIBUTION OF LOANS

Though affirming the concentration of loan volumes in the MPS Group's traditional market area, the geographic distribution of the loan portfolio is a slightly more balanced than in past years due to the expansion of the distribution network and strength of production in the northern and southern regions of the country.

Loans to Ordinary Resident Customers
Italian Branches
Distribution by Customer Residence - in EUR mn

	31.12.2001	% of Total
Northwestern Italy	14,019	24.1
Northeastern Italy	4,919	8.4
Central Italy	28,052	48.2
Southern Italy	8,310	14.3
Islands	2,928	5.0
Total	**58,228**	**100.0**

DEGREE OF CONCENTRATION OF LOANS OUTSTANDING

Roughly 58 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 Amount
Cash loans, net of non-performing loans
Outstanding Amount

	% of Total as of 31.12.2001	% of Total as of 31.12.2000
0 - EUR 75,000	17.9	18.2
EUR 75,000 - EUR 250,000	14.7	14.4
EUR 250,000 - EUR 500,000	7.4	7.3
EUR 500,000 - EUR 2,500,000	18.7	18.2
EUR 2,500,000 - EUR 50,000,000	22.5	22.8
More than EUR 50,000,000	18.8	19.0
Total	100.0	100.0

Concentration of Risk
Cash Loans, Net of Non-Performing Loans
Customers

	% of Total as of 31.12.2001	% of Total as of 31.12.2000
Top 10 customers	7.7	7.2
Top 20 customers	11.3	11.2
Top 50 customers	15.2	15.2

MEDIUM- AND LONG-TERM LOANS

The portfolio of medium- and long-term loans expanded by an impressive 17.8 percent in 2001 to put the balance at EUR 32,097 million at year end. Disbursements of medium- and long-term credit accounted for roughly 55 percent of total loan disbursements for the year. Taking into account this growth, the MPS Group's market share in this business rose to roughly 7 percent. As shown in the table below, the principal borrowers in this segment are non-financial companies (with a weight in excess of 40 percent) and consumers (31.8 percent).

Medium- and Long-Term Loans by Sector (ordinary resident customers)
Italian Branches
(in EUR mn)

	31.12.2001	% Change vs 2000	% of 2001 Total	% of 2000 Total
Governments	4,293	5.8	13.4	14.9
Financial institutions & insurance companies	1,321	53.8	4.1	3.2
Loans for production purposes	16,093	19.5	50.1	49.4
- non-financial companies	13,120	17.3	40.9	41.0
- family-owned businesses	2,974	30.0	9.3	8.4
- artisans	635	26.7	2.0	1.8
- other family-owned businesses	2,338	30.9	7.3	6.6
Retail loans	10,194	17.0	31.8	32.0
Other	196	30.7	0.6	0.5
Total	**32,097**	**17.8**	**100.0**	**100.0**

The MPS Group also achieved strong growth in the volumes of new production in specialized loans (industrial credit, agricultural credit, loans for environmental protection and consumer credit). Outstandings for these segments rose on average by 30 percent during 2001.

Specialized Lending
(in EUR mn)

	31.12.2001	31.12.2000
MPS Merchant		
Applications	4,459	2,909
Disbursements	1,110	969
MPS Banca Verde		
Applications	761	664
Disbursements	415	434
Merchant Leasing & Factoring		
New leases executed	684	421
Factoring turnover	1,184	662
Consum.it		
Disbursements	479	352

SECURITIZATION TRANSACTIONS

The MPS Group effected certain securitization transactions in 2001 as part of the overall initiatives aimed at: optimizing capital for regulatory purposes; generating new flows of liquidity; and taking advantage of specific fiscal benefits (Italian Law No. 130 of 1999). A summary of these transactions is provided below, while additional details thereon are supplied in the notes to the financial statements.

Securitization transactions covering performing loans included:

- Banca Monte dei Paschi di Siena: EUR 1,099.5 million of fixed-rate, floating-rate and modular residential mortgage loans with a first lien, with the expiration of debt amortization subsequent to 30 June 2006;
- Banca Agricola Mantovana: mortgage loans for EUR 550 million;
- Banca 121: mortgage loans for EUR 489 million.

Securitization transactions covering non-performing loans included:

- Banca Monte dei Paschi di Siena: an aggregate of EUR 958.6 million, relative to mortgage loans on buildings with a first lien (primarily residential buildings) and short-term, unsecured credits;
- Banca Toscana: EUR 191 million;
- Banca Popolare di Spoleto: EUR 32 million.

The companies set up for the purpose of purchasing the credits issued (i) securities rated by Moody's, Standard and Poor's, Fitch, which were listed on the Luxembourg Stock Exchange and subscribed entirely by institutional investors, and (ii) non-rated notes (in the case of the non-performing credits) which were fully underwritten by the originator banks.

STRUCTURED FINANCE AND MERCHANT BANKING

The past year was an important one for the structured finance and merchant banking activity. Aside from the further development of existing business, the areas involved in this activity went through a significant organizational change as part of the implementation of the MPS Group's business plan.

Accordingly, Mediocredito Toscano was reorganized into an investment bank catering to small- and medium-sized firms and its name was changed to MPS Merchant. As of the start of the second half of the year, a new unit was set up within MPS Merchant which is specifically dedicated to innovative finance.

The expansion of *project financing* activity was also significant, and built upon the portfolio and expertise which had already been developed within Mediocredito Toscano.

Project Financing Activity in 2001

Key projects involving the MPS Group during the year included:
- tourist ports (Marina di Stabia, Marina di Ravenna and Porto Odescalchi);
- energy (financing of a waste-combustion thermoelectric plant in Massafra and the mandate for the financing of another similar plant in Corteolona - PV);
- environment (funding of projects sponsored by entities such as Unieco and Waste Management);
- water (co-advisor to the successful bidders on the Optimal Domain in Latina).

In *acquisition financing*, the principal transactions in 2001 were completed for clients operating in the energy and gas distribution sectors.

Various mandates for arranging *mergers and acquisitions* were secured during the year, with the biggest business coming from the food, transportation and information technology industries. Several advisory mandates were also concluded during 2001 for the account of public entities with involvement in the pharmaceutical industry and in airport facilities.

The *private-equity* activity was continued, with MPS Merchant acting as an *advisor* to Centro Invest, a closed-end property fund which perfected two investments in 2001 and put together a third investment in January 2002.
In the second half of 2001, MPS Merchant and Intermonte Securities SIM set up MPS Venture SGR with the aim of managing closed-end mutual funds for an aggregate of EUR 300 million. In accordance with its business plan, MPS Venture SGR will launch a series of closed-end funds in 2002 for the purpose of investing predominantly in small- and medium-sized firms operating in Italy.

INTERNATIONAL BANKING ACTIVITY

As the MPS Group has moved toward achieving the growth and operational development defined in the Business Plan, the organizational activity has encompassed a redefinition of the strategic *mission* of the foreign network (branches and representative offices). As a result, the positioning of the international operations has been redirected, with a preference going to specific market areas.
The objective is to channel business development toward commercial and service transactions which are principally aimed at supporting Italian companies and thus to achieve growing integration with the Group domestic network. While having specific roles and operational functions in order to meet the needs of Italian customers, the foreign branches are also designed to act as "logistics platforms" to serve as the functional and administrative base for the foreign activity of the banks and product companies of the MPS Group.

DEVELOPMENT OF THE INTERNATIONAL NETWORK AND COMMERCIAL AGREEMENTS

The activity of the foreign network has been directed toward two fundamental objectives: - consolidation of the operations of the Hong Kong branch, which serves as a point of convergence for the activities of the representative offices in Beijing and Shanghai;
- enhancement of the Group's presence in the Maghreb, given the ongoing business development of the Tunis representative office, launched at the end of 2000, in collaboration with the Banque du Sud, a local bank in which the MPS Group holds an investment. Another office in the region will soon be opened in Algiers, making the MPS Group the first Italian banking group to establish a presence in Algeria. The development of international banking activity has also been pursued through commercial agreements with foreign counterparties, the most important of which are listed hereunder:
- in Spain, MPS works with the Bancaja Banking Group;
- in Morocco, an agreement with Crédit du Maroc is considered the first step toward the eventual establishment of direct presence in the country;
- in Eastern Europe, which is another area of significant business interest, the Parent Company is present with a minority holding in Alpha Bank of Bucharest, while there are operating agreements with Volksbank covering the markets in Croatia, the Czech Republic, Slovenia and Hungary, and Ludova Bank for the Republic of Slovakia.

The foreign banks of the MPS Group have been charged with a *mission* similar to that for the direct network, namely, a review of strategic and organizational positioning, partly in relation to geographic location.

As far as commercial activity is concerned, the International Affairs Area has been involved in consolidating the implementation of methods and procedures of the Group, including with reference to ordinary risk management (*additional information is provided in the section entitled "Integrated Risk Management"*). The initiatives have been directed at standardizing current operations, and identifying resources to be transferred to specialized functions designed to support international expansion on the part of Italian firms, with a particular focus on small- and medium-sized firms.

During 2001, the International Affairs Area significantly increased its involvement in *export finance* transactions backed by the Italian government's export credit agency (SACE) Agreement; this allowed for the growth of financing to entities resident in emerging markets, with the consequent increase of settlements of commercial flows. In addition, the International Affairs Area acted as an advisor and coordinator on a *utilities* project in Poland which was put together by a group of utility companies formerly controlled by municipalities in Tuscany. Rounding out the picture is an agreement made operative with SIMEST (Società Italiana per le Imprese all'Estero -

Italian Financial Institution for the Promotion of Italian Business abroad) which is designed to lead to more profitable use of the financial instruments supplied by the same.
On the lending front, the Parent Company served as the Agent Bank for three aid packages amounting to EUR 87 million, two of which went to Tunisia and the third of which went to Algeria. This mandate has served to facilitate the objective of further improvement in the MPS Group's positioning in the Maghreb.
The volumes of trade transactions settled through the MPS Group network increased significantly in 2001, both in terms of goods and other aggregates. The aggregate value of the "current accounts" was EUR 52.7 billion, or 29 percent above the 2000 level.

Almost all of the banks of the MPS Group joined the EBA payments system in 2001, operating as either a "Sub-Address" or "STEP1" participant. This has created the conditions for the canalization of significant work flows both at the national and international level.

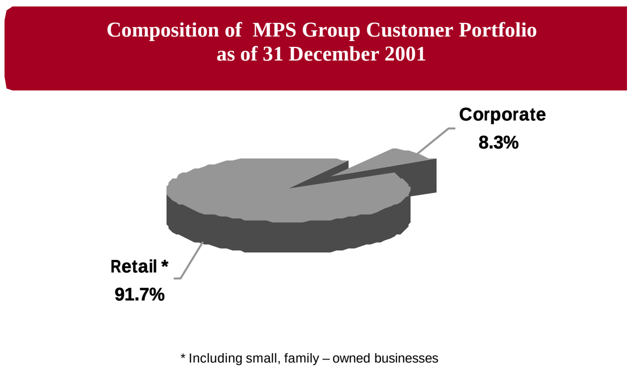
As of 31 December 2001, the MPS Group had some 2,800 correspondent relationships with foreign institutions.

CUSTOMER PORTFOLIO

In 2001, the customer portfolio of the MPS Group grew by around 230,000 accounts, or 5.4 percent, to put the total at 4,482,500 at year end.

As of 31 December 2001, the customers of the commercial networks only numbered approximately 4,390,000 customers. Some 91.7 percent of this total was represented by retail customers (individuals and small, family-owned businesses), with corporate customers accounting for the remaining 8.3 percent.

Among the banks of the MPS Group, Banca MPS and Banca 121 have the highest percentages of retail customers, whereas Cassa di Risparmio di Prato and Banca Agricola Mantovana show the most significant presence of the corporate segment (16.5 percent and 13.8 percent of the respective customer portfolios).

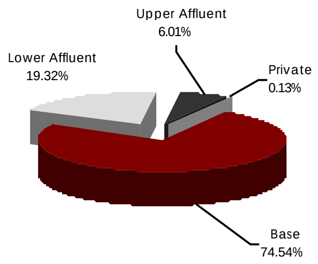


A review of developments within the retail segment during the year shows strong growth of the Lower Affluent segment (from EUR 25,000 to EUR 125,000 of assets); the number of customers in this segment rose by 1.74 percent, with the offsetting reductions coming from the Base segment (up to EUR 25,000 of assets) and the Upper Affluent (assets between EUR 125,000 and EUR 1 million).

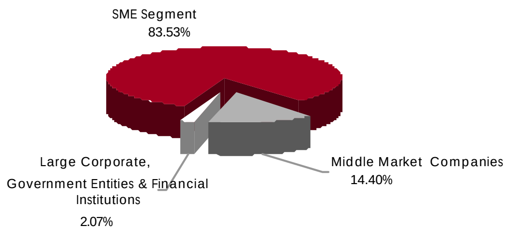
The number of corporate customers at the commercial banks only came to around

367,000 as of the end of 2001, rising by about 3.66 percent for the year. The corporate segment is predominantly made up of small- and medium-sized firms.

Composition of Retail Segment as of 31 December 2001



Composition of Corporate Segment as of 31 December 2001*



* Initial Reporting

DOUBTFUL LOANS

The MPS Group achieved additional significant improvements in credit quality in 2001, with the ratio of doubtful loans to total loans falling to 3.1 percent. This change is reflective of both careful screening of loan applicants and effective monitoring of outstanding credits, and of the benefits of securitization transactions.

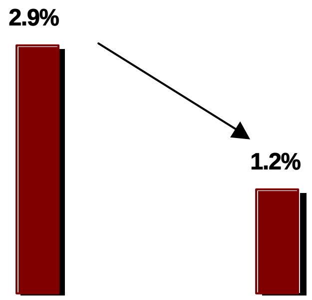
Distribution of Loan Portfolio by Risk Category
Net Book Value
in EUR mn

	31.12.2001	31.12.2000	% Change	% of Total as of 31.12.2001	% of Total as of 31.12.2000
Non-performing loans	808	1,792	-54.9	1.2	2.9
Watchlist credits	952	954	-0.3	1.5	1.6
Loans in the process of restructuring	-	-	-	0.0	0.0
Restructured loans	45	65	-31.3	0.1	0.1
Unsecured loans to high-risk nations	190(°)	47	n.s.	0.3	0.1
Total doubtful loans	**1,995**	**2,858**	**-30.2**	**3.1**	**4.7**
Performing loans	62,949	58,093	8.4	96.9	95.3
Total customer loans and advances	**64,944**	**60,952**	**6.6**	**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 9 million of doubtful loans.

As of the end of the year, the ratio of net non-performing loans to total loans had declined to a very modest 1.2 percent, which is about 50 percent lower than the comparable figure at an industry level.

Ratio of Net Non-Performing Loans to Total Loans (%)



The stock of net non-performing loans declined by 54.9 percent during the year to a total of EUR 808 million. Part of the change can be attributed to the benefits of a particularly conservative valuation of certain credits in litigation which helped to reduce the ratio of doubtful loans to non-performing loans at 45.6 percent.

Trend of Non-Performing Customer Loans
(in EUR mn)

	31.12.2001	31.12.2000	% Change
Book value of principal amount outstanding	1,286	2,620	-50.9
Doubtful loans	503	857	-41.3
Net value of principal amount outstanding (sub-total)	**783**	**1,763**	**-55.6**
Interest in arrears	199	841	-76.4
Interest in arrears on doubtful loans (°)	174	813	-78.6
Adjusted interest in arrears (sub-total)	25	28	-11.2
Net book value	**808**	**1,792**	**-54.9**

(°) Interest in arrears considered recoverable from some Banca MPS subsidiary companies

The following table illustrates the principal elements which caused the overall change in total non-performing loans during the year:

Trend of Non-Performing Customer Loans
(including interest in arrears)
in EUR mn

	Amount Outstanding	Doubtful Loans	Net Value
Balance as of 31 December 2000	**3,461**	**1,669**	**1,792**
Increases during the year	**806**	**612**	**193**
Transfers from performing loans	321		
Transfers from other categories of doubtful loans & other increases	448		
Interest in arrears	36		
Decreases during the year	**2,782**	**1,605**	**1,177**

Transfers to performing loans	4		
Amounts written off (°)	1,525		
Collections	290		
Cash proceeds from transfers to third parties (°°)	946		
Transfers to other categories of doubtful loans and other decreases	17		
Balance as of 31 December 2001	**1,485**	**676**	**808**

(°) Includes effects of the securitization transactions
(°°) Amount collected from companies purchasing non-performing loans included in securitization transactions

Changes in the balances of watchlist credits and past-due installment loans are summarized in the table below:

Trend of Watchlist Credits
(including interest in arrears)
in EUR mn

	Principal Amount Outstanding	Doubtful Loans	Book Value
Balance as of 31 December 2000	**1,273**	**318**	**954**
Increases during the year	**949**	**191**	**759**
Transfers from performing loans	828		
Transfers from other categories of doubtful loans & other increases	110		
Interest in arrears	11		
Decreases during the year	**1,010**	**249**	**761**
Transfers to performing loans	57		
Amounts written off (°)	73		
Collections	452		
Cash proceeds from transfers to third parties (°°)	53		
Transfers to other categories of doubtful loans and other decreases	375		
Balance as of 31 December 2001	**1,212**	**260**	**952**

(°) Includes effects of the securitization transactions
(°°) Amount collected from companies purchasing non-performing loans included in securitization transactions

SECURITIES PORTFOLIO AND TREASURY ACTIVITY

The performance of the financial markets during 2001 was conditioned by a significant degree of uncertainty about the growth of the global economy and by high volatility, especially after the events of 11 September.

The operational orientation was mostly geared toward the containment of risk and the absorption of capital. From an organizational perspective, the creation of the "Corporate Center" encompassed the restructuring of the Finance Area to make it more efficient in serving the needs of the entire MPS Group.

SECURITIES PORTFOLIO

As of 31 December 2001, the aggregate amounts of securities held for the account of the MPS Group came to EUR 15,803 million. The figure was almost level with the balance at the prior year end, even though a stock of roughly EUR 1,322 million had been allocated to MPS Finance for the start-up of its activity.

Owned Securities
(in EUR mn)

	31.12.2001	31.12.2000
Total securities	**15,803**	**15,804**
- Investment portfolio	4,336	5,335
- Trading portfolio	11,467	10,469

Net of the holdings of MPS Finance, the balance was around EUR 1,300 million lower year on year, thereby reflecting the general orientation toward the containment of exposure to financial risks and the management of the same. Variations within the aggregate include a reduction of roughly EUR 1,000 million in investment securities due to decreases in holdings by the Parent Company and Banca Toscana which were partially offset by a marginally higher investment on the part of BAM. Sales included roughly USD 1,154 million of U.S. Treasury Bonds and World Bank securities by the foreign branches of Banca MPS, whereas new investments were made in a series of junior securities issued in relation to the securitization transactions realized by the banks of the MPS Group during the year.

The year-end balance of the trading portfolio increased by approximately EUR 1,000 million in comparison with the end of 2000, but reflected a decrease of more than EUR 500 million with respect to the aggregate as of 30 June 2001.

The holdings of the aggregate portfolio by category of investment as of 31 December 2001 are shown in the table below:

Owned Securities
(in EUR mn)

	31.12.2001	31.12.2000
Government securities	1,268	1,963
Bonds and other fixed-income securities	13,014	13,010
Shares, quotas and other equity securities	1,521	830
Total	**15,803**	**15,804**

The growth of "shares, quotas and other equity securities" is partially linked to the structuring of innovative finance products by MPS Finance (hedging positions against equity index products) and partially to the investment in quotas of bond funds (SICAVs) launched during the year by Banca 121 (thus the VaR of the aggregate remains virtually stable).

TREASURY ACTIVITY

The treasury activity of the MPS Group increased markedly in 2001 in terms of volumes traded on both the E-Mid circuit and the over-the-counter (OTC) market.

The Group reinforced its presence as a market maker on the screen-based markets as well as with regard to the E-Mid platform. A sharp increase in the number of foreign counterparties active on the E-Mid circuit made the market even more competitive during 2001. The Group also bolstered its activity with respect to the new Eonia and USD OIS platforms where it continued to maintain trading positions.

With an ongoing emphasis on limiting exposure and the amount of capital absorbed by the Treasury Area, the net interbank position for the MPS Group decreased by EUR 850 million year on year, inclusive of a roughly EUR 2,400 million increase in the Parent Company's interbank assets. The variance reflects the start of a process that will lead to integrated treasury management at a Group level. Part of the decrease in the consolidated interbank borrowing position can be attributed to the securitization transactions carried out during the year and the reduction in funding requirements as a result thereof.

As of 31 December 2001, the MPS Group's interbank position was as follows:

Interbank Balances
in EUR mn

	31.12.2001	31.12.2000
Amounts due from banks	14,089	15,870
Amounts due to banks	15,142	17,778
Net borrowing position	**-1,054**	**-1,908**

INTEGRATED RISK MANAGEMENT

RISK MANAGEMENT PROCESS AT MPS GROUP

PRINCIPLES, OBJECTIVES AND SCOPE OF ACTIVITY

The risk management process embraced by the MPS Group is based on several fundamental principles which provide for:

- a clear definition of the responsibilities at the three levels of the organization which make up the system of internal controls: the line controls typical of the operating area, the second-level controls assigned to the Risk Management Department within the "Corporate Center"; and the auditing controls assigned to the Internal Controls Department within the "Corporate Center";
- specific responsibilities vested with the Risk Management Committee within the "Corporate Center" with respect to the definition of risk management policies and the adoption of possible corrective actions aimed a modifying the overall risk-return profile at a Group level;
- the development of sophisticated methods for measuring and monitoring risks in line with the latest international standards and in response to the quantitative principles indicated by the Regulatory Authorities with respect to internal models;
- clear-cut organizational separation between operating areas and control functions.

The activity of risk management has rapidly developed within the MPS Group during the past two years. Originally centered with the Parent Company, this activity has now been extended to many companies of the Group.

ORGANIZATION STRUCTURE

The creation of the "Corporate Center" in August 2001 further highlighted the importance of risk management at a Group level, and resulted in the formation of specialist units charged with monitoring and controlling risk.
The risk management process for the MPS Group is thus now organized along the following lines:

- External entities: The Board of Directors is responsible for defining the degree of risk aversion and the operating limits of reference, while the Board of Statutory Auditors is charged with assessing the degree of efficiency and adequacy of the system of internal controls, including with regard to the control over risks.
- "Corporate Center": The Senior Management of the Parent Company is charged with ensuring compliance with policies and procedures regarding risks.
- "Corporate Center": The Risk Management Committee is assigned the task of regularly evaluating the aggregate risk-return profile. With operational responsibility for the Banking Book, the Committee effects the necessary intervention by employing macro hedging aimed at modifying the degree of risk assumed and minimizing the volatility of the expected interest margin. The Committee also decides on funding and capital management strategies and evaluates the adequacy of capital for each bank and at the Group level. The activity of the Committee was recently extended to assessing the risk profile of the Banca MPS credit portfolio.
- "Corporate Center": The Internal Controls Area defines the rules for the system of controls and verifies the application and respect of the same.
- "Corporate Center": The Risk Management Unit has the responsibility for defining the integrated analytical and risk-measurement methodologies used by the MPS Group. Using internally developed models for measuring VaR and sensitivity to various risk factors, the Unit measures and monitors the risk positions for Banca MPS and the MPS Group, and verifies compliance with the operating limits set by the Board of Directors. The Unit's responsibilities also include the measurement of capital absorption, support to capital management initiatives, and the development and maintenance of the integrated risk management system for the MPS Group.
- The Credit Policy and Control Unit establishes lending criteria for the MPS Group, with the objective of providing a balanced mix of loans. It is also responsible for the planning, implementation and maintenance of an internal rating system.
- Each operating area involved in the activity of trading has a controls area which is responsible for first-level controls.

CREDIT RISK

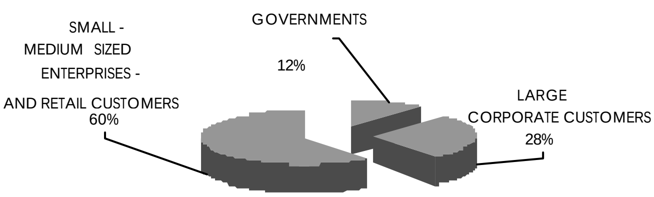
The Credit Risk Management (CRiM) project coordinated by the Risk Management Unit and the Credit Policy and Control Unit was completed in 2001. Carried out for the purpose of providing Banca MPS with a series of sophisticated instruments to be used in monitoring and measuring credit risks, the project will also support a credit re-engineering process that is designed to optimize the organizational, operational and procedural aspects of lending.

CREDIT RE-ENGINEERING PROCESS

During 2001, the principal activities involved the realization of instruments to support the lending process. One of these instruments, the "Electronic Credit File", was released to the network during the year and is designed to streamline and standardize the credit approval process across the MPS Group. Tools dedicated to the assessment of internal ratings for small- and medium-sized corporate borrowers were also perfected.
With the adoption of the internal rating model for small- and medium-sized firms, Banca MPS was able to carry out a comprehensive qualitative analysis of its portfolio. A risk-adjusted pricing model was developed in terms of methodology and application, and the relevant application is currently being tested in order to fine tune its parameters for definitive implementation.

CREDIT PORTFOLIO MODEL

BANCA MPS CREDIT EXPOSURE BY COSTUMER SEGMENT



The Credit Risk Management (CRiM) project was concluded during the year, with its main objective being the implementation of an internal credit portfolio model capable of measuring all credit risk on and off the balance sheet. The model generates data on key measures of credit risk, such as expected loss and economic capital, which provides an estimate of the maximum unexpected loss which Banca MPS could incur during a given year for a confidence interval of 99.93 percent. The methodology and systems adopted for this project have taken into account the provisions of the new regulations on capital adequacy (Basle 2) which are expected to be issued in the near future. As a result, the MPS Group will be in a position to be one of the first Italian banking groups to adopt an IRB-advanced approach (based on internal rating) just as soon as the regulations go into effect.

The project development over 2001 exclusively involved Banca MPS. The other banks of the MPS Group were regularly kept involved in the project through attending meetings providing updates on project execution and information on changes in the regulatory framework for credit risk. In 2002, the methodology and procedures implemented at the Parent Company are to be extended to the other principal banks of the Group; the objective is to achieve integrated credit-risk management at a Group level as soon as possible.

COUNTRY RISK

The assessment of country risk is used internally within the MPS Group as a tool for developing commercial and financial activity, and for the purpose of making strategic choices about the penetration of new markets. The analysis of country risk is also a tool to satisfy the public's growing demand for disclosure of data and information relative to the Group's business. The MPS Group has actively conducted a proprietary analysis of country risk since 1993, with a credit score and theoretical and actual operating limits defined on an individual country basis.

From an operational standpoint, the activity carried out in 2001 related to country risk involved:
- the preparation of a macroeconomic analysis to support country classifications and the quantification of country credit limits at a Group level;
- the publication of country studies by macroeconomic area on the Banca MPS Web site (www.mps.it).

The tables below provides a summary of unsecured exposure to high-risk nations on the part of Banca MPS. The total accounts for more than 90 percent of the MPS Group's exposure, which continues to remain limited. The tables provide a breakdown by geographic area and by counterparty:

Unsecured Credit (Cash and Securities) vs. High-Risk Nations

(in EUR mn)

Geographic Area	Gross Exposure				Doubtful	**Net**
	Customers	Banks	Securities (°)	**Total**	Loans	**Exposure**
Africa	9	14		23	2	21
Latin America	6	28	10	44	9	35
including: Argentina	0	1	10	12	5	7
North America	38		15	52	8	44
Australasia	110	190	32	332	8	325
Western Europe	12	0	20	32	3	29
Eastern Europe and the Balkans	1	14	9	25	3	22
Near East	16	40	3	60	0	59
Total	**192**	**288**	**89**	**569**	**34**	**535**

(°) Securities are included in the investment portfolio of the foreign branches

The classification of country risk by transaction nature (commercial/financial) is indicated in the table below.

Unsecured Credit vs. High-Risk Nations

(in EUR mn)

Geographic Area	Gross Exposure				Doubtful	**Net**
	Commercial	Financial	Securities (°)	**Total**	Loans	**Exposure**
Africa	3	20	0	23	2	21
Latin America	8	27	10	44	9	35
including: Argentina	0	1	10	12	5	7
North America	0	38	15	52	8	44
Australasia	29	271	32	332	8	325
Western Europe	0	12	20	32	3	29
Eastern Europe and the Balkans	10	6	9	25	3	22
Near East	14	42	3	60	0	59
Total	**64**	**416**	**89**	**569**	**34**	**535**

(°) Securities are included in the investment portfolio of the foreign branches

As far as the crisis in Argentina is concerned, the MPS Group has limited exposure to the country, whihc have been already been written off. The table below provides a summary of the Banca Monte dei Paschi di Siena's exposure:

Unsecured Exposure to Argentina

(in EUR mn)

Geographic Area	Gross Exposure				Doubtful	**Net**
	Customers	Banks	Securities (°)	**Total**	Loans	**Exposure**
Cash credits	0	1	10	12	5	7
Endorsement credits	0	14	0	14	1	13
Total	0	15	10	25	5	20

(°) Securities are included in the investment portfolio of the foreign branches

INTEREST-RATE RISKS AND LIQUIDITY RISKS ON MPS GROUP BANKING BOOK

INTEREST-RATE RISK

The analysis of the variation of the value of the assets and liabilities within the Banking Book in response to unexpected changes in risk factors is done through shift-sensitivity techniques, by determining the changes in the present value of the cash flows expiring as a result of a variation of interest rates. The analysis also provides an indication of the corresponding risk of a decline in net equity. Various scenarios are considered in terms of the magnitude and structure of changes in interest rates. A 25-basis-point shift is applied for operational purposes, as this variation remains consistent with market volatility on an historic basis. Pursuant to the recommendations made in the Basle 2 Committee's latest proposal relative to the quantification of interest-rate risk on the Banking Book, a parallel shock of 200 basis points is also considered, and is calculated with reference to both Tier 1 capital as well as total capital computed for regulatory purposes. The table below shows the risk indicators as of 31 December 2001 for a shift of 200 basis points across all maturities.

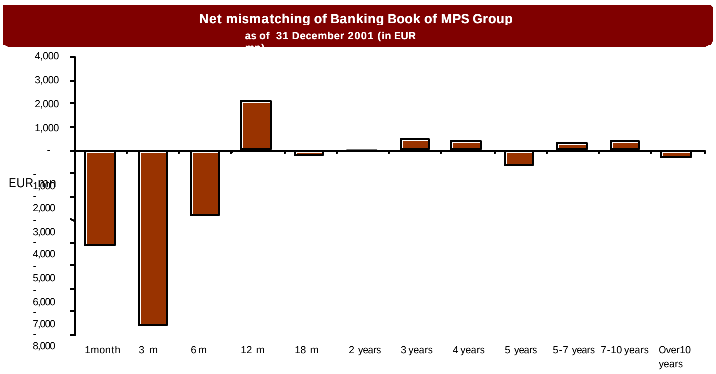
MPS Group

Risk Indicators for Shift of 200 basis points

	31.12.2001
Interest margin at risk / Interest margin	0.31%
Economic value at risk / Tier 1 capital	1.08%
Economic value at risk / Capital computed for regulatory purposes	0.79%

The data indicate extremely limited aggregate sensitivity of the MPS Group's Banking Book as of 31 December 2001. Specifically, the indicators are well below the "outlier" bank level set by the Basle Committee, namely, with interest-rate risk above 20 percent of capital computed for regulatory purposes.

As shown by a chart of the net mismatching of the MPS Group by maturities, the mismatching in medium- and long-term maturities is notably limited.



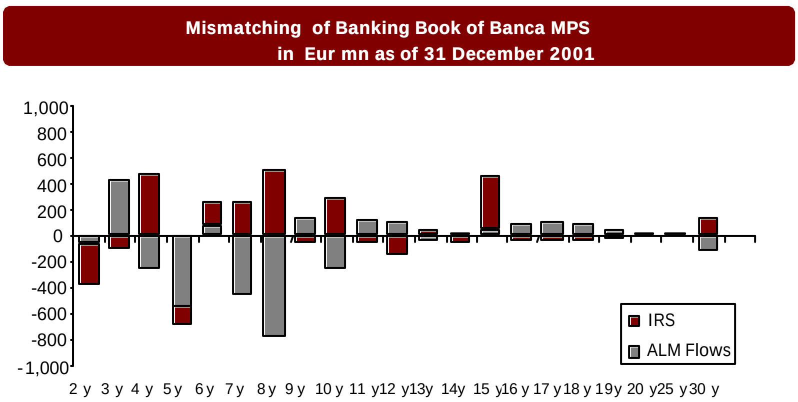
The aggregation of the net positions of the individual banks results in concrete benefits in terms of natural hedging of the various positions, with consequent savings on hedging costs that would have otherwise been incurred and the reduction of the aggregate sensitivity.

During 2001, as regards the Parent Company's ALM, the risk profile was modified mainly as a result of the Board of Directors' decision to sell USD-denominated investment securities during the month of November. The securitization of performing loans also had the effect of modifying the structure of the Parent Company's assets as far as the asset-liability management profile is concerned.

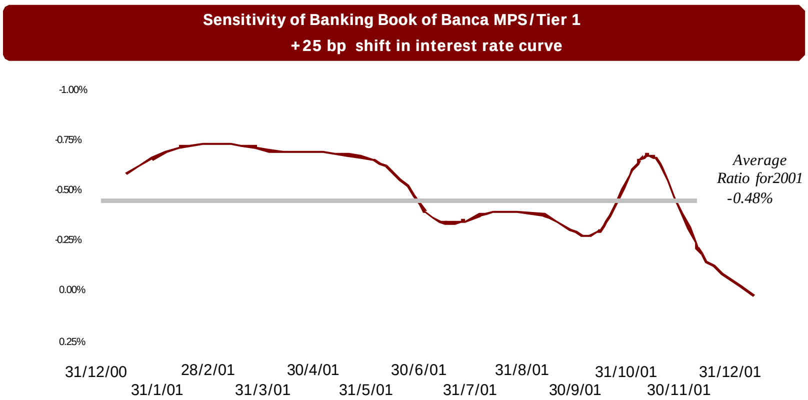
The table below provides the risk indicators for Banca MPS as of 31 December 2001 with reference to Basle 2.

Banca Monte dei Paschi di Siena
Risk Indicators for Shift of 200 basis points

	31.12.2001	30.06.2001	31.12.2000	30.06.2000
Interest margin at risk / Interest margin	1.45%	6.83%	8.25%	7.60%
Economic value at risk / Tier 1 capital	0.15%	2.53%	4.08%	5.12%
Economic value at risk / Capital computed for regulatory purposes	0.10%	1.78%	2.90%	3.84%



From an operational perspective, as of 31 December 2001, the overall sensitivity of the Banking Book, net of the risk on the investment securities portfolio (which declined to a potential loss of EUR 2.26 million for an interest-rate increase of 25 basis points), amounted to a potential gain of EUR 3.12 million for a 25-basis-point increase in interest rates. This turnaround in the sensitivity indicator, which is indicative of the "short" position of the commercial mismatching, is mainly the outcome of the securitization transactions referenced above which mainly had an impact on medium-term maturities, generating negative gaps in relation thereto.



The Banking Book of Banca MPS ended up virtually immunized against the expected volatility of interest rates (aggregate sensitivity as of 31 December 2001 equal to a potential increase of EUR 0.86 million for a 25-basis-point parallel increase in rates across the curve). The situation is reflective of the Risks Committee's ongoing effort to avoid interest-rate risk over the medium/long term and to concentrate exposure to rate risk exclusively in the short term in order to benefit from the impact on the interest margin of expectations about changes in interest rates, mainly by the European Central Bank.

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. In this regard, a particular emphasis is placed on the planning of funding policy at the Group level, with regard to both normal funding through bonds as well as funding through subordinated debt issues, in accordance with the needs of capital management.

MARKET RISKS ON MPS GROUP TRADING PORTFOLIO

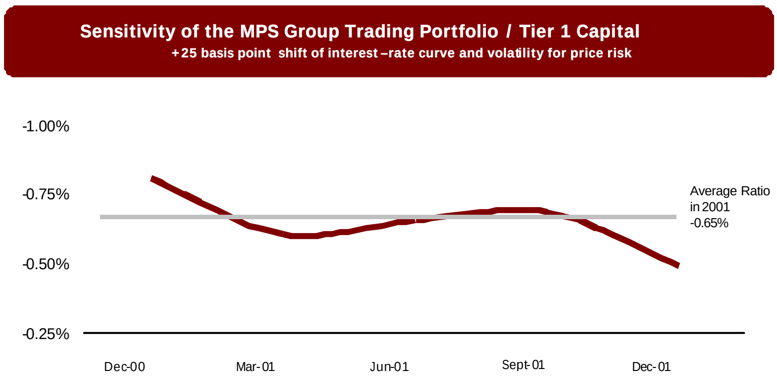
STRUCTURE OF PORTFOLIO, OPERATING LIMITS AND INSTRUMENTS FOR MONITORING MARKET RISKS

Important changes were made within the trading portfolio of the MPS Group during 2001. The most significant event regards the spin-off of the Parent Company's trading portfolio at the beginning of the year to the newly created MPS Finance Banca Mobiliare, which started up operations shortly thereafter.

At the same time, new systems for measuring and managing risk at the Group level were implemented, thereby ensuring compliance with international standards in the area of risk management. As a result of the changes, the Group is now able to address the issue of market risks from a VaR perspective. Operating limits are now expressed in VaR terms (confidence interval of

99 percent and holding period of one business day) calculated with the historical simulation method. Levels of authority are established on the basis of the maximum acceptable loss on a monthly and annual basis; such limits simultaneously consider actual or potential earnings results and the measure of risk on open positions (VaR).

RISK PROFILE ON TRADING PORTFOLIO OF MPS GROUP

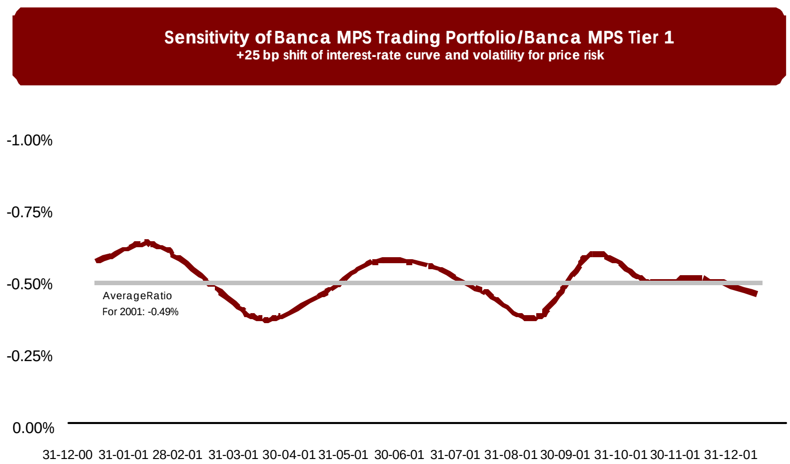


During 2001, the market risks on the trading portfolio of the MPS Group decreased with respect to the average level for 2000. In particular, as of the end of the year, the sensitivity was equal to approximately EUR 24 million, decreasing of approximately EUR 7 million compared with the comparable figure at the end of 2000. The risk temporarily increased to above the annual average only in late September, and this was due to the generally higher volatility seen in all markets following the events of 11 September 2001.

The average annual sensitivity for the MPS Group was equal to 0.65 percent of Tier 1 capital.

In terms of VaR, the aggregate risk at the Group level steadily fell during the year. As of 31 December 2001, the VaR (99 percent confidence and one business day), diversified by risk factor and by bank, was EUR 13.98 million, or well below the comparable figure for the previous year.

RISK PROFILE ON TRADING PORTFOLIO OF BANCA MPS



Measured in terms of sensitivity, the market risks of the Banca MPS trading portfolio amounted to 0.45 percent of Tier 1 capital as of 31 December 2001; this value was essentially in line with the average value for the year and significantly below the average of 0.61 percent posted for 2000.

Banca MPS has continued to pursue an objective of limiting risk to emerging markets, and as of 31 December 2001, the holdings of such bonds (inclusive of Argentine government bonds) amounted to 2 percent of the total trading portfolio.

In VaR terms, the aggregate risk remained below the pre-established limits, with regard to VaR diversified and not diversified by risk factor. After the adoption of this new approach, the VaR (99 percent confidence and one business day), diversified by risk factor was around EUR 9.77 million on average for November and December 2001, and thus aligned with the average value of around EUR 9.50 million for the full year.

OPERATING RISKS

In February 2001, the MPS Group activated a project aimed at identifying, evaluating and measuring operating risks for the individual banks and the Group as a whole. The project, which was managed by a joint work group consisting of managers from various Group companies, was presented at a conference on 19 April 2001 to all internal auditors of the Group companies and to the units of the "Corporate Center", including Senior Management of the Parent Company.

After an initial application and a comparison of results for the central work group and benchmark companies, the analysis methodology was fine tuned in terms of its framework (types of processes, typical risks and best-practice controls) and its application.

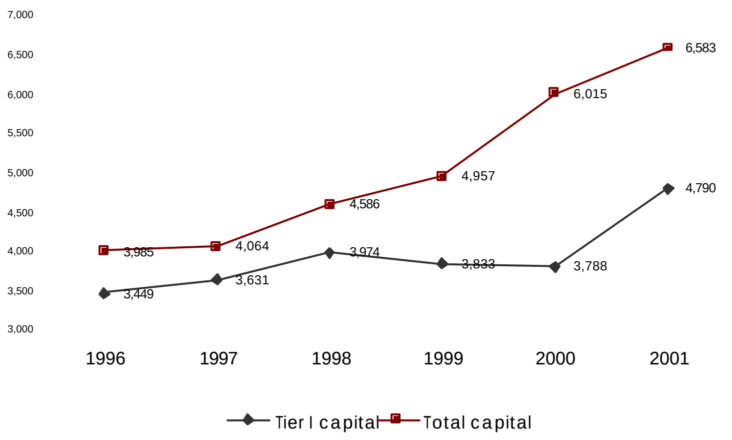
Similarly, the work group carried out a pilot study to quantify operating risks, registering the existing sources of information, defining a model for a data base of operating losses, reviewing statistical models and realizing empirical analyses on simulated and actual data.

CAPITAL REQUIRED FOR REGULATORY PURPOSES

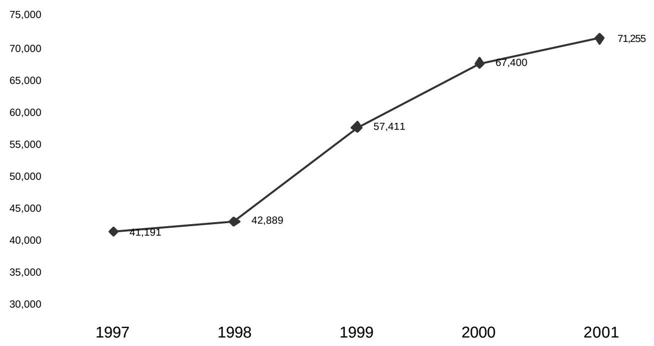
As of 31 December 2001, the MPS Group's capital as computed for regulatory purposes amounted to approximately EUR 6,583 million; the aggregate was thus EUR 568 million or 9.45 percent higher than the comparable figure at the end of 2000.

	31.12.2001	31.12.2000
Total capital	4,789.6	3,787.5
Tier II capital	3,142.3	3,042.2
	7,932.0	6,829.7
Amounts deducted	1,349.1	815.0
Capital for Regulatory Purposes	6,582.9	6,014.7

Trend of Capital for Regulatory Requirement



Trend of Assets Weighted for Credit Risk



Total capital grew by 26.46 percent or more than EUR 1 billion, principally for the effect of the capitalization of earnings; the issue of debt which is classified as Tier 1 capital, in order to boost the weight of primary capital; and a bonus capital increase approved by the shareholders involving the transfer to share capital of a part of the revaluation reserve set up under Law 342 of 2000.

Tier II capital rose by roughly EUR 100 million, or 3.29 percent, with the increase mainly stemming from the issue of subordinated debt and higher risk provisions allocated to non-committed reserves, net of the aforementioned charge to the revaluation reserve set up under Law 342 of 2000.

Amounts deducted in the computation of capital for regulatory purposes were some EUR 534 million higher in 2001, with the bulk of this amount related to long-term equity investments made in 2000.

As measured in accordance with regulatory guidelines, risk assets totaled EUR 71.3 billion at the end of 2001. The balance reflects an increase of EUR 3.9 billion or 5.72 percent in comparison with the figure reported at the end of the prior year.

RISK ASSETS

(in EUR mn)	Weighted Value as of	
	31.12.2001	31.12.2000
Balance sheet assets:		
Assets backed by real property guarantees	0.1	176.5
Loans to governments, central banks and multilateral banks	753.2	678.6
Due from banks	2,457.5	2,530.2
Due from investment companies	5.5	30.3
Loans to the private sector:		
Residential mortgages – private sector	3,482.5	3,608.1
Non-residential mortgages – private sector	891.1	284.0
Other loans to the private sector	52,077.3	49,475.8
Equity investments weighted at 200%	9.8	7.0
Equities, equity investments and subordinated assets	1,966.3	1,158.2
Fixed assets	1,976.9	2,018.0

Negotiable instruments for collection, accrued income and other assets	1,740.1	1,648.8
	65,360.4	61,615.6
Off-balance-sheet assets:		
Guarantees released, commitments and derivatives contracts	6,952.4	7,778.5
Less: loan amounts classified as "doubtful loans" and capital losses	**-1,057.7**	**-1,993.8**
Total risk weighted assets	**71,255.1**	**67,400.3**

The growth was influenced in part by the securitization transactions effected by the companies of the MPS Group.

Position (in EUR mn)	**31.12.2001**	**31.12.2000**
Credit risk		
- on balance sheet assets	5,228.8	4,929.2
- on off-balance-sheet assets	556.2	622.3
Less: doubtful loans	-84.6	-159.5
Total credit risk	**5,700.4**	**5,392.0**
Market risks		
- on trading securities portfolio	711.4	366.4
including:		
- generic risk on debt securities	*335.2*	*172.5*
- specific risk on debt securities	*128.2*	*111.1*
- generic risk on equity securities	*42.3*	*23.8*
- specific risk on equity securities	*50.9*	*22.7*
- delta-plus options: gamma factor	*1.0*	*2.4*
- delta-plus options: vega factor	*5.1*	*3.7*
- risk on quotas in mutual funds	*42.8*	*13.9*
- settlement risk	-	*0.1*
- counterparty risk	*106.1*	*16.2*
- on concentration	1.4	
- on foreign currency	29.4	14.9
Total market risks	742.2	381.2
Subordinated loans available to cover market risks	500.0	59.4
Net market risks	**242.2**	**321.9**
Other requirements	**196.5**	**6.8**
Total capital required	**6,139.1**	**5,720.7**
Capital available for regulatory purposes	**6,582.9**	**6,014.7**
Surplus capital	**443.8**	**294.0**

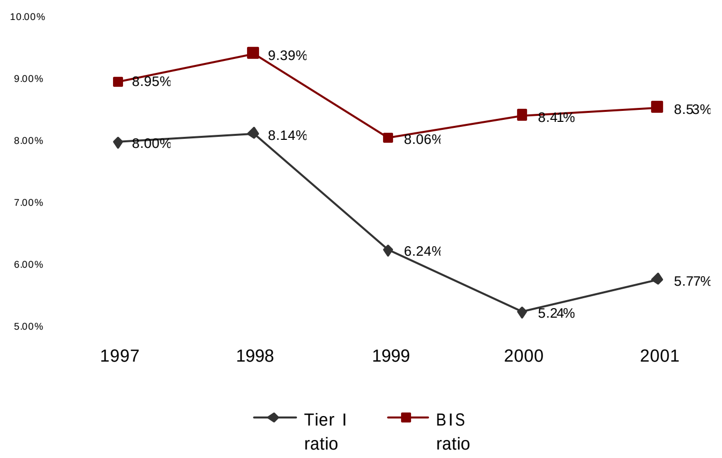
Considering market risks, third-tier subordinated loans to cover part of the market risks and other conservative requirements, the MPS Group's capital position at the end of 2001 was roughly EUR 443.8 million higher than the level required. The surplus capital thus expanded by about EUR 150 million or 50.97 percent in comparison with 31 December 2000.

Capital Ratios

	31.12.2001	31.12.2000
Tier I capital ratio	5.77%	5.24%
Total capital ratio (BRI)	8.53%	8.41%

The improvement outlined above is also reflected in the capital adequacy ratios. The Tier I ratio rose to 5.77 percent from 5.24 percent di the end of 2000, while the total capital ratio (BRI) advanced from 8.41 percent to 8.53 percent at the end of 2001.

Trend of Capital Adequacy Ratios



PROFITABILITY

Although the operating framework was particularly difficult in 2001 and conditioned by extraordinary events, the MPS Group managed to achieve earnings growth in comparison with the prior year.

RECLASSIFIED PROFIT AND LOSS STATEMENT

(in EUR mn)

	31.12.2001	31.12.2000	Change	% Change
Interest margin	2,291	2,112	178	8.4
Service margin	2,822	2,515	307	12.2

including: banking commissions	1,884	1,735	149	8.6
Total banking income	**5,113**	**4,627**	**485**	**10.5**
Administrative expenses	-2,909	-2,690	-219	8.1
- personnel expense	-1,765	-1,676	-89	5.3
- other expenses	-1,143	-1,013	-130	12.8
Gross operating profit	**2,204**	**1,938**	**267**	**13.8**
Minority interests	-96	-84	-12	14.6
Net profit for the year	**617**	**566**	**52**	**9.1**
Net profit adjusted for amortization of positive consolidation differences and positive net equity differences	**700**	**634**	**66**	**10.5**

The MPS Group responded quickly to the bumpy course of the financial markets in 2001. This was the by-product of flexible cooperation between the product companies and distribution networks which was coordinated by the newly created "Corporate Center". With this approach, the Group was able to adopt new initiatives which were effective in realigning the product portfolio to the needs of the market (product placement plans) and in optimizing pricing (management of interest rates and commissions). As a result, the principal areas of business reported significant growth for the year.

The profitability scenario is dominated by the following developments:

- the significant improvement in the interest margin (especially net interest earned on transactions with ordinary customers), for the combined effects of the expansion of volumes and higher spreads;
- the growth of banking commissions on traditional services and new financial instruments which more than offset the reduction of the fees on funds management and brokerage services resulting from the negative trend of the financial markets;
- the growth of net earnings to EUR 617 million, with the simultaneous improvement of ROE, which rose to 14.3 percent.

INTEREST MARGIN

The interest margin expanded by 8.4 percent to EUR 178 million, with the rate of growth higher than that achieved by major competitors. The increase incorporates a greater contribution of the lending and deposit-taking business with ordinary customers as a result of higher volumes and more generous spreads on short-term maturities. The improvement in the spreads was partly due to a change in the mix of assets aimed at reducing marginally profitable credits and exposure of a financial nature only. Accurate management of pricing yielded a 20-basis-point gain in the short-term spread, in comparison with a 20-basis-point decrease at an industry level.

SERVICE MARGIN

The service margin totaled EUR 2,822 million, rising by a significant EUR 307 million or 12.2 percent. The key components of the aggregate are listed in the following table:

Service Margin
(in EUR mn)

	31.12.2001	31.12.2000	Change	% Change
Funds management	**545**	**577**	**-32**	**-5.5**
including:				

Mutual funds	339	357	-18	-4.9
Portfolios under management	132	162	-29	-18.2
Life insurance policies	72	57	14	25.2
Pension funds	2.1	1.0	1.0	98.7
Other fees on indirect funding	**637**	**513**	**124**	**24.2**
Sundry fees	**702**	**646**	**56**	**8.7**
Total commissions (°)	**1,884**	**1,735**	**149**	**8.6**
Profits (losses) from financial transactions	232	180	52	29.0
Other operating income	160	224	-64	-28.5
Dividends and tax credits	252	112	140	125.3
Total banking activity	**2,528**	**2,251**	**277**	**12.3**
Net income from tax collection activity	239	233	6	2.5
Earnings of companies valued with net equity method	55	31	24	77.7
Total service margin	**2,822**	**2,515**	**307**	**12.2**

(°) aggregation effected on the basis of operating criteria

Even though the market was very difficult in 2001, the MPS Group's banking commissions advanced by 8.6 percent to EUR 1,884 million; this momentum is essentially attributable to:

- growth of 8.7 percent in traditional fees on account of more accurate management of pricing and an enhancement of the operating basis (improvement in cross-selling and customer-retention ratios);
- a significant increase (24.2 percent) of revenues from indirect funding, mainly resulting from the placement of innovative financial products; the increase in these revenues basically offset the decrease in fees from brokerage and funds management activity with respect to 2000. Though declining by 5.5 percent, funds management commissions still amounted to a sizeable EUR 545 million, with the most stable component ("continuing" commissions) tending to remain level; the aggregate also incorporates an increasing contribution of fees from the sale of life insurance (+25.2 percent).

Banking Commissions

(in EUR mn)

	31.12.2001	31.12.2000	Change	% Change
Funds management commissions (°°)	**545**	**577**	**-32**	**-5.5**
including:				
- mutual funds	339	357	-18	-4.9
- individual portfolios under management	132	162	-29	-18.2
- life insurance policies	72	57	14	25.2
- pension funds	2	1	1	98.7
Other commissions on indirect funding	**637**	**513**	**124**	**24.2**
Sundry fees	**702**	**646**	**56**	**8.7**
Total banking commissions (°)	1,884	1,735	149	8.6

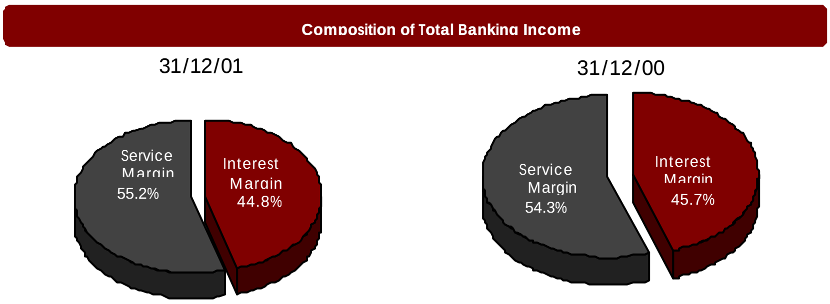
(°) aggregation effected on the basis of operating criteria

(°°) In the case of life insurance policies, the data in the table are indicative only of commissions paid to the network since the product companies are consolidated with the "net equity method". Considering the amounts of commissions earned by such product companies, the income from life policies rises to EUR 114.8 million and total banking commissions increase to EUR 1,927 million.

- Profits and losses from financial transactions rose by EUR 52 million to EUR 232 million, benefiting from the recovery of the financial markets in the final quarter of the year.
- Dividends and tax credits rose substantially, and included higher income on the investments held in BNL and San Paolo-IMI, and a EUR 133 million dividend from Bell.

TOTAL BANKING INCOME

Total banking income amounted to EUR 5,113 million, rising by 10.5 percent or EUR 485 million. The variance incorporates a change in the income mix, with a greater amount sourced from services:

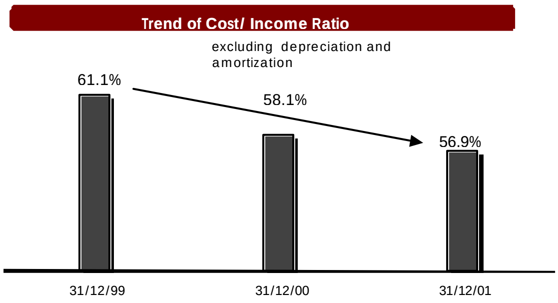


ADMINISTRATIVE EXPENSES

As a result of the ambitious projects included in the 2001-2004 business plan, the MPS Group embarked on a major effort to upgrade its service infrastructure, to reshape its organization and to expand its presence in Italy. The impact of these initiatives was particularly significant during the first year of the implementation of the Business Plan.
At the same time, other programs were undertaken in order to revise the expenditure cycle, to boost the efficiency of operations, and to reshape the organizational structures of the member banks of the MPS Group, in compliance with the newly created Corporate Center. The benefits from these actions are expected to be significant as of 2001.
In light of these changes, the administrative expenses rose by 8.1 percent or EUR 218 million, and include:

- a 5.3 percent increase in personnel expenses which incorporates: (i) the renewal of Group-specific labor contracts (which accounts for an estimated 1.5 percentage points of the increase); (ii) the effects of ongoing implementation of performance-based compensation; and (iii) the costs of additional staffing (around 400 employees, as indicated in the section entitled "Human Resources") to reinforce the distribution network and the business units responsible for innovative services (with some of the newly recruited personnel having very specialized skills);

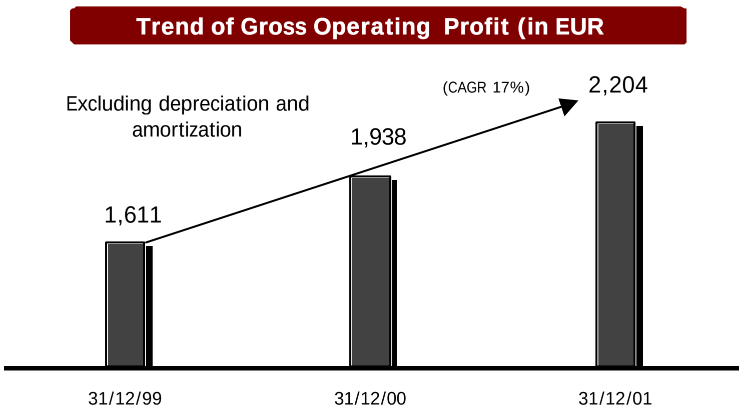
- a 12.8 percent rise in other expenditures in response to the implementation of projects to reinforce the Group's operations and marketing structure, while outlays for ongoing operations were roughly flat year on year. Eliminating expenditures sustained for expansion of the network and specialized platforms, the growth of this aggregate is around 8 percent.



Despite these developments, the cost-income ratio (exclusive of depreciation and amortization) was considerably better than in 2000 as a result of the gains in total banking income which were the initial by-product of the implementation of the business plan.

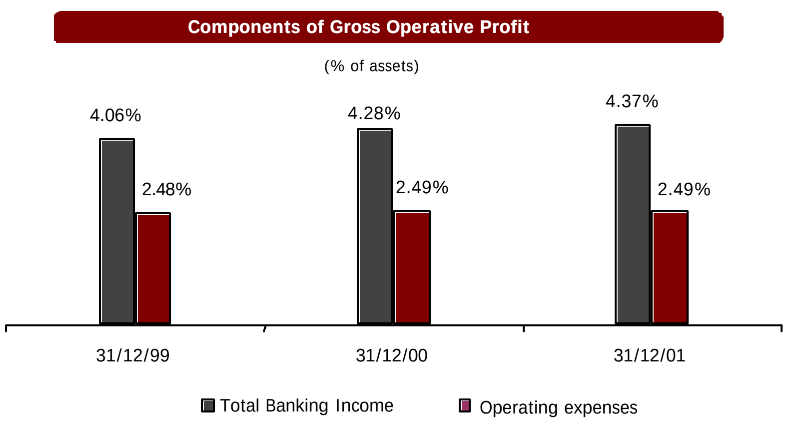
GROSS OPERATING PROFIT

At EUR 2,204 million, the aggregate was up by EUR 267 million, or 13.8 percent, compared with 2000:



The higher ROA contributed to the growth, given the ratio of general expense to income remained al,ost stable.

The operating profitability is traditionally driven by the more stable sources of income generated from deposit-taking and lending with respect to ordinary customers of the MPS Group:



Contribution of Principal Areas of Operation to NoPAT (net operating profit after tax)
(in %)

	%
Retail customers	51.4
Corporate customers	39.6
Total customer activity	**91.1**
International banking activity	3.2
Finance	4.6
Equity investments, capital and other activity	1.1
Total	**100.0**

ADJUSTMENTS AND PROVISIONS

The accounts having the most significant impact on net earnings are reviewed as follows, and tend to confirm the Group's traditionally conservative posture with regard to adjustments and provisions:

Adjustments
(in EUR mn)

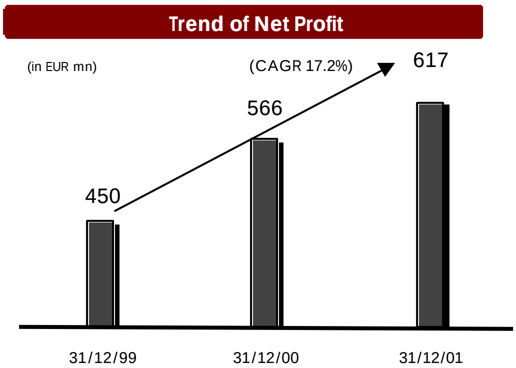
	31.12.2001	31.12.2001	Change	% Change
Gross operating profit	**2,204**	**1,938**	**267**	**13.8**
Valuation adjustments to fixed and intangible assets	-377	-308	-68	22.1
Provisions for risks and charges	-76	-107	32	-29.6
Valuation adjustments to loans and provisions for risks	-384	-413	29	-7.0
Writedowns of non-current financial assets, net of recoveries	-22	2	-24	n.s.
Extraordinary income (charges)	-17	108	-125	n.s.
Change in reserve for general banking risks	-6	2	-7	n.s.
Income taxes	-611	-572	-39	6.9
Profit for the year before minority interests	**713**	**650**	**64**	**9.8**
Minority interests	-96	-84	-12	14.6
Net profit for the year	**617**	**566**	**52**	**9.1**

- The valuation adjustments to tangible and intangible assets in the amount of EUR 377 million include the amortization of positive consolidation and positive net equity differences for EUR 82.5 million, for an increase of EUR 14.7 million compared with 2000.

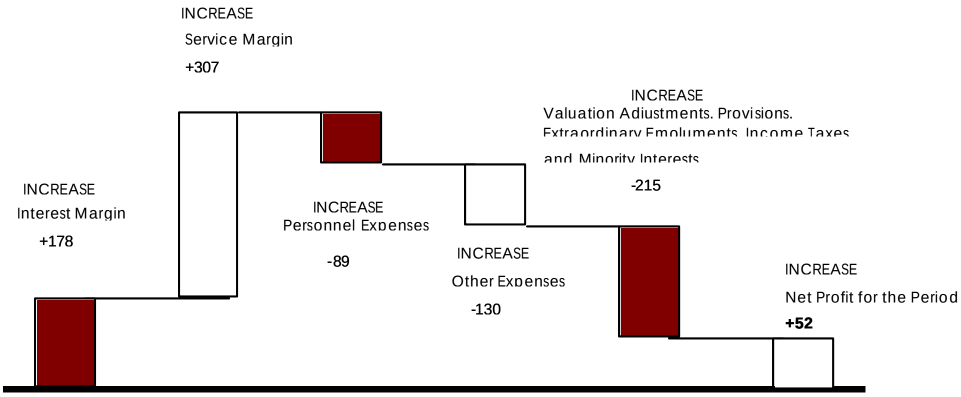
- Provisions to the reserves for risks and future charges in the aggregate amount of EUR 76 million include EUR 40 million - also concerning the past financial years - to cover conservative charges sustained by Banca MPS in relation to the "renegotiation of subsidized mortgages" – an issue concerning the entire Italian banking industry.

- Valuation adjustments to loans in the amount of EUR 327 million include: EUR 14 million of lump-sum writedowns relative to performing loans; the definitive writeoff of roughly EUR 33 million of non-performing loans involved in securitization transactions by Banca MPS and Banca Toscana; and provisions to the reserve for credit risks in the amount of EUR 57 million, which puts the relative balance at EUR 317 million.

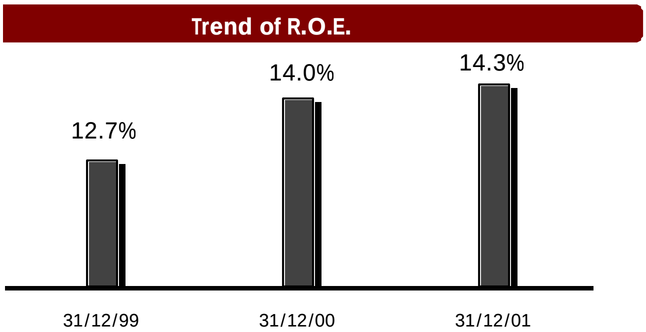
Given the effect of the adjustments and provisions, and a relatively high tax rate, the net earnings for the year came to EUR 617 million, for an increase of EUR 52 million or 9.1 percent over 2000. Excluding the amortization of positive consolidation differences, the growth stands at 10.5 percent.



A breakdown of the components of earnings growth highlights the significant contribution from service margin (which account for 63.3 percent of the increase in total banking income):



Given these dynamics, the Group achieved appreciable improvement in ROE as well:



After the elimination of positive consolidation differences, the "ROE adjusted" totals 16.2 percent, rising by 50 basis points over the comparable figure for 2000.

ORGANIZATION STRUCTURE

NEW ORGANIZATIONAL MODEL FOR BANCA MPS

In light of the changes in the competitive scenario and in accordance with the strategy defined in the 2001-2004 Business Plan (*additional information is provided in the section entitled "The Implementation of the Business Plan"*), the MPS Group embarked on a reorganization of the Head Office and sales networks in 2001.

Two distinct entities - the "Corporate Center" and the Commercial Bank Division - were established within the Parent Company to deal with the Parent Company's two areas of responsibility.

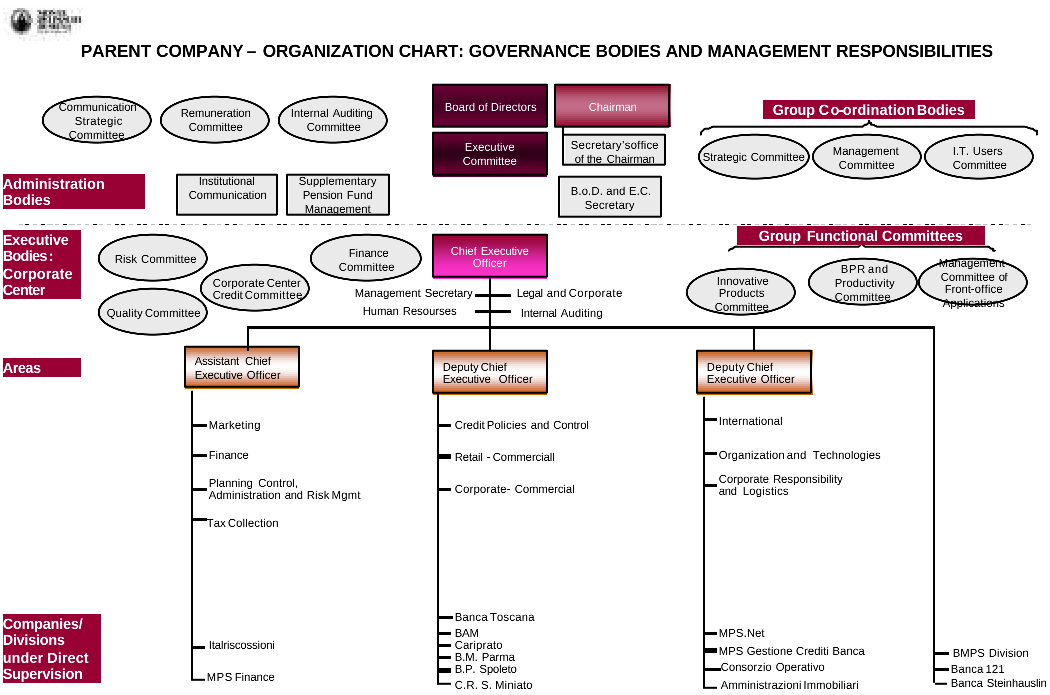
The Structure of the Parent Company

The salient aspects of the two new organizational entities of Banca MPS are described as follows:
- The "Corporate Center" is charged with the strategic planning and governance with respect to the entire MPS Group, and executes this mandate in accordance with the general guidelines defined by the Board of Directors of the Parent Company.
- The Commercial Bank Division, though not a separate legal entity, has been set up to handle market and business development, and is similar to the other commercial banks of the MPS Group in terms of activity, profitability and growth objectives, and organizational structure.

The new structure of the Parent Company, which became operational as of 1 August 2001, sets areas of functional responsibility within a divisional model aimed at ensuring the optimal focus and effective governance of the operational areas of business.
In clearly assigning responsibility to specific areas and requiring employee participation, the new structure has eliminated various reporting levels with the objective of achieving significant improvements in terms of effectiveness and efficiency.

The upper tier of the "Corporate Center" consists of Business Units set up by function which oversee a second tier of Operational Departments which are similar in terms of their technical and operational content and which are charged with pursuing the achievement of assigned objectives.

The new organizational model also provides for staff and operating units for specialized areas. There are also technical and interfunctional committees and commissions aimed respectively at the management of events of general importance to Banca MPS and the MPS Group, and to the management of specific aspects of operations which, by their nature, require interfunctional administration.



Approved by the Board of Directors on 14 March 2002.
The companies not directly supervised by the CEO or by the Deputy/Assistant CEO report to the managers responsible for the Business Unit.

MAIN INITIATIVES IN ORGANIZATIONAL DEVELOPMENT

With the reorganization of Banca MPS and the creation of the "Corporate Center", a program was also initiated to centralize certain operations and to integrate various services of the MPS Group. In addition to defining the framework for governance and control over the various parts of the organization (creation and expansion of centralized units for sales and marketing, information technology processing, purchasing and property management), a special emphasis has gone to crucial aspects such as a credit re-engineering process, the development of a single information system and the construction of a knowledge management system. The section of this report entitled "The Implementation of the MPS Group Business Plan" provides information on efforts to reinforce the structure and organization of the product companies, which carry out services for the commercial banks of the Group.

CHANGES IN BRANCH ORGANIZATION AND IN LENDING PROCESSES

The "Paschi Valore" project has been implemented with respect to all front-office operations of Banca MPS. As a consequence, the Bank's distribution system has been completely revised, and is now based on divisions specializing in the retail and corporate business segments. Other results of the project include the redistribution of resources in favor of the sales network and efficiency gains. At present, the project is being implemented at Banca Toscana and in Banca Agricola Mantovana.

The development of a customer relationship management (CRM) system represents a key element of the restructuring of the front-office operations. With this system, it will be possible to reinforce the data base of customer information and market intelligence in support of the Paschi Valore model, and to expand business thanks to the Call Center.
During 2001, the MPS Group also embarked on the testing of a benchmarking model. This initiative is aimed at developing an instrument for evaluating various operational processes (transactional, commercial, support and other processes) so as to align the activity of the branches to best practices.

THE RE-ENGINEERING OF LENDING ACTIVITY

Following are the key aspects of this activity in 2001:
- The first version of the "Electronic Credit File" was released to the network during the year and is designed to streamline and standardize the credit approval process across the MPS Group.
- The internal rating model for small- and medium-sized companies underwent the initial testing needed prior to the implementation and use of the model within the network.
- Efforts continued in the realization of an effective and timely integrated risk-management system which will serve as a valid support in decisions regarding the management of the overall risk profile of the Group and the optimization of the economic capital in accordance with the new directives expected from the Basle Committee (additional information is provided in the section entitled "Risk Management"). This system is part of the more broad-based system of internal controls.

The implementation of the credit re-engineering project continued, with the objectives of securing a better balance between (i) risk/return and (ii) capital absorbed, and of reinforcing the governance of risk.

DEVELOPMENT OF A SINGLE INFORMATION SYSTEM

The development of information systems and applications at a Group level is designed to support the business and service/product models in the Business Plans and should generate significant gains in terms of efficiency and competitive position.

THE SINGLE INFORMATION SYSTEM

The activity was concentrated on two specific areas:
-- the implementation of a single information system at a Group level, which was extended during the year to Monte Paschi Finance and Banca Agricola Mantovana;
-- the development of applications to support individual projects and services.

During 2001, the Group Operations Center continued to work toward optimizing "peripheral applications", with the objective of improving operational aspects and making new functions available.

The most significant developments during the year were those relative to the services and products marketed through multiple distribution channels - in other words, all of the products available across all channels of access to the banks of the MPS Group (except for certain peculiarities of the instruments used): traditional banking facilities, ATMs, POS terminals, the Internet, the Call Center, and mobile telephones with SMA and WAP protocols.

THE INTRODUCTION OF THE EURO

Prior to the introduction of the euro, a special project involving various companies of the MPS Group was undertaken in order to manage all of the issues related to the new currency, with an appropriate focus therefore maintained on the organizational and commercial aspects of the changeover.

THE CHANGEOVER TO THE EURO

The key aspects of the transition which took place at the end of 2001 and in early 2002 included:
- the smooth transition in meeting customer demand for euro banknotes and coins at the branches of the banks of the MPS Group;
- the adjustment of information systems, ATM facilities and POS terminals operated by the banks of the MPS Group and affiliate banks in accordance with plan, so as to guarantee the continuity of service supplied;
- the completion of internal training and numerous initiatives to disseminate information on the changeover, in support of the trade associations, unions and commercial establishments operating POS terminals so as to respond to internal needs and the requirements of customers.

With this approach, the process of changing over to the euro was successfully completed at a Group level.

In addition, the MPS Group did not experience any particular problems as a result of the dual circulation of the lira and the euro, and specifically with regard to the activity of receiving enormous amounts of lira currency and transferring the same to the Bank of Italy.

DISTRIBUTION CHANNELS

During 2001, the MPS Group actively continued to pursue the strategy of establishing an integrated multiple-channel distribution system. The priority objectives in the development of this system include the enhancement of the portfolio of products and services available to retail customers and the search for higher levels of efficiency through the migration of a greater number of users to lower cost innovative channels. During the year, further integration was achieved between services provided on a remote basis (via the Internet, Call Centers, mobile telephones and ATM facilities) and services provided by the branches and financial advisors within the individual banks and the MPS Group.

TRADITIONAL NETWORK, ATMs AND POS TERMINALS

As of 31 December 2001, the MPS Group was operating a total of 1,812 banking facilities in Italy, and another 257 financial boutiques (245 run by Banca 121 and the remainder by BAM).

MPS Group Distribution Network

	31.12.2001	31.12.2001	Change
Domestic branches	1,812	1,732	80
Financial boutiques - Teleboutiques	257	175	82
Total domestic sales outlets	2,069	1,907	162
Foreign branches	43	41	2
Financial advisors	1,719	1,221	498
ATMs	2,336	2,086	250
POS Terminals	59,699	44,066	15,633

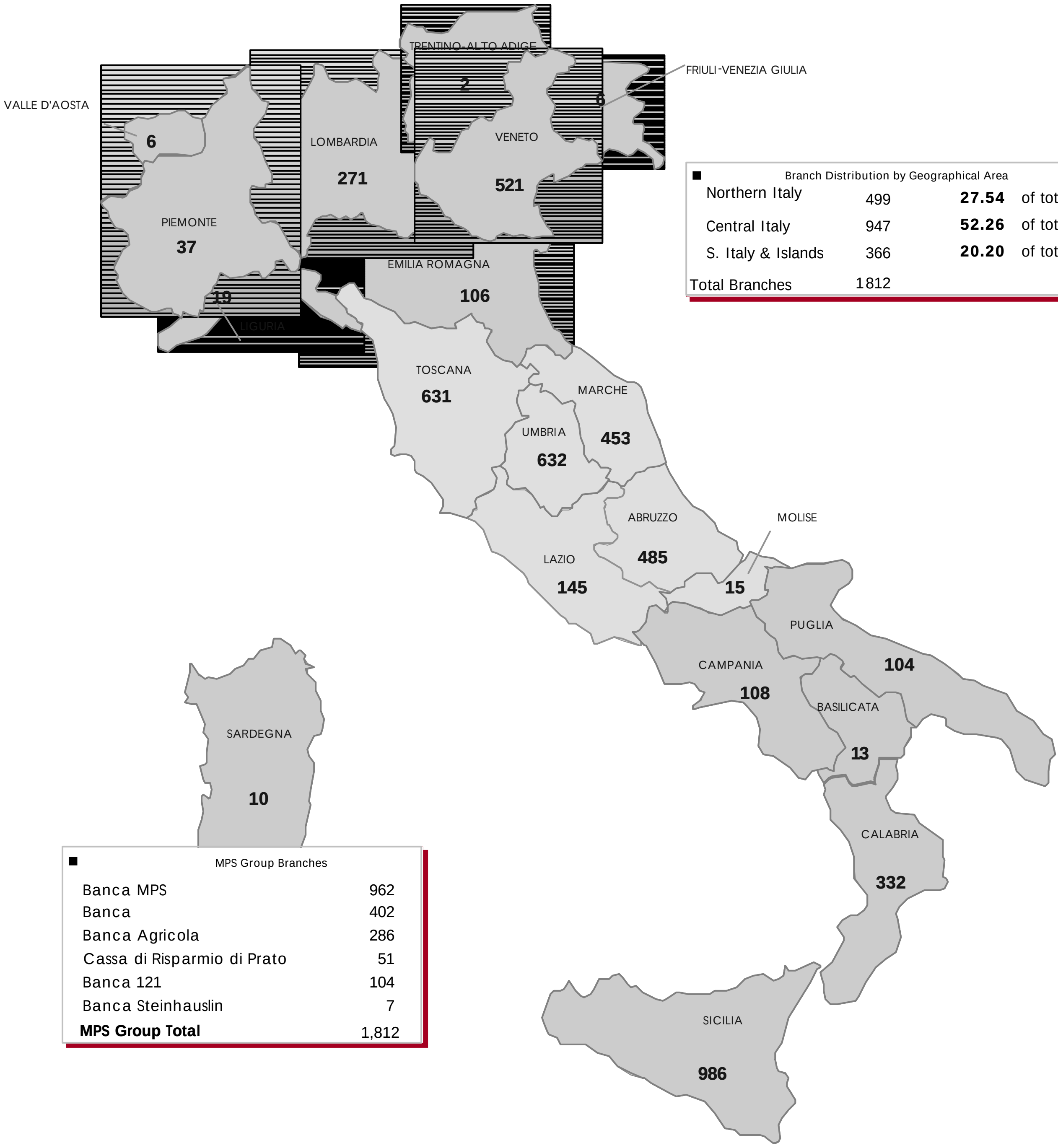
As of the same date, the foreign network embraced seven branches and 11 representative offices operated directly by the MPS Group and 25 banking facilities owned by foreign subsidiaries of the MPS Group *(additional information is provided in the section entitled "International Banking Activity")*.
MPS Merchant opened four representative offices during the year; this puts the number of specialized credit facilities run by MPS Merchant and Banca Verde at a total of 26, thereby confirming the interest of the MPS Group in building business within this lending segment.

Altogether, in 2001, the domestic network of the MPS Group expanded by 8.4 percent, in line with average rate of growth reported by the banking system. The MPS Group commanded a 6.21 percent share of the market.

The expansion of the network was carried out on the basis of specialization and cost effectiveness: many of the more than 160 new banking facilities opened during the year were newly-designed operations (financial boutiques and teleboutiques, in-store banking facilities, innovative branches, and electronic banking facilities).

THE MPS GROUP DOMESTIC NETWORK

Branch Distribution by Geographical Area



Branch Distribution by Geographical Area

Northern Italy	499	**27.54**	of total
Central Italy	947	**52.26**	of total
S. Italy & Islands	366	**20.20**	of total
Total Branches	1812		

MPS Group Branches

Banca MPS	962
Banca	402
Banca Agricola	286
Cassa di Risparmio di Prato	51
Banca 121	104
Banca Steinhauslin	7
MPS Group Total	1,812

From a geographical perspective, the expansion was mainly concentrated on the areas of central and northern Italy. As of the end of 2001, the MPS Group had a presence in 97 of 103 Italian provinces (the presence extends to a total of 101 provinces when also including financial boutiques).

During the 1998-2001 period, the number of banking facilities operated by the MPS Group rose from 1,187 to 1,812. In terms of geographic distribution, the number of the facilities in the northern regions of the country rose from 14.57 percent to 27.54 percent of the total over the 1998-2001 period; the comparable ratio for the central region decreased from 65.8 percent to 52.26 percent, while the figure for the southern regions edged up from 19.62 percent to 20.20 percent.
The numbers of ATM facilities and POS terminals in operation were also higher in 2001, increasing by 11.98 percent and 35.48 percent, respectively.

The expansion of the network is slated to continue in 2002 on the basis of very selective criteria. The number of new branches will be limited, by integrating banking facilities already authorized but not yet open with special units in order to cover the geographical areas where the current Group network is not operating. With this sort of approach, the MPS Group aims at expanding its presence to areas not covered by the current network, hold down general expenses and achieve breakeven on the new facilities in the shortest time span possible. The operations of the ATM and POS networks are to be reinforced through programs entailing the migration to new technologies and to the implementation, in the case of ATMs, of initiatives to provide incentive for use of the facilities.

FINANCIAL ADVISORS

The networks of financial advisors operated by the MPS Group were further expanded in 2001.
Specific investments were made in the recruitment of new advisors, with a preference for securing the services of professionals with proven experience in the area. New information programs were launched to support the advisors in their marketing activity, and to allow for suitable qualitative screening of the funding sourced through this distribution channel.

As of 31 December 2001, the MPS Group had a total of 1,719 external financial advisors, with approximately 1,500 affiliated with Banca 121.

ELECTRONIC BANKING CHANNELS

Distribution of Banking Services through Electronic Banking Channels
Contracts In Effect

	31.12.2001	31.12.2000	% Change	% of Total as of 31.12.2001	% of Total as of 31.12.2000
Internet and mobile telephone banking	563,843	231,784	143.3	57.83	50.88
Telephone banking	370,591	195,431	89.6	38.01	42.90
Television banking	6,936	6,907	0.4	0.71	1.52
Remote banking	31,719	21,410	48.2	3.25	4.70
B2B and corporate banking via the Internet	1.859	94	1,877.7	0.19	0.02
Total	**974,948**	**455,532**	**114.0**		

In 2001, the number of contracts in effect for electronic banking services more than doubled (+114 percent) .

Launched by all banks of the MPS Group, the electronic banking services for the corporate market (B2B, internet/remote banking) experienced very sound growth during the year. In the retail segment, all banks of the Group started off the year already equipped with a complete range of electronic distribution channels to manage customer relationships on a remote basis; during 2001, efforts were mainly dedicated to enriching the quality of the service through innovative means.

Banca 121 launched Hi-trade, an innovative platform for online trading which allows retail customers to access functions and services normally reserved for professional traders. Supported by push technology (dynamic updating process and real-time reporting of prices, order status, portfolio valuation, etc.), the service incorporates a "five-level book" which gives the customer the possibility of viewing the five best buy and sell bids, with the relative quantities therefor. The customer can also query on a real-time basis regarding the status of orders (executed, rejected, on the market) and verify the countervalue, balance and entries in the securities portfolio. Finally, without having to leave the screen, the customer can effect money transfers or securities transfers between accounts.

Another important initiative during the year was the creation of Mps.net which is charged with positioning the MPS Group as a key player in e-business (see the section entitled "The implementation of the Business Plan"). As of December, testing began on "Opifici Digitali", the MPS.net portal dedicated exclusively to small- and medium-sized firms and Industrial Districts *(additional information is provided in the section entitled "Innovation, research and development).* The development of the portal falls within the framework of a broader based program to provide Internet solutions to corporate customers, and which included the launch of PaschiInAzienda by Banca MPS and Office Net by Banca Toscana in 2001. The program is aimed at an enhanced and diversified supply of services offered through the Web in order to capture new business at the level of the MPS Group.

COMMERCIAL AGREEMENTS WITH THIRD-PARTY NETWORKS

In accordance with the banking laws in Italy, commercial agreements with third-party networks are treated as channels for tapping demand for MPS Group products. These agreements are thus considered particularly important within the framework of the integrated multiple-channel distribution system of the MPS Group.
In the area of consumer credit, Consum.it has agreed with roughly 12,000 dealers (6,000 of whom are active) on their processing consumer loan applications and referring them to the branches of the MPS Group. Other significant agreements for affinity credit cards have been signed by Banca MPS and the office products retailer, Buffetti S.p.A. and by Banca Toscana and the supermarket chain, Esselunga.
These arrangements are highly complementary to the MPS Group's core business when it comes to interfacing with specific segments of customers. The MPS Group thus plans to seek out and develop other alliances with entities offering a significant presence in the retail market, with the objective of optimizing the Group's coverage of the domestic market.

PROFESSIONAL NETWORK

As part of this strategy, the Group developed "MPS Professional Network", an innovative distribution network encompassing the services of lawyers, consultants, tax specialists and other professionals. With the creation of the new company, MPS Professional S.p.A., the banks and the product companies of the MPS Group can provide the "Network" members and their customers with financial advisory and professional training services. The objective of the initiative is thus to increase the value of corporate relationships, with the priority on those with small- and medium-sized firms operating in sectors with high growth potential.

HUMAN RESOURCES

STAFFING

As of the end of 2001, the MPS Group had a total of 25,450 employees dedicated to banking activity; such staff was thus increased by 700, or 2.8 percent, over the comparable figure as of 31 December 2000. Roughly 500 of the new employees were assigned to the distribution networks, in accordance with the geographic expansion of the Group (opening of numerous banking facilities) and enhancement of services, especially in view of the specialization by customer segment.
Around 200 new employees were assigned to the Private Banking Units and product companies, with most of the staffing additions in the latter case going to innovative finance (incorporation of MPS Finance), asset management and specialized corporate services (MPS Merchant).

With the turnover of personnel and an emphasis on raising the qualitative calibre of the work force, the recruitment of new resources was carried out with a preference for young people with strong academic backgrounds and with specialized experience. Aside from turnover through normal attrition, a total of 274 employees, including 39 Executives, left the MPS Group under retirement incentive programs.

Considering internal transfers due to the reorganization of the MPS Group, the changes in staffing by individual company are not significant. 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	**No. of Employees 31.12.2001**	**% of Total**
Banca Monte dei Paschi di Siena	11,961	47.0
- Corporate Center	1,059	4.2
- Banca MPS division	10,725	42.1
- foreign branches and representative offices	177	0.7
Banca Toscana	**4,265**	**16.8**
Banca Agricola Mantovana	**3,352**	**13.2**
Cassa di Risparmio di Prato	**917**	**3.6**
Banca 121	**1,719**	**6.8**
Banca Steinhauslin	**171**	**0.7**
Total Italian banks	**22,385**	**88.0**
Foreign banks	**519**	**2.0**
Product companies	**1,050**	**4.1**
Service companies	**1,492**	**5.9**
Operations consortium	1,288	5.1
Total banking activity	**25,446**	**100.0**
Banking activity	**25,446**	**89.9**
Insurance business	**137**	**0.5**
Other activity	**203**	**0.7**

Tax collection activity	**2,526**	**8.9**
Total Group	**28,312**	**100.0**

In the case of the "Corporate Center", the staffing as of the end of 2001 is indicative of the start-up of the unit, and includes areas which are slated to be streamlined in accordance with the 2002 Business Plan and annual budget. Once such changes are made, the MPS Group will have a governance structure incorporating a much smaller number of staff.

The distribution of the banking personnel on the basis of job category is provided hereunder.

Breakdown of Staff by Job Category

	Number	31.12.2001 % of Work Force
Executives	562	2.2
Senior/Middle managers	5,702	22.4
Other professional areas	19,182	75.4
Total	**25,446**	**100.0**

Staffing in other areas of the organization includes: insurance area (employment stable at 140); the tax collection services (decrease in staffing by 340) and other non-banking activities. Inclusive of these areas, the MPS Group had a total 28,312 employees as of the end of 2001, with an increase of approximately 400 employees compared with 31 December 2000).

COMPENSATION AND REGULATORY ISSUES

Key developments in the area of regulation and compensation in 2001 included:

- the renewal of specific company contracts between labor unions and companies of the MPS Group which embraced: the redefinition of the regulatory and economic framework for senior/middle managers; the determination of "key roles"; the extension of the incentive system to clerical staff; and the application of new provisions for promotion to an executive position;
- the execution of a new national contract for executives which introduced significant changes in compensation; after a transition period in which varying levels of salaries will be in effect in relation to past contracts, a new "personalized" system of compensation will go into effect in which managers will receive a fixed and a variable component of pay, with the latter tied to performance objectives; the compensation parameters will be set according to the position covered, and in consideration of the need to ensure high levels of incentives and the market value of professional resources.

In essence, an innovative compensation system is being developed in which the value assigned to the contribution of human resources will be attributed more efficiently, and in a manner that is consistent with the strategies and the values of the MPS Group. This system also offers the possibility of improving cost-effectiveness in human resources management.

The MPS Group has already actively moved to promote this scenario by: reducing the number of senior management job grades from four to two (executive and senior executive); increasing the percentage of performance-based compensation (which, in the case of Banca MPS, has already reached 35 percent of total compensation to Executives); initiating a review of the compensation for all Top Management; and introducing new incentives (stock granting plan). A stock option plan has also been outlined as a form of medium-/long-term incentives.

In addition, work has begun on the creation of a MANAGEMENT-BY-OBJECTIVES (MBO) system that will initially involve the Senior Management of the MPS Group. The efforts imply the identification of specific quantitative and qualitative objectives as well as the balancing of targets for individual performance with the goals set for the performance of the MPS Group, which are planned through VALUE-BASED MANAGEMENT.

Training and Professional Development

Activity aimed at ensuring the growth of professional skills was further intensified in 2001, with the priority going to front-office positions. Sizeable investments were made in training to support the new network organization (divisions organized by customer segments).

The start-up of the "Paschi Risorse" project is viewed as an important development in the governance of the Group's operations The project will be slated to produce a new model for managing and developing human resources for the Group, and will support programs designed to get the most value out of the investment in personnel. The various subjects covered by the project include: career pathing, training, retraining, and management of "families" and "communities" of professionals (with a particular focus on Management and Young Talented Professionals).

Work was also begun on the creation of a Knowledge Management system, which will serve for developing and disseminating, via new information technology, information relative to: the values and strategies of the MPS Group; market analysis; the product/service portfolio; and the trends of customer demand. Complementing this project is an "e-Culture" program inaugurated during the year for the Management of the MPS Group; this initiative will gradually be extended all of the employees of the Group.
A Human Resources Management Plan drawn up near year end in relation to the launch of the 2002-2005 Business Plan provides for integrated management of (i) the various processes designed to generate the maximum return on the investment in human resources at a Group level and (ii) qualitative/quantitative personnel issues in relation to the implementation of strategic actions. The plan guidelines include:

- the enhancement of professional skills, with pronounced specialization along the entire chain of value (Corporate Center, the Head Offices and networks of the MPS Group banks, excellence centers, and product and service companies);
- the retraining of resources available for new needs within the organization, so as to reinforce the sales/marketing capacity and to ensure the coverage of the needs for new professional skills;
- the improvement of productivity (efficient size of operating units and the staffing of the same, with primary reference to the ratio between front-office and back-office personnel).

A new Training Plan has also been developed and is considered a key aspect of human resources management. The Training Plan outlines a broad-based and systematic approach, with participation in the various initiatives being differentiated on the basis of professional categories and critical skills. Task forces, innovative instruments and sophisticated technologies are to be included in various training programs.

INNOVATION, RESEARCH AND DEVELOPMENT

In 2001, the MPS Group actively pursued innovation in the products and services offered as well as in the way those products and services are sold and delivered to the market. Such efforts are an essential form of support to the new service models defined in the Business Plan.

COMMERCIAL PROGRAMS

With the creation of the "Corporate Center", a decision was taken to extend the distribution model implemented by Banca MPS to all of the commercial banks of the MPS Group. This model is based on specialization of the products and services by customer segment (Base, Affluent and Private in the retail market; Small Business, Middle Market, Large Corporate, Public Sector and Financial Institutions for the Corporate Market); the model encompasses the use of operating platforms dedicated to each segment, and a high level of integration with the product companies (*additional information is provided in the section entitled "The Implementation of the MPS Group Business Plan"*). In line with this initiative, the instruments used in marketing and interacting with customers (customer information files, campaign managers, marketing data warehouse, electronic agenda, and others) were disseminated to the banks of the Group with the aim of creating a uniform marketing information platform.

RETAIL SEGMENT: STRATEGIES AND SERVICE MODELS

SEGMENT	STRATEGIES	SERVICE MODEL
BASE	Standardization of sales and marketing approach; Migration toward remote channels.	- Use of sophisticated marketing instruments, such as systems for scoring buying propensity and product campaigns concentrated through the Call Center as part of customer relationship management; - Creation within the Branches of financial service staff capable of providing basic guidance on highly standardized products.
AFFLUENT	Sales and marketing approach based on financial planning and integrated retirement plans; Specialization of the sales force.	- Personal Financial Planning instruments provided to managers for the purpose of providing customers with investment alternatives - with preference for the extension of the time horizon of investments and the placement of retirement plans; - Creation of Personal Relationship Managers to handle small portfolios of customers.
PRIVATE	The Private Banking Unit of each branch reports directly to the "Corporate Center"; Development of an integrated supply of high-quality products; Advisory services on both extra-captive instruments and non-bank financial services (tax, estate planning, art, etc.)	- Creation of Personal Relationship Managers who also work with specialized support staff; - Centralization of processes covering the purchase of products, portfolio management and the management of the network of professionals who supply specialized support services

A customer relationship management (CRM) project was gradually implemented in the Banca MPS network over the past year with respect to the servicing of Base customers. Evolving as an integration of the more broad-based "Paschi Valore" project and aimed at enhancing the commercial value of that project, the CRM project is focused on a business strategy which requires a cultural change emphasizing a customer-centred approach. In essence, it involves the development of integrated marketing programs which provide for the simultaneous operation and use of multiple distribution channels and new marketing tactics (in part due to the employment of new technologies). The process is aimed overall at securing a better understanding of the customer (value and behaviour/preferences) which is deemed to be fundamental to establishing a long-lasting and mutually satisfying relationship between the bank and customer. The realization of integrated CRM initiatives across the MPS Group produced impressive results, which are indicative of the benefits generated by this approach to marketing.

E-BANKING PROJECT

During 2001, the MPS Group actively pursued the strategy of bringing an integrated multiple-channel distribution system on stream. The "e-banking" programme, which is to be realized over a three-year period, is an integral part of this strategy.

THE E-BANKING PROJECT

The principal objectives of the project embrace:
- an increase in the products and services supplied to retail customers through multiple distribution channels;
- migration of the customers (and the Base retail customers in particular) to the lower cost channels;
- growing integration between services provided on a remote basis (via the Internet, Call Centers, mobile telephones and ATM facilities) and services provided by the branches and financial advisors of the individual banks of the MPS Group.

One of the principal e-banking achievements in 2001 was the launch of a platform for the delivery of financial services through various channels. The platform, which is known as "Desktop Finanziario", provides for the integrated presentation of information, instruments and content sourced from companies within the MPS Group and from third parties.

Highly innovative, this new platform is capable of simultaneously serving online customers, customers physically present in the branches, and the staff of the entire MPS Group (call center operators and Account Managers at the branches). The platform thus introduces evident benefits in terms of cost reduction, the complexities of operating multiple distribution channels and effective management of customer relationships.

Desktop Finanziario was placed into service at the parent company in 2001 and will be extended to the other banks of the MPS Group during the first few months of 2002.

CONTACT CENTER

The marketing activity carried out over the past year by the Unit encompassing the Call Center was intensified in support of the overall distribution policy.

Various campaigns were carried out as part of the development of the CRM project, and were organized along the commercial division lines of the banks of the MPS Group and thus on the basis of customer segmentation.

DEVELOPMENT OF CONTACT CENTER ACTIVITY

The inbound and outbound activity was developed in accordance with the strategic-operational guidelines of the MPS Group Business Plan, and the pursuit of the following objectives:

- an increase in the activity through innovative channels in order to reduce congestion at the branches and to permit the network staff to dedicate more time to selling and advising;
- customer guidance in order to promote greater use of the new channels, with a substantial decrease in the cost of transactions with low added value

Inbound activity experienced an alternating pattern throughout the year, mainly in relation to the trend of the financial markets (*additional information is provided in the section entitled "Electronic Banking Channels"*).

Plans for 2002 include the development of a "Web Call Center" for the entire MPS Group which is part of a larger initiative to concentrate information systems within a single platform.

PRODUCT INNOVATION

Product innovation has represented one of the priority targets for the MPS Group. The organization of the distribution system by customer segment was flanked by product development focusing on complementary aspects of products for the retail market and an enhanced range of integrated services for the corporate market.

In 2001, investment products for the retail market were updated to incorporate a wealth management approach; this implies the use of "vehicle" products with a financial content that is diversified in relation to the customer's need (including the need for retirement plans). This approach, which is to be emphasized further in 2002, is designed to increase customer loyalty, an essential premise not only for stabilizing relationships, but also for building new business.

RETAIL MARKET

The retail market plays a central role in policies to develop new products and services; customers in this segment include individuals and small, family-owned businesses (*additional information is provided in the section entitled "The Customer Portfolio"*).

DIRECT FUNDING

Research and development was concentrated on the medium- and long-term components, with an accent on diversifying the types of bonds issued and on solidifying customer relationships with the marketing of innovative products.

As part of this effort, Banca MPS put together five special product packages consisting of banking and insurance services, as well as offers for entertainment, travel and other leisure activity with the objective of maximizing both cross-selling and the use of the integrated multiple-channel distribution system. The five packages (Primula, Iris, Tulipano, Girasole, Ninfea) are marketed under the "PaschiInFiore" brand and will be offered by the other banks of the MPS Group in 2002.

FUNDS UNDER MANAGEMENT

MUTUAL INVESTMENT FUNDS

The supply of mutual investment funds offered by the MPS Group was further enlarged in 2001 in order to satisfy the changing demands of the marketplace.

NEW DEVELOPMENTS IN MUTUAL INVESTMENT FUNDS

In 2001, the MPS Group began marketing several new products as follows:
- funds of funds: with the successful inauguration of Ducato Portfolio, the MPS Group had become the third-ranking manager of funds of funds in Italy after just nine months of activity, with a 10 percent share of this market as measured by net assets under management; an umbrella fund with multiple managers incorporating 11 different investment strategies, Ducato Portfolio essentially allows an investor to set up a personalized portfolio of mutual fund quotas.
- three mutual funds, Ducato Ambiente, Ducato Civita and Ducato Bilanciato Europa, which, even though started up in mid-year, were successfully funded partly because of their specific nature (the first two are ethical funds and the last of which is an umbrella fund).

At the end of 2001, the fund portfolio included 48 open funds and 11 funds of funds.

In accordance with the plans for 2002, the line of Ducato products will be further redefined with the introduction of new fund types, such as index/benchmark tracker funds, funds for hedging currency risk and other.

The funds management services of the MPS Group will be further enhanced as the result of the creation of a new company, Mps Alternative Investments, which will begin marketing early in 2002 three types of hedge funds, differentiated by class of risk. Other alternative investment products are slated for introduction at a later date.

INDIVIDUAL PORTFOLIOS UNDER MANAGEMENT

In 2001, the MPS Group continued to streamline the array of services offered in this segment. While respecting the commercial characteristics of each bank, the purpose of this effort is to define a portfolio of products which bring together the top skills developed within the Group in the area of individual portfolio management.

THE DEVELOPMENT OF INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES

Among the more significant changes is a new Personalized Service proposed by Banca MPS for high net worth customers (minimum investment of EUR 2.5 million) and the debut of products with minimum guaranteed yields, such as LineaForte 8.

The different banks of the MPS Group have taken a unified approach to the management of their individual portfolio services, and have accordingly focused on greater opportunities to invest within the Eurozone, and thus without exposure to currency risk. The operation of these services has also trended toward a significant amount of discretion in allocation (which is the main point of difference vis-à-vis the mutual funds of the MPS Group) and simplification of the pricing model.

BANCASSURANCE

The bancassurance company, Monte Paschi Vita, undertook a total revision of its product line as a result of new fiscal regulations.

NEW POLICIES MARKETED BY MONTE PASCHI VITA

Following changes in fiscal regulations in Italy, new policies were designed and are marketed under the following names:
- Terzo Tempo (individual retirement plan);
- Elisir (life insurance policy);
- Amphora (immediate income policy);
- Iride (recurring premium policy with optional insurance coverage).

New index-linked policies were issued under the name of Grow Life TB Growth and yielded good results in terms of sales.
An anti-cyclical, guaranteed-principal policy, "Bussola Reddito", was rolled out for the retail market, and targeted for the base customer segment and in particular, investors with funds under administration. Launched at the start of September through the Banca MPS network, the new policy performed better than expected. The product innovation efforts in new policies were rounded out with the LINEAFORTE line of products.

"LINEAFORTE" PRODUCTS

These guaranteed investment contracts have been especially developed to consolidate the MPS Group's position in the retail market, and in particular, in the Affluent customer segment. The contracts have different maturities (term of 4 or 15 years, respctively), and the investments, which are index-linked products or other products from the individual portfolio service, offer a minimum guaranteed return (term of 4 and 15 years, respectively). The Lineaforte line holds particular appeal for customers with a low propensity to risk. The line was created through the joint efforts of the "Corporate Center" and the product companies of the MPS Group (Monte Paschi Vita, Ticino Vita and MPS Finance), with an emphasis on developing an organizational process aimed at maximizing the aggregate value of the MPS Group.

INNOVATIVE FINANCE

A range of innovative financial instruments developed by MPS Finance in 2001 proved very well suited to satisfying the demands of a continuously changing market.

THE MPS PORTFOLIO OF INNOVATIVE FINANCIAL INSTRUMENTS

Developments in the retail market included the placement of:
- long-term savings plans ("Risparmio in Formazione - RIF"), including 4YOU, a package which includes financing, investment in funds with multiple fund managers, investments in securities and an insurance policy;
- new financial instruments designed on the basis of risk profile: Green Label (with guaranteed capital and minimum return), Yellow Label (with guaranteed capital only), and Red Label (with guarantee of capital and return).

In the area of "Web Finance Solutions (WFS)", efforts continued on the development of the "mpsfinance" portal which is being carried out in close collaboration with the MPS Group's e-banking initiatives. An extensive plan was inaugurated for the development of multiple-channel access to the financial markets as part of a B2B initiative.

The priorities for 2002 include additional marketing of MPS Finance's products, long-term savings plans and innovative finance, all of which have proven successful due to their flexibility to adjust rapidly to market conditions and to provide for differentiation in risk propensity.

Another key event of 2001 was the start-up of the Corporate Finance Solutions (CFS), a group of instruments designed to appeal to precise customer segments and in particular, small- and medium-sized firms (*additional information is provided in the section entitled "The Corporate Segment "*). This area will be one of the main focal points of development for 2002.
In a move to optimize the entire production-sale chain for the MPS Group's financial products, all phases of the funds management products (sourcing information on requirements through the networks, planning, pricing, training, budgeting, marketing and sale) are to be reviewed in 2002 with respect to the organization of the Group product companies (Monte Paschi Asset Management SGR, Monte Paschi Vita and MPS Finance).

CONSUMER CREDIT

In consumer credit area, work continued in 2001 on the development of the first revolving credit card for the MPS Group: the "M'honey Card", an instrument conceived and managed by Consum.it. This is the first product fully realized with the active collaboration of the banks of the MPS Group and of the banks authorized to market the card, and it was conceived on the basis of different financial needs of the retail customers of the MPS Group.

Even though it is a credit card, M'Honey gives the holder the possibility of accessing more traditional financing when purchasing goods with retail outlets honoring the card; this financing is secured through a cash advance or through a cheque. The marketing of the new card is planned for the first half of 2002.

SorrisoPiu', another initiative of Consum.it, is an innovative financing package developed in collaboration with providers of specialized dental services, and is marketed to patients who elect to pay the significant costs of the services through an installment contract rather than through the depletion of savings.

Other consumer loan products introduced in 2001 include: Presto Cassa, a small loan disbursed within 24 hours by BAM and special purpose financing (to fund computer purchases, euro adjustments, career start-up, and other purposes) which is available from all banks of the MPS Group.

DEVELOPMENTS IN THE MORTGAGE LOAN AREA

The main new products proposed in 2001 include:
- Mutuo Mio from BAM and Mutuo Leggero from Banca MPS and Banca Toscana, both of which have a modular maturity structure which gives the customer the possibility of determining the installment payment in relation to his/her earning power;
- Mutuo Sereno from BAM and Mutuo Slalom from Banca 121 which provide the options of a floor and/or cap on the interest rate in order to limit the fluctuations;
- upermutuo from Banca 121, a fixed-rate mortgage which provides only the payment of interest for the first 12 months, with a very attractive interest rate during that period.

The portfolio of mortgage loan products was further enriched in 2001. In granting the customer options in terms of rate structure, term and the amount of the installment payments to be made, these new products are designed to give the borrower a "personalized" comfort level with the obligation being undertaken.

From a distribution perspective, the MPS Group has responded to growing trend of online processing of mortgages through a working agreement with the company, "Mutui-online".

PRIVATE BANKING

In the private banking segment, the research and development efforts went to the creation of a large portfolio of products and services which can be highly personalized.

Aside from the implementation of Banca Steinhauslin's Business Plan (*additional information is provided in the section entitled "The Implementation of the MPS Group Business Plan"*), the efforts in this area were concentrated on optimizing the private-banking unit within Banca Monte dei Paschi di Siena with the use of a matrix organizational model which highlights key commercial and relationship aspects of the private-banking business as determined by the segmentation of customers.

Eight private banking centers for BMPS were opened in 2001 in markets deemed particularly attractive (including Turin, Genoa and Bologna). These facilities were added to those already operating in Milan, Rome and Naples.

One of the main initiatives which started in August 2001 involved planning for Italy's so-called "tax shield" legislation. In January 2002, Banca Steinhauslin inaugurated a specific campaign to attract funds being repatriated to Italy as a result of this legislation, and had successfully sourced some EUR 82 million as of 8 March.

CORPORATE MARKET

A specialized commercial platform dedicated to the corporate market was established within the "Corporate Center" (*additional information is provided in the section entitled "The New Organizational Model for Banca Monte dei Paschi di Siena"*) and strategies were defined for each type of company within the segment.

While awaiting the completion of the reorganization of this business unit in accordance with the new Business Plan, commercial activity was channeled in several principal directions.

THE DEVELOPMENT OF MARKETING AND SALES ACTIVITY FOR THE CORPORATE MARKET

The principal guidelines include:
- production and placement of highly innovative products backed by focused marketing efforts;
- creation and development of internal communications and information channels with Intranet and Internet platform in support of the commercial operations of the bank networks;
- the start-up of Paschi-in-Azienda, a new Internet-based remote banking channel for companies (additional information is provided in the section entitled "Distribution Channels" in the Report on the Operations of Banca MPS).

In a drive to promote business with small- and medium-sized firms within a multiple-channel distribution system, the MPS Group came up with the "MPS Professional Network", a bank-professional-company interface for the development and the delivery of high-quality advisory services by accredited professionals. The initiative has already received an enthusiastic response from various groups of professionals (*additional information is provided in the section entitled "Distribution Channels"*).

During December, MPS.Net unveiled "Opifici Digitali", a portal entirely dedicated to small- and medium-sized companies and Industrial Districts. Thanks to the numerous information applications accessible via the Web integrated by banking and financial products, "Opifici Digitali" offers a wide range of products to support various administrative functions within companies, including instruments for managing trade payables (through services which collect, analyze and optimize information, work programs, reporting standards, the choice of distributors, orders, deliveries and the management of complaints).

With the input of MPS Finance, new innovative financial instruments were created to satisfy specific customer needs, with particular reference to short- and medium-/long-term investments and the hedging of financial risks.

INNOVATIVE FINANCIAL INSTRUMENTS FOR THE CORPORATE MARKET

Following are some of the more innovative products debuted in 2001:

- Smart Loan, a short-term bullet loan with an option on the EUR/JPY exchange rate; this was marketed by Banca Toscana in 2001 and will eventually be introduced at the other banks of the MPS Group;
- a placement of structured bonds reserved for corporate customers, including the Smart Range Bond which was handled by the MPS Group network and whose structure mirrors that of the Smart Loan;
- the Protection Kit for hedging exchange-rate risk (APK by Banca Toscana and PK1 by Banca MPS); this offers umbrella coverage for a pre-defined period of time to an exporter being paid in USD, and thus notably simplifies the hedging of exchange-rate risk.

Finally, the Parent Company, operating also in the interest of the other Tuscan banks of the MPS Group, signed a protocol of intent with the Region of Tuscany covering a credit facility of up to EUR 25 million (the MPS Group's quota is 37 percent) as part of a Regional Program for the Development of business initiatives by women (in accordance with Law 215/92). With a subsidized interest rate applicable, the credit facility may be used for short- and medium-/long-term financing, including some forms of financial leasing.

PUBLIC SECTOR

NEW BUSINESS DEVELOPMENT IN THE PUBLIC SECTOR

The MPS Group plans to intensify the activity of servicing the public sector in 2002, with the emphasis placed on the following areas:
- innovative management of outstanding debt;
- arrangement of securitization transactions;
- advisory work on privatizations and/or the market quotation of public-sector entities;
- consulting on the divestiture of property assets;
- consulting on investments realized through project financing;
- financial advising for the strategic development of utility and/or multi-utility companies.

The product companies and the banks of the MPS Group are working together to come up with an integrated portfolio of products to respond to the new needs of public sector entities, and the developments affecting the same in light of the projections contained in the 2002 Financial Act.

ELECTRONIC BANK AND PAYMENTS SYSTEM

The activity has been carried out both internally and in relation to various projects coordinated by the Italian Banking Association, through the development of new services and products designed to reinforce the position of the MPS Group within the area of payment systems.

INVOLVEMENT OF THE MPS GROUP IN PROJECTS COORDINATED BY THE ITALIAN BANKING ASSOCIATION

The Italian Banking Association has promoted projects to strengthen the competitive position of the national banking system overall:
- the definition of the Master Plan for the Microcircuito project for the management of the transition of the bank card payment system from magnetic to microcircuit technology;
- e-banking initiatives designed to boost the competitive position of the national banking system in payment systems operated through the Internet, as well as the creation of an integrated multiple-channel interbank system for the management of collection items for public- and private-sector entities.

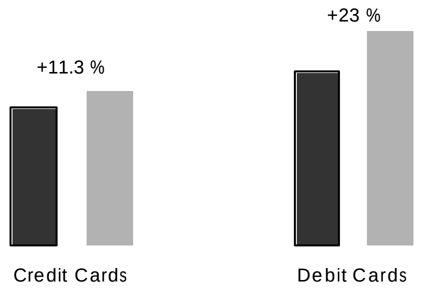
Toward the end of the year a MPS-Italian Banking Association-Services di Sistema work group was formed in order to test the Mobile Bankpass service that will be launched on a national scale by Banca MPS. Commercial testing of the service will be effected in the first half of 2002.

Within the MPS Group, efforts were continued toward the implementation of programs designed to allow for greater use of the Internet in the funds management and mortgage lending areas *(additional information is provided in the section entitled "Commercial Programs")*. In addition, new services were introduced covering the prepayment of mobile telephone service and the payment of the annual television tax through the Paschiriscossione Web site.

CREDIT AND DEBIT CARDS

In accordance with the general guidelines of the business plan, the initiatives regarding credit and debit cards have been directed toward identifying the appropriate types of products for the different customer segments, and optimizing the mix of the current portfolio.

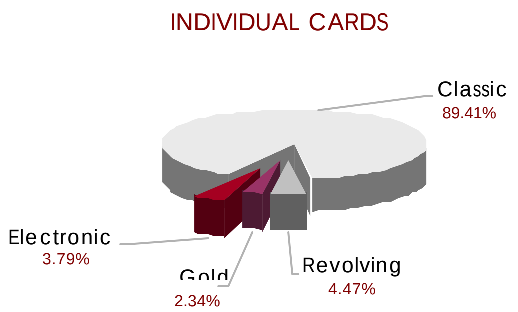
Growth of Credit and Debit Cards in 2001

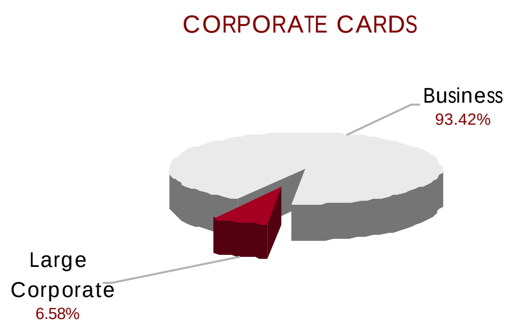


With the efforts undertaken in 2001, the number of payment cards issued to customers of the MPS Group amounted to 1,742,000 (31.12.2000) and thus reflected growth of 17.8 percent over the prior year.

In 2001, the number of revolving credit cards issued by all banks of the MPS Group rose by more than 53 percent, supporting the growth of the individual cards which was 9.9 percent higher overall. At 16.7 percent, the increase in corporate cards was even greater.

During the year, work was initiated on defining the contents of a new "Europrima" prepaid card to be issued by the MPS Group. Intended for use on the ATM Pagobancomat circuit, the "disposable" card to bearer can also be issued to customers without a current account relationship. The marketing of the card is planned for the first half of 2002, and will be followed thereafter by the gradual enhancement of service, which is slated to include cash withdrawals, the re-charging of the card's value through the ATM circuit and the affiliation with an international circuit (Visa or Europay).
Additional efforts in 2001 were dedicated to the placement of co-branded cards through third-party distribution networks. This activity led to the development of the M'Honey Card project, the revolving credit card issued by Consum.it to current account holders of the banks of the MPS Group, Consum.it customers or the customers of other commercial partners *(additional information is provided in the section entitled "Consumer Credit").* Other co-branding initiatives finalized during the year included an agreement between Banca MPS and the office products retailer Buffetti and another between Banca Toscana and the supermarket chain Esselunga.





Again in 2002, the programs will maintain a strong marketing orientation with the introduction of new instruments, such as the revolving Consumit and the on-off card for consumer purchases effected through the Internet.

BANKING TRANSPARENCY, MANAGEMENT OF COMPLAINTS, PREVENTION AND SAFETY, PRIVACY AND QUALITY

The management of the issue of transparency (compulsory disclosure of the terms and conditions applied to customers) also received priority attention within the context of the overall changes taking place in the MPS Group's operations in 2001. Required by law when changes are to the disadvantage of customers, the disclosure of the economic conditions for customer services has also been a promotional tool in the case of strategically important products, such as new credit cards and innovative financial instruments. The publication of pricing, which is effected through both traditional and innovative communications channels, has been controlled across the MPS Group in order to identify critical aspects and to promote corrective action where necessary so to as to standardize this activity at a Group level.

The management of complaints is a process providing valuable feedback on the MPS Group, and facilitates the identification of critical areas where improvements can be made on a preventive basis in order to optimize customer relationships and safeguard the image of the Group's banks. Excluding the specific problems of anatocism and usury rates on mortgages (which have practically been overcome), the number of complaints received by the MPS Group over the past two years has remained virtually unchanged, even though customers can now report problems through online services. The use of the online channel has been favorably received by the public and has contributed to more rapid resolution of the disputes.

During the year, activity continued on the coordination of requirements provided by Legislative Decree 626/94 covering safety and security in the workplace.

PREVENTION AND SAFETY AREA

The principal initiatives realized during the year included:
- the drafting of documents for the assessment of company risks by all companies of the MPS Group in order to identify and evaluate risks in the workplace and to come up with appropriate safety and security measures in relation thereto;
- the continuation of training of the employees serving as "safety representatives", instruction and training for staff handling jobs with peculiar risks (personnel working with video terminals, and others), and the implementation of specific training classes for newly hired employees;
- publication of a manual summarizing emergency medical procedures, issues relative to safety in the workplace and plans to deal with emergencies, and distribution of the manual for use by the operating units.

Particular attention was dedicated to identifying and assessing professional risks within the companies of the MPS Group in order to determine the appropriate measures to be taken for making the work environment more secure and safe.

The protection of customer privacy has been pursued with the application of the provisions contemplated by Law 675/96 and the Decree of the President of the Republic of Italy No. 318 /99. In the case of the companies of the MPS Group, this activity has been coordinated by a special unit within the "Corporate Center".

The protection and monitoring of quality is deemed a strategically important aspect of the MPS Group's overall operation. In 2001, initiatives were undertaken for the certification of the quality of several processes, starting from the Parent Company. At the end of February 2002, following the realization of the "Banca MPS Quality Management System", quality certification was secured for several processes (*additional information is provided in the section entitled "Material Events*

Subsequent to Year End"). The certification obtained is deemed important to the MPS Group's image and competitive position and to attracting new business.

THE QUALITY MANAGEMENT SYSTEM

Following the development and implementation of the quality management system, quality certificates were released for traditional services, such as mortgage lending, and for more innovative services and channels.
Two ISO 9001:2000 certificates were issued for: - the processing and disbursement of mortgage loans to customers through the branch network; - the processing and dissemination of information and services through electronic banking services available by telephone, mobile telephone (GSM-WAP) and the Internet: PaschiHome, PaschiInTel, PaschiInRete, PaschiInsieme, PaschiInAzienda.
The EBTrust Mark was assigned to: - the MPS web site (www.mps.it); - the MPS WAP site.

The branch personnel and personnel within the "Corporate Center" who were involved in the certification are to receive new training of a general and specific nature in order to prepare for audits of the certified processes carried out by internal personnel or by personnel of the certifying entity.

Currently limited to Banca MPS, the Quality Management System is to be extended to the other companies of the MPS Group, and additional services are to be certified.

COMMUNICATIONS AND PUBLIC RELATIONS

In the area of communications, much attention was focused on the Bank's role within the community. The presentation of the first environmental report and the first annual statement of social responsibility and various initiatives to support humanitarian projects had positive repercussions on the image of Banca MPS and the MPS Group. Key projects included the sponsorship of several programs: the Pavarotti & Friends Concert for the benefit of children in Afghanistan; an immunization campaign set up by UNICEF; and a 30-hour Telethon to raise money for research to fight muscular dystrophy.

Advertising expenditures were limited during the year of 2001 and focused on consolidating the results achieved in terms of building awareness for the brands of the MPS Group. The emphasis primarily went to the development of the various electronic distribution channels and the corresponding supply of integrated services with a high technology component, to marketing efforts already under way regarding the mortgage lending business and the launch of the Ducato fund of funds and the promotion of the Paschi Previdenza Pension Fund.

ORGANIZATIONAL INITIATIVES

More progress was made on the development of a new communications strategy to serve the MPS Group over the medium term. The strategy aims at communicating the values behind the MPS Group name and brand in a straightforward and clear-cut manner, and at supplying transparent information on products and services which are becoming increasingly personalized in accordance with customer expectations.

Similarly, an ambitious project got under way within the branch network for promoting the flexibility and high quality of the services to the clientele.

More improvements were made during the year in ensuring adequate information disclosure to the domestic and international financial community with regard to the activity, results and strategies of the MPS Group. In particular, numerous conference calls were organized upon the publication of interim results. Representatives of the MPS Group also participated in important conferences held in Italy and abroad organized by leading brokers and investment banks. Roughly 100 meetings were held with individual financial analysts and managers of mutual investment funds.

Internally, the inhouse publication, "Filo Diretto", has been further developed and now serves as a principal tool in communications to employees. Banca MPS inaugurated an electronic news letter, "Montepaschi News Interna", upon the activation of e-mail service for all employees.
Other important projects designed to bolster internal communications are in the planning stage, and include the development and coordination of electronic media.

MEETINGS AND TRADE EVENTS

In 2001, the MPS Group organized and conducted numerous meetings with local business players in communities across the nation. The themes of the various meetings – which often involved the specialist companies of the Group – were generally geared to instruments and opportunities for small and medium-sized companies. In particular, these conferences covered domestic and EU financing programs, pension funds available under Law 488, and issues relative to the introduction of the euro.

PRINCIPAL INITIATIVES IN 2001

The calendar of events in 2001 included three principal meetings:
- a conference on small- and medium-sized businesses held in Rome, at the prestigious Horti Sallustiani, with presentations given by the Director General of Business for the EU and the Director General of Simest (Italian Financial Institution for the Promotion of Italian Business abroad);
- a conference promoted by Confindustria and held in Prato for the purpose of officially presenting the insert prepared by the magazine, "L'Imprenditore", which is entirely dedicated to Banca MPS' services for small- and medium-sized firms;
- a conference on funds management held in Bologna, with presentations by MPS Finance, Monte Paschi Asset Management SGR, Montepaschi Vita

As regards the retail market, the MPS Group focused on illustrating its products and services to customers for a comprehensive overview to investment, with the involvement of the product companies of the MPS Group.

Initiatives undertaken in 2002 by the Commercial Bank Division include meetings set up for private banking customers in order to illustrate the benefits and opportunities of the new legislation passed in Italy covering the repatriation of capital from abroad (tax-shield).
Other programs for 2002 include various initiatives to be organized throughout Italy as part of the MPS Group's agreements with two leading Trade and industrial associations.

CULTURAL INITIATIVES AND RELATIONSHIPS WITH UNIVERSITIES AND RESEARCH CENTERS

The activity of organizing art exhibitions and concerts continued in 2001, with the MPS Group sponsoring more than 1,500 cultural and scientific initiatives overall. The principal sponsorships included: Accademia Musicale Chigiana; Maggio Musicale Fiorentino; Teatro Metastasio di Prato; Teatro Regio di Parma; Istituto del Dramma Popolare of San Miniato; Festival dei due Mondi in Spoleto; an exhibition of Caravaggio works; and an exhibition of works by Leonardo da Vinci and related promotion of Leonardo da Vinci's "Last Supper".

On the cultural activity front, an exhibition of works from the Banca MPS and Fondazione Accademia Chigiana collections was put together and began touring in Japan in October as part of the "Italy in Japan 2001" initiative. Other exhibitions to be sponsored by the MPS Group in 2002 will cover the works of Marco Pino and Duccio Boninsegna which will be shown respectively in Naples and Siena.

Other cultural events in 2001 involving the backing of the MPS Group included the inauguration of the lyric season for the Rome Opera and the celebrations in Parma of the 100-year anniversary of Giuseppe Verdi's death.

The MPS Group is also an active sponsor of certain sporting events, including the International Horse Races in Rome. Banca 121 is the official sponsor of the U.S. Lecce football team, while the Siena basketball team (Mens Sana) is affiliated with Banca MPS.

A major commitment went to publishing activity in 2001.

PUBLISHING ACTIVITY IN 2001

Principal initiatives included:
- the publication at year end of a volume entitled "The Image of the Palio of Siena: History and Illustration of a Tradition," which was reserved for distribution as a gift to key clients;
- presentation of a special case for the guidebooks prepared by Banca MPS regarding the Bank's art collection, the Chigi Saracini collection and the Palio;
- publication and presentation on the official inauguration of Banca MPS' new main branch in Rome (Via del Corso) of a volume highlighting the construction and significant restoration of the palazzo in which the branch is located;
- continuation of efforts toward the preparation of a CD Rom to provide for a virtual tour of the rooms of Palazzo Chigi Saracini, one of of the most prominent buildings in Siena;
- sponsorship by BAM of a monographic publication dedicated to the Mantuan painters Nodari and Pesenti.

As to economic publications, the Bank and Banca Toscana continued to collaborate on the production of "Economic Studies and Notes". Another English-language publication "Economic Notes", is printed and distributed under an agreement with the publishing company, Blackwell of Oxford, England. A special supplement to "Economic Studies and Notes" released during the year - with a preface by Pierluigi Ciocca, Deputy Director General of the Bank of Italy - highlighted the book classification of Bonaldo Stringher, a former governor of the Bank of Italy, which is currently held by Banca MPS.

CULTURAL AND SCIENTIFIC INITIATIVES IN COLLABORATION WITH UNIVERSITIES AND RESEARCH INSTITUTES

The principal programs are outlined as follows:
- Masters Degree in Economics and Banking (MEBS), organized with the University of Siena: the program completed its fourth year and started up a fifth term; the degree embraces the comprehensive study of sophisticated economic and financial analysis tools, and operating methodologies; the program contemplates a term for apprenticeship, including within one of the banks or companies of the MPS Group;
- Masters Degree in Management of Financial Institutions and New Information Technologies which has been set up by the MPS Group Operating Consortium in collaboration with the Department of Business and Social Studies of the University of Siena and the company, Engineering - Ingegneria Informatica S.p.A.; the program, which is in its second year, is aimed at developing professionals who can integrate technological knowledge with business skills;
- Masters in Quality and Organization of Small and Medium Enterprises organized by the Tuscany Center for Quality in collaboration with the Tuscan Association for Small- and Medium-Sized Businesses and Den Norske Veritas, a large quality-certification institute; graduates of the program are trained in the management of small- and medium-sized firms with a strong focus on export activity;
- Masters in Digital Economy & E-business, promoted and organized by the University of Siena in collaboration with a group of companies, including companies of the MPS Group (Banca MPS, MPS Group Operating Consortium and MPS.net); the instruction is focused on dealing with the demands of the marketplace arising from the development of the digital economy.

Aside from producing positive returns in terms of the MPS Group's image, the relationships with universities, research institutes and other academic institutions offer prime access to highly qualified resources. In addition to the initiatives highlighted in the table, Banca MPS is a sponsor of the Masters in Economics and Environmental Management (MEMA) offered by Bocconi University in Milan and a Masters in Management and Control of the Environment at Scuola Superiore Sant'Anna of Pisa; degree candidates for these programs are trained to fill management positions in the environmental sector, which is crucial to socio-economic development today.

THE MPS GROUP AND SUSTAINABLE DEVELOPMENT

In 2001, the MPS Group further intensified its commitment to support the environment and especially, eco-compatible development. A permanent unit was set up to serve as the planning and strategy-making body for the entire MPS Group in relation to environmental, social and ethical matters.

? Environmental Policy

The primary objectives of the new structure include:
- an Environmental Risk Management project aiming at developing methods for inserting the "enivronmental risk" variable into the process of assessing credit risk;
- the implementation of an Environmental Management System to ensure correct use of internal resources, and with the objective of securing ISO 14001 certification and/or EMAS registration;
- the publication of an Environmental Report and a Statement of Social Responsibility to highlight the social, ethical and environmental aspects of the activity; Banca MPS released the first editions of these reports in July 2001, while Banca 121 published its third Social Responsibility Report during the year.

Developments in process include the selection of projects that fall within the European social funding program, EQUAL, for 2000-2006 - the program involves the promotion of initiatives aimed at curbing discrimination and inequalities in the labor market. Set up on the basis of transnational cooperation with the involvement of various social entities (government agencies, non-government organizations, social partners and economic players - especially small- and medium-sized firms), the program represents an excellent occasion for making the MPS Group name and activity visible at a European level. In this regard, Banca Toscana is part of a sample group of international banks involved in monitoring conditions for women in the workplace.

In carrying out environment-related initiatives, the MPS Group depends on the consultative input of an Advisory Board set up in November 2001 and consisting of international scientific experts and scholars who are charged with assessing and evaluating the projects undertaken.

TREND OF OPERATIONS AT PRINCIPAL SUBSIDIARIES

Following are summary remarks on the results of the banks and product companies which represent the main subsidiaries. The data reported hereunder are taken from the profit and loss statements as reclassified for consolidation with the other data of the Group.

DISTRIBUTION PLATFORMS

A) COMMERCIAL BANKS

	Banca MPS		**Banca Toscana**		**BAM**		**Cariprato**	
(in EUR mn)	31.12.01 Amount	% Change vs.2000	31.12.01 Amount	% Change vs.2000	31.12.01 Amount	% Change vs.2000	31.12.01 Amount	% Change vs.2000
Total assets	74,914	0.3	16,006	10.1	11,007	10.2	2,455	19.4
Customer loans	36,410	-0.6	10,540	16.2	7,714	11.3	1,707	15.8
Aggregate customer funding	101,223	5.9	25,309	4.6	22,140	3.8	3,965	9.6
	31.12.01	Change	31.12.01	Change	31.12.01	Change	31.12.01	Change
Number of branches	962	35	402	26	285	6	51	8
Number of employees	12,938	250	4,672	-78	3,516	245	925	72
including: employees on assignment with other MPS Group companies	1,059		424		173		14	
	31.12.01	% Change	31.12.01	% Change	31.12.01	% Change	31.12.01	% Change
Interest margin	1,228	5.9	483	20.8	258	9.8	73	17.0
Total banking income	2,843	10.2	798	20.1	504	1.8	117	11.5
including: banking commissions	800	15.0	280	23.9	176	-6.3	37	8.8
Operating profit	1,375	12.2	319	54.3	221	0.6	33	17.4
Net profit	555	9.6	122	81.0	87	24.1	13	-13.3
	www.mps.it		www.bancatoscana.it		www.bam.it		www.cariprato.it	

The commercial banks realized significant growth in total funding, with much of the gain coming from the direct component. The expansion of direct funding is mainly attributable to higher volumes of bank-issued bonds and an increase in sight deposits due to a customer preference for liquidity in the midst of uncertainty about the direction of the markets. Though decelerating as a result of the trend in stock prices, the flow of indirect funding was slightly positive partly due to the placement of the Group's products. The principal sources of growth were bancassurance (with premiums amounting to around EUR 3,100 million) and innovative financial products (where flows came to roughly EUR 3,840 million). The success achieved in the placement of these products was mainly dictated by an emphasis on maximum flexibility and the resulting capacity to capitalize on market dynamics and the investment needs of the customers. Apart from Banca MPS (whose funding data are disclosed in the separate report on the operations), Banca Toscana achieved impressive results in the placement of innovative financial products (flows amounting to EUR 1,214 million) and insurance policies (premiums of EUR 595 million).

Lending activity was again geared toward the development of the medium-/long-term portfolio (and residential mortgages, in particular), while the expansion of short-term credit was generally more limited in scope, and mainly oriented toward strictly commercial transactions. As indicated in the separate report on the operations, the decline in outstanding loans reported by Banca MPS is related to securitization transactions perfected in the first half of the year; net of the effects of such transactions, the portfolio expanded by 6.4 percent. In the case of BAM, Banca Toscana and Cassa di Risparmio di Prato, loan growth exceeded 10 percent.

During 2001, the commercial banks of the MPS Group continued to restructure their distribution systems for the purpose of building an integrated multiple-channel network. This effort embraced the opening of new sales outlets (traditional and innovative banking facilities), and the simultaneous development of the electronic channels (internet banking, telephone banking and Call Center). With the addition of 35 facilities, Banca MPS ended the year with a network of around 1,000 outlets. Banca Toscana, which added some 26 banking facilities during the year, accounts for 22 percent of the domestic network of the MPS Group (1,838 banking facilities).

All of the commercial banks enjoyed appreciable growth of the total banking income, with the rates of expansion higher than 10 percent for Banca MPS, Banca Toscana and Cassa di Risparmio di Prato. Such performance is attributable to:

- a much higher interest margin at Banca Toscana and Cassa di Risparmio di Prato, partly due to efficient management of spreads (mark-up and mark-down) and to the expansion of the deposit and loan volumes;
- a particularly high increase in banking commissions and other income at Banca MPS and Banca Toscana, due to the development of base services and to the placement of innovative products. In the case of BAM, the decrease of fees earned on funds management services occurred after an exceptional level of such fees in 2000.

The growth of operating profit was particularly pronounced at Banca Toscana, Cassa di Risparmio di Prato and Banca MPS, though the aggregate for Banca MPS incorporates incremental expenditures during 2001 for the implementation of the MPS Group Business Plan and the operational and commercial consolidation.

The net profit growth realized by Banca Toscana includes a capital gain of EUR 26.7 million arising on the sale to the Parent Company of an interest held in MPS Finance. In the case of Banca Agricola Mantovana, the net earnings in 2001 incorporate a capital gain of approximately EUR 15 million coming from the sale to Banca MPS of a holding in Banca Steinhauslin. Instead, Cassa di Risparmio di Prato's annual increase in profits is influenced by extraordinary charges of roughly EUR 3.6 million (net) posted in 2000; excluding such charges, the rate of growth would climb to 14.2 percent on an annual basis. The Parent Company, Banca MPS, achieved a strong 9.6 percent in net profit for the year.

B) SPECIALIZED PLATFORMS

(in EUR mn)	**Banca 121** 31.12.01 Amount	% Change	**Banca Steinhauslin** 31.12.01 Amount
Aggregate customer funding	11,876	6.2	1,477
	31.12.01	Change	31.12.01
Number of branches	104	7	7
Number of financial boutiques	236	34	
Number of teleboutiques	9	7	
Number of employees	1,752	58	165
Number of financial advisors	1,541	446	
	31.12.01	31.12.00	31.12.01
Interest margin (°)	29	49	9
Total banking income (°)	290	273	20
Operating profit (°)	90	110	-14
Net profit (°)	14	43	0.034
(°) proforma for 2000 for Banca 121	www.banca121.it		www.steinonline.it

Summary comments relative to the operating performance of each bank are provided as follows.

Banca 121 continued to build its integrated multiple-channel distribution network in 2001, with the number of sales outlets (branches, financial boutiques and teleboutiques) reaching 349 by year end. Some 446 financial advisors were brought on stream, bringing the total number to 1,541. The number of customers utilizing electronic banking services rose to more than 472,000. From an operational perspective, the year of 2001 yielded a positive trend in business development and in balance-sheet aggregates. Aggregate funding was up by 6.2 percent, and was marked by a change in the overall mix. Direct funding advanced by 35.3 percent, while funds under administration benefited from the placement of around EUR 671 million of innovative financial products. After discounting investments in the innovative, high-technology segments of the distribution system, operating earnings came to EUR 90 million, while net profit totalled EUR 14 million.

Banca Steinhauslin began the implementation of a strategy to shift its focus completely to Private Banking, focusing on a wealthy clientele. The organization of the bank was significantly restructured as a result, and in August, Banca Steinhauslin sold off its retail and corporate units, inclusive of six banking facilities, to Banca MPS and Cassa di Risparmio di Prato; the transferred units accounted for approximately EUR 260 million of funding and EUR 193 million of loans. At the same time, three new private banking centers were opened and efforts go under way to generate new business in the target market, with positive funding flows as a result. In line with the forecast, the bank sustained an operating loss in 2001, primarily due to the burden of expenditures for the reorganization, including outlays for recruiting highly specialized Relationship Managers. The bank reported a modest net profit thanks to the EUR 13 million capital gain realized on the transfer of the retail and corporate assets.

OTHER BANK HOLDINGS

The table below provides a summary of the net earnings of the other banks consolidated on a pro-rata basis, all three of which realized appreciable growth of their operations in 2001 and improvements in principal profitability margins.

Summary of Earnings of Other Italian Bank Holdings
(in EUR mn)

	Net Profit 31.12.2001	Absolute Change vs. 2000	% Change vs. 2000
Banca Monte Parma	11.6	3.9	49.9
Banca Popolare di Spoleto	8.3	1.0	13.2
Cassa di Risparmio di San Miniato	7.4	2.0	50.3

RETAIL PRODUCT COMPANIES

The volumes of production and earning results achieved by MPS Finance headline the activity of the product companies in 2001. The companies operating in funds management (MP Asset Management SGR, Mps Vita, Ticino Vita, and Grow Life) and in securities brokerage (Intermonte) also turned in satisfactory results when considered within the context of the market difficulties which endured for most of the year.

(in EUR mn)	MPS Finance 31.12.01 Amount	MP Asset Mgmt. SGR 31.12.01 Amount	% Change vs.2000	Intermonte 31.12.01 Amount	% Change vs.2000
Intermediation margin	170	154	-12.3	76	-42.5
Operating profit	131	106	-21.8	57	-47.9
Net profit	(°) 90	60	-22.3	33	-47.2
	31.12.01	31.12.01	Change	31.12.01	Change
Number of employees	139	183	58	132	2
	www.mpsfinance.it	www.mpsam.it		www.intermonte.it	

(°) Net operating profit, calculated by eliminating dual entries for dividends, is in the amount of EUR 59.6 million

Following are summary comments relative to the operating performance of each product company.

MPS Finance closed its first year of activity with a net profit of EUR 90.4 million and more than EUR 4,000 million of volumes of financial products placed through the networks of the MPS Group. The results build on the strength of several areas: Personal Financial Solutions and Corporate Financial Solutions (EUR 60 million), trading (EUR 50 million), and activity in the capital markets (EUR 19 million). The investment held in Intermonte Securities also provided an important contribution to earnings.

MP Asset Management SGR consolidated its operational base and market position in 2001 with the incorporation of three funds management companies of the MPS Banking Group (Ducato Gestioni SGR, G.I.Gest SGR, Spazio Finanza SGR). Though the funds management industry as a whole experienced net redemptions during the year, the company successfully tapped net new investment of EUR 559 million, with its market share firm at 4.14 percent. Operating earnings came to EUR 106 million, while the bottom line totalled EUR 60 million.

Though it activity decelerated in comparison with 2000 due to lower volumes through the Italian Stock Exchange, **Intermonte Securities SIM** handled a significant flow of equity trades, with its market share around 5 percent. The firm's Corporate Finance activity also slowed as a result of the sluggish market, with many planned IPOs being deferred to a later date. The firm's profitability profile remained high even though the decrease in operating volumes prompted net earnings to fall to around EUR 33 million from EUR 62 million in 2000, which was an exceptionally strong year. "Institutional Investor" rated the firm's equity research team as the best for coverage of the Italian market in 2001.

Finally, Websim S.p.A. became operative as of the start of 2001 as a financial information network; the company posted a net profit of EUR 0.82 million for the year.

CORPORATE PRODUCT COMPANIES

The companies operating in specialized lending and other corporate services also reported significant improvements in 2001.

(in EUR mn)	MPS Banca Verde 31.12.01 Amount	% Change vs.2000	MPS Merchant 31.12.01 Amount	% Change vs.2000	Consum.it 31.12.01 Amount	% Change vs.2000
Customer loans	1,433	15.1	3,706	17.6	587	74.2
Loans disbursed during the period	415	-4.4	1,110	14.4	496	37.2
	31.12.01	Change	31.12.01	Change	31.12.01	Change
Number of employees	161	0	202	27	92	18
Commercial offices	12	-1	14	5		
	31.12.01	% Change	31.12.01	% Change	31.12.01	% Change

Interest margin	31.8	4.8	60.7	15.3	25.8	117.5
Total banking income	34.5	3.3	88.6	46.0	18.0	90.7
Operating profit	20.7	2.9	63.7	57.7	6.0	n.s.
Net profit	7.6	13.0	23.3	32.3	0.2	n.s.
	www.bancaverde.it		www.mpsmerchant.it		www.consum.it	

The operating performance of each product company is summarized as follows.

MPS Merchant Banca per le PMI (previously known as Mediocredito Toscano) underwent significant changes in 2001. In accordance with the mission contemplated by the new Business Plan, the bank has been transformed into an excellence center for the Group, specializing in services for small- and medium-sized companies, including EU-subsidy programs (so-called "Territorial Pacts" and "Area Contracts"- Law 488). Operating highlights for the year include the expansion of merchant banking activity (Private-Equity transactions and Advising mandates), the start-up of a Project Financing unit and a dedicated Internet portal (www.mpsmerchant.it). In addition, the bank teamed up with Intermonte Securities Sim to create MPS Venture SGR, a company specializing in closed-end investment funds. From a profitability standpoint, the year of 2001 ended with strong improvement in all earnings margins, with operating volumes expanding as well.

MPS Banca Verde also underwent significant changes in 2001. The bank changed its name from Istituto Nazionale di Credito Agrario to MPS Banca Verde as part of overall plan to make the bank an excellence center specializing in services to farming, food processing and environmental entities. In developing a multiple-channel distribution model, the bank created "Portale Verde", a service of interest to firms which operate in the sectors targeted by the bank. Even though the major changes occurred with the bank's organization during the year, business expanded further as shown by balance-sheet aggregates (the balance of medium- and long-term loans outstanding rose by 15.1 percent). Profitability also advanced, with net earnings some 13 percent higher.

Consum.It: Operational since 1999, the company developed various initiatives in 2001 which are aimed at diversifying the supply of products available through the multiple-channel distribution network. Production highlights include the introduction of a revolving credit card targeted to the Mass Market segment, the creation of an Internet site (www.consum.it) that will serve as a point of entry for potential customers, and enhancements to the automated processing of credit applications and disbursements. In 2001, Consum.it disbursed almost EUR 500 million in consumer loans, with the outstanding balance climbing by 74.2 percent to end the year at EUR 587 million. Given these volumes, the company achieved breakeven in 2001 and secured a market share of 2.9 percent, thereby improving its position vis-à-vis the main consumer credit companies operating on the Italian market.

Merchant Leasing & Factoring: Production volumes were higher in 2001, with the aggregate value of leases executed advancing by 62.3 percent and factoring turnover moving up by 77.6 percent. Net earnings reached EUR 4.44 million, for a 160-percent increase over 2000.

INTERNATIONAL ACTIVITY

International Banking Activity
(in EUR mn)

	Net Profit	% Change
Monte Paschi Banque	17.6	9.2
Banca Monte Paschi Belgio	0.1	-0.2
Banca Monte Paschi Suisse	0.7	-1.4
Banca Monte Paschi Channel Islands	0.2	-0.1

A review of the trend of profitability at the foreign banks shows improvement at Monte Paschi Banque (a gain of EUR 9.2 million, or 109.6 percent). Instead, weaker performance was seen at Bank Monte Paschi Suisse (a reduction of EUR 1.4 million, or 66.7 percent) which felt the effects of the negative trend of the financial markets, and at Monte Paschi Belgio where efforts have focused on the reduction of overall risks and increasing funding from retail customers.

TAX COLLECTION SERVICE

As further detailed in the report on the operations of Banca MPS, the direct tax collection service logged improvement in 2001.

Monte Paschi Serit has continued to suffer not only from general difficulties, but also from the peculiarities of its particular collection service. In any event, operating earnings rose by 14.5 percent in light of a reduction of the charges linked to its financial exposure (down by EUR 28.5 million, or 14.6 percent) resulting from a roughly EUR 150 million decrease in net borrowings during the year. Part of the improvement is also due to the recovery of past-due payments in the amount of EUR 361.5 million. Though the MPS Group is no longer servicing the Pescara and Teramo regions (contracts expiring as of 1 July 2001), the revenue stream improved by a slight 1.8 percent in 2001. In the case of the services provided in Sicily, revenues rose by 10 percent. The bulk of this growth comes from the contribution of the post-reform tax rolls (EUR 23 million), an activity which was not carried out in 2000 because of the deferral of the preparation of the rolls as of the end of the year.
The year ended with a loss of EUR 58.5 million which is higher than the loss of EUR 52.6 million for 2000 because of an increase in provisions needed to cover risks of possible losses on past-due payments. Specifically, such provisions went from EUR 14.3 million in 2000 to EUR 25.8 million in 2001.
A major planning effort was inaugurated by the company in 2001 to address: reorganization, updating of the general/personal data records, the recruitment of tax-collection officials and enhancements to the information systems. These initiatives and the planned recovery of past-due amounts should lead in 2002 to positive results in terms of reducing outstanding receivables (both pre- and post-reform), and related benefits of lower balance-sheet risk and higher profitability.

Gerit and BAM Riscossioni reported losses of EUR 0.37 million and EUR 0.138 million, respectively, while Padana Riscossioni reported earnings of EUR 0.313 million.

TREND OF INSURANCE COMPANIES AND EMBEDDED VALUE OF LIFE PORTFOLIO

The Group's life insurance companies (Monte Paschi Vita, Ticino Vita and Grow Life) had aggregate earned premiums of EUR 2,775 million, with much of the volume coming from ordinary policies. Quadrifoglio Vita, a life insurer which is 50-percent owned by BAM, also performed well with premiums rising by more than 28 percent.

As a result of this expansion, insurance reserves climbed by 44.7 percent to EUR 10,655 million. Highlighting profit growth were Monte Paschi Vita and Ticino Vita, with earnings gains of 23.7 percent and 73.4 percent, respectively. The bancassurance segment is rounded out by the property and casualty company, Ticino Assicurazioni, whose net profit in 2001 increased to EUR 7.88 million partly reflecting the benefits of a restructuring which took place during the year. The aggregate profits of the insurance business thus amounted to EUR 65.4 million, advancing by 24 percent on an annual basis.

(in EUR mn)

Bancassurance	MP Vita 31.12.2001	% change vs. 2000	Ticino Vita 31.12.2001	% change vs. 2000	Grow Life 31.12.2001	% change vs. 2000
Premiums earned	1,789	92.7	493	85.0	493	-41.8
Net profit	39	23.7	4.5	73.4	14	0.8
	www.mpv.it		www.ticinovita.it		www.growlife.ie	

(*) companies consolidated with the net equity method.

Embedded value(the sum of adjusted shareholders' equity, the present value of future net earnings on insurance in force calculated on the basis of certain probabilities, and the maintenance cost necessary to cover the solvency margin) is one of the key indicators of the trend of operations of insurance companies. The embedded value of MPV and its subsidiaries Ticino Vita and Grow Life amounted to EUR 496 million at the end of 2001, growing by 23 percent over the previous year.

Value added during the year of 2001 is shown in the following table:

(in EUR mn)	MPV-Ticino Vita- Grow Life
Embedded value as of 31 December 2001	496
Embedded value as of 31 December 2000	404
Increase in value	*92*
Dividends distributed	19
Value added during the year	**111**
Increase due to production in 2001	121

The basis for the calculations and the technical assumptions made were reviewed by independent auditors and are summarized below:

- definition of assumptions, in particular with regard to: the return on investments, the flow of future premiums generated from insurance in force and the trend of mortality rates, surrenders, options, future costs and the tax burden (assumed equal to the tax burden in 2001);
- determination of the expected future earnings on insurance in force over a time horizon consistent with the residual life of the contracts, net of taxes;
- determination of the present value of future earnings through the use of a discount rate equal to the return on a risk-free investment, increased by approximately 2 percentage points in order to take into account the random nature of the flow of earnings;
- estimate of the cost associated with the maintenance of the solvency margin.

The financial, demographic and actuarial assumptions used are based on highly conservative criteria and reflect the specific characteristics of the Companies' portfolios.

MATERIAL EVENTS SUBSEQUENT TO YEAR END

Following is a summary of the more significant events occurring in the first few months of 2002.

In early January, the Region of Sicily made a payment of EUR 79.534 million to Monte Paschi Serit as a completion of the disbursements due prior to 31 December 2001 in relation to measures already legislated.

The end of 2001 marked the termination of the period of validity for the so-called "protection clause" for Tax Concessions. Toward the end of January, numerous meetings were held between the industry association, Ascotributi, and the Tax Authorities so as to come up with an agreement concerning the amount of protection compensation (a new name for the protection clause) for the 2002-2003 two-year period. The contacts produced a legislation provision which has already gone into effect and which contemplates a prepayment of roughly EUR 350 million for the year of 2002, and the determination thereafter on the part of a specially created Commission of an equitable payment for the Tax Collection Agents. Eighty-percent of the amount established for 2002 is to be disbursed as a fixed sum, while two percentages of ten percent each are to be paid upon the achievement of specific collection objectives.

On 10 January 2002, the Board of Directors of Banca MPS approved the new 2002-2005 Group Business Plan, which basically updates the MPS Group's growth objectives in light of the changes in the macroeconomic scenario and developments in the financial markets.

In accordance with the new plan, the MPS Group's objectives for 2004 include an ROE of more than 20 percent, and a 6% decline in the cost-income ratio to a total of around 50 percent. These targets are to be achieved through the growth of the productivity; the replanning of the infrastructure and of the customer service models; and effective cost-containment measures.

The Plan places the priority on actions to maximize the value of customer relationships, with services and products being specialized by customer segment and the achievement of a high level of integration with the product companies and distribution networks. The focus also goes to the defense of the local markets and the enhancement of value of the individual brands.

The business strategies will be integrated with actions to elevate the efficiency of the centralized and network operations, with the objective of freeing up resources to be dedicated to the development of sales and marketing activity. The Plan also calls for completion of the centralization of various organizational units, and specific initiatives to hold down expenses.

To facilitate the implementation of the strategies, the MPS Group will be oriented toward a multi-market business model by restructuring the divisions of the "Corporate Center" and of the commercial banks of the MPS Group, with specialized platforms for supporting retail and corporate customers.

In early February, the Board of Directors of Banca MPS approved a resolution authorizing a capital increase in the amount of EUR 85,878 and the corresponding issue of 165,150 shares with a par value of EUR 0.52 each. The resolution was passed on December 20, 2001 as part of the authority vested with the Board of Directors upon the shareholders' approval of a stock granting plan on 20 December 2001. The newly issued shares are to be assigned to employees of the companies of the MPS Group.

At the end of February, the Board of Directors of Banca MPS passed a resolution authorizing the Bank to purchase a business unit from the subsidiary, Banca 121 S.p.A. The sale of the business unit embraces 30 branches of Banca 121 located outside of the Apulia region and a 100-percent interest in an Irish-law company, 121 Financial Services Ltd., along with the related assets and liabilities. The transaction is part of the initiatives contemplated by the MPS Group's 2002-2005 business plan, and by the related business plan of Banca 121 S.p.A. and is designed to reinforce the latter's specific role in delivering personal financial services to new affluent customers. The operations of 121 Financial Services will be consolidated into the treasury activity of the MPS Group.

Confirming the focus on service quality, Banca MPS secured certification at the end of February for the processing and disbursement of mortgage loans through the branch network and the processing and dissemination of information and services through electronic banking services available by telephone, mobile telephone (GSM-WAP) and the Internet (PaschiHome, PaschiInTel, PaschiInRete, PaschiInsieme, PaschiInAzienda). Banca MPS is one of the first banks in Italy which realized a Quality Management System in accordance with the ISO 9001/2000 international standard.

In March, an equity swap expired covering 22,265,520 ordinary shares of BAM (or 19 percent of the share capital); the transaction was put in place by Banca MPS in 1999 at the time of the public tender offer for BAM. The contract was renewed thereafter for a period of three years at virtually the same conditions and with the participation of leading financial intermediaries. Accordingly, there is now a put option to the buyer in effect with an expiration of March 2005, and an exercise price of EUR 18.076 per share.

With further reference to the public tender offer for BAM, a put option expired in March 2002 which had been granted to shareholders participating in the transaction and which covered 50 percent of the shares not tendered. Under this option, the holder had the right to require Banca MPS to purchase the shares at a unit price of ITL 25,000 (EUR 12.91), for a maximum of 11,277,485 shares. Banca MPS initiated a series of communications initiatives in order to remind the shareholders involved of the terms and conditions for exercising the option.

Other significant events:

- In January and February, the remaining capital contribution of EUR 24.5 million was paid into MPS.net.
- The De@lDone Trading System managed by MPS Finance was inaugurated on 4 February 2002 for an initial testing with internal users. The system will be subsequently extended to other companies of the MPS Group and thereafter to non-captive entities.
- On 22 February 2002, Banca MPS finalized the purchase of 6.51 percent of the capital of MPS Merchant held by the Ministry of Economy and Finance; with the quota acquired, the interest held by the Parent Company rises to 86.97 percent, whereas the holding at a Group level amounts to 98.65 percent.
- On 11 March 2002, the shareholders of MontePaschi Serit resolved to cover the company's 2001 loss of EUR 58.5 million through the use of a special loss reserve set up for such purpose, with the balance being paid by the single shareholder (Banca MPS). Thereafter, Banca MPS arranged to reinstate the equity base of EUR 10.4 million.

- In February, MPS.Net purchased a 5 percent interest in the share capital of Dada, a company operating in high technology and Internet services. The investment, which was made for the purpose of developing production synergies, involved 630,519 shares, for an aggregate outlay of around EUR 10 million.

OUTLOOK FOR 2002

In 2002, the MPS Group will aim to build on the operating and earnings results attained in 2001 and to achieve decided improvement in terms of operating efficiency, control over risks and the effectiveness of the marketing efforts. In this last case, the mission envisions a greater focus on businesses with a higher profitability contribution, with the reinforcement of corporate and retail relationships being a key variable in this process. All of these objectives are consistent with the strategy set forth in the 2002-2004 Business Plan.

The 2002 Budget provides for a sizeable increase in profitability to be achieved through:

- a significant increase in banking commissions, and especially fees earned through the placement of indirect funding products. From this perspective, a major emphasis will go to (i) bancassurance products, in order to respond fully to the customer demand for investments that will also serve for retirement planning, and (ii) innovative instruments such as long-term savings plans and innovative financial products. The growth of traditional income is also expected to be strong due partly to the development of specialized activity and the differentiation of supply by customer segment.
- a higher financial margin to be pursued through appropriate management of interest rates (defense of the mark-down and increase of the mark-up) and the growth of loan and deposit volumes. In this case, the direct funding is expected to grow at a rate above the industry average, while loan growth should be generated primarily from the medium- and long-term components, as in 2001.
- close monitoring of expenses whose rate of growth is projected to slow considerably in relation to the prior year. Though no new additions in staffing are planned for 2002, the expansion of the work force in 2001 will have some spillover effects on the expenditures for personnel this year. Instead, in the case of other expenses, which grew in 2001 as a result of the intense project development during the year, the MPS Group plans a major campaign to ensure adequate controls over the outlays.
- further improvement in credit management, with positive repercussions in terms of curbing the risk-related costs.

The new 2002-2005 Business Plan calls for significant planning activity in 2002, which is the first and perhaps most important year for the plan's implementation.

With much of the preliminary work already under way, the principal initiatives are focused on the following:

- the development of increased awareness of the cost structure, and the consequent containment of expenses through revisions made to the procurement process and the activation of specific measures designed to reduce spending;
- efficiency gains in the network through the re-engineering of operational processes;
- the centralization of various operations;
- enhancements to the information processing system in support of business development and the containment of expenses;
- the concentration and improvement of the management of the financial, credit and operating risks, with the aim of stabilizing operating results.

The objectives at a Group level have been developed with the input of the different areas and business units of the MPS Group:

- The MPS Group is again counting on the Retail Area in 2002 as a solid source of profitability and the most important segment for value creation, with further improvement expected in results.
- The contribution of the Corporate Area is projected to rise significantly and to end up on par with that of the Retail segment. Significant growth of the value produced by the Area is anticipated on the expansion of net profitability, and should be flanked by virtual stability in the cost of capital.
- Plans for the Finance Area include the completion of the process to centralize of the MPS Group's treasury (proprietary trading, cash management, and asset-liability management). The management of the trading portfolios of the banks of the Group will be turned over to the Parent Company, along with delegated responsibility for the risks in relation thereto.
- The focus of the international banking activity in 2002 will be on a requalification of the mission of the foreign branches, with a greater focus on service to Italian customers and a simultaneous reduction of financial lending.
- Finally, better results are anticipated from Tax Collection activity in 2002, partly due to a reduction in the interest burden matched by the growth of revenues.

Capitalizing on the high level of flexibility and the team spirit at the root of the relationships between the product companies and the network, the MPS Group projects that business volumes and profits will move in a positive direction in 2002. This movement should be accompanied by the growth of customer satisfaction. Significant growth of net profit is anticipated, in line with the indications set in the Business Plan.

MPS

MONTE DEI PASCHI DI SIENA
BANKING GROUP

CONSOLIDATED
FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2001

FORM AND CONTENTS OF THE
CONSOLIDATED FINANCIAL STATEMENTS

- The consolidated financial statements as of 31 December 2001 have been prepared in accordance with laws and regulations in effect in Italy, and include the following:

- Balance Sheet;
- Profit and Loss Statement;
- Notes to the Financial Statements;

- The notes to the financial statements are made up as follows:

- Part A - Valuation Criteria
- Part B - Information on the Consolidated Balance Sheet
- Part C - Information on the Consolidated Profit and Loss Statement
- Part D - Other Notes

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
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 2000, approved by the Board of Directors

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

Consolidated Balance Sheet, Guarantees and Commitments, Consolidated Profit and Loss Statement denominated in Euro (*EURO 1 = ITL 1936.27)*

CONSOLIDATED BALANCE SHEET

(in ITL)

	ASSETS		31 December 2001
10	Cash and cash on deposit with central banks and post offices		**1,369,942,007,484**
20	Italian government securities and similar instruments eligible for refinancing with central banks		**2,454,976,547,449**
30	Amounts due from banks		**27,279,517,288,964**
	a) sight	5,007,233,898,087	
	b) other	22,272,283,390,877	
40	Customer loans		**125,749,788,721,480**
	including:		
	loans with third-party funds under administration	36,400,664,714	
50	Bonds and other fixed-income securities		**25,198,766,646,765**
	a) of public issuers	11,789,147,974,866	
	b) of banks	5,072,132,105,292	
	- including: own securities	1,136,059,085,459	
	c) of financial institutions	4,142,808,318,231	
	- including: own securities	-	
	d) of other issuers	4,194,678,248,376	
60	Shares, quotas and other equity securities		**2,945,536,474,569**
70	Equity investments		**4,603,701,444,339**
	a) valued with net equity method	71,465,381,996	
	b) other	4,532,236,062,343	
80	Equity investments in Group companies		**660,717,908,617**
	a) valued with net equity method	633,953,756,689	
	b) other	26,764,151,928	
90	Positive consolidation differences		**1,415,476,124,855**
100	Positive net equity differences		**244,057,405,887**
110	Intangible assets		**840,450,949,082**
	including:		
	- start-up costs	68,384,465,324	
	- goodwill	2,615,658,632	
120	Fixed assets		**4,224,478,358,504**
	including: assets under financial lease	659,050,711,162	
130	Unpaid subscribed capital		**-**
	including: called-up capital		
140	Own shares		**36,099,163,692**
	(nominal value 247,317,831)		
150	Other assets		**26,214,647,235,458**
160	Accrued income and prepayments		**3,215,414,854,968**
	a) accrued income	2,905,447,451,003	
	b) prepayments	309,967,403,965	
	including: issuing discounts	47,199,456,939	

TOTAL ASSETS	**226,453,571,132,113**

CONSOLIDATED BALANCE SHEET

(in ITL)

	LIABILITIES AND SHAREHOLDERS' EQUITY		31 December 2001
10	Due to banks		**29,319,390,664,112**
	a) sight	1,909,554,411,922	
	b) time or requiring advance notice of withdrawal	27,409,836,252,190	
20	Customer deposits		**93,783,605,102,697**
	a) sight	72,888,574,155,910	
	b) time or requiring advance notice of withdrawal	20,895,030,946,787	
30	Other borrowed funds backed by negotiable instruments		**53,178,994,813,512**
	a) bonds	35,116,176,946,124	
	b) certificates of deposit	16,501,650,125,877	
	c) other instruments	1,561,167,741,511	
40	Third-party funds under administration		**84,381,793,299**
50	Other liabilities		**22,296,078,439,689**
60	Accrued liabilities and deferred income		**3,657,511,389,263**
	a) accrued liabilities	3,106,457,055,401	
	b) deferred income	551,054,333,862	
70	Staff severance indemnity reserve		**862,818,653,224**
80	Reserves for risks and other charges:		**3,643,267,968,283**
	a) pension fund and similar obligations	845,417,482,079	
	b) reserve for taxes	1,656,374,925,858	
	c) consolidation reserve for risks and future charges	-	
	d) other reserves	1,141,475,560,346	
90	Reserve for loan losses		**613,813,834,650**
100	Reserve for general banking risks		**883,079,204,000**
110	Subordinated debt		**5,924,955,176,029**
120	Negative consolidation differences		**40,341,000,000**
130	Negative net equity differences		**2,396,115,708**
140	Minority interests		**1,884,728,370,130**
150	Share capital		**2,625,881,189,061**
160	Paid-in capital		**1,012,524,094,456**
170	Reserves:		**4,009,376,542,921**
	a) legal reserve	472,093,961,400	
	b) reserve for own shares or quotas	36,099,163,692	
	c) statutory reserves	1,290,500,000,000	
	d) other reserves	2,210,683,417,829	
180	Revaluation reserves		**1,434,781,782,276**
190	Profit (loss) carried forward		**172,849,228**
200	Profit (loss) for the year		**1,195,472,149,575**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**226,453,571,132,113**

GUARANTEES AND COMMITMENTS

(in ITL)

	Account		31 December 2001
10	Guarantees released		**18,262,106,822,380**
	including:		
	acceptances	269,854,820,898	
	other guarantees	17,992,252,001,482	
20	Commitments		**42,483,236,001,957**
	including:		
	commitments to sell with the obligation to repurchase	-	
30	Commitments for credit derivatives		**458,855,588,859**

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in ITL)

	Account		31 December 2001
10	Interest and similar income		**10,871,980,334,008**
	including:		
	- on customer loans and advances	8,187,482,740,717	
	- on debt securities	1,332,753,232,035	
20	Interest expense and other expense on borrowed funds		**6,449,355,846,153**
	including:		
	- on customer deposits	2,448,469,017,415	
	- on other borrowed funds backed by negotiable instruments	2,053,794,139,720	
30	Dividends and other income		**720,585,104,820**
	a) on shares, quotas and other equity securities	266,287,166,056	
	b) on equity investments	454,297,938,764	
	c) on equity investments in Group companies	-	
40	Commissions earned		**3,362,311,078,430**
50	Commission expense		**421,120,319,550**
60	Profit (loss) on financial transactions		**766,614,637,808**
65	Income on investment of pension and similar funds		**14,000,459,731**
70	Other operating income		**915,888,481,065**
80	Administrative expenses		**5,633,787,416,814**
	a) personnel expense	3,419,777,679,442	
	Including:		
	- wages and salaries	2,440,120,641,162	
	- social-welfare charges	670,046,312,669	
	- staff severance indemnity reserve	158,088,642,268	
	- pension fund and similar obligations	57,609,219,212	
	b) other administrative expenses	2,214,009,737,372	
85	Provisions for income on investment of pension and similar funds		**11,968,916,190**
90	Valuation adjustments to fixed and intangible assets		**729,098,760,629**
100	Provisions for risks and charges		**146,413,563,653**
110	Other operating expenses		**53,270,024,448**
120	Valuation adjustments to loans and provisions for guarantees and commitments		**1,033,220,316,845**
130	Recoveries on loans and on provisions for for guarantees and commitments		**400,289,515,896**
140	Provisions to loan loss reserve		**110,493,779,349**
150	Valuation adjustments to non-current financial assets		**44,935,475,177**
160	Recoveries on non-current financial assets		**3,041,263,446**
170	Profit (loss) on investments valued with net equity method		**106,531,857,604**
180	Profit (loss) from ordinary operations		**2,527,578,314,000**
190	Extraordinary income		**338,874,019,953**
200	Extraordinary charges		**291,457,379,133**
210	Extraordinary profit (loss)		**47,416,640,820**
220	Use of the consolidation reserve for risks and future charges		**-**

230	Change in reserve for general banking risks	**(10,710,110,908)**
240	Income taxes	**(1,182,784,193,538)**
250	Minority interests	**186,028,500,799**
260	Profit (loss) for the year	**1,195,472,149,575**

CONSOLIDATED BALANCE SHEET

			(in EUR)
	ASSETS		31/12/01
10	Cash and cash on deposit with central banks and post offices		707,516,001
20	Italian government securities and similar Instruments eligible for refinancing with central banks		1,267,889,575
30	Amounts due from banks		14,088,694,908
	a) sight	2,586,020,492	
	b) other	11,502,674,416	
40	Customer loans and advances		64,944,345,944
	Including:		
	loans with third-party funds under administration	18,799,374	
50	Bonds and other fixed-income securities		13,014,076,884
	a) of public issuers	6,088,586,806	
	b) of banks	2,619,537,619	
	- including: own securities	586,725,552	
	c) of financial institutions	2,139,581,938	
	- including: own securities	-	
	d) of other issuers	2,166,370,521	
60	Shares, quotas and other equity securities		1,521,242,634
70	Equity investments		2,377,613,373
	a) valued with net equity method	36,908,790	
	b) other	2,340,704,583	
80	Equity investments in Group companies		341,232,322
	a) valued with net equity method	327,409,791	
	b) other	13,822,531	
90	Positive consolidation differences		731,032,410
100	Positive net equity differences		126,045,131
110	Intangible assets		434,056,691
	including:		
	- start-up costs	35,317,629	
	- goodwill	1,350,875	
120	Fixed assets		2,181,760,993
	including: assets under financial lease	340,371,287	
130	Unpaid subscribed capital		-
	including: called-up capital		
140	Own shares		18,643,662
	(nominal value 127,729)		
150	Other assets		13,538,735,421
160	Accrued income and prepayments		1,660,623,185
	a) accrued income	1,500,538,381	
	b) prepayments	160,084,804	
	Including: issuing discounts	24,376,485	
	TOTAL ASSETS		116,953,509,134

CONSOLIDATED BALANCE SHEET

			(in EUR)
	LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/01
10	Due to banks		15,142,201,585
	a) sight	986,202,550	
	b) time or requiring advance notice of withdrawal	14,155,999,035	
20	Customer deposits		48,435,189,877
	a) sight	37,643,806,988	
	b) time or requiring advance notice of withdrawal	10,791,382,889	
30	Other borrowed funds backed by negotiable instruments		27,464,658,758
	a) bonds	18,135,991,853	
	b) certificates of deposit	8,522,391,054	
	c) other instruments	806,275,851	
40	Third-party funds under administration		43,579,559
50	Other liabilities		11,514,963,536
60	Accrued liabilities and deferred income		1,888,946,990
	a) accrued liabilities	1,604,351,178	
	b) deferred income	284,595,812	
70	Staff severance indemnity reserve		445,608,646
80	Reserves for risks and other charges:		1,881,590,877
	a) pension fund and similar obligations	436,621,691	
	b) reserve for taxes	855,446,258	
	c) consolidation reserve for risks and future charges	-	
	d) other reserves	589,522,928	
90	Reserve for loan losses		317,008,390
100	Reserve for general banking risks		456,072,347
110	Subordinated debt		3,059,983,977
120	Negative consolidation differences		20,834,388
130	Negative net equity differences		1,237,490
140	Minority interests		973,380,970
150	Share capital		1,356,154,456
160	Paid-in capital		522,925,054
170	Reserves:		2,070,670,176
	a) legal reserve	243,816,183	
	b) reserve for own shares or quotas	18,643,662	
	c) statutory reserves	666,487,628	
	d) other reserves	1,141,722,703	
180	Revaluation reserves		741,002,950
190	Profit (loss) carried forward		89,269
200	Profit (loss) for the year		617,409,839
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		116,953,509,134

GUARANTEES AND COMMITMENTS

	Account		(in EUR) 31/12/01
10	Guarantees released		9,431,591,060
	including:		
	acceptances	139,368,384	
	other guarantees	9,292,222,676	
20	Commitments		21,940,760,329
	including:		
	commitments to sell with the obligation to repurchase	-	
30	Commitments for credit derivatives		236,979,135

CONSOLIDATED PROFIT AND LOSS STATEMENT

			(in EUR)
	Account		31/12/01
10	Interest and similar income		5,614,909,250
	including:		
	- on customer loans and advances	4,228,481,948	
	- on debt securities	688,309,601	
20	Interest expense and other expense on borrowed funds		3,330,814,321
	including:		
	- on customer deposits	1,264,528,716	
	- on other borrowed funds backed by negotiable instruments	1,060,696,153	
30	Dividends and other income		372,151,149
	a) on shares, quotas and other equity securities	137,525,844	
	b) on equity investments	234,625,305	
	c) on equity investments in Group companies	-	
40	Commissions earned		1,736,488,753
50	Commission expense		217,490,494
60	Profit (loss) on financial transactions		395,923,419
65	Income on investment of pension and similar funds		7,230,634
70	Other operating income		473,016,925
80	Administrative expenses		2,909,608,380
	a) personnel expense	1,766,167,776	
	including:		
	- wages and salaries	1,260,217,140	
	- social-welfare charges	346,050,041	
	- staff severance indemnity reserve	81,645,970	
	- pension fund and similar obligations	29,752,679	
	b) other administrative expenses	1,143,440,604	
85	Provisions for income on investment of pension and similar funds		6,181,429
90	Valuation adjustments to fixed and intangible assets		376,548,085
100	Provisions for risks and charges		75,616,295
110	Other operating expenses		27,511,672
120	Valuation adjustments to loans and provisions for guarantees and commitments		533,613,761
130	Recoveries on loans and on provisions for guarantees and commitments		206,732,282
140	Provisions to loan loss reserve		57,065,275
150	Valuation adjustments to non-current financial assets		23,207,236
160	Recoveries on non-current financial assets		1,570,681
170	Profit (loss) on investments valued with net equity method		55,019,113
180	Profit (loss) from ordinary operations		1,305,385,258
190	Extraordinary income		175,013,826
200	Extraordinary charges		150,525,174
210	Extraordinary profit (loss)		24,488,652
220	Use of the consolidation reserve for risks and		

	future charges	-
230	Change in reserve for general banking risks	(5,531,311)
240	Income taxes	
250	Minority interests	96,075,703
260	Profit (loss) for the year	617,409,839

COMPARATIVE FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
ASSETS (in ITL mn)

			31/12/01		31/12/00		Absolute Change	% Change
10	Cash and cash on deposit with central banks and post offices		**1,369,942**		**917,732**		**452,210**	49.27
20	Italian government securities and similar instruments eligible for refinancing with central banks		**2,454,977**		**3,801,747**		**(1,346,770)**	(35.43)
30	Amounts due from banks		**27,279,517**		**30,728,791**		**(3,449,274)**	(11.22)
	a) sight	5,007,234		5,699,517		(692,283)		(12.15)
	b) other	22,272,283		25,029,274		(2,756,991)		(11.02)
40	Customer loans and advances		**125,749,789**		**118,019,420**		**7,730,369**	6.55
	including:							
	loans with third-party funds under administration	36,401		40,447		(4,046)		(10.00)
50	Bonds and other fixed-income securities		**25,198,767**		**25,190,537**		**8,230**	0.03
	a) of public issuers	11,789,148		13,762,861		(1,973,713)		(14.34)
	b) of banks	5,072,133		6,272,651		(1,200,518)		(19.14)
	- including: own securities	1,136,059		1,230,923		(94,864)		(7.71)
	c) of financial institutions	4,142,808		2,587,392		1,555,416		60.12
	- including: own securities	-		-				
	d) of other issuers	4,194,678		2,567,633		1,627,045		63.37
60	Shares, quotas and other equity securities		**2,945,536**		**1,607,601**		**1,337,935**	83.23
70	Equity investments		**4,603,701**		**3,316,759**		**1,286,942**	38.80
	a) valued with net equity method	71,465		71,700		(235)		(0.33)
	b) other	4,532,236		3,245,059		1,287,177		39.67
80	Equity investments in Group companies		**660,718**		**308,570**		**352,148**	114.12
	a) valued with net equity method	633,954		298,791		335,163		112.17
	b) other	26,764		9,779		16,985		-
90	Positive consolidation differences		**1,415,476**		**1,556,898**		**(141,422)**	(9.08)
100	Positive net equity differences		**244,057**		**3,761**		**240,296**	n.s.
110	Intangible assets		**840,451**		**690,726**		**149,725**	21.68
	including:							
	- start-up costs	68,384		64,763		3,621		5.59
	- goodwill	2,616		60,450		(57,834)		
120	Fixed assets		**4,224,478**		**3,907,427**		**317,051**	8.11
	including: assets under financial lease	659,051		338,972		320,079		94.43
130	Unpaid subscribed capital		-		-		-	
	including: called-up capital							
140	Own shares		**36,099**		**34,925**		**1,174**	3.36
	(nominal value 247)							
150	Other assets		**26,214,648**		**16,545,234**		**9,669,414**	58.44
160	Accrued income and prepayments		**3,215,415**		**2,925,745**		**289,670**	9.90
	a) accrued income	2,905,448		2,792,642		112,806		4.04
	b) prepayments	309,967		133,103		176,864		132.88
	including: issuing discounts	47,199		30,598		16,601		54.26

	TOTAL ASSETS	**226,453,571**	**209,555,873**	**16,897,698**	8.06

CONSOLIDATED BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY (in ITL mn)

			31/12/01		31/12/00		Absolute Change	% Change
10	Due to banks		**29,319,391**		**34,423,902**		**(5,104,511)**	(14.83)
	a) sight	1,909,555		1,339,308		570,247		42.58
	b) time or requiring advance notice of withdrawal	27,409,836		33,084,594		(5,674,758)		(17.15)
20	Customer deposits		**93,783,605**		**90,911,667**		**2,871,938**	3.16
	a) sight	72,888,574		68,066,767		4,821,807		7.08
	b) time or requiring advance notice of withdrawal	20,895,031		22,844,900		(1,949,869)		(8.54)
30	Other borrowed funds backed by negotiable instruments		**53,178,995**		**46,507,861**		**6,671,134**	14.34
	a) bonds	35,116,177		28,263,083		6,853,094		24.25
	b) certificates of deposit	16,501,650		16,453,145		48,505		0.29
	c) other instruments	1,561,168		1,791,633		(230,465)		(12.86)
40	Third-party funds under administration		**84,382**		**129,889**		**(45,507)**	(35.04)
50	Other liabilities		**22,296,078**		**13,526,554**		**8,769,524**	64.83
	Including: proforma debt from Banca 121 acquisition	-		-				
60	Accrued liabilities and deferred income		**3,657,511**		**3,139,771**		**517,740**	16.49
	a) accrued liabilities	3,106,457		2,749,307		357,150		12.99
	b) deferred income	551,054		390,464		160,590		41.13
70	Staff severance indemnity reserve		**862,819**		**864,242**		**(1,423)**	(0.16)
80	Reserves for risks and other charges:		**3,643,268**		**3,700,185**		**(56,917)**	(1.54)
	a) pension fund and similar obligations	845,417		836,908		8,509		1.02
	b) reserve for taxes	1,656,375		1,811,826		(155,451)		(8.58)
	c) consolidation reserve for risks and future charges	-		-				
	d) other reserves	1,141,476		1,051,451		90,025		8.56
90	Reserve for loan losses		**613,814**		**561,260**		**52,554**	9.36
100	Reserve for general banking risks		**883,079**		**872,464**		**10,615**	1.22
110	Subordinated debt		**5,924,955**		**3,475,124**		**2,449,831**	70.50
120	Negative consolidation differences		**40,341**		**42,544**		**(2,203)**	(5.18)
130	Negative net equity differences		**2,396**		**2,466**		**(70)**	(2.84)
140	Minority interests		**1,884,728**		**1,525,323**		**359,405**	23.56
150	Share capital		**2,625,881**		**2,360,470**		**265,411**	11.24
160	Paid-in capital		**1,012,524**		**1,012,524**		**-**	-
170	Reserves:		**4,009,377**		**3,180,707**		**828,670**	26.05
	a) legal reserve	472,094		432,031		40,063		9.27
	b) reserve for own shares or quotas	36,099		34,925		1,174		3.36
	c) statutory reserves	1,290,500		1,037,500		253,000		24.39
	d) other reserves	2,210,684		1,676,251		534,433		31.88
180	Revaluation reserves		**1,434,782**		**2,223,498**		**(788,716)**	(35.47)
190	Profit (loss) carried forward		**173**		**98**		**75**	76.53
200	Profit (loss) for the year		**1,195,472**		**1,095,324**		**100,148**	9.14
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**226,453,571**		**209,555,873**		**16,897,698**	8.06

GUARANTEES AND COMMITMENTS
(in ITL mn)

			31/12/01		31/12/00		Absolute Change	% Change
10	Guarantees released		**18,262,107**		**14,592,532**		**3,669,575**	25.15
	including:							
	Acceptances	269,855		359,799		(89,944)		(25.00)
	other guarantees	17,992,252		14,232,733		3,759,519		26.41
20	Commitments		**42,483,236**		**41,212,455**		**1,270,781**	3.08
	including:							
	commitments to sell with the obligation to repurchase	-		55,470		(55,470)		
30	Commitments for credit derivatives		**458,856**		**793,832**		**(334,976)**	(42.20)

CONSOLIDATED PROFIT AND LOSS STATEMENT
(in ITL mn)

			31/12/01		31/12/00		Absolute Change	% Change
10	Interest and similar income		**10,871,980**		**10,127,618**		**744,362**	7.35
	including:							
	- on customer loans and advances	8,187,483		7,244,168		943,315		13.02
	- on debt securities	1,332,753		1,412,641		(79,888)		(5.66)
20	Interest expense and other expense on borrowed funds		**6,449,356**		**6,134,309**		**315,047**	5.14
	including:							
	- on customer deposits	2,448,469		2,324,917		123,552		5.31
	- on other borrowed funds backed by negotiable instruments	2,053,794		1,985,882		67,912		3.42
30	Dividends and other income		**720,586**		**268,738**		**451,848**	168.14
	a) on shares, quotas and other equity securities	266,287		96,858		169,429		174.93
	b) on equity investments	454,299		171,880		282,419		164.31
	c) on equity investments in Group companies	-		-		-		-
40	Commissions earned		**3,362,311**		**3,660,369**		**(298,058)**	(8.14)
50	Commission expense		**421,120**		**358,839**		**62,281**	17.36
60	Profit (loss) on financial transactions		**766,615**		**464,574**		**302,041**	65.01
65	Income on investment of pension and similar funds		**14,000**		**15,780**		**(1,780)**	(11.28)
70	Other operating income		**915,888**		**847,360**		**68,528**	8.09
80	Administrative expenses		**5,633,788**		**5,199,566**		**434,222**	8.35
	a) personnel expense	3,419,778		3,237,450		182,328		5.63
	including:							
	- wages and salaries	2,440,121		2,284,055		156,066		6.83
	- social-welfare charges	670,046		654,398		15,648		2.39
	- staff severance indemnity reserve	158,089		155,999		2,090		1.34
	- pension fund and similar obligations	57,609		66,053		(8,444)		(12.78)
	b) other administrative expenses	2,214,010		1,962,116		251,894		12.84
85	Provisions for income on investment of pension and similar funds		**11,969**		**24,189**		**(12,220)**	(50.52)
90	Valuation adjustments to fixed and intangible assets		**729,099**		**597,148**		**131,951**	22.10
100	Provisions for risks and charges		**146,414**		**207,888**		**(61,474)**	(29.57)
110	Other operating expenses		**53,270**		**72,539**		**(19,269)**	(26.56)
120	Valuation adjustments to loans and provisions for guarantees and commitments		**1,033,220**		**1,270,757**		**(237,537)**	(18.69)
130	Recoveries on loans and on provisions for guarantees and commitments		**400,290**		**550,993**		**(150,703)**	(27.35)
140	Provisions to loan loss reserve		**110,494**		**79,202**		**31,292**	39.51
150	Valuation adjustments to non-current financial assets		**44,936**		**7,891**		**37,045**	469.46
160	Recoveries on non-current financial assets		**3,041**		**12,135**		**(9,094)**	(74.94)
170	Profit (loss) on investments valued with net equity method		**106,532**		**59,947**		**46,585**	77.71
180	Profit (loss) from ordinary operations		**2,527,577**		**2,055,186**		**472,391**	22.99
190	Extraordinary income		**338,874**		**533,941**		**(195,067)**	(36.53)
200	Extraordinary charges		**291,457**		**227,934**		**63,523**	27.87
210	Extraordinary profit (loss)		**47,417**		**306,007**		**(258,590)**	(84.50)
220	Use of the consolidation reserve for risks and future charges		**-**		**-**		**-**	
230	Change in reserve for general banking risks		**(10,710)**		**3,188**		**(13,898)**	(435.95)
240	Income taxes		**(1,182,784)**		**(1,106,711)**		**(76,073)**	6.87
250	Minority interests		**186,028**		**162,346**		**23,682**	14.59
260	Profit (loss) for the year		**1,195,472**		**1,095,324**		**100,148**	9.14

The notes to the consolidated financial statements include the following:

Part A – Valuation Criteria

Section 1 – Description of valuation criteria and criteria for the preparation of the consolidated financial statements

Section 2 – Fiscal adjustments and provisions

Part B – Information on the consolidated Balance Sheet

Section 1 – Loans
Section 2 – Securities
Section 3 - Equity investments
Section 4 - Fixed assets and intangible assets
Section 5 - Other assets
Section 6 – Liabilities
Section 7 – Reserves
Section 8 - Capital, reserves, provision for general banking risks and subordinated debt
Section 9 - Other liabilities
Section 10 – Guarantees and commitments
Section 11 – Concentration and distribution of assets and liabilities
Section 12 – Funds management and other transactions for the account of third parties

Part C - Information on the Consolidated Profit and Loss Statement

Section 1 – Interest income and interest expense
Section 2 – Commissions earned and commission expense
Section 3 – Profits and losses from financial transactions
Section 4 – Operating expenses
Section 5 – Valuation adjustments, recoveries and provisions
Section 6 – Other items
Section 7 – Additional notes to the profit and loss statement

Part D – Other notes

Section 1 – Directors and Statutory Auditors

Attachments

- 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
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 2000, approved by the Board of Directors

PART A

VALUATION CRITERIA

SECTION 1

VALUATION CRITERIA AND CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2001

The valuation criteria indicated hereunder conform with the criteria provided by prevailing Italian laws and with the criteria adopted in the preparation of the 2000 consolidated financial statements, with exceptions noted as follows:

The cost value of securities has been valued on the basis of the weighted daily average cost method in place of the LIFO annual-layer method.

The market value of securities traded on organized markets in Italy and abroad which are part of the trading portfolio is represented by the closing price on the final day of trading during the year in place of the arithmetic average of daily prices reported during the month of December.

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.

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 changes in valuation criteria set forth above affected consolidated earnings and consolidated shareholders' equity (ITL 41,783 million, net of taxes computed at a theoretical rate). Of this amount, ITL 38,402 million was relative to the impact of the changes on the accounts of the Parent Company.

Finally, the data in the 2000 consolidated financial statements have been reclassified in order to provide for the same basis for comparison with the 2001 data, and are presented in the comparative financial statements. The tax credit on dividends eliminated during the consolidation was reversed as part of the reclassification.

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.

Following are several significant transactions occurring in 2001:

- The Parent Company, BMPS, purchased 100 percent of Banca C. Steinhauslin & C. S.p.A. from Banca Agricola Mantovana. As a result of the transaction, BAM realized a capital gain of ITL 65,844 million, with the ITL 34,444 million accruing to the MPS Group reversed upon the preparation of the consolidated financial statements.
- The Parent Company purchased the residual 10 percent of MPS Finance Banca Mobiliare S.p.A. from Banca Toscana. As a result of the transaction, Banca Toscana realized a capital gain of ITL 51,849 million, with the ITL 31,049 million accruing to the MPS Group reversed upon the preparation of the consolidated financial statements.
- The Parent Company also acquired the residual 49 percent not held in Monte Paschi Vita and the residual 40 percent not held in Ticino Assicurazioni; both companies are valued with the net equity method.

In addition, the directly controlled subsidiary Ducato Gestioni and the indirectly controlled subsidiaries G.I. Gest (controlled through BAM) and Spazio Finanza (controlled through Banca 121) were merged into the subsidiary, MPS Asset Management, as of 31 December 2001.

FINANCIAL STATEMENTS USED FOR CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the financial statements of the consolidated companies as of 31 December 2001, as approved by the respective Boards of Directors. In the case of the Banca Agricola Mantovana Group and the Banca 121 Group, the relative consolidated statements were used.

The 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.

The financial statements of the subsidiaries Banca Popolare di Spoleto S.p.A., Banca del Monte di Parma S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which are jointly controlled institutions pursuant to Article 35 of Legislative Decree No. 87/92, have been consolidated using the proportional method.

The 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. Adjustments and provisions of a fiscal nature that have not been eliminated are shown in Section 2, Part A.

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

Financial statements denominated in foreign currencies were translated into Italian lire on the basis of the following criteria:

- Assets, liabilities, income and expenses were converted into lire using the spot exchange rates prevailing at year end;

- 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 lire 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" and amortized over a period of 10 years, considered as the investment pay-back period. In the case of the investment in theBanca Agricola Mantovana Group, such period has been extended to 20 years.

Starting with the consolidated financial statements as of 31 December 2000, the positive consolidation differences are offset with the amount of pre-existing negative differences. This criterion has initially been adopted with reference to the positive differences generated by the full consolidation of the Banca 121 Group.

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.

In compliance with the provisions of Art.34 of Legislative Decree No.87/92, profits and losses on infragroup transactions involving securities, foreign currency and other financial instruments executed at normal market conditions are not eliminated.

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 at year end. Interest accrued and unpaid at year end is recorded in the profit and loss statement as an 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 (i.e. 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;
- Performing loans are estimated on the basis of the Bank's ordinary risk;
- Past-due interest is mostly written off.

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 "protection purchasing party".

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 to be disbursed under the underlying contract;
- Irrevocable credit lines: at the value of the residual amount available;
- Other guarantees and commitments: at the value of the 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 protection selling party are also ascribed to the aforementioned reserve.

2. SECURITIES AND OFF-BALANCE-SHEET TRANSACTIONS

(excluding those relating to foreign currency transactions)

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

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 and vice versa are booked at the value resulting from the application, as of the date of the transaction, of the evaluation methods of the portfolio of origin.

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 compulsory 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".

The value of investment securities is written down to reflect the permanent impairment of the solvency of the issuer and / or 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 year.

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 year;

- 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

Own shares of the Bank have 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 market value in compliance with the criteria adopted for securities listed in organized markets and belonging to the trading portfolio, 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 were consummated.

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 year;
- 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 year;
- 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.

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 150 - "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 hereinabove under "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 booked at the time they are effectively approved, which corresponds to the date of collection.

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 when the transaction was posted.

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

Off-balance-sheet spot transactions are converted into lire using spot rates prevailing at year end. Off-balance-sheet forward transactions and derivative contracts are valued as follows:

- in the case of trading transactions, at the forward rate as of year end 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 on an accrual basis and on the basis of the conditions applicable to the individual relationships to which the amounts refer. No adjustments are made directly to adjust such accounts.

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 31 December 2001. Interest accrued on certificates of deposit and time deposits maturing after 31 December 2001 has been recorded as interest expense, as an 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 year in accordance with prevailing laws and labor contracts. The reserve fully covers commitments to employees as of year end.

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 ruling 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 originated by 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"). In accordance with the matching concept, the new principle requires the disclosure of the accounting effects of timing differences with respect to the recognition of income for tax purposes and the recognition of income for financial-statement reporting, and the deferred tax assets and liabilities in relation thereto.

Pursuant to the new 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 absorption of the taxes in the specific years in which the amounts prepaid due to timing differences become deductible for tax purposes. This determination must be made at the end of 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 Legislative Decree 87/92, 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 years.

8.7 CURRENCY OF ACCOUNT

All amounts in the balance sheet and the profit and loss statement are denominated in Italian lire, whereas the amounts in the notes to the financial statements are denominated in millions of Italian lire.

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.

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Comments regarding salient events occurring after the date of the financial statements, relationships with the Group companies, and future developments are provided in the Report of the Board of Directors.

PART B

INFORMATION ON THE

CONSOLIDATED BALANCE SHEET

SECTION 1 - LOANS

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

1.1 Composition of Account 30 - Amounts due from banks

	31/12/2001	31/12/2000
a) Amounts due from central banks	4,722,713	1,428,768
b) Bills eligible for refinancing with central banks	9,589	8,389
c) Credit for financial lease contracts	-	-
d) Repurchase agreements	4,745,986	9,553,652
e) Securities lending	-	-

The balance reflected in a) includes mandatory reserves in the amount of ITL 1,601,756 million

The composition of the account is as follows:

	31/12/2001	31/12/2000
Sight	5,007,234	5,699,517
Current accounts	1,065,799	1,464,404
Demand deposits	3,677,914	3,954,883
Other accounts	263,521	280,230
Time or requiring advance notice of withdrawal	22,272,283	25,029,274
Bank of Italy and other central banks	4,693,669	1,428,434
Time deposits	10,678,961	11,615,516
Loans and subsidies	1,946,582	2,066,948
Mortgage loans	-	-
Repurchase agreements	4,745,986	9,553,652
Other	207,085	364,724
Total	27,279,517	30,728,791

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

31/12/2001

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	639,971	43,660	596,311
A.1 Non-performing loans	12,408	10,024	2,384
A.2 Watch-list credits	24,982	5,871	19,111
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	602,581	27,765	574,816
B. Performing loans	26,683,206	-	26,683,206

	31/12/2000		
	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	317,922	79,792	238,130
A.1 Non-performing loans	17,559	13,685	3,874
A.2 Watch-list credits	18,472	10,710	7,762
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	281,891	55,397	226,494
B. Performing loans	30,490,661	-	30,490,661

1.2 Composition of Account 40 - Customer loans and advances

	31/12/2001	31/12/2000
a) Bills eligible for refinancing with central banks	57,470	143,665
b) Credits for financial lease contracts	3,822,980	2,642,894
c) Repurchase agreements	1,942,763	2,258,244

The composition of the account is as follows:

	31/12/2001	31/12/2000
Current accounts	23,202,868	23,440,808
Discounted notes	1,137,815	1,358,968
Repurchase agreements	1,942,763	2,258,244
Mortgages	51,220,594	46,573,081
Advances	12,564,414	12,581,601
Advances and subsidies	23,978,189	19,951,984
Personal loans	3,696,286	3,208,560
Leasing	4,420,844	2,626,362
Transactions with third-party funds	12,294	40,703
Non-performing loans	1,564,722	3,469,019
Other	2,009,000	2,510,090
Total	125,749,789	118,019,420

During 2001, the following securitization transactions were effected by the MPS Group.

The Parent Company transactions are the following:

- The Ulisse S.p.A. transaction covered the sale of 969 non-performing secured loans with a net value of ITL 485,073 million, effected at the price of ITL 393,727 million and 315 mortgages

classified as watchlist credits with a net value of ITL 117,958 million, sold at the price of ITL 97,216 million.
The company purchasing the credits financed the purchase with the issue of the following: senior notes in the amount of EUR 121 million, mezzanine notes in the amount of EUR 73 million and junior notes in the amount of EUR 61.3 million, the last of which were subscribed by BMPS.

- The Ulisse 2 S.p.A. transaction involved the sale of a portfolio of 44,042 short-term loans for a net value of ITL 1,253,074 million at the price of ITL 1,101,698 million. The company purchasing the credits financed the purchase with the issue of the following securities on 20 August 2001: ITL 464,705 million of rated securities (Class A or senior notes in the amount of ITL 406,617 million and Class BBB or mezzanine notes in the amount of ITL 58,088 million placed with institutional investors) and unrated securities in the amount of ITL 636,975 million (Class C or junior notes repurchased by BMPS).

- The Siena Mortgages 01-2 S.p.A. transaction involved the sale of 18,092 residential performing first mortgages with a value of ITL. 2,129,425 million. The sale price was established as the sum of two components:

  - current price of ITL 2,129,425 million equal to the net book value as of the date of the sale;
  - deferred price of ITL 78,700 million linked to the performance of the company purchasing the credits (the so-called excess spread), net of the transaction expenses, which was credited to “other operating income”.

As a result of this transaction, BMPS will be able to boost its return on capital inasmuch as it will be able to reinvest the regulatory capital freed up by the transaction in loans which are more profitable.

The company purchasing the credits financed the purchase with the issue of the following securities: senior notes in the amount of ITL 1,958,924 million, mezzanine notes in the amount of ITL 74,546 million and junior notes in the amount of ITL 95,845 million.

With further reference to the transaction with Tiziano Finance S.p.A. indicated in the notes to the financial statements as of 31 December 2000, it is noted that in May 2001, said company issued and placed Class A asset-backed notes in the amount of ITL 592,692 million and Class B asset-backed notes in the amount of ITL 80,742 million.

In addition, the subsidiaries Banca Toscana, Banca 121, BAM and Banca Popolare di Spoleto perfected the following transactions in 2001:

Banca Toscana
- sale, through Ulisse 3 S.p.A., of 22,721 non-performing secured loans with a residual principal balance of ITL 369,000 million, at a price of ITL 309,000 million. The company purchasing the credits financed the purchase with the issue of three classes of bond securities: A (senior bonds) for ITL 194,000 million; A2 (mezzanine bonds) for ITL 77,000 million and B (subordinated junior notes) for ITL 38,000 million, the last of which were entirely subscribed by Banca Toscana. Any amounts recovered on the credits will be exclusively applied to the reimbursement of the securities issued and to the payment of the transaction costs.

Banca 121
- sale on 28 September 2001 (effective 1 October 2001), through the company Seashell, of around ITL 46,836 million of performing residential mortgages. The relative sale price was

subdivided between an "initial price" equal to the amount of principal plus the installments of interest accrued as of the effective date of the sale and a "deferred price" equal to the differential between the revenue stream from the mortgages and the overall cost of financing the purchase of the loans, ITL 18,644 million, which was credited to “other operating income”. The transaction was financed with the issue of asset-backed securities, all of which were publicly placed. The issue did not include any junior notes. Banca 121 supplied a subordinated line of credit in the amount of ITL 17,533 million, with ITL 15,776 million of the amount used for the creation of a cash reserve.

BAM

- sale on 13 December 2001, through the company Mantegna, of performing mortgages with a nominal value of ITL 1,069,078 million, including ITL 1,065,544 million of principal and ITL 3,534 million of interest. The sale price amounted to ITL 1,088,442 million, with ITL 1,060,217 million of the sum actually collected by BAM. The difference of ITL 28,225 million includes ITL 19,360 million for the subscription of junior notes and ITL 8,865 million for a liquidity reserve set up in favour of the company purchasing the loans. The transaction involved the accrual under “other operating income” of ITL 19,360 million (the amount of the junior tranche).

BPS

- sale to the special purpose company Ulisse 4 S.r.l., on a non-recourse basis, of pecuniary credits relative to non-performing mortgages and various other types of loans with an aggregate value of ITL 62,210 million against payment of ITL 55,861 million. The company purchasing the credits issued two tranches of securities on 21 December 2001: a senior tranche earmarked for the international markets and a junior tranche subscribed by Banca Popolare di Spoleto S.p.A., equal to ITL 38,435 million.

The effects of the aforementioned transactions on capital and earnings include: a charge to “extraordinary reserves” in the amount of ITL 157,242 million, net of deferred taxes of ITL 102,535 million; “valuation adjustments to loans”in the amount of ITL 64,944 million; and ITL 116,744 million of “other operating income”. The transactions also led to a ITL 145,618 million reduction in the Group's reserves, net of deferred taxes of ITL 94,906 million.

Customer loans are summarized in the following table:

31/12/2001

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	5,709,208	1,845,959	3,863,249
A.1 Non-performing loans	2,874,431	1,309,710	1,564,721
A.2 Watch-list credits	2,346,560	503,420	1,843,140
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	101,237	14,647	86,590
A.5 Unsecured loans to high-risk nations	386,980	18,182	368,798
B. Performing loans	122,311,788	425,248	121,886,540

The amounts in the table include past-due interest

31/12/2000

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	9,433,599	3,899,051	5,534,548
A.1 Non-performing loans	6,701,374	3,232,355	3,469,019
A.2 Watch-list credits	2,464,567	616,400	1,848,167
A.3 Loans in the process of restructuring	486	-	486
A.4 Restructured loans	161,054	35,056	125,998
A.5 Unsecured loans to high-risk nations	106,118	15,240	90,878
B. Performing loans	112,881,148	396,276	112,484,872

The amounts in the table include past-due interest.

1.3 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:

	31/12/2001	31/12/2000
a) loans secured by mortgages	31,082,630	30,348,126
b) loans secured by liens on:		
cash deposits	769,256	600,263
securities	3,972,512	2,654,675
other negotiable instruments	1,114,243	1,420,156
	5,856,011	4,675,094
c) loans secured by guarantees of:		
Governments	31,488	66,859
other public-sector entities	59,694	63,110
banks	1,766,591	1,740,961
other	20,816,939	22,021,848
	22,674,712	23,892,778
Total	59,613,353	58,915,998

1.4 Non-performing loans to customers, including past-due interest

	31/12/2001	31/12/2000
Nominal value	2,886,839	6,701,374
Valuation adjustments	1,319,733	3,232,355
Book value	1,567,106	3,469,019

1.5 Loans for past-due interest

The nominal value of loans for past-due interest is shown below:

	31/12/2001	31/12/2000
a) Non-performing loans	385,291	1,628,354
b) Other credits	47,218	95,076
c) Amounts due from taxpayers	3,393,884	3,723,000
Total	3,826,393	5,446,430
Valuation adjustments	3,771,765	5,385,483
(*)	54,628	60,947

(*) Past-due interest recoverable by several subsidiaries has been considered

The decrease in past-due interest of non-performing loans against 31 December 2000 is due to the securitization transactions carried out BMPS and Banca Toscana. Past-due interest relative to such transactions amounts to ITL 947,813 million and ITL 343,000 million, respectively.

1.6 Detail of valuation adjustments to customer loans and amounts due from banks

31/12/2001

	Nominal Value	Doubtful Amount	Net Amounts
Non-performing loans	2,501,548	934,443	1,567,105
Watch-list credits and past-due amounts	2,425,561	476,720	1,948,841
Country risk	989,561	45,945	943,616
Total	5,916,670	1,457,108	4,459,562
Lump sum adjustment		425,248	
		1,882,356	

31/12/2000

	Nominal Value	Doubtful Amount	Net Amounts
Non-performing loans	5,090,579	1,617,686	3,472,893
Watch-list credits and past-due amounts	2,549,503	567,090	1,982,413
Country risk	388,009	70,637	317,372
Total	8,028,091	2,255,413	5,772,678
Lump sum adjustment		396,276	
		2,651,689	

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 31/12/2000	6,701,374	2,464,567	486	161,054	106,118
A.1 including: past-due interest	1,628,354	92,209	-	467	323
B. Increases	1,559,806	1,837,939	-	17,520	291,520
B.1 new performing loans	622,444	1,603,298	-	13,862	1,162
B.2 past-due interest	70,050	21,147	-	106	-
B.3 transfer from other categories of doubtful loans	711,631	23,123	-	1,706	
B.4 other increases	155,681	190,371	-	1,846	290,358
C. Decreases	5,386,749	1,955,946	486	77,337	10,658
C.1 reclassified as performing loans	6,792	110,912	486	2,552	229
C.2 cancellations	2,953,391	142,001		250	
C.3 recoveries	562,372	875,560	-	25,030	7,825
C.4 sales	1,831,718	102,144		-	-
C.5 transfer to other categories of doubtful loans	4,879	685,475	-	46,107	-
C.6 other decreases	27,597	39,854	-	3,398	2,604
D. Total outstanding as of 31/12/2001	2,874,431	2,346,560	-	101,237	386,980
D.1 including: past-due interest	384,798	41,669	-	572	321

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. Overall valuation adjustments as of 31/12/2000pro forma	3,232,355	616,400	-	35,056	15,240	396,277
A.1 including: past-due interest	1,573,716	87,374		467	291	635
B. Increases	1,185,304	368,922	-	4,413	8,280	144,652
B.1 valuation adjustments	578,087	347,561		3,763	8,150	134,011
B.1.1 including: past-due interest	61,120	17,896	-	106		2,313
B.2 use of loan loss reserves	24,333	75	-			
B.3 transfer from other categories	246,933	15,099		650	116	9,379
B.4 other increases	335,951	6,187	-	-	14	1,262
C. Decreases	3,107,950	481,902	-	24,822	5,338	115,681
C.1 recoveries – valuation adjustments	36,598	54,495	-	1,158	5,092	64,026
C.1.1 including: past-due interest	851	-	-		-	
C.2 cash recoveries	56,164	41,682		3,659	6	35,810
C.2.1 including: past-due interest	16,855	8,318			6	333
C.3 cancellations	2,941,648	141,755		251		1,399
C.4 transfer to other categories	3,335	235,387	-	19,754	240	13,461
C.5 other decreases	70,205	8,583		-	-	985
D. Valuation adjustments as of 31/12/2001	1,309,709	503,420	-	14,647	18,182	425,248
D.1 including: past-due interest	336,289	38,422		572	289	1,814

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 31/12/00	17,559	18,471	-	-	281,891
A.1 including: past-due interest	300				
B. Increases	1,358	19,159	-	-	355,523
B.1 new performing loans	47	19,067			
B.2 past-due interest	193	-			
B.3 transfer from other categories					
B.4 other increases	1,118	92			355,523
C. Decreases	6,509	12,648	-	-	34,833
C.1 reclassified as performing loans					4.511
C.2 cancellations	457	7,133			-
C.3 recoveries	5,151	5,515			19,327
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases	901				10,995
D. Total outstanding as of 31/12/01	12,408	24,982	-	-	602,581
D.1 including: past-due interest	493				

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 31/12/2000 pro forma	13,685	10,710	-	-	-	55,397
A.1 including: past-due interest	300	-	-	-	-	-
B. Increases	431	2,294	-	-	-	7,838
B.1 valuation adjustments	431	2,294				7,838
B.1.1 including: past-due interest	193					
B.2 use of loan loss reserves	-					
B.3 transfer from other categories						
B.4 other increases	-	-				-
C. Decreases	4,092	7,133	-	-	-	35,470
C.1 recoveries – valuation adjustments	-	-				27,086
C.1.1 including: past-due interest						
C.2 cash recoveries	4,057	-				8,384
C.2.1 including: past-due interest						
C.3 cancellations	35	7,133				
C.4 transfer to other categories						
C.5 other decreases						-
D. Valuation adjustments as of 31/12/2001	10,024	5,871	-	-	-	27,765
D.1 including: past-due interest	493	-	-	-	-	-

1.7 Composition of Account 10 - Cash and cash on deposit with central banks and post offices

	31/12/2001	31/12/2000
Notes and coins	865,136	763,923
Money orders and bank drafts	90,666	39,026
Cash on deposit with Bank of Italy and central banks	80,623	64,832
Cash on deposit with post offices	333,517	49,951
Other	-	-
Total	1,369,942	917,732

SECTION 2 - SECURITIES

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

31/12/2001

	Investment Securities	Trading Securities	Total
20 Treasury bonds and similar instruments eligible for refinancing	433,883	2,021,094	2,454,977
50 - Bonds and other fixed-income securities	7,958,533	17,240,234	25,198,767
60 - Shares, quotas and other equity securities	4,000	2,941,536	2,945,536
Total	8,396,416	22,202,864	30,599,280

31/12/2000

	Investment Securities	Trading Securities	Total
20 Treasury bonds and similar instruments eligible for refinancing	1,088,336	2,713,412	3,801,748
50 Bonds and other fixed-income securities	9,213,555	15,976,982	25,190,537
60 Shares, quotas and other equity securities	28,122	1,579,478	1,607,600
Total	10,330,013	20,269,872	30,599,885

2.1 Investment securities

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

	31/12/2001		31/12/2000	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	8,392,416	8,299,889	10,301,891	10,628,658
1.1 Government securities	1,889,110	1,837,014	2,823,233	2,706,554
- Listed	1,838,868	1,786,772	2,703,518	2,586,711
- Unlisted	50,242	50,242	119,715	119,843
1.2 Other securities	6,503,306	6,462,875	7,478,658	7,922,104
- Listed	4,727,500	4,694,502	6,441,067	6,899,290
- Unlisted	1,775,806	1,768,373	1,037,591	1,022,814
2. Equity securities	4,000	4,000	28,122	37,096
- Listed	-	-	-	-
- Unlisted	4,000	4,000	28,122	37,096
Total	8,396,416	8,303,889	10,330,013	10,665,754

Investment securities incorporate unrealized capital losses of ITL 92,527 million as computed on the basis of average prices for the six-month period prior to the date of the financial statements.

2.2 Annual changes in investment securities

	31/12/2001	31/12/2000
A. Opening balance	10,330,013	12,389,535
B. Increases	3,104,437	2,077,033
B.1 Purchases	2,246,499	1,101,812
B.2 Recoveries in value	1,778	22
B.3 Transfers from trading account portfolio	272,496	480,358
B.4 Other changes	583,664	494,841
C. Decreases	5,038,034	4,136,555
C.1 Sales	2,826,338	483,361
C.2 Redemptions	2,069,620	1,363,940
C.3 Valuation adjustments	21,071	4,462
including: permanent writedowns	20,177	-
C.4 Transfers to trading account portfolio	2,743	1,943,949
C.5 Other changes	118,262	340,843
D. Closing balance	8,396,416	10,330,013

Points B.4 and C.5 mainly include the accruals of issuing and trading discounts and foreign-exchange differences.

The holdings of investment securities include junior notes in the amount of ITL 1,053 billion, with ITL 904 billion of the total relative to securitization transactions carried out by BMPS and other MPS Group companies and the residual ITL 149 billion relative to securitization transactions carried out by third parties.
The amount of securities transferred to the investment portfolio mainly regards: junior notes of the Parent Company arising from the securitization transactions of Banca 121 and junior notes issues in relation to the securitization of non-performing loans of the Parent Company in the Ulisse 1 and Ulisse 2 transactions. As provided by the Bank of Italy (Circular No. 3149 of 12 June 2001), such securities were transferred to the investment portfolio at the market value as of the date of transfer. The resulting capital loss of ITL 7 billion was booked to Account 60 – "Profits and losses from financial transactions".
The sales during the year were subject to the prior approval of new "general resolutions" by the respective Boards of Directors and mainly regarded the Parent Company and Banca 121. Pursuant to a resolution passed by the Board of Directors on 14 November 2001, BMPS sold U.S. Treasury securities and World Bank securities that had been transferred to the investment portfolio of the foreign branches in 1999; the proceeds from the sale amounted to USD 1,154 million, realizing a capital gain of ITL 66,039 million credited to Account 190 – "extraordinary income". Acting on a specific resolution of its Board of Directors, Banca 121 sold certain securities with a book value of ITL 168,361 million; this sale generated a capital gain of ITL 13,459 million which was booked as extraordinary income.

2.3 Trading account securities

Trading account securities include the following:

	31/12/2001		31/12/2000	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	19,261,328	19,952,035	18,690,393	18,712,937
1.1 Government securities	9,801,306	9,801,414	9,922,584	9,924,068
- Listed	9,654,059	9,654,059	9,913,995	9,915,448
- Unlisted	147,247	147,355	8,589	8,620
1.2 Other securities	9,460,022	10,150,621	8,767,809	8,788,869
- Listed	4,809,293	4,795,200	4,761,510	4,778,682
- Unlisted	4,650,729	5,355,421	4,006,299	4,010,187
2. Equity securities	2,941,536	2,952,354	1,579,479	1,591,671
- Listed	2,397,639	2,397,639	1,021,236	1,021,086
- Unlisted	543,897	554,715	558,243	570,585
Accrued interest	-	-	-	-
Total	22,202,864	22,904,389	20,269,872	20,304,608

The trading portfolio includes ITL 130,508 million of securities relative to pension funds for the Group's personnel. The aforementioned total incorporates ITL 79,038 million relative to a defined contribution pension plan set up by the Parent Company for employees meeting eligibility requirements as of 1 January 1991.

As indicated in the "Valuation Criteria" hereinabove, the listed and unlisted trading securities economically associated with derivatives contracts are valued on the basis of market prices as of the final day of trading during the period covered by the financial statements. This basis for valuation has been adopted in place of a valuation based on the arithmetic average of daily prices reported during the month of December.

2.4 Annual changes in trading account securities

	31/12/2001	31/12/2000
A. Opening balance	20,269,872	22,487,965
B. Increases	800,403,798	612,378,062
B.1 Purchases	799,264,928	607,066,026
- Debt securities:	779,514,479	586,831,578
Government securities	673,528,846	479,272,670
Other securities	105,985,633	107,558,908
- Equity securities	19,750,449	20,234,448
B.2 Revaluations and recoveries in value	233,702	179,103
B.3 Transfers from investment securities portfolio	2,743	1,943,949
B.4 Other changes	902,425	3,188,984
C. Decreases	798,470,806	614,596,155
C.1 Sales and redemptions	796,931,554	613,286,223
- Debt securities:	778,533,380	593,014,312
Government securities	673,096,615	484,121,091
Other securities	105,436,765	108,893,221
- Equity securities	18,398,174	20,271,911
C.2 Valuation adjustments	375,384	280,826
C.3 Transfers to investment securities portfolio	272,496	480,358
C.4 Other changes	891,372	548,748
D. Closing balance	22,202,864	20,269,872

Details on transfers to the investment securities portfolio are provided in point 2.2 above.

The decrease in trading securities includes amounts relating to a securitization transaction effected by Banca Popolare di Spoleto which was initiated in December 2000 and perfected in the second half of 2001. This securitization transaction involved asset-backed debt securities in the amount of ITL 514,691 million, including ITL 102,938 million in compliance with the amounts belonging to the MPS Group.
Anthea, the special purpose company set up to purchase the portfolio, issued various classes of securities on 25 October 2001 to cover payments for interest and principal. The senior securities (Classes A, B and C) were placed on the market whereas the junior subordinated notes were entirely purchased by Banca Popolare di Spoleto.

SECTION 3 – EQUITY INVESTMENTS

Equity investments of the MPS Group are summarized in the table below:

	31/12/2001	31/12/2000
Investments in Group companies valued with net equity method	633,954	298,791
Investments in Group companies valued at cost	26,764	9,779
Investments in other companies valued with net equity method	71,465	71,700
Investments in other companies valued at cost	4,532,236	3,245,059
Total	5,264,419	3,625,329

3.1 Significant equity investments

Details of the MPS Group significant equity investments are reported in the following tables.

		COMPANY	HEAD OFFICE	TYPE (**)	NET EQUITY	PROFIT/ LOSS	SHAREHOLDING Investing Co.	% Held	VOTING	BOOK VALUE
		A.1 Companies included in the consolidation (fully consolidated)								
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena		11,246,964	1,173,183				xxx
A.1		AMMINISTRAZIONI IMMOBILIARI S.p.A.	Siena	1	114,050	3,234	A.0	100.000	100.000	xxx
A.2		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	131,071	499	A.0	64.473	100.000	xxx
							A.4	35.527		
A.3		BANCA MONTE PASCHI SUISSE S.A.	Geneva	1	39,933	1,371	A.0	100.000	100.000	xxx
A.4		BANCA TOSCANA S.p.A.	Florence	1	2,351,954	235,820	A.0	57.278	62.257	xxx
							A.18	4.979		
A.5		CARIPRATO CASSA RISPARMIO PRATO S.p.A.	Prato	1	452,033	25,080	A.0	79.000	79.000	xxx
A.6		MERCHANT LEASING & FACTORING S.p.A.	Prato	1	75,023	8,599	A.4	37.500	100.000	xxx
							A.5	25.000		
							A.18.2	37.500		
A.7		G.E.R.I.T. S.p.A.	L'Aquila	1	4,809	(73)	A.0	95.572	99.979	xxx
							A.18	4.407		
A.8		MPS BANCA VERDE S.p.A.	Florence	1	213,553	14,719	A.0	65.500	98.500	xxx
							A.4	29.230		
							A.5	3.770		
A.9		M.P.S. COMMERCIAL PAPER	New York	1	593	26	A.0	100.000	100.000	xxx
A.10		MPS MERCHANT BANCA PER LE PICCOLE E MEDIE IMPRESE S.p.A.	Florence	1	438,522	45,132	A.0	80.462	92.139	xxx
							A.4	11.677		
A.11		MONTE PASCHI BANQUE S.A.	Paris	1	174,027	23,305	A.0	70.175	100.000	xxx
							A.4	29.825		
	11.1	MONTE PASCHI CONSEIL FRANCE	Paris	1	(*)	(*)	A.11	99.840	99.840	
	11.2	MONTE PASCHI INVEST FRANCE S.A.	Paris	1	(*)	(*)	A.11	99.973	99.973	
	11.3	M.P. ASSURANCE S.A.	Paris	1	(*)	(*)	A.11	99.600	99.600	
	11.4	S.N.C. IMMOBILIARE POINCARE	Paris	1	(*)	(*)	A.11	100.000	100.000	
	11.5	IMMOBILIARE VICTOR HUGO	Paris	1	(*)	(*)	A.11	100.000	100.000	
A.12		MONTE PASCHI FIDUCIARIA S.p.A.	Siena	1	2,516	11	A.0	86.000	100.000	xxx
							A.4	14.000		
A.13		MPS FINANCE BANCA MOBILIARE S.p.A.	Siena	1	463,545	175,198	A.0	100.000	100.000	xxx
A.14		MONTE PASCHI SERIT S.p.A.	Palermo	1	(48,143)	(113,332)	A.0	100.000	100.000	xxx
A.15		SAPED S.p.A.	Siena	1	2,320	150	A.0	47.400	80.000	xxx
							A.4	20.000		
							A.5	12.600		
A.16		CONSUM.IT S.p.A.	Florence	1	56,602	443	A.0	70.000	100.000	xxx
							A.4	30.000		
A.17		BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD	Guernsey C.	1	21,608	430	A.0	100.000	100.000	
	17.1	CITY NOMINEES LTD	Guernsey C.	1	(*)	(*)	A.17	100.000	100.000	
	17.2	BMPS CORPORATE SERVICES	Guernsey C.	1	(*)	(*)	A.17	100.000	100.000	
	17.3	BMPS NOMINEES (CI) LTD	Guernsey C.	1	(*)	(*)	A.17	100.000	100.000	
	17.4	BMPS TRUSTEES (CI) LTD	Guernsey C.	1	(*)	(*)	A.17	100.000	100.000	
	17.5	SAINTS TRUSTEES LTD	Guernsey C.	1	(*)	(*)	A.17	100.000	100.000	
A.18		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua		1,800,712	208.677	A.0	52.311	52.311	xxx
	18.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua		1,953,581	169.273	A.0	100.000		
	18.2	FINANZIARIA BANCA	Mantua		135,858	5.355	A.19	100.000		

		AGRICOLA MANTOVANA S.p.A.								
	18.3	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		1,837	(268)	A.19	100.000		
	18.4	PADANA RISCOSSIONI S.p.A.	Mantua		6,840	606	A.19	54.538		
	18.5	PADANA IMMOBILIARE S.p.A.	Mantua		53,853	3.793	A.19.2	100.000		
	18.6	MANTOVANA IRELAND LTD.	Dublin		187,952	12.900	A.19	100.000		
	18.7	MANTOVANA MANAGEMENT LTD.	Dublin		24,138	8.070	A.19.6	100.000		
	18.8	G.I. PROFIDI SIM S.p.A.	Rome		6,416	198	A.19	100.000		
A.19		CONSORZIO OPERATIVO GRUPPO MPS	Siena		205,255	-	A.0	62.628	100.000	xxx
							A.4	26.639		xxx
							A.5	0.074		
							A.30	0.072		
							A.8	0.037		
							A.21	0.037		
							A.10	0.037		
							A.18	10.439		
							A.13	0.037		
A.20		MONTE PASCHI ASSET MANAGEMENT SGR S.p.A.	Milan	1	232,866	116.024	A.0	79.980	100.000	xxx
							A.4	6.333		
							A.5	1.267		
							A.18	8.505		
							A.23	3.915		
	20.1	MPS ALTERNATIVE INVESTMENT SGR S.p.A.	Milan		11,781	163	A.20	100.000	100.000	
A.21		BANCA C. STEINHAUSLIN & C. S.p.A.	Florence	1	108,629	65	A.0	100.000	100.000	
A.22		INTERMONTE SECURITIES SIM S.p.A.	Milan	1	146,895	63.586	A.13	35.000	70.000	xxx
							A.18	35.000		
	22.1	WEB SIM S.p.A.	Milan		6,429	1.574	A.22	84.000	84.000	
A.23		GRUPPO BANCA 121	Lecce		541,938	(3.522)	A.0	93.978	93.978	xxx
	23.1	BANCA 121 S.p.A.	Lecce		605,506	25.297	A.0			
	23.2	BA.SA. SERVIZI S.p.A.	Lecce		19,345	(340)	A.23	99.979		
	23.3	G.IMM. ASTOR S.p.A.	Lecce		3,239	275	A.23	52.000		
	23.4	POOL FACTOR S.p.A.	Bari		4,991	200	A.23	80.000		
	23.5	121 FINANCIAL SERVICE Ltd	Dublin		157,171	66.816	A.23	100.000		
	23.6	4 SALE ITALIA S.p.A.	Siena		2,976	331	A.23	78.000		
	23.7	I.AM S.p.A.	Siena		39,088	9.318	A.23	100.000		
A.24		ITALRISCOSSIONI S.p.A.	Rome		19,625	(679)	A.0	100.000	100.000	xxx
A.25		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena		10,428	532	A.0	40.000	100.000	xxx
							A.1	60.000		
A.26		MPS PREFERRED CAPITAL I LLC	Delaware		51,843	(6.245)	A.0	100.000	100.000	
A.27		MONTEPASCHI LUXEMBOURG S.p.A.	Luxemburg		608	366	A.0	99.200	100.000	
							A.11	0.800		
		A.2 Companies included in the consolidation (consolidated with proportional method)								
A.28		BANCA POPOLARE DI SPOLETO S.p.A. *(book value: 20% of nominal value)*	Spoleto	1	38,122	3.203	A.0	20.000	20.000	xxx
A.29		BANCA MONTE PARMA S.p.A. *(book value: 41% of nominal value)*	Parma	1	109,171	9.224	A.0	41.000	41.000	xxx
	29.1	S.E.I.T S.p.A. *(book value: 40.205% of nominal value)*	Parma		3,670	1.589	A.29	40.205	40.205	xxx
A.30		CASSA DI RISPARMIO SAN MINIATO S.p.A. *(book value: 25% of nominal value)*	San Miniato	1	79,608	3.596	A.0	25.000	25.000	xxx
		B. Group companies valued with net equity method (detail of Account 80 a)								
B.1		MONTE PASCHI VITA S.p.A.	Rome	1	388,379	75.416	A.0	100.000	100.000	397.454

B.2		TICINO - COMP.ITAL. ASS.NI S.p.A.	Rome	1	53,275	-	A.0	100.000	100.000	53.275
B.3		TICINO VITA S.p.A.	Rome	1	146,921	8.676	A.4 B.1	40.000 60.000	100.000	132.029
B.4		GROW LIFE LTD.	Ireland	1	59,628	27.344	A.0 B.1	40.000 60.000	100.000	23.851
B.5		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantua	1	7,979	(168)	A.19	100.000	100.000	7.978
B.6		SAN PAOLO ACQUE S.r.l.	Lecce				A.23	100.000	100.000	518
B.7		DIPRAS S.p.A.	Lecce		3,155	1.818	A.0	100.000	100.000	3.155
B.8		E-IDEA S.p.A.	Rome		1,841	(2.753)	A.0 A.4	70.000 30.000	100.000	1.619
B.9		MPS NET S.p.A.	Siena		61,531	(6.238)	A.0 A.10	99.000 1.000	100.000	14.075
		Total								633.954
		C. Other companies valued with net equity method (detail of Account 70 a)								
C.1		CONSORZIO AEROPORTO SIENA S.p.A.	Siena	8	5,003	(610)	A.0 A.4	20.000 20.000	40.000	1.600
C.2		FIDI TOSCANA S.p.A.	Florence	8	103,446	-	A.0 A.4 A.11 A.9 A.5	13.390 10.359 4.127 0.990 0.918	29.784	26.023
C.3		I.B.A. VIENNA	Vienna	8	22,248	664	A.0	35.007	35.007	7.788
C.4		S.ES.IT PUGLIA S.p.A.	Bari	8	4,751	(284)	A.0	35.000	35.000	1.663
C.5		SO.RI.T. S.p.A.	Foligno	1	2,155	(2.860)	A.0 A.27	45.000 11.030	47.206	1.088
C.6		LINEAR COMPAGNIA ASS. S.p.A.	Bologna	8	23,381	2.000	A.19	20.000	20.000	4.676
C.7		QUADRIFOGLIO DISTRIBUZIONE S.r.l.	Mantua	1	28	(9)	A.19	100.000	100.000	28
C.8		QUADRIFOGLIO VITA S.p.A.	Bologna	8	56,785	5.600	A.19	50.000	50.000	28.393
C.9		UNION CAPITAL SIM S.p.A. (in liquidation)	Milan	8	16,638	116	A.19	36.350	36.350	206
		Total								71.465

(*) Companies already included in the consolidated financial statements of their respective Parent Companies

(**) Code 1 indicates majority of voting rights in the Ordinary Shareholders' Meeting; code 8 indicates associated companies

Companies valued at cost

	Company	Registered Office	% Held	Book Value
	Banks			
1	Alpha Bank Romania S.A.	Bucarest	4.762	6,490
2	Banca Antoniana Popolare Veneta S.c.r.l.	Padua	-	16
3	Banca Bipielle Romagna S.p.A.	Forlì	0.128	55
4	Banca Centrale per il Leasing Italease S.p.A.	Milan	5.705	24,079
5	Banca della Ciociaria S.p.A.	Frosinone	10.072	9,383
6	Banca dell'Umbria S.p.A.	Perugia	0.024	49
7	Banca di Lucca di Credito Cooperativo Scrl	Lucca	1.060	11
8	Banca di Sassari S.p.A.	Sassari	0.003	3
9	Banca d'Italia	Rome	2.949	16,863
10	Banca Nazionale del Lavoro S.p.A.	Rome	4.721	1,019,990
11	Banca Popolare di Intra Verbania	Intra	0.005	62
12	Banca Popolare Etica S.c.a.r.l.	Padua	0.259	55
13	Banco di Napoli S.p.A.	Naples	0.001	6
14	Banque du Sud S.A.	Tunisia	13.429	25,116
15	Ca.Ri.Ce.Se. Srl	Bologna	3.674	108
16	Cassa di Risparmio di Firenze S.p.A.	Florence	0.233	1,697
17	Cassa di Risparmio di Savona S.p.A.	Savona	0.546	2,320
18	Cattolica Popolare di Credito S.p.A.	Molfetta (BA)	0.048	28
19	Centrobanca S.p.A.	Milan	0.004	33
20	CO.BA.PO. Cons. Banche Pop. Emilia Romagna	Bologna	2.948	1
21	Efibanca S.p.A.	Rome	0.001	4
22	European Investment Fund	Luxembourg	0.250	1,936
23	Iccrea Holding S.p.A.	Rome	0.014	97
24	ICCRI	Rome	0.423	7,088
25	Intesa BCI S.p.A.	Milan	0.003	1,337
26	Ist. per il credito sportivo	Rome	10.811	53,000
27	Istituto Centrale Banche Popolari Italiane	Rome	4.493	8,954
28	Isveimer S.p.A.	Rome	0.002	-
29	Ljudska Banca D.D.	Ljubljana	2.986	1,444
30	Ludova Banka Bratislava A.S.	Bratislava	3.360	2,088
31	Magyarorszagi Volksbank	Budapest	3.700	2,240
32	Med. Fondiario Centro Italia	Ancona	0.229	495
33	Monte Paschi Nederland	Amsterdam	100.000	514

34 N.G.S. Bank	Moscow	1.446	-
35 S.E.V. S.p.A.	Rome	0.125	20
36 San Paolo I.M.I. S.p.A. (1)	Turin	4.994	2,344,274 (1)
37 Tein Plc (winding-up)	London	100.000	8,327
38 U.B.A.	Lagos	2.400	940
39 Volksbank As	Brno (Czech Republic)	2.885	1,599
40 Volksbank d.d.	Zagreb	2.500	691
			3,541,413

(1) The book value of the investment in San Paolo I.M.I. consists of ITL 680,452 million representing the book value prior to revaluation and ITL 1,663,823 million representing the revaluation of the holding pursuant to Law 342 /2000, effected on 31 December 2000. The revaluation was effected within the limits set by Article 11, Paragraph 2 of the aforementioned Law 342 / 2000. Accordingly, given the bank in which the investment is held is publicly traded, the book value per share was revalued at the official closing price as of the date of the financial statements

Banks

41 3R Management SGECR S.A.	Madrid (E)	10.000	58
42 Adela Investment Co.	Luxembourg	0.624	-
43 Agrifactoring S.p.A. (winding up)	Rome	2.500	-
44 Agrisviluppo	Mantua	94.700	2,841
45 Borsa Italiana S.p.A.	Milan	7.500	7,365
46 Brasilinvest & Partners SA	Sao Paulo	0.839	-
47 C.B.I. Factor	Milan	0.828	688
48 Cedel International S.A.	Luxembourg	1.159	1,210
49 Centro Factoring S.p.A.	Florence	1.642	231
50 Centro Leasing S.p.A.	Florence	1.411	793
51 CFT Finanziaria S.p.A.	Florence	5.666	694
52 Colomba Invest SIM S.p.A.	Rome	0.880	26
53 Confidi Coop Marche S.c.r.l.	Ancona	5.214	100
54 Consorzio Siat Scarl	San Severo (FG)	2.500	25
55 E.R.V.E.T. S.p.A.	Bologna	2.550	671
56 Ecu Sim S.p.A. (winding up)	Milan	2.301	-
57 Etruria Sviluppo Scrl	Prato	31.381	18
58 Euronext N.V.	Amsterdam	-	8
59 Europay Belgium	Bruxelles	0.244	4
60 EuroSim S.p.A.	Milan	0.145	-
61 F.D.L. Servizi Srl	Bari	5.000	20
62 Factorit S.p.A.	Milan	3.418	2,621
63 Farmafactoring S.p.A.	Milan	11.000	2,382
64 Fiducia S.p.A.	San Miniato (PI)	100.00 0	59
65 Fiera di Galatina e del Salento S.p.A.	Galatina (LE)	7.143	100
66 FIME Finanz. Meridionale S.p.A.	Rome	1.933	-
67 Finaosta S.p.A.	Aosta	0.563	1,065
68 Fincalabra S.p.A.	Catanzaro	3.306	511
69 Fincasa 44 S.p.A.	Rome	18.719	24,266
70 Finlombarda S.p.A.	Milan	0.160	21
71 Finpuglia S.p.A.	Bari	0.767	155
72 Finsoe S.p.A.	Bologna	25.601	378,917
73 G.A.L. Terra dei Messapi Srl	Mesagne (BR)	9.524	4
74 Gepafin S.p.A.	Perugia	4.333	19
75 Intesa Asset Management SGR S.p.A.	Milan	0.557	499
76 Istifid	Milan	0.500	8
77 Mantegna Finance S.r.l.	Mantua	7.000	1
78 Markfactor S.p.A.	Brescia	10.000	450
79 Monte Titoli S.p.A.	Milan	3.199	899
80 MPS Venture SGR S.p.A.	Florence	100.000	14,522
81 MTS Mercato Titoli di Stato S.p.A.	Rome	5.000	1,766
82 Murgia Sviluppo S.p.A.	Altamura (BA)	5.000	10
83 Nuova Fin S.p.A.	Spoleto	19.434	412
84 Par.Fin S.p.A.	Bari	1.781	-
85 Patto di Foggia Scpa	Foggia	8.000	16
86 PRT Progetto Ricerche Terziario S.r.l.	Spoleto	0.589	-
87 Pubblileasing S.p.A.	Bari	30.000	769
88 S.F.I.R.S. S.p.A.	Cagliari	0.210	-

89 Servizi Interbancari S.p.A.	Rome	6.558	2,541
90 Siena Mortagages 00-1 S.p.A.	Milan	7.000	14
91 Siena Mortagages 01-2 S.p.A.	Milan	7.000	4
92 Simest S.p.A.	Rome	1.059	3,025
93 Sistema Interportuale Jonico Salentino S.p.A.	Lecce	9.343	90
94 SO.FIN.IND. S.p.A.	Naples	15.000	2,424
95 Soc. per lo Sviluppo del Basso Tavoliere Scrl	Foggia	13.333	4
96 Sviluppo Imprese Centro Italia S.p.A.	Florence	40.000	4,000
97 Sviluppumbria S.p.A.	Perugia	15.868	1,494
98 Tirrena Professional Factor S.p.A.	Pisa	22.606	11
99 Tiziano Finance S.r.l.	Conegliano (TV)	10.000	19
100 Ulisse 2 S.p.A.	Milan	7.000	9
101 Ulisse 3 S.p.A.	Milan	7.000	14
102 Ulisse 4 S.r.l.	Milan	7.000	-
103 Ulisse S.p.A.	Milan	7.000	14
104 Unione Fiduciaria S.p.A.	Milan	0.296	37
			457,924

Other

105 24 Ore Television S.p.A.	Milan	0.987	130
106 A.R.S.Ambiente Ricerca Sviluppo Srl	Siena	49.000	26
107 A.S.I. Azienda Serv. Inform. S.p.A.	Mantua	10.000	190
108 A.SE.P. Az. Serv. Pubblici S.p.A.	Porto M/o(MN)	4.863	78
109 ABE Clearing Company's Account	Paris	1.000	2
110 Abruzzo Sviluppo S.p.A.	Pescara	5.844	61
111 Aeroporto di Firenze S.p.A.	Florence	4.948	760
112 Aeroporto di Reggio Emilia Srl	Reggio Emilia	0.394	18
113 Aeroporto G. Marconi S.p.A.	Bologna	0.136	19
114 Agenzia Occupazione Area Nord Barese Ofantina	Barletta	4.393	8
115 Agenzia Sviluppo Lazio S.p.A.	Rome	2.373	1,662
116 AGES S.p.A.	Pisa	1.557	2,400
117 Agricola Poggio Bonelli S.r.l.	Castelnuovo Ber.ga (SI)	100.000	6,473
118 Auriga Immobiliare S.r.l.	Milan	15.000	9,270
119 Autocamionabile della Cisa S.p.A.	Noceto (PR)	7.326	5,053
120 Autostrada Torino Milano S.p.A.	Milan	1.407	10,367
121 Axioma S.p.A.	Cinisello Balsamo (MI)	0.828	125
122 B.I.C. Liguria S.p.A.	Genova	1.000	80
123 B.I.C. Umbria S.p.A.	Terni	1.544	35
124 Bank Card Company	Bruxelles	0.008	3
125 Banksiel S.p.A.	Milan	2.085	1,678
126 Banksys S.A.	Bruxelles	0.087	10
127 Bassilichi S.p.A.	Florence	11.664	644
128 Bell S.à.r.l.	Luxembourg	7.872	15,683
129 Bid. It. S.p.A.	Barletta	10.000	1,745
130 Bilancino S.p.A.	Barberino di Mugello (FI)	8.000	40
131 C.I.R. Cooperativa Italiana Ristorazione Scrl	Reggio nell'Emilia	19.203	4,996
132 C.S.I. Centro Serv. Impr. S.r.l.	Porto M/o(MN)	8.441	167
133 C.S.P. BIC Livorno S.r.l.	Leghorn	2.080	13
134 CAP Firenze	Florence	0.682	-
135 Ce.Di.Ti. Scarl (winding up)	Brindisi	15.000	6
136 Cedacrinord S.p.A.	Colecchio (PR)	7.690	298
137 Cefris S.C.p.A.	Gioia Tauro (RC)	0.500	1
138 Centrale dei Bilanci S.r.l.	Turin	6.111	676
139 Centrale GPA S.p.A.	Pesaro	17.734	28
140 Centro Affari e Convegni Arezzo	Arezzo	12.161	3,057
141 Centro Agro Alimentare Bologna S.c.p.A.	Bologna	0.953	575
142 Centro Agroalimentare Napoli S.c.p.A.	Naples	4.893	1,390
143 Centro Ass.za Tecnica Confcomm.Pistoia Scarl	Pistoia	7.919	3
144 Centro Cia Srl	Florence	10.000	6
145 Centro Ricerche e Servizi Srl	Mantua	10.000	2

146 Centro Sviluppo S.p.A.	S. Christoph (AO)	4.002	80
147 Centro Torri S.r.l.	Parma	1.826	-
148 Cepim - Centro Padano Interscambio Merci S.p.A.	Fontevivo (PR)	4.249	612
149 Cevalco S.p.A.	Venturina (Li)	0.822	33
150 Cittadelvino.Com S.p.A.	Siena	21.481	225
151 Citypost S.p.A.	Pisa	7.692	250
152 CMST S.p.A.	Rome	45.000	44
153 Co.Ce.Me. S.r.l	Canicattì	7.146	-
154 CO.GE.TR.A. S.p.A.	Prato	8.132	26
155 Colle Promozione S.p.A.	Colle Val d'Elsa (SI)	12.000	60
156 Compagnia Invest. e Sviluppo C.I.S. S.p.A.	Villafranca di Verona	4.000	1.054
157 CONIT S.p.A.	Rome	10.000	19
158 Cons. per lo Sviluppo dell'Area Conca Barese Scrl	Molfetta (BA)	4.000	8
159 Consorzio Agrario Prov.le Siena	Siena	10.752	71
160 Consorzio Agrario Provinciale Scrl	Parma	3.025	-
161 Consorzio Aree Industriali Lamezia Terme	Lamezia Terme (CZ)	2.500	15
162 Consorzio Cassamercato	Milan	6.286	14
163 Consorzio Commercianti del Centro Comm.le Sidoli	Parma	4.000	1
164 Consorzio Intesa Aretina	Arezzo	2.000	481
165 Consorzio Latterie Sociali Mantovane	Mantua	37.527	4,000
166 Consorzio Mercato Agro-alimentare di Parma S.r.l.	Parma	2.410	82
167 Consorzio Reg.Ricostruzione Ed.Prov.Occid.Emiliane	Parma	0.122	-
168 Cooplink S.p.A.	Siena	48.250	-
169 Cooptecnital Scarl	Rome	32.864	70
170 CRIF Centrale Rischi Finanziaria S.p.A.	Bologna	5.644	258
171 D.A.I.C.A.P. Scpa	Foggia	11.000	22
172 Docutel Communication Services S.p.A.	Siena	15.000	73
173 Ecofor S.p.A.	Pontedera	1.692	124
174 El.En S.p.A.	Calenzano (FI)	10.062	11,846
175 Elsacom N.V.	Amsterdam	4.423	629
176 Elsag Back Office Services S.p.A.	Siena	15.000	300
177 Elsag Banklab	Rome	0.004	-
178 E-MID S.p.A.	Milan	5.850	678
179 Energia Italiana S.p.A.	Milan	11.000	426
180 Engineering Informatica S.p.A.	Rome	2.000	15,998
181 Ente Consorziale Interprov. Toscano Sementi	Siena	22.371	-
182 Ente Morale S.Lorenzo da Brindisi	Brindisi	14.645	10
183 Essse S.p.A.	Cecina	24.000	42
184 Etruria Innovazione S.c.p.A.	Siena	5.556	27
185 Euro MTS	London	1.042	160
186 Eurobic Toscana Sud S.p.A.	Poggibonsi (SI)	13.211	3
187 Eurochianti S.c.r.l.	Castelnuovo B.ga (Si)	5.488	4
188 Euros S.p.A.	Rome	5.961	997

189 Evoluzione 94 S.p.A.	Milan	4.314	3,034
190 Exporter Insurance Co. Ltd	Hamilton	0.088	174
191 Fidenza S.c.r.l.	Fidenza (PR)	1.480	-
192 Fioroni Sistema S.p.A.	Perugia	1.384	62
193 Firenze Expò & Congress Centro Fier. e Congr. S.p.A.	Florence	4.522	1,004
194 Firenze Mostre S.p.A.	Florence	13.975	270
195 Firenze Parcheggi	Florence	22.500	6,110
196 Floramiata S.p.A.	Piancastagnaio (SI)	4.564	200
197 Florentia Bus S.p.A.	Florence	14.948	1,500
198 Foire Int.le de Liege S.C.	Liège	0.001	-
199 Foligno Nuova S.p.A.	Foligno	1.667	3
200 G.A.L. Marsica	Civitella Roveto	1.000	-
201 G.P.D. Global Project Developers S.p.A.	Rome	18.692	100
202 GAL Garfagnana Ambiente e Sviluppo	Lucca	15.000	20
203 Galileo Holding S.p.A.	Venice	5.540	249
204 Grosseto Sviluppo S.p.A.	Grosseto	15.621	184
205 Hopa S.p.A.	Brescia	5.000	292,896
206 I.S.B.E.M. Scpa	Brindisi	13.401	180
207 I.T.S. Intesa S.p.A.	Salerno	7.177	-
208 Idroenergia Scarl	Aosta	0.200	1
209 Immobiliare Abbiatense	Abbiategrasso	2.000	10
210 Immobiliare B.I.C. S.r.l.	Senigallia	0.891	10
211 Immobiliare Lombarda S.p.A.	Milan	0.728	1,266
212 Immobiliare Novoli S.p.A.	Florence	5.000	2,000
213 Impianti S.r.l. (winding up)	Milan	13.818	13
214 Informatica Casse Toscane S.p.A.	Lucca	10.000	102
215 Informatica Umbra S.r.l.	Spoleto	8.333	5
216 Iniziative Immobiliari S.r.l.	Milan	12.400	1,035
217 Inso S.p.A.	Florence	5.000	210
218 Interim 25 Italia Srl	Bari	0.397	20
219 Interporto Bologna S.p.A.	Bologna	1.678	464
220 Interporto Campano S.p.A.	Naples	0.094	50
221 Interporto Toscano A.Vespucci	Leghorn	1.977	618
222 Interporto Toscano Centrale	Prato	20.000	4,257
223 Ist. Encicl. Banca e Borsa S.p.A.	Rome	3.982	55
224 IT City S.p.A.	Parma	15.000	1,631
225 Ital Tbs S.p.A.	Trieste	10.373	5,197
226 Kerself S.p.A.	Correggio (RE)	7.263	1,000
227 Kore S.p.A.	Montelupo Fiorentino (FI)	12.000	6
228 L' Ariosto S.c.r.l.	Reggio Emilia	1.210	-
229 Lineapiù S.p.A.	Prato	4.000	6,395
230 Lucandocks S.p.A.	Potenza	2.000	50
231 Lucchini S.p.A.	Milan	6.173	50,000
232 M.C.C.- Meliorconsorzio Consulting S.p.A.	Rome	5.000	77
233 Macello Coop.Lav.Carni S.c.r.l.	Pegognaga (MN)	46.555	3,000
234 Manfredonia Sviluppo S.c.p.a.	Foggia	12.097	144
235 Mantova Interporto S.p.A.	Mantua	4.167	15
236 Mantova.Com	Mantua	5.000	153
237 Mattatoio Valle Umbra Sud S.p.A.	Foligno	1.088	4
238 MDF Sebes - Frati S.A.	Sebe	18.232	28,379

239	Mercato Mobiliare di Nord Est S.p.A.	Brescia	1.141	21
240	Meri S.O.A. S.p.A.	Naples	5.000	50
241	Mirabello 2000 S.p.A.	Reggio Emilia	0.859	79
242	MPS Professional S.p.A.	Siena	97.000	560
243	Napoli Orientale S.p.A.	Naples	9.804	100
244	Navicelli di Pisa S.p.A.	Pisa	4.418	15
245	Nomisma S.p.A.	Bologna	6.087	676
246	Novocom S.p.A.	Milan	11.582	5,000
247	Pacchetto Localizzativo Brindisi S.p.A.	Brindisi	14.675	50
248	Parco Scientifico e Tecnologico di Salerno S.p.A.	Salerno	1.000	25
249	Pastis - C.N.R.S.M. Scpa	Brindisi	10.066	237
250	Patto 2000 Scrl	Città della Pieve (PG)	7.937	44
251	Patto della Piana S.p.A.	Gioia Tauro (RC)	2.500	200
252	Patto Terr.le Area Metropolitana Bari S.p.A.	Bari	0.300	3
253	Patto Territoriale Polis Srl	Monopoli	6.296	18
254	Patto Territoriale Sele Piacentino S.p.A.		2.130	15
255	Polo Universitario Aretino S.c.a.r.l.	Arezzo	6.818	15
256	Polo Universitario Grossetano	Grosseto	7.937	10
257	Porto industriale di Livorno S.p.A.	Leghorn	15.963	5,639
258	Porto Intermodale Ravenna Sapir S.p.A.	Ravenna	0.006	1
259	Professional Ducato Servizi S.p.A.	Pisa	14.657	230
260	Profingest Scuola per dirigenti di impresa e banca	Bologna	0.461	7
261	Promart S.r.l.	Naples	5.000	3
262	Promem S.p.A.	Bari	4.321	65
263	Promo Piana S. cons. a r.l.	Campi Bisenzio (FI)	4.918	2
264	Promozione Svil. Latina S.p.A.	Latina	1.081	2
265	Publiser S.p.A.	Empoli (FI)	0.325	25
266	Reggio Sviluppo S.p.A.	Reggio Calabria	0.909	10
267	Residence La Pinetina S.r.l.	Rome	34.000	11
268	S P F Studio Progetti e Servizi Finanziari S.r.l.		10.000	18
269	S.A.Cal. S.p.A.	Lamezia T.	0.600	66
270	S.A.S.E. S.p.A.	Perugia	1.860	19
271	S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.	Grosseto	1.930	76
272	S.I.A. S.p.A.	Milan	1.630	980
273	S.I.F. Società Investimenti Fieristici S.p.A.	Parma	4.204	172
274	S.I.T. S.p.A.	Rome	20.000	120
275	S.S.B. S.p.A.	Milan	7.845	669
276	S.T.A. S.p.A.	Reggio nell'Emilia	15.000	2,250
277	S.T.B. S.p.A.	Prato	15.000	4,000
278	Sammezzano Castle S.p.A.	Florence	2.000	1
279	San Genesio Immobiliare S.r.l.	Florence	87.041	1,460
280	Saped Servizi S.p.A.	Siena	15.000	25
281	Serin Serv. Ind. S.p.A.	Sissa (PR)	50.000	-
282	Sernoc Srl	Rome	0.100	-
283	Siena Parcheggi S.p.A.	Siena	16.667	1,496
284	Siteba S.p.A.	Rome	3.798	183
285	Skillpass S.p.A.	Rome	12.500	2,500

286	SO.GE.A.P. - Aeroporto Parma - Soc. gestione S.p.A.	Parma	2.818	150
287	SO.GE.SI. S.p.A.	Palermo	10.000	165
288	SO.PR.I.P. Soc. Prov. Insediamenti Produttivi S.p.A.	Parma	2.661	18
289	SO.V.IM. Organismo di Attestazione S.p.A.	Florence	12.048	150
290	Soc. Aeroporto Toscano	Pisa	8.197	838
291	Soc. Gest. Patto Terr. Agro Nocerino Sarnese	Nocera Inferiore	4.087	58
292	Soc. Italiana Organismo Attestazione S.p.A.	Rome	14.297	294
293	Soc. Prom. Area Sud Basilicata S.p.A.	Latronico (PZ)	0.150	3
294	Società Autostrada Ligure Toscana S.A.L.T S.p.A.	Lido di Camaiore (LU)	0.774	589
295	Società Autostrada Tirrenica S.p.A.	Grosseto	0.281	47
296	Società Cons. Matese per l'Occupazione	Campobasso	1.001	10
297	Società Cooperativa Bilanciai S.c.r.l.	Campogalliano (MO)	8.827	1,000
298	Società Italiana di Monitoraggio S.p.A.	Rome	33.333	748
299	Società per lo Sviluppo del Materano S.p.A.	Matera	1.190	3
300	Sodim Srl (winding up)	Lecce	100.000	-
301	Sofiser S.r.l.	Reggio Emilia	2.030	188
302	Soggetto Interm Locale Appennino Centrale S.c.ar.l	Sansepolcro (Ar)	1.790	11
303	ST.I.MET. S.p.A.	Chiusi d. Verna (AR)	6.000	540
304	Start S.p.A.	Borgo S.Lorenzo (FI)	3.189	1
305	Sviluppo Sele - Tanagro S.p.A.	Oliveto Citra (SA)	10.000	86
306	Swift	Bruxelles	0.207	68
307	Taranto Sviluppo Scpa	Taranto	15.000	122
308	Technodeal S.r.l.	Vicopisano (PI)	8.133	2
309	Tecnopolis Csata Novus Ortus Scrl	Valenzano (BA)	3.333	-
310	Trasporti Ferroviari Casentino S.r.l.		3.090	5
311	Unibon Salumi Scrl	Modena	1.702	2,000
312	Unicarni S.c.r.l.	Reggio Emilia	6.948	1,500
313	Unisalute S.p.A.	Bologna	6.071	3,403
314	Valdarno Sviluppo S.p.A.	Cavriglia	12.573	174
315	Veronamercato S.p.A.	Verona	3.188	1,668
316	Visa Belgium	Bruxelles	0.572	1
317	Zucchini - Modemak A.S.	Izmir (Turkey)	10.000	-
				559,663
	Total			**4,559,000**

3.2 Assets and liabilities with respect to Group companies

Asset and liabilities with respect to Group companies were of an immaterial amount as of the date of the financial statements and referred to holdings in insurance companies valued under the net equity method.

3.3 Assets and liabilities to companies in which investments are held (other than Group companies)

	31/12/2001	31/12/2000
A. **Assets**:	2,513,806	2,321,563
1. Due from banks	673,866	170,964
including: subordinated amounts	-	-
2. Due from financial institutions	719,977	616,041
including: subordinated amounts	254,795	159,451
3. Due from other customers	1,012,756	1,164,308
including: subordinated amounts		
4. Bonds and other debt securities	107,207	370,250
including: subordinated amounts	70,509	12,384
B. **Liabilities**	1,546,128	2,340,625
1. Due to banks	170,001	339,911
2. Due to financial institutions	207,082	128,755
3. Due to other customers	1,068,175	1,772,209
4. Liabilities backed by securities	1,120	-
5. Subordinated liabilities	99,750	99,750
C. Guarantees and commitments	210,257	928,852
1. guarantees released	143,396	139,721
2. commitments	66,861	789,131

3.4 Composition of Account 70 - Equity investments

The breakdown of other equity investments by industry is provided in the table below:

	31/12/2001	31/12/2000
a) In banks	3,539,958	2,520,863
1. listed	3,392,023	2,370,875
2. unlisted	147,935	149,988
b) In financial institutions	492,935	165,289
1. listed	24,266	-
2. unlisted	468,669	165,289
c) Other	570,808	630,607
1. listed	27,631	62,077
2. unlisted	543,177	568,530
Total	4,603,701	3,316,759

3.5 Composition of Account 80 - Equity investments in Group companies

Investments in Group companies by business sector are as follows:

	31/12/2001	31/12/2000
a) In banks	8,841	8,327
1. listed	-	-
2. unlisted	8,841	8,327
b) In financial institutions	14,807	-
1. listed	-	-
2. unlisted	14,807	-
c) Other	637,070	300,243
1. listed	-	-
2. unlisted	637,070	300,243
Total	660,718	308,570

3.6 Annual changes in equity investments

Annual changes in equity investments are summarized in the following two tables.

3.6.1 Equity investments in Group companies

	31/12/2001		31/12/2000	
	Valued with Net Equity Method	Other	Valued with Net Equity Method	Other
A. Opening balance	298,791	9,779	252,348	23,489
B. Increases:	606,100	20,760	46,443	1,452
B.1 Purchases	466,798	17,919	569	1,452
B.2 Recoveries	-	-	-	-
B.3 Revaluations	-	-	-	-
B.4 Other changes	139,302	2,841	45,874	-
C. Decreases:	270,937	3,775	-	15,162
C.1 Sales	-	2,323	-	
C.2 Valuation adjustments	-	-	-	-
including: permanent writedowns	-	-		
C.3 Other changes	270,937	1,452	-	15,162
D. Closing balance	633,954	26,764	298,791	9,779

3.6.2 Other equity investments

	31/12/2001		31/12/2000	
	Valued with Net Equity	Other	Valued with Net Equity	Other

	Method		Method	
A. Opening balance	71,700	3,245,059	60,304	1,488,379
B. Increases:	2,889	1,803,819	20,323	1,990,078
B.1 Purchases	-	1,684,795	14,943	275,074
B.2 Recoveries	-	1,323	-	12,113
B.3 Revaluations	-	-	-	1,663,823
B.4 Other changes	2,889	117,701	5,380	39,068
C. Decreases:	3,124	516,642	8,927	233,398
C.1 Sales	-	82,896	-	180,216
C.2 Valuation adjustments	-	23,569	-	14,301
including: permanent writedowns		275		157
C.3 Other changes	3,124	410,177	8,927	38,881
D. Closing balance	71,465	4,532,236	71,700	3,245,059

SECTION 4 – FIXED AND INTANGIBLE ASSETS

<u>Fixed assets</u>

Fixed assets consist of the following:

	31/12/2001	31/12/2000
Buildings used in core business	3,029,139	3,089,992
Other buildings	776,097	462,317
Furniture and equipment	419,242	355,118
Total	4,224,478	3,907,427

4.1 Annual changes in balances of fixed assets

The annual changes in the fixed asset accounts are summarized in the table below:

	31/12/2001	31/12/2000
A. Opening balance	3,907,427	2,785,669
B. Increases:	674,722	1,513,019
B.1 Purchases	632,470	823,396
B.2 Recoveries	-	80
B.3 Revaluations	17,589	614,002
B.4 Other changes	24,663	75,541
C. Decreases:	357,671	391,261
C.1 Sales	32,362	53,722
C.2 Valuation adjustments	316,931	275,343
depreciation	316,931	274,089

permanent writedowns	-	1,254
C.3 Other changes	8,378	62,196
D. Closing balance	4,224,478	3,907,427
E. Total revaluations	-	-
F. Total adjustments	2,779,560	2,542,983
depreciation	2,741,403	2,507,911
permanent writedowns	38,157	35,072

Intangible assets

Intangible assets consist of the following:

	31/12/2001	31/12/2000
Start-up costs	68,384	64,763
Commissions for placement of debentures	440	16,251
Leasehold improvements	38,748	60,546
Software	346,371	266,620
Goodwill	2,616	60,450
Other	383,892	222,096
Total	840,451	690,726

"Other" includes costs mainly capitalized by the Parent Company, by Banca 121 and the MPS Group Operating Consortium in the respective amounts of ITL 116 billion, ITL 220 billion and ITL 30 billion, relative to projects whose utility is estimated to spread over a period of years.

4.2 Annual changes in the balances of intangible assets

The annual changes in the intangible asset accounts are summarized in the table below:

	31/12/2001	31/12/2000
A. Opening balance	690,726	395,967
B. Increases:	541,122	635,347
B.1 Purchases	521,718	556,906
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	19,404	78,441
C. Decreases:	391,397	340,588
C.1 Sales	28,709	1,735
C.2 Valuation adjustments	252,929	222,709
- amortization	252,331	222,709
- permanent writedowns	598	-
C.3 Other changes	109,759	116,144

D. Closing balance	840,451	690,726
E. Total revaluations	-	-
F. Total adjustments	589,533	415,017
- amortization	566,483	391,530
- permanent writedowns	23,050	23,487

SECTION 5 - OTHER ASSETS

5.1 Composition of Account 150 - Other assets

Other assets consist of the following:

	31/12/2001	31/12/2000
Amounts due from taxpayers – Tax Collection service	4,938,237	5,233,115
Due from the Treasury	1,868,225	667,369
Third-party checks held for collection	1,365,148	903,778
MPS checks held for collection	455,680	490,503
Clearing balances with branches	211,496	362,402
Valuation adjustments on foreign currency transactions	11,328	374,879
Security deposits	467,469	109,811
Balances on foreign exchange transactions	53,458	165,210
Non-banking operating assets	-	3,819
Assets subject to litigation not related to lending transactions	13,159	13,058
Subsidies for interest-subsidized loans	4,419	6,762
Deferred tax assets (*)	820,513	594,126
Option premium	6,543,244	
Off-balance-sheet transaction revaluation	6,520,147	
Other	2,942,125	7,620,402
Total	26,214,648	16,545,234

(*) See note in Section 7.4 – Reserve for taxes

The increase is principally attributable to premiums paid on options to companies of the MPS Group and to the revaluation of off-balance-sheet transactions, whose effects on capital and earnings have not been eliminated as from 31 December 2001. Such accounting treatment also complies with the provisions of Article 34 of Legislative Decree No. 87/92.
The "revaluation of the off-balance-sheet transactions" account includes the offsetting accounting entries for the forward revaluation of foreign exchange commitments relative to derivatives

contracts in effect as of the end of the period, as indicated in the criteria described in Part A, Section 1 of these notes.

5.2 Composition of Account 160 - Accrued income and prepayments

Accrued income and prepayments consist of the following:

	31/12/2001	31/12/2000
Accrued income:		
Interest on owned securities	391,016	518,713
Interest on loans and advances to banks	307,181	375,168
Interest on loans and advances to customers	368,742	360,155
Differentials on hedging transactions	1,776,982	1,170,754
Tax collection commissions	10,821	22,658
Other	50,706	345,194
	2,905,448	2,792,642
Prepayments:		
Differentials on hedging transactions	27,292	16,182
Costs	21,160	14,359
Issuing discounts	47,199	30,598
Other	214,316	71,964
	309,967	133,103
Total	3,215,415	2,925,745

5.3 Adjustments to accrued income and prepayments

No adjustments have been made directly to the accounts.

5.4 Distribution of subordinated loans receivable

The Group holds the following assets whose repayment is subordinated:

	31/12/2001	31/12/2000
Amounts due from banks	19,085	-
Customer loans and advances	273,028	159,460
Bonds and other fixed-income securities	1,423,744	227,491
Total	1,715,857	386,951

SECTION 6 - LIABILITIES

6.1 Composition of Account 10 - Due to banks

	31/12/2001	31/12/2000
a) Repurchase agreements	3,080,077	5,288,248
b) Pledged securities	-	-

Funding from banks consists of the following amounts:

	31/12/2001	31/12/2000
Sight	1,909,555	1,339,308
Current accounts	1,102,093	879,846
Demand deposits	784,464	338,872
Other	22,998	120,590
Time or requiring advance notice of withdrawal	27,409,836	33,084,594
Time deposits	22,378,746	25,630,664
Deposits received from central banks	-	-
Borrowings from central banks	809,505	819,708
Borrowings from banks	130,638	253,035
Borrowings from international institutions	957,510	1,063,950
Re-financing from medium-term and other specialized lenders (Artigiancassa)	6,991	9,163
Repurchase agreements	3,080,077	5,303,783
Pledged securities	-	-
Other	46,369	4,291
Total	29,319,391	34,423,902

6.2 Composition of Account 20 - Customer deposits

	31/12/2001	31/12/2000
a) Repurchase agreements	13,051,888	15,514,671

Customer deposits consist of the following amounts:

	31/12/2001	31/12/2000
Sight	72,888,574	68,066,767
Current accounts	65,084,642	59,702,514
Demand deposits	7,440,143	7,256,294

Other	363,789	1,107,959
Time or requiring advance notice of withdrawal	20,895,031	22,844,900
Saving deposits	1,081,421	1,098,495
Current accounts	5,479,960	5,406,142
Repurchase agreements	13,051,888	15,514,672
Securities lending	57,070	86,138
Other	1,224,692	739,453
Total	93,783,605	90,911,667

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

Other borrowed funds backed by negotiable instruments include:

	31/12/2001	31/12/2000
Bonds	35,116,177	28,263,083
Certificates of deposit	16,501,650	16,453,145
Other securities	1,561,168	1,791,633
Total	53,178,995	46,507,861

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

6.4 Composition of Account 40 - Third-party funds under administration

	31/12/2001	31/12/2000
Funds in EUR	84,382	129,889

The account includes liabilities for funds provided by public-sector entities which are earmarked for specific lending uses in accordance with special laws.

SECTION 7 - RESERVES

This section summarizes the liabilities in Accounts 70, 80, and 90.

7.1 Composition of Account 90 - Reserve for loan losses

The reserve for loan losses has been calculated in accordance with Article 20, Paragraph 6 of Legislative Decree No. 87/92. The reserve, which is subject to taxation, does not represent an adjustment to a specific asset item and covers only credit risks.

7.2 Change in reserve for loan losses

	31/12/2001	31/12/2000
A. Opening balance	561,260	497,623
B. Increases	114,506	86,540
B.1 Provisions	110,494	79,202
B.2 Other changes	4,012	7,338
C. Decreases	61,952	22,903
C.1 Usage	50,386	8,549
C.2 Other changes	11,566	14,354
D. Closing balance	613,814	561,260

A provision of ITL 110,494 million was allocated to the reserve for loan losses after having taken into account the usage of ITL 50,386 million. As a result of the provision, the MPS Group has improved its coverage of potential future losses vis-à-vis the reserve balance as of the end of the prior year.
The reserve for loan losses referring to third parties, as computed in relation to the holdings in consolidated companies, amounts respectively to ITL 77,693 million and ITL 73,448 million as of 31 December 2001 and 2000.

7.3 Composition of the Sub-Account 80 d) - Reserves for risks and other charges: other reserves

	31/12/2001	31/12/2000
Provisions for guarantees and commitments	90,268	49,878
Reserve for philanthropic activities	849	1,004
Reserve for risks and other charges:	1,050,359	1,000,569
- pending litigation	205,933	208,516
- charges on renewal of contracts	1,745	1,922
- action for revocation	269,797	226,572
- tax collection activities	225,391	181,457
- provisions for losses on equity investments	12,815	9,415
- Interbank Guarantee Fund	254	940
- Interbank Deposit Protection	-	-

Fund		
- Securities issued by high-risk nations	22,369	20,449
- Other	312,055	351,298
Total	1,141,476	1,051,451

The "other" account includes an estimated provision of ITL 78 billion to cover the probable risk of renegotiating the interest rates on subsidized mortgages made by the Parent Company. This estimate was effected by applying a new rate of 9% to the installments due from 1 July 1999 to 31 December 2001. The estimated charge relative to the installments due between 2002 and 2008 is ITL 76 billion.

Provisions for guarantees and commitments

	31/12/2001	31/12/2000
Opening balance	49,878	37,676
Provisions	12,117	16,670
Usage	(1,377)	(5,194)
Other changes	29,650	726
Closing balance	90,268	49,878

The provisions for guarantees and commitments have been made to cover losses of value as calculated in accordance with the criteria provided in Article 20, Paragraph 7 of Legislative Decree 87/92.

Reserve for philanthropic activities

The reserve has been established to cover quotas of earnings set aside for philanthropic activities and community services. Changes in the reserve are summarized in the following table:

	31/12/2001	31/12/2000
Opening balance	1,004	5,185
Allocation of prior-year profits	1,500	1,557
Use of the reserve	(1,655)	(5,738)
Closing balance	849	1,004

Reserve for risks and other charges

Changes in the reserve are summarized in the following table:

	31/12/2001	31/12/2000
Opening balance	1,000,569	877,149
Provisions	197,856	207,888
Increases	5,068	64,204
Usage	(117,008)	(170,685)
Other changes	(36,126)	22,013
Closing balance	1,050,359	1,000,569

The reserves cover liabilities which are probable but whose amount or settlement date were unknown as of the date of the financial statements.

7.4 Composition of the Sub-Account 80 b) – Reserve for taxes "

	31/12/2001	31/12/2000
Income tax	1,338,870	1,336,906
Other taxes	270,498	372,694
Deferred taxes	47,007	102,226
Total	1,656,375	1,811,826

The reserve includes provisions necessary to cover current fiscal charges as well as deferred charges and the substitution taxes due pursuant to Italian Law No. 342/2000. The reserve is deemed sufficient to meet the Group's fiscal obligations as calculated in accordance with prevailing laws.

The existing provisions to the reserve for taxes are deemed sufficient to meet any liabilities arising from current tax disputes outstanding as well as those which could arise as a result of additional assessments made relative to tax returns still subject to audit.

The Group is also in a position to realize significant tax benefits related to one-seventh and one-ninth of losses on credits computed in accordance with Article 3, Paragraphs 103, 107 and 108 of Law 549/95).

Following are the changes in the account balance during the year:

	31/12/2001	31/12/2000
Opening balance	1,974,790	1,327,325
Provisions:	1,385,720	1,826,949
Income tax	1,315,407	1,393,968
Other taxes	17,511	96,973
Other provisions	51,713	84,901

Other increases	1,089	251,107
Usage for payments made during the year	(1,701,688)	(942,942)
Other changes	(8,938)	(236,542)
Foreign-exchange differences and other changes	6,491	-
Closing balance	1,656,375	1,974,790

Deferred tax assets offset by entries to the Profit and Loss Statement

		31/12/2001		31/12/2000
Opening balance		594,126		662,706
Increases		371,735		175,036
- deferred taxes booked during the year	344,238		70,539	
- other increases	27,497		104,497	
Decreases		247,882		243,616
- deferred taxes cancelled during the year	228,566		219,958	
- other decreases	19,316		23,658	
Closing balance		717,979		594,126

Deferred tax assets offset by entries to the Balance Sheet

		31/12/2001		31/12/2000
Opening balance		-		-
Increases		102,534		-
- deferred taxes booked during the year	102,534		-	
- other increases	-		-	
Decreases		-		-
- deferred taxes cancelled during the year	-		-	
- other decreases	-		-	
Closing balance		102,534		-

Deferred tax liabilities offset by entries to the Profit and Loss Statement

		31/12/2001		31/12/2000
Opening balance		102,226		122,761
Increases		223,085		55,424
- deferred taxes booked during the year	222,884		42,892	
- other increases	201		12,532	
Decreases		60,366		75,959
- deferred taxes cancelled during the year	58,417		72,639	
- other decreases	1,949		3,320	
Closing balance		264,945		102,226

Deferred tax liabilities offset by entries to the Balance Sheet

		31/12/2001		31/12/2000
Opening balance		-		-
Increases		-		-
- deferred taxes booked during the year	-		-	
- other increases	-		-	
Decreases		-		-
- deferred taxes cancelled during the year	-		-	
- other decreases	-		-	
Closing balance		-		-

Pursuant to Italian Accounting Principle No. 25, deferred tax assets and deferred tax liabilities both include ITL 217 billion of amounts booked in relation to the accrual of dividends. This amount was eliminated from the dividends reported in the profit and loss statement and charged to the “income tax” account.

7.5 Composition of Account 80 a) – Pension fund and similar obligations

The changes in the account balance over 2001 are summarized below:

	31/12/2001	31/12/2000
Opening balance	836,908	696,972

Usage	(74,781)	(58,176)
Provisions	52,909	58,569
Other changes *	30,381	139,543
Total	845,417	836,908

* The item "other changes" include the “defined contribution pension plans” which were previously reported in separate financial statements and have now been classified in the Group's consolidated statements pursuant to a Bank of Italy directive.

7.6 Composition of Account 70 – Staff severance indemnity reserve

The changes in the account balance during the year are summarized below:

	31/12/2001	31/12/2000
Opening balance	864,242	866,200
Indemnities paid	(55,828)	(38,203)
Advances under Law 297/82	(22,974)	(26,866)
Provisions	153,227	157,638
Transfer to the supplemental pension fund	-	-
Other changes	(75,848)	(94,527)
Total	862,819	864,242

The staff severance indemnity reserve includes all amounts due to full-time employees as of the end of the year in accordance with prevailing laws and labor contracts. The “other changes” mainly cover amounts designated by employees for transfer to pension funds.

SECTION 8 - CAPITAL, RESERVES AND RESERVE FOR GENERAL BANKING RISK

This section includes the following items:

Shareholders' equity accounts

	31/12/2001	31/12/2000
Reserve for general banking risks	883,079	872,464
Negative consolidation differences	40,341	42,544
Negative net equity differences	2,396	2,466
Share capital	2,625,881	2,360,470
Paid-in capital	1,012,524	1,012,524
Reserves:		
- legal reserve	472,094	432,031
- reserve for own shares	36,099	34,925
- statutory reserve	1,290,500	1,037,500
- other reserves	2,210,684	1,676,251
Revaluation reserves	1,434,782	2,223,498

Profit (loss) carried forward	173	98
Profit (loss) for the year	1,195,472	1,095,324
Total shareholders' equity	11,204,025	10,790,095

Other assets:

	31/12/2001	31/12/2000
Positive consolidation differences	1,415,476	1,556,898
Positive net equity differences	244,057	3,761
Total	1,659,533	1,560,659

The Statement of Changes in Consolidated Shareholders Equity is presented as an attachment to these notes.

8.1 Reserve for general banking risks

The "reserve for general banking risks" is included in shareholders' equity since it covers general business risk and is thus similar to an equity reserve.

The table below summarizes the changes in the reserve:

	31/12/2001	31/12/2000
Opening balance	872,464	874,599
Provisions	10,710	539
Usage	-	(4,211)
Other changes	(95)	1,537
Closing balance	883,079	872,464

The provisions to the reserve for general banking risks are mainly attributed to the subsidiaries MPS Finance Banca Mobiliare and Monte Paschi Banque for ITL 6,743 million and ITL 3,197 billion respectively.

8.2 Subordinated debt

	Issuer	Maturity	Currency	Interest	Net Countervalue Outstanding
1	Banca Monte dei Paschi di Siena S.p.A.	01/12/05	ITL	variable	299,901
2	Banca Monte dei Paschi di Siena S.p.A.	01/12/05	ITL	fixed	299,881
3	Banca Monte dei Paschi di Siena S.p.A.	12/03/09	EUR	variable	811,852
4	Banca Monte dei Paschi di Siena S.p.A.	30/09/06	EUR	variable	406,617
5	Banca Monte dei Paschi di Siena S.p.A.	15/05/07	EUR	fixed	290,440
6	Banca Monte dei Paschi di Siena S.p.A.	15/05/07	EUR	variable	290,441
7	Banca Monte dei Paschi di Siena S.p.A.	07/07/15	EUR	variable	58,088
8	Banca Monte dei Paschi di Siena S.p.A.	20/07/15	EUR	variable	48,407
9	Banca Monte dei Paschi di Siena S.p.A.	21/12/10	EUR	variable	580,881
10	Banca Monte dei Paschi di Siena S.p.A.	18/05/11	EUR	variable	484,067
11	Banca Monte dei Paschi di Siena S.p.A.	20/07/11	EUR	variable	484,067
12	Banca Monte dei Paschi di Siena S.p.A.	20/07/11	EUR	variable	290,441
13	Banca Monte dei Paschi di Siena S.p.A.	04/03/04	EUR	variable	677,695
14	Banca Popolare di Spoleto S.p.A.	01/05/06	ITL	variable	9,143
15	Cassa Risparmio San Miniato S.p.A.	05/03/06	EUR	fixed	14,522
16	Cassa Risparmio San Miniato S.p.A.	15/12/04	ITL	fixed	15,000
17	MPS Merchant S.p.A	01/06/10	EUR	variable	89,068
18	Banca 121 S.p.A.	31/12/08	ITL	variable	96,750
					5,247,261

<u>Basic provisions of subordinated debt agreements</u>

Prepayments

The subordinated debt agreements do not include any provisions for prepayment. In addition, the agreements have no provisions for the conversion into equity or into other types of liabilities. The subordinated debt issues have been structured and placed in accordance with the Bank of Italy requirements, and may be included as supplemental net equity for the computation of capital-adequacy ratios. The following conditions are expressly provided:

- Should the Group companies be placed in liquidation, the debt would be reimbursed only after debtors with higher ranking claims have been satisfied;
- The term of the loans is no less than five years;
- The prepayment of the debt may only take place upon the Group companies' initiative and must be approved by the Bank of Italy.

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Subordination conditions

Should the issuer be liquidated, the issuer's loans may be paid out only after the repayment of all other higher ranking claims and unsecured debt, but before the payment of any participating loans.

Preference shares

Issuer	Maturity Date	Currency	Yield (*)	Net Countervalue Outstanding
MPS Preferred Capital I LLC	07/02/2031	EUR	Fixed	677,694

(*) Fixed yield for the first 10 years.

8.3 Negative consolidation differences

Negative consolidation differences are the result of the consolidation of the following companies:

	31/12/2001	31/12/2000
Banca Toscana	23,476	25,679
MPS Banca Verde	14,878	14,878
Other companies	1,987	1,987
Total	40,341	42,544

8.4 Negative net equity differences

The differences refer to companies valued with net equity method, as detailed in Section 3. The accounting principles adopted for determining such differences are indicated in Section 1, Part A.

8.5 Minority interests

	31/12/2001	31/12/2000
Opening balance	1,525,323	1,556,821
Profit (loss) for the year	186,028	162,346
Changes in area of consolidation	-	2,570
Increases	343,806	-
Decreases	(170,429)	(196,414)
Total	1,884,728	1,525,323

The increase mainly covers bonus share capital increases effected during the year by Banca Toscana and Banca Agricola Mantovana, while the decreases incorporate the distribution of dividends to minority shareholders in the amount of ITL 141,018 million and the charges for the securitization transactions absorbed by minority shareholders in the amount of ITL 14,905 million.

8.6 Share capital

	Number	Par Value	Value in EUR	31/12/2001 Value in ITL /mn
Ordinary shares	2,598,557,169	0.52	1,351,249,727.88	2,616,384
Savings shares	9,432,170	0.52	4,904,728.40	9,497
			1,356,154,456.28	2,625,881

	Number	Par Value		31/12/2000 Value in ITL/mn
Ordinary shares	2,351,895,000	1,000		2,351,895
Savings shares	8,574,700	1,000		8,575
				2,360,470

The ITL 265,411 million increase in share capital is the result of the following transactions:

- a bonus share capital increase in the amount of ITL 236,047 million effected pursuant to Article 2442 of the Italian Civil Code through a charge of an equal amount to the revaluation reserve set up in accordance with Law 342/2000, with one new share issued for every ten shares held as of 1 January 2001;
- conversion of the share capital into euros with the amounts rounded off to the highest one-hundredth of one euro of the resulting par value of EUR 0.52 per ordinary and savings share; the rounding difference of ITL 17,813 million was charged to the extraordinary reserve;
- share capital increase to service an issue of ordinary shares to be assigned as bonuses to employees of the Parent Company and of certain subsidiaries and the simultaneous creation of a reserve for employee profit sharing. Pursuant to a mandate given by the shareholders, the BMPS Board of Directors authorized the issue of 11,472,551 ordinary shares with par value of EUR 0.52

each, for a capital increase of ITL 11,551 million, to be assigned to the employees of the Parent Company and certain subsidiaries.

8.7 Composition of Account 160 - Paid-in capital

	31/12/2001	31/12/2000
Paid-in capital	1,012,524	1,012,524

8.8 Composition of Account 170 - Reserves

	31/12/2001	31/12/2000
Legal reserve	472,094	432,031
Reserve for own shares or quotas	36,099	34,925
Statutory reserves	1,290,500	1,037,500
Other reserves	2,210,684	1,676,251
Total	**4,009,377**	**3,180,707**

8.9 Composition of Account 180 - Revaluation reserves

	31/12/2001	31/12/2000
Revaluation reserves	1,434,782	2,223,498

The decrease of approximately ITL 789 billion during the period is essentially attributable to the bonus capital increases perfected by the Parent Company, Banca Agricola Mantovana and Banca Toscana. Such increases were funded through charges to the revaluation reserves.
The revaluation reserves for the account of minority interests amounted to ITL 15,175 million and ITL 142,194 million, respectively at the end of 2001 and 2000, with the amounts computed on the basis of the Group's relative holdings in the consolidated companies.

8.10 Positive consolidation differences

Positive consolidation differences are the result of the consolidation of the following companies:

	31/12/2001	31/12/2000
Gruppo Banca Agricola Mantovana	1,116,400	1,182,070
Cooperbanca S.p.A.	24,367	36,551
Banca Popolare di Abbiategrasso S.p.A.	47,834	59,793
Bisiel S.p.A.	-	4,521
G.I.Gest. S.p.A.	-	1,180

G.I. Profidi SIM S.p.A.	232	279
Intermobiliare Securities Sim S.p.A.	18,347	28,540
Banca Monte Paschi Belgio	9,370	12,096
Banca Monte Paschi Suisse	338	677
Banca Popolare di Spoleto S.p.A.	24,353	28,099
MPS Banca Verde S.p.A.	2,682	2,921
MPS Merchant S.p.A.	5,791	7,258
Banca Monte Parma S.p.A.	113,891	130,161
Cassa Risparmio di San Miniato S.p.A.	26,647	30,453
Banca C. Steinhauslin & C. S.p.A.	24,671	31,478
Monte Paschi Banque	332	665
Other	221	156
Total	1,415,476	1,556,898

The accounting principles adopted for determining such differences are indicated in Section 1, Part B.

8.11 Positive net equity differences

The differences refer to the companies valued with net equity method, as detailed in Section 3. The accounting principles adopted are indicated in Section 1, Part B. Positive net equity differences are amortized over 10 years.

8.12 Composition of Account 120 - Own shares

	31/12/2001	31/12/2000
Banca Monte dei Paschi di Siena	7,222	11,337
Banca Toscana	23,191	23,578
Banca 121	5,686	10
Total	36,099	34,925

Own shares are held mainly for trading purposes within the limits established by special resolutions of the Boards of Directors. As of the financial statements of 31 December 2001, own shares are valued at market prices, with the investment offset completely by an unavailable reserve, established pursuant to Article 2357 ter of the Italian Civil Code.

8.13 Capitalization and capital adequacy

Category/Amounts	31/12/2001	31/12/2000
A. Calculation of capital for regulatory purposes		
A.1 Total Tier 1 capital	9,273,986	7,333,649
A.2 Total Tier 2 capital	6,084,422	5,890,448
A.3 Deductions	(2,612,220)	(1,578,099)
A.4 Capital for regulatory purposes	12,746,188	11,645,998
B. Capital required for regulatory purposes		
B.1 Credit risks	11,037,525	10,440,418
B.2 Market risks	1,437,061	623,117
including:		
- risks on trading securities portfolio	1,377,553	594,321
- exchange-rate risks	56,867	28,762
B.2.1 Subordinated debt	968,135	-
B.3 Other requirements	380,440	13,249
B.4 Total capital required for regulatory purposes	11,886,891	11,076,784
Surplus capital	859,297	569,214
C. Risk-weighted assets and capital adequacy ratios		
C.1 Risk-weighted assets	160,687,830	138,459,796
Total credit risks	137,969,062	130,505,221
Market risk * -	17,963,263	7,788,963
C.2 Tier 1/risk-weighted assets	5.77	5.30
C.3 Capital for regulatory purposes/ risk-weighted assets	8.53	8.41
Solvency coefficients for credit risk:	9.24	8.92

***** Total capital requirements (calculated with conservative principles) multiplied by the reciprocal of the minimum compulsory ratio for credit risks.

SECTION 9 - OTHER LIABILITIES

9.1 Composition of Account 50 - Other liabilities

Following are the principal amounts in the account:

	31/12/2001	31/12/2000
Liabilities related to Tax Collection activity	2,185,541	1,801,202
Sums available to customers	952,387	488,018
Clearing balances with branches	323,102	500,848
Items relating to foreign currency transactions	140,610	125,861
Third-party sums due to fiscal authorities and social-welfare institutions	401,152	358,057
Third-party sums for security deposits	999,276	395,026
Non-banking liabilities	25,530	-
Deferred tax liabilities	264,945	30,413
Valuation adjustments to foreign currency transactions	5,270	883,079
Amounts relating to securities transactions	203,238	4,344
Option premium	6,314,932	-
Off-balance-sheet transaction revaluation	4,863,222	
Other	5,616,873	8,939,706
Total	22,296,078	13,526,554

The increase in the account balance is principally attributable to premiums paid on options to companies of the MPS Group and to the revaluation of off-balance-sheet transactions, whose effects on capital and earnings have not been eliminated as from 31 December 2001. Such accounting treatment also complies with the provisions of Article 34 of Legislative Decree No. 87/92.
The “revaluation of the off-balance-sheet transactions” includes the offsetting accounting entries for the forward revaluation of foreign exchange commitments relative to derivatives contracts in effect as of the end of the period, as indicated in the criteria described in Part A, Section 1 of these notes.

9.2 Composition of Account 60 - Accrued liabilities and deferred income

Accrued liabilities and deferred income consist of the following:

	31/12/2001	31/12/2000
Accrued liabilities:		
Interest due on customer deposits	75,860	195,161
Interest on bonds issued	776,149	626,506
Interest on certificates of deposit	127,153	577,836
Interest on amounts due to banks	112,882	271,250
Differentials on hedging transactions	1,598,448	768,962
Administrative expenses	290,689	275,404
Other	125,276	34,188
	3,106,457	2,749,307

Deferred income:		
Discount portfolio	59,920	70,864
Differentials on hedging transactions	271,262	144,915
Commissions	22,554	22,718
Other	197,318	151,967
	551,054	390,464
Total	3,657,511	3,139,771

9.3 Adjustments with respect to accrued liabilities and deferred income

No adjustments have been made directly to the accounts.

SECTION 10 – GUARANTEES AND COMMITMENTS

10.1 Composition of Account 10 – Guarantees released

	31/12/2001	31/12/2000
a) Endorsement credits of a commercial nature:		
Documentary credits	711,004	740,071
Bankers acceptances	112,438	245,225
Endorsements and sureties	5,137,058	5,105,997
Other	739,185	1,388,001
	6,699,685	7,479,294
b) Endorsement credits of a financial nature:		
Acceptances	157,417	114,574
Endorsements and sureties	9,411,359	5,834,610
Other	1,692,072	1,018,951
	11,260,848	6,968,135
c) Assets pledged under guarantees:		
Third-party bonds	301,574	145,103
Total	18,262,107	14,592,532

10.2 Composition of Account 20 – Commitments and Account 30 - Commitments for credit derivatives

	31/12/2001	31/12/2000
a) Commitments to disburse funds for which usage is certain:		
Mortgage loans to be disbursed to customers	306,177	698,701
Loans and deposits to be funded to banks	195,813	1,108,669
Commitments to purchase securities	1,616,231	4,308,220
Installments coming due (tax collection)	-	-
Other (*)	1,677,590	2,202,846
	3,795,811	8,318,436
b) Commitments to disburse funds for which usage is not certain:		
Available margins on lines of credit to banks	744,160	588,206
Available margins on lines of credit to customers	9,441,724	11,419,425
Interbank Deposit Protection Fund	163,471	161,744

Installments (tax collection)	21,982,874	18,041,244
Other	6,814,052	3,477,232
	39,146,281	33,687,851
Total	42,942,092	42,006,287

(*)The amount includes ITL 458,856 million relating to credit derivatives contracts in which the Group acts as seller of protection.

Credit risk on guarantees and commitments is estimated using the criteria adopted for loans; such risk has been quantified at ITL. 90,268 million posted in a special provision, as illustrated in Section 7.

10.3 Assets pledged to guarantee the Group's own liabilities

Fixed-income securities have been pledged as follows:

	31/12/2001	31/12/2000
Guarantees for advances from the Bank of Italy	820,393	821,696
Guarantees for repurchase agreements	9,007,413	20,190,895
Guarantees for issuance of cashier checks	208,577	221,712
Other	3,949,378	339,068
Total	13,985,761	21,573,371

10.4 Available margins on lines of credit

The Group has the following availability under credit lines in effect as of year end:

	31/12/2001	31/12/2000
a) Central banks	1,643,948	1,423,576
b) Other banks	671,662	706,081
Total	2,315,610	2,129,657

10.5 Forward transactions

Forward transactions at the end of the year are summarized in the following table:

Types of Transactions	Hedging	Trading	Other
1. Sales and purchases			
1.1 Securities:			
Purchases	38,301	1,580,799	-
Sales	-	1,168,052	-
1.2 Foreign exchange:			
Currency against currency	2,288,950	143,445	-
Purchases against lire	10,772,577	322,930	-
Sales against lire	2,660,526	1,060,416	

2. Deposits and loans:			
to be disbursed	1,667	333,794	1,252,739
to be received	1,958	44,037	1,051,812
3. Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
Purchases		1,205,878	3,235,489
Sales		1,768,831	40,662
b) Foreign exchange:			
Currency against currency	-	12,726	
Purchases against lire	1,169,785	180,085	
Sales against lire	23,505	758,792	
c) Other negotiable instruments:			
Purchases	-	1,801,298	
Sales	-	3,849,689	
3.2 Without exchange of principal:			
a) Foreign exchange			
Currency against currency	176,911	3,229,715	
Purchases against lire	71,585	1,998,139	
Sales against lire	25,720	2,226,273	
b) Other negotiable instruments:			
Purchases	69,165,099	261,485,863	1,589,485
Sales	62,054,200	260,587,616	4,359,198

10.6 Credit derivatives contracts

	31/12/2001		31/12/2000	
Types of Transactions	Trading	Other	Trading	Other
1. Purchase of protection				
1.1 With exchange of capital	116,176	446,680	608,034	-
1.2 Without the exchange of capital	-	-	-	-
2. Sale of protection				
1.1 With exchange of capital	116,176	342,680	215,717	578,115
1.2 Without the exchange of capital	-	-	-	-

SECTION 11 - DISTRIBUTION AND CONCENTRATION OF ASSETS AND LIABILITIES

11.1 Material risks

	31/12/2001	31/12/2000
Amount	2,635,690	1,212,562
Number	1	1

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

11.2 Distribution of customer loans and advances by principal categories of borrowers

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

	31/12/2001	31/12/2000
a) Governments	3,466,849	3,904,955
b) Other public-sector entities	5,747,572	4,956,862
c) Non-financial companies	71,454,776	66,065,856
d) Financial institutions	8,369,568	8,494,101
e) Family-owned businesses	9,427,968	9,148,546
f) Other	27,283,056	25,449,100
Total	125,749,789	118,019,420

11.3 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:

	31/12/2001	31/12/2000
a) Commercial services, recoveries and repairs	13,060,147	12,381,137
b) Construction and public works	7,786,355	7,587,362
c) Textiles, leather footwear, and apparel	5,587,041	5,324,922
d) Farming, forestry and fishery	3,969,861	4,040,006
e) Food and beverage products	2,981,222	3,508,776
f) Other	36,801,821	34,041,827
Total	70,186,447	66,884,030

11.4 Distribution of guarantees released by principal categories of counterparties

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

	31/12/2001	31/12/2000
a) Governments	10,720	9,525
b) Public-sector entities	423,508	290,578
c) Banks	5,026,503	1,230,376
d) Non-financial companies	10,550,055	10,893,916
e) Financial institutions	674,044	760,307
f) Family-owned businesses	358,493	321,047
g) Other	1,218,784	1,086,783
Total	18,262,107	14,592,532

11.5 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 on the basis of the counterparty's residence:

Account	Italy	Other EU Countries	Other Countries	Total
1. Assets	152,784,218	21,422,301	9,422,067	183,628,586
1.1 Amounts due from banks	15,700,158	8,963,079	2,616,280	27,279,517
1.2 Customer loans and advances	117,227,704	6,233,618	2,288,466	125,749,788
1.3 Securities	19,856,356	6,225,604	4,517,321	30,599,281
2. Liabilities	142,841,192	25,053,068	14,397,068	182,291,328
2.1 Due to banks	6,620,764	10,220,756	12,477,871	29,319,391
2.2 Customer deposits	86,322,847	6,531,777	928,981	93,783,605
2.3 Other borrowed funds backed by negotiable instruments	44,731,660	7,468,963	978,372	53,178,995
2.4 Other	5,165,921	831,572	11,844	6,009,337
3. Guarantees and commitments	53,871,143	5,305,445	2,027,611	61,204,199

11.6 Distribution of maturities of assets and liabilities

The maturity distribution of the balances of the principal asset and liability accounts and of off-balance-sheet transactions is shown in the following table:

DISTRIBUTION OF ASSETS AND LIABILITIES BY MATURITY
(in ITL mn)

Account	Residual Maturity								Total
	Sight	To and including 3 months	To and including 12 months	Up to 5 years		Over 5 years		Unspecified Maturity	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
Assets:									
1.1 Government bonds subject to financing	375	245,633	434,653	67,297	1,373,456	46,999	286,564	-	2,454,977
1.2 Amounts due from banks	4,948,889	15,588,536	3,813,782	982,551	61,132	70,896	-	1,813,731	27,279,517
1.3 Customer loans and advances	25,511,659	22,896,800	17,603,922	10,685,430	13,915,147	9,108,193	21,436,281	4,592,357	125,749,789
1.4 Bonds and other fixed-income securities	140,371	1,949,136	2,531,554	3,913,300	6,710,725	4,966,354	3,484,298	1,503,029	25,198,767
1.5 Off-balance-sheet transactions	91,937,231	288,213,493	233,048,978	75,718,864	9,823,206	109,204,551	731,116	68,375	808,745,814
TOTAL ASSETS	122,538,525	328,893,598	257,432,889	91,367,442	31,883,666	123,396,993	25,938,259	7,977,492	989,428,864
Liabilities:									
2.1 Due to banks	2,110,596	22,170,825	4,132,596	396,848	77,537	410,287	20,536	166	29,319,391
2.2 Customer deposits	74,535,902	17,635,322	1,003,622	53,990	-	21,595	224,239	308,935	93,783,605
2.3 Other borrowed funds backed by negotiable instruments:	1,877,467	10,078,719	8,662,966	12,931,303	10,109,738	5,895,791	3,510,143	112,868	53,178,995
including:									
- Bonds	290,114	1,176,652	4,187,126	10,049,465	10,025,262	5,764,547	3,510,143	112,868	35,116,177
- Certificates of deposit	330,494	8,617,121	4,456,477	2,881,838	84,476	131,244	-	-	16,501,650
- Other securities	1,256,859	284,946	19,363	-	-	-	-	-	1,561,168
2.4 Subordinated debt	-	-	-	293,438	3,733,480	832,533	1,065,504	-	5,924,955
2.5 Off-balance-sheet transactions	45,525,240	350,249,108	235,047,424	66,577,548	6,089,797	101,440,688	410,544	2,818,419	808,158,768
TOTAL LIABILITIES	124,049,205	400,133,974	248,846,608	80,253,127	20,010,552	108,600,894	5,230,966	3,240,388	990,365,714

11.7 Foreign-currency-denominated assets and liabilities

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

	31/12/2001	31/12/2000
a) Assets		
1. Amounts due from banks	5,923,461	9,536,339
2. Customer loans and advances	7,077,320	7,567,318
3. Securities	3,801,971	6,666,018
4. Equity investments	70,532	45,518
5. Other	33,703	24,075
	16,906,987	23,839,268
b) Liabilities		
1. Due to banks	14,960,341	17,711,685
2. Customer deposits	3,111,520	4,850,717
3. Other borrowed funds backed by negotiable instruments	7,493,796	6,166,836
4. Other	-	-
	25,565,657	28,729,238

11.8 Securitized assets

11.8 A Investment securities secured by loans of the MPS Group

Senior securities

No securities of this type are included in the MPS Group's portfolio.

Mezzanine securities

No securities of this type are included in the MPS Group's portfolio.

Junior securities

	Total Outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	133,042		133,042
2 Watch-list credits	23,486		23,486
3 Other assets	19,363		19,363
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	95,594	11,530	84,064
Other			
1 Non-performing loans	644,662		644,662
2 Watch-list credits			-
3 Other assets			-

11.8 B Trading securities secured by loans of the MPS Group

Senior securities

	Total Outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans	2,922		2,922
2 Watch-list credits			-
3 Other assets	367,512	527	366,985

Mezzanine securities

	Total Outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	114,195		114,195
Other			
1 Non-performing loans	58,088		58,088
2 Watch-list credits			-
3 Other assets			-

Junior securities

No securities of this type are included in the MPS Group's portfolio.

11.8 C Investment securities secured by loans of third-party institutions

Senior securities

	Total Outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans			
2 Watch-list credits	-		-
3 Other assets	6,777		6,777
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	38,717		38,717
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	103,334		103,334

Mezzanine securities

	Total Outstanding	Valuation adjustments	Net Exposure

	Total Outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	17,000		17,000

Junior securities

	Total Outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	128,224	4,590	123,634

11.8 D Trading securities secured by loans of third-party institutions

Senior securities

	Total Outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	38		38
2 Watch-list credits	19,363		19,363
3 Other assets	9		9
Leasing			
1 Non-performing loans			-
2 Watch-list credits			-
3 Other assets	8	-	8
Securities			
1 Non-performing loans			-
2 Watch-list credits			-
3 Other assets	365,606	10,797	354,809
Other			
1 Non-performing loans			-
2 Watch-list credits			-
3 Other assets	183,773	314	183,459

Mezzanine securities

	Total Outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	21,413	2,045	19,368
2 Watch-list credits			
3 Other assets	16		16
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	34,653		34,653
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	7,939		7,939

Junior securities

None

11.8 E Underlying Assets of the MPS Group

	Book value
Non-performing loans	1,541,112
Watch-list credits	97,216
Other assets	2,506,493
Total	4,144,821

11.8 F Underlying Assets of Third-Party Institutions

	Book value
Non-performing loans	
Watch-list credits	
Other assets	1,481,556
Total	1,481,556

11.8 G Distribution of securitized credits by type and ranking

	Total Outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	1,125,456	266,590	858,866
2 Watch-list credits	208,830	90,872	117,958
3 Other assets	4,145,499		4,145,499
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	66,943		66,943
Other			
1 Non-performing loans	2,571,732	1,311,020	1,260,712
2 Watch-list credits			
3 Other assets			

11.8 H Geographical distribution of debtors

	Italy	EU countries	Other countries
Total	6,383,035	-	-

11.8 I Collateral backing securitized credits

	Total
a) Mortgages	5,035,655
b) Liens on:	
1. cash deposits	
2. securities	
3. other negotiable instruments	2,433
c) Guarantees of:	
1. governments	
2. other public-sector	358

entities	
3. bank	27
4. other	1,787,772

11.8 L Distribution of the credits assigned by sector of economic activity

Sector	Total
Other sectors	4,780,051
Agricultural products	198,094
Energy products	
Minerals, iron ores and others	291
Minerals and mineral-based products	8,885
Chemical products	7,754
Metal products	6,113
Farm and industrial equipment	4,440
Office and data processing machines	962
Electric equipment and supplies	4,629
Transports	6,709
Food and beverages	7,856
Textile products, leather and footwear	127,519
Paper, paper products	3,649
Rubber products	1,051
Other industrial products	15,304
Construction and public works	342,540
Trade, repairs and product recycling	575,809
Hotels and utilities	89,201
Internal transport services	2,734
Communication services	14
Other sale services	198,520

11.8 M Transfer price of securitized loans

	Total
a) Transfer price: principal	6,073,242
b) Transfer price: interest	4,433
Total	6,077,675

11.8 N Servicing

Collections by individual securitization transaction

	Total
Siena Mortgages 00-1 S.p.A.	221,753
Tiziano Finance S.p.A.	56,630
Siena Mortgages 01-2 S.p.A.	148,279
Ulisse S.p.A.	60,721
Ulisse 2 S.p.A.	136,519
Ulisse 3 S.p.A.	55,000

The above amounts were collected by the Parent Company and by Banca Toscana as the servicer for the related transactions.

SECTION 12 - FUNDS MANAGEMENT AND OTHER TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

12.1 Securities trading

	31/12/2001	31/12/2000
a) purchases	27,608,798	35,049,547
1. settled	27,569,134	35,043,891
2. unsettled	39,664	5,656
b) sales	26,837,090	39,207,707
1. settled	26,751,272	39,202,051
2. unsettled	85,818	5,656

12.2 Portfolio management

	31/12/2001	31/12/2000
Portfolios under management	25,848,412	32,791,170
Total	25,848,412	32,791,170

12.3 Administration and safekeeping of securities

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

	31/12/2001	31/12/2000
a) Securities of third parties held in custody (excluding		

portfolio management)	139,463,963	145,708,779
1. Securities issued by the Bank	-	-
2. Other securities	*139,463,963*	*145,708,779*
b) Securities of third parties held by others	143,609,622	154,226,667
c) Own securities in third-party custody	24,087,569	27,465,346

The amounts reflected above are stated at nominal value.

Own securities on deposit with third parties include securities sold subject to repurchase.

12.4 Collections for the account of third parties: debit and credit adjustments

	31/12/2001	31/12/2000
a) Debit adjustments		
1. Current accounts	280,866	260,759
2. Head office portfolio	25,573,985	21,239,353
3. Cash	50,382	1,099,710
4. Other accounts	1,734,075	2,790,766
b) Credit adjustments		
1. Current accounts	525,830	487,437
2. Notes, bills and other documents for collection	27,531,286	24,443,405
3. Other accounts	121,219	93,155

12.5 Other transactions

	31/12/2001	31/12/2000
a) Third-party portfolio accepted for collection	4,802,262	5,094,496
b) Tax collection activity	1,366,688	7,490,854
Taxpayers amounts due for collection		
- amounts coming due	-	-
- amounts overdue and advanced to the Tax Authorities	1,366,688	7,490,854
- amounts overdue and not yet advanced to the Tax Authorities	-	-

Temporary relief and allowances for ITL 1,654,736 million are available in respect of overdue amounts already advanced to the Tax Authorities. Law Decree No. 37 of 22 May 1999, which implemented Law No. 337 of 28 September 1998, eliminated the obligation of non-collection for collection.

PART C

INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

SECTION 1 – INTEREST INCOME AND EXPENSE

1.1 Composition of Account 10 - Interest and similar income

Interest and similar income was realized as follows:

	31/12/2001	31/12/2000
a) Interest earned on amounts due from banks	1,329,480	1,457,567
including:		
Amounts due from central banks	*96,971*	*74,437*
b) Interest earned on customer loans and advances	8,187,483	7,244,168
including:		
loans using third-party funds under administration	*8,437*	*15,267*
c) Interest earned on debt securities	1,332,753	1,412,641
d) Other interest income	22,264	13,242
e) Positive balance of differentials on hedging transactions	-	-
Total	10,871,980	10,127,618

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:

	31/12/2001	31/12/2000
a) Interest expense on amounts due to banks	1,437,914	1,750,108
b) Interest expense on amounts due to customers	2,426,353	2,299,756
c) Interest expense on other borrowed funds backed by negotiable instruments	2,038,377	1,967,120
including:		
on certificates of deposit	*519,302*	*720,775*
d) Interest expense on third-party funds under administration	22,116	25,161
e) Interest expense on subordinated debt	267,164	85,368
f) Negative balance of differentials on hedging transactions	257,432	6,796
Total	6,449,356	6,134,309

1.3 Composition of Account 10 - Interest and similar income

	31/12/2001	31/12/2000

Interest and similar income on foreign-currency-denominated assets	1,180,988	1,619,259

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

	31/12/2001	31/12/2000
Interest and other expense on liabilities denominated in foreign currency	1,640,123	1,766,387

SECTION 2 - COMMISSIONS

2.1 Composition of Account 40 - Commissions earned

Commissions earned consist of the following amounts:

		31/12/2001		31/12/2000
a) Guarantees released		78,677		81,756
b) Credit derivatives		3,033		26,009
c) Trading, management and advisory services		2,084,058		2,446,154
1. Securities trading	281,955		314,267	
2.Foreign-exchange trading	102,895		117,002	
3.Asset management	181,812		332,904	
3.1 individual portfolios under management	*113,276*		*199,153*	
3.2 investments in mutual funds	*68,536*		*133,751*	
4. Securities safekeeping and administration	924,695		895,769	
5. Custodian bank	56,843		61,234	
6. Securities placement	117,466		285,240	
7. Order taking	138,409		314,222	
8. Advisory services	2,480		2,516	
9. Distribution of services to third parties:	277,503		123,000	
9.1 Asset management:				
a) individual portfolios under management	*10*		*16,451*	
b) investments in mutual funds	-		*4*	
9.2 Insurance products	*139,167*		*106,545*	
9. 3 Other products	*138,326*		-	
d) Collection and payments services		192,204		180,813
e) Servicing for securitization transactions		7,248		775
f) Tax collection services		489,903		468,601
g) Other services		507,188		456,261
- Commissions on loans to customers	109,079		124,915	
- Recoveries, expenses and other profits on customer loans	301,025		275,729	
- Commissions claimed from banks	28,501		18,450	
- Safe-deposit boxes	4,716		4,938	
- Commissions for services to subsidiaries and associated cos.	38,469		251	
- Commissions on services to third parties	25,398		31,978	
Total		3,362,311		3,660,369

2.2 Detail of Account 40 – Commissions earned

Distribution channels for products and services.

		31/12/2001		31/12/2000
a) Branches:		551,364		658,703
Asset management	172,278		265,608	
Securities placement	116,985		273,334	
Third party's services and products	262,101		119,761	
b) Other distribution channels (off-site):		25,417		82,441
Asset management	9,535		67,296	
Securities placement	480		11,906	
Third party's services and products	15,402		3,239	

2.3 Composition of Account 50 - Commission expense

Commission expense consists of the following amounts:

		31/12/2001		31/12/2000
a) Guarantees released		2,594		2,452
b) Credit derivatives		2,792		1,890
c) Trading and intermediation		202,695		182,996
Securities trading	65,057		80,393	
Foreign-exchange trading	195		170	
Asset management	8,025		8,389	
Own portfolio	*8,025*		*48*	
Third party's portfolio	-		*8,341*	
Securities safekeeping and administration	32,778		28,065	
Securities placement	24,421		3,632	
Off-site offer of securities, products and services	72,219		62,347	
d) Collection and payment services		18,436		27,337
e) Other services		194,603		144,164
Commissions on endorsement credits	5,179		123	
Commissions paid to brokers	21,664		17,765	
Commissions on services to third parties	42,676		48,102	
Commissions paid to banks	11,543		20,251	
Tax collection commissions	-		247	
Commissions on securities transactions	2,538		329	
Other	111,003		57,347	

Total	421,120	358,839

SECTION 3 - PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

3.1 Composition of Account 60 – Profits/losses on financial transactions

31/12/2001

Account	Securities	Foreign-Currency	Other
A.1 Revaluations	1,893,423	xxx	7,711,369
A.2 Writedowns	(1,584,628)	xxx	(7,256,921)
B. Other profits/losses	23,580	73,137	(93,345)
Total	332,375	73,137	361,103
1. Government securities	90,382		
2. Other debt securities	216,624		
3. Equity securities	34,438		
4. Securities-related derivatives	(9,069)		

31/12/2000

Account	Securities	Foreign-Currency	Other
A.1 Revaluations	677,137	xxx	714,196
A.2 Writedowns	(678,414)	xxx	(857,862)
B. Other profits/losses	577,028	61,694	(29,205)
Total	575,751	61,694	(172,871)
1. Government securities	115,243		
2. Other debt securities	131,853		
3. Equity securities	218,963		
4. Securities-related derivatives	109,692		

SECTION 4 – ADMINISTRATIVE EXPENSES

4.1 Average number of employees by category

	31/12/2001	31/12/2000
a) Executives	484	349
b) Managers/Officers	4,194	3,924
c) Remaining personnel	23,917	23,773
Total	28,595	28,046

Composition of Account 80 - Administrative expenses

	31/12/2001	31/12/2000
a) Personnel expense	3,419,778	3,237,450
- wages and salaries	2,440,121	2,284,055
- social-welfare charges	670,046	654,398
- staff severance indemnity reserve	158,089	155,999
- pension fund and similar obligations	57,609	66,053
- other	93,913	76,945
b) Other administrative expenses	2,214,010	1,962,116
- stamp duties	297,331	243,666
- rental costs for bank premises	167,924	163,136
- cost of external consultants	191,610	168,859
- maintenance of personal and real property	154,073	135,148
- postage	136,799	110,822
- sundry rentals	90,348	94,030
- information and surveys	90,561	84,650
- advertising	105,136	119,397
- cable, telephone and telex	63,002	73,227
- security	57,967	56,412
- indirect taxes	48,915	64,357
- cleaning	44,367	43,846
- transport	76,774	61,812
- electricity, heating and water	51,457	54,799
- employee vehicle and travel expenses	45,696	36,357
- cable rental for data transfer	19,835	47,753
- data processing by third parties	116,904	45,936
- insurance	46,764	47,447
- local property tax	21,722	23,064
- stationery and printing	39,151	33,797
- entertainment expense	22,121	22,324
- membership dues	19,377	17,969
- condominium fees	13,408	10,063
- information service	28,514	15,610

- fees to Directors and Statutory Auditors	15,156	15,542
- equipment rental	35,777	23,126
- subscriptions and purchase of publications	6,718	7,039
- fixed fees for tax collection services	2,031	1,064
- new software and rental of software	83,528	12,411
- other	121,044	128,453
Total	5,633,788	5,199,566

SECTION 5 – VALUATION ADJUSTMENTS, RECOVERIES AND PROVISIONS

5.1 Composition of Account 120 – Valuation adjustments to loans and provisions for guarantees and commitments

	31/12/2001	31/12/2000
a) Valuation adjustments to loans	1,021,103	1,254,087
including:		
- Lump-sum writedowns for country risk	16,593	331
- Other lump-sum adjustments	56,704	106,107
b) Provisions for guarantees & commitments	12,117	16,670
including:		
- Lump-sum writedowns for country risk	3,340	339
- Other lump-sum adjustments	45	12,017
Total	1,033,220	1,270,757

5.2 Composition of Account 90 - Valuation adjustments to fixed and intangible assets

	31/12/2001	31/12/2000
a) Intangible assets	412,168	321,805
Amortization of positive consolidation differences	131,282	130,437
Amortization of positive net equity differences	28,555	1,008
Amortization of other intangible assets	252,331	190,360
b) Fixed assets	316,931	275,343
Depreciation of buildings	127,019	128,594
Depreciation of furniture and equipment	189,912	146,749
Total	729,099	597,148

Positive consolidation differences are amortized over a period of up to 10 years, which is considered as the investment pay-back period. In the case of the investment in the Banca Agricola Mantovana Group, such period has been extended to 20 years.

As of 31 December 2000, the positive consolidation differences generated upon the initial line-by-line consolidation of the Banca 121 Group were offset against the pre-existing balance of negative differences.

Intangible assets are amortized on a straight-line basis in accordance with the principle of prudence.

Depreciation on fixed assets is calculated by applying the maximum ordinary rates allowed by law. Accelerated depreciation is taken as permitted by law on assets subject to rapid obsolescence.

Depreciation rates are considered as reasonable and represent the useful life of the assets, taking into consideration the wear and tear of the assets.

5.3 Composition of Account 100 - Provisions for risks and charges

	31/12/2001	31/12/2000
Annual provision	146,414	207,888

The provisions are credited to the reserves for risks and other charges, shown in the table reported in Section 7.

5.4 Composition of Account 130 – Recoveries on loans and on provisions for guarantees and commitments

	31/12/2001	31/12/2000
Loans	400,290	550,993
Provisions for guarantees and commitments	-	-
Total	400,290	550,993

5.5 Composition of Account 140 – Provision to loan loss reserves

	31/12/2001	31/12/2000
Annual provision	110,494	79,202

5.6 Composition of Account 150 – Adjustments to the valuation of non-current financial assets

	31/12/2001	31/12/2000
Equity investments	23,865	5,208
Securities	21,071	2,683
Total	44,936	7,891

5.7 Composition of Account 160 – Recoveries on non-current financial assets

	31/12/2001	31/12/2000
Equity investments	3,041	12,135
Securities	-	-
Total	3,041	12,135

SECTION 6 - OTHER PROFIT AND LOSS ACCOUNTS

6.1 Composition of Account 70 - Other operating income

	31/12/2001	31/12/2000
Rental and similar income	45,459	40,439
Expenses recovery & other income: deposits and current accounts	282,859	276,716
Recovery of stamp duties	244,504	226,923
Tax credit on dividends	-	-
Expense recovery: personnel working off-site	-	3,773
Premiums received	7,492	2,164
Recoveries of expenses on mortgage loans	33,832	28,980
Other	301,742	268,365
Total	915,888	847,360

Other income includes the excess spreads of ITL 116,744 million earned through the securitization of performing loans by the Parent Company, Banca Agricola Mantovana and Banca 121.

6.2 Composition of Account 110 - Other operating expenses

	31/12/2001	31/12/2000
Expenses on disposal of assets under financial lease	3,530	1,996
Options to be settled	3,768	46,846
Other operating expenses	45,972	23,697
Total	53,270	72,539

6.3 Composition of Account 190 - Extraordinary income

	31/12/2001	31/12/2000
Profit on disposal of fixed assets	2,847	32,042
Gains on disposal of equity investments	7,803	73,682
Profit on disposal of investment securities	81,055	9,458
Retrospective quotas for change in valuation criterion	-	132,071
Deferred tax assets regarding previous years	-	-
Other	247,169	286,688
Total	338,874	533,941

6.4 Composition of Account 200 - Extraordinary charges

31/12/2001 31/12/2000

Non-banking operating expenses	10,220	474
Losses on robberies	3,471	5,434
Losses on disposal of fixed assets	1,454	2,519
Loss on disposal of non-current financial assets	1,613	446
Loss on sale of investment securities	271	44,570
Other	274,428	174,491
Total	291,457	227,934

6.5 Composition of Account 240 - Income taxes

	31/12/2001	31/12/2000
Current taxes	(1,144,193)	(1,058,666)
Change in deferred tax assets	(93,761)	(68,580)
Change in deferred tax liabilities	55,170	20,535
Total	(1,182,784)	(1,106,711)

SECTION 7 - OTHER INFORMATION ON THE PROFIT AND LOSS STATEMENT

7.1 Geographical distribution of income

31/12/2001

	Italy	EU Countries	Other Countries	Total
Interest and similar income	9,925,724	757,526	188,730	10,871,980
Dividends and other income	720,555	31	-	720,586
Commissions earned	3,287,208	60,055	15,048	3,362,311
Profits from financial transactions	762,146	2,041	2,428	766,615
Other operating income	911,539	3,912	437	915,888
Total	15,607,172	823,565	206,643	16,637,380

31/12/2000

	Italy	EU Countries	Other Countries	Total
Interest and similar income	8,650,155	1,082,782	394,681	10,127,618
Dividends and other income	268,112	626	-	268,738
Commissions earned	3,532,865	89,449	38,055	3,660,369
Profits from financial transactions	488,046	(28,532)	5,060	464,574
Other operating income	1,006,425	3,693	206	1,010,324
Total	13,945,603	1,148,018	438,002	15,531,623

PART D

OTHER INFORMATION

SECTION 1 – BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

1.1 Compensation

	31/12/2001	31/12/2000
a) Board of Directors	9,152	9,389
b) Board of Statutory Auditors	2,127	1,301

1.2 Loans to and guarantees released on the account of Directors and Statutory Auditors

	31/12/2001	31/12/2000
a) Board of Directors	27,047	18,748
b) Board of Statutory Auditors	649	31

MONTE DEI PASCHI DI SIENA BANKING GROUP
Piazza Salimbeni, 3 – Siena, Italy

Registered Office: Piazza Salimbeni, 3 - Siena

Registered with the Court of Siena under No. 9782 on 23 August 1995
Registered with the Register of Banks under No. 325 Cod. No. 1030.6
Member of Italian Interbank Deposit Protection Fund

CHIEF ACCOUNTANT
F. Spampani

CHIEF EXECUTIVE OFFICER
V. De Bustis

CHAIRMAN OF THE BOARD OF DIRECTORS
P.L. Fabrizi

STATUTORY AUDITORS
G. Vittimberga, P. Fabretti, L. Granai De Robertis

ATTACHMENTS TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Year	TOTAL
Consolidated net equity as of 31 December 2000	2,360,470	1,012,524	872,464	42,544	2,466	432,032	1,037,500	34,925	1,676,251	2,223,499	98	1,095,324	10,790,097
Net profit allocation						40,062	253,000		802,187		75	(1,095,324)	-
Dividends distributed by the Parent Company									(471,961)				(471,961)
Share capital increase with usage of Revaluation reserve pursuant to Law 342/00	236,047								306,450	(803,399)			(260,902)
Share capital increase with transfer from the employee profit sharing reserve	11,551								(11,551)				-
Share capital conversion into euros with usage of extraordinary reserve	17,813								(17,813)				-
Usage of extraordinary reserve for securitization charges									(145,411)				(145,411)
Change in reserve for own shares								1,174	(1,174)				
Other changes			10,615	(2,203)	(70)				73,705	14,683			96,730
Profit for the year									-			1,195,472	1,195,472
Consolidated net equity as of 31 December 2001	2,625,881	1,012,524	883,079	40,341	2,396	472,094	1,290,500	36,099	2,210,683	1,434,783	173	1,195,472	11,204,025

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

	31/12/2001		31/12/2000	
	Shareholders' Equity	*Profits and Losses*	*Shareholders' Equity*	*Profits and Losses*
Balances as reported in Parent-Company financial statements	11,246,964	1,173,183	10,456,966	766,683
Effects of line-by-line consolidation of subsidiaries	439,164	464,698	443,650	339,405
Excess of net equity over carrying value for subsidiaries consolidated with net equity method	258,307	81,971	126,172	40,391
Reversal for dividends distributed by subsidiaries	(374,373)	(374,373)	(236,693)	(267,175)
Reversal for dividends accrued by subsidiaries	(366,037)	(366,037)	-	-
Adjustments pursuant to Law 218/90 and Law 461/98	-	216,030	-	216,030
Other consolidation adjustments	-	-	-	-
Total	11,204,025	1,195,472	10,790,095	1,095,334

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	31/12/2001	31/12/2000
SOURCES OF FUNDS:		
Net profit for the period	1,195,472	1,095,324
Provision for general banking risks	10,710	539
Provision for staff severance indemnity reserve	153,227	157,638
Provision for pension fund	83,290	198,112
Provisions for loan losses (increase)	114,506	86,540
Other non-cash charges to profit and loss statement	96,730	2,438,115
Total funds generated from operations	1,653,935	3,976,268
Increases:		
Customer deposits	2,871,938	8,465,446
Other borrowed funds backed by negotiable instruments	6,671,134	1,467,162
Accrued liabilities and deferred income	517,740	(365,967)
Other reserves	90,025	131,441
Own shares or quotas	1,174	43,670
Minority interests	359,405	(31,498)
Other liabilities	8,769,524	228,529
Subordinated debt	2,449,831	965,088
TOTAL SOURCES OF FUNDS	23,384,706	14,880,139
USES OF FUNDS		
Payment of dividends	471,961	345,797
Payment of staff severance indemnities	154,650	159,596
Payment of pension benefits	74,781	58,176
Use of reserve for loan losses	61,952	22,903
Change in the reserve for general banking risks	95	2,674
Other changes in balance sheet accounts	419,274	271,719
Increases:		
Cash and cash on demand	452,210	98,789
Equity investments	1,639,090	1,800,809
Positive consolidation and net equity differences	98,874	(129,615)

Fixed assets	466,776	1,714,055
Other assets	9,669,414	(1,577,834)
Accrued income and prepayments	289,670	85,313
Decreases:		
Due to banks	5,104,511	2,210,648
Third-party funds under administration	45,507	17,522
Reserve for taxes	155,451	(647,465)
TOTAL USES OF FUNDS	19,104,216	4,433,087
Difference	4,280,490	10,447,052
CHANGES IN INTEREST-BEARING USES OF FUNDS		
Increases:		
Customer loans and advances	7,730,369	12,299,194
Amounts due from banks	(3,449,274)	2,425,473
Securities and certificates of deposit	(605)	(4,277,615)
Total	4,280,490	10,447,052

COMPARATIVE SCHEDULES

The schedules in this section provide a comparison between the financial statements as of 31 December 2001 and the financial statements as of 31 December 2000 approved by the Board of Directors.

CONSOLIDATED BALANCE SHEET

	ASSETS	31/12/2001		31/12/2000		*Absolute and Percentage Changes*		
10	Cash and cash on deposit with central banks and post offices		1,369,942		917,732		452,210	49.27
20	Italian government securities and similar instruments eligible for refinancing with central banks		2,454,977		3,801,747		(1,346,770)	(35.43)
30	Amounts due from banks		27,279,517		30,728,791		(3,449,274)	(11.22)
	a) sight	5,007,234		5,699,517		(692,283)		(12.15)
	b) other	22,272,283		25,029,274		(2,756,991)		(11.02)
40	Customer loans and advances		125,749,789		118,019,420		7,730,369	6.55
	including:							
	loans with third-party funds under administration	36,401		40,447		(4,046)		(10.00)
50	Bonds and other fixed-income securities		25,198,767		25,190,537		8,230	0.03
	a) of public issuers	11,789,148		13,762,861		(1,973,713)		(14.34)
	b) of banks	5,072,133		6,272,651		(1,200,518)		(19.14)
	- including: own securities	1,136,059		1,230,923		(94,864)		(7.71)
	c) of financial institutions	4,142,808		2,587,392		1,555,416		60.12
	- including: own securities	-		-				
	d) of other issuers	4,194,678		2,567,633		1,627,045		63.37
60	Shares, quotas and other equity securities		2,945,536		1,607,601		1,337,935	83.23
70	Equity investments		4,603,701		3,316,759		1,286,942	38.80
	a) valued with net equity method	71,465		71,700		(235)		(0.33)
	b) other	4,532,236		3,245,059		1,287,177		39.67
80	Equity investments in Group companies		660,718		308,570		352,148	114.12
	a) valued with net equity method	633,954		298,791		335,163		112.17
	b) other	26,764		9,779		16,985		-
90	Positive consolidation differences		1,415,476		1,556,898		(141,422)	(9.08)
100	Positive net equity differences		244,057		3,761		240,296	
110	Intangible assets		840,451		690,726		149,725	21.68
	including:							
	- start-up costs	68,384		64,763		3,621		5.59
	- goodwill	2,616		60,450		(57,834)		
120	Fixed assets		4,224,478		3,907,427		317,051	8.11
	including: assets under financial lease	659,051		338,972		320,079		94.43
130	Unpaid subscribed capital							
	including: called-up capital							
140	Own shares		36,099		34,925		1,174	3.36
	(nominal value 14554)							
150	Other assets		26,214,648		16,545,234		9,669,414	58.44
160	Accrued income and prepayments		3,215,415		2,925,745		289,670	9.90
	a) accrued income	2,905,448		2,792,642		112,806		4.04
	b) prepayments	309,967		133,103		176,864		132.88
	including: issuing discounts	47,199		30,598		16,601		54.26
	TOTAL ASSETS		226,453,571		209,555,873		16,897,698	8.06

CONSOLIDATED BALANCE SHEET

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2001		31/12/2000		*Absolute and Percentage Changes*		
10	Due to banks		29,319,391		34,423,902		(5,104,511)	(14.83)
	a) sight	1,909,555		1,339,308		570,247		42.58
	b) time or requiring advance notice of withdrawal	27,409,836		33,084,594		(5,674,758)		(17.15)
20	Customer deposits		93,783,605		90,911,667		2,871,938	3.16
	a) sight	72,888,574		68,066,767		4,821,807		7.08
	b) time or requiring advance notice of withdrawal	20,895,031		22,844,900		(1,949,869)		(8.54)
30	Other borrowed funds backed by negotiable instruments		53,178,995		46,507,861		6,671,134	14.34
	a) bonds	35,116,177		28,263,083		6,853,094		24.25
	b) certificates of deposit	16,501,650		16,453,145		48,505		0.29
	c) other instruments	1,561,168		1,791,633		(230,465)		(12.86)
40	Third-party funds under administration		84,382		129,889		(45,507)	(35.04)
50	Other liabilities		22,296,078		13,526,554		8,769,524	64.83
60	Accrued liabilities and deferred income		3,657,511		3,139,771		517,740	16.49
	a) accrued liabilities	3,106,457		2,749,307		357,150		12.99
	b) deferred income	551,054		390,464		160,590		41.13
70	Staff severance indemnity reserve		862,819		864,242		(1,423)	(0.16)
80	Reserves for risks and other charges:		3,643,268		3,700,185		(56,917)	(1.54)
	a) pension fund and similar obligations	845,417		836,908		8,509		1.02
	b) reserve for taxes	1,656,375		1,811,826		(155,451)		(8.58)
	c) consolidation reserve for risks and future charges	-		-				
	d) other reserves	1,141,476		1,051,451		90,025		8.56
90	Reserve for loan losses		613,814		561,260		52,554	9.36
100	Reserve for general banking risks		883,079		872,464		10,615	1.22
110	Subordinated debt		5,924,955		3,475,124		2,449,831	70.50
120	Negative consolidation differences		40,341		42,544		(2,203)	(5.18)
130	Negative net equity differences		2,396		2,466		(70)	(2.84)
140	Minority interests		1,884,728		1,525,323		359,405	23.56
150	Share capital		2,625,881		2,360,470		265,411	
160	Paid-in capital		1,012,524		1,012,524		-	
170	Reserves:		4,009,377		3,180,707		828,670	26.05
	a) legal reserve	472,094		432,031		40,063		9.27
	b) reserve for own shares or quotas	36,099		34,925		1,174		3.36
	c) statutory reserves	1,290,500		1,037,500		253,000		24.39
	d) other reserves	2,210,684		1,676,251		534,433		31.88
180	Revaluation reserves		1,434,782		2,223,498		(788,716)	(35.47)
190	Profit (loss) carried forward		173		98		75	
200	Profit (loss) for the year		1,195,472		1,095,324		100,148	9.14
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		226,453,571		209,555,873		16,897,698	8.06

GUARANTEES AND COMMITMENTS

	Account	31/12/2001		31/12/2000		*Absolute and Percentage Changes*		
10	**Guarantees released**		18,262,107		14,592,532		3,669,575	25.15
	including:							
	acceptances	269,855		359,799		(89,944)		(25.00)
	other guarantees	17,992,252		14,232,733		3,759,519		26.41
20	**Commitments**		42,483,236		41,212,455		1,270,781	3.08
	including:							
	commitments to sell with the obligation to repurchase	-		55,470		(55,470)		
30	*Commitments for credit derivatives*		458,856		793,832		(334,976)	(42.20)

CONSOLIDATED PROFIT AND LOSS STATEMENT

	Account	31/12/2001		31/12/2000		*Absolute and Percentage Changes*		
10	Interest and similar income		10,871,980		10,127,618		744,362	7.35
	including:							
	- on customer loans and advances	8,187,483		7,244,168		943,315		13.02
	- on debt securities	1,332,753		1,412,641		(79,888)		(5.66)
20	Interest expense and other expense on borrowed funds		6,449,356		6,134,309		315,047	5.14
	Including:							
	- on customer deposits	2,448,469		2,324,917		123,552		5.31
	- on other borrowed funds backed by negotiable instruments	2,053,794		1,985,882		67,912		3.42
30	Dividends and other income		720,586		268,738		451,848	168.14
	a) on shares, quotas and other equity securities	266,287		96,858		169,429		174.9
	b) on equity investments	454,299		171,880		282,419		164.31
	c) on equity investments in Group companies	-		-		-		
40	Commissions earned		3,362,311		3,660,369		(298,058)	(8.14)
50	Commission expense		421,120		358,839		62,281	17.36
60	Profit (loss) on financial transactions		766,615		464,574		302,041	65.01
65	Income on investment of pension and similar funds		14,000		15,780			
70	Other operating income		915,888		847,360		68,528	8.09
80	Administrative expenses		5,633,788		5,199,566		434,222	8.35
	a) personnel expense	3,419,778		3,237,450		182,328		5.63
	Including:							
	- wages and salaries	2,440,121		2,284,055		156,066		6.83
	- social-welfare charges	670,046		654,398		15,648		2.39
	- staff severance indemnity reserve	158,089		155,999		2,090		1.34
	- pension fund and similar obligations	57,609		66,053		(8,444)		(12.78)
	b) other administrative expenses	2,214,010		1,962,116		251,894		12.84
85	Provisions for income on investment of pension and similar funds		11,969		24,189		(12,220)	(50.52)
90	Valuation adjustments to fixed and intangible assets		729,099		597,148		131,951	22.10
100	Provisions for risks and charges		146,414		207,888		(61,474)	(29.57)
110	Other operating expenses		53,270		72,539		(19,269)	(26.56)
120	Valuation adjustments to loans & provisions for guarantees and commitments		1,033,220		1,270,757		(237,537)	(18.69)
130	Recoveries on loans & provisions for guarantees and commitments		400,290		550,993		(150,703)	(27.35)
140	Provisions to loan loss reserve		110,494		79,202		31,292	39.51
150	Valuation adjustments to non-current financial assets		44,936		7,891		37,045	
160	Recoveries on non-current financial assets		3,041		12,135		(9,094)	(74.94)
170	Profit (loss) on investments valued with net equity method		106,532		59,947		46,585	77.71
180	Profit (loss) from ordinary operations		2,527,577		2,055,186		472,391	22.99
190	Extraordinary income		338,874		533,941		(195,067)	(36.53)
200	Extraordinary charges		291,457		227,934		63,523	27.87
210	Extraordinary profit (loss)		47,417		306,007		(258,590)	(84.50)
220	Use of the consolidation reserve for risks and future charges		-		-		-	
230	Change in reserve for general banking risks		(10,710)		3,188		(13,898)	
240	Income taxes		(1,182,784)		(1,106,711)		(76,073)	6.87
250	Minority interests		186,028		162,346		23,682	14.59
260	Profit (loss) for the year		1,195,472		1,095,324		100,148	9.14

KPMG

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Banca Monte dei Paschi di Siena S.p.A.

1 We have audited the consolidated financial statements of the Banca Monte dei Paschi di Siena group as at and for the year ended 31 December 2001. These financial statements are the responsibility of the parent bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries representing 22% of consolidated assets and 23% of consolidated interest income and other similar income, have been audited by other auditors who provided us with their reports thereon. Our opinion, expressed herein, with respect to the figures relating to such companies included in the consolidated financial statements is based, inter alia, on the audits performed by the other auditors.

Reference should be made to the report dated 11 April 2001 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

3 In our opinion, the consolidated financial statements of Banca Monte dei Paschi di Siena group as at and for the year ended 31 December 2001 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the group.

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4 We draw your attention to the following matters:

4.1 As described in the notes to the consolidated financial statements, in preparing the consolidated financial statements at 31 December 2001, the group has changed certain accounting treatments used in the previous year. In particular:

- the cost of securities is calculated using the daily weighted average method rather than LIFO;
- Italian and foreign listed trading securities are stated at their year-end market value rather than the average daily listings for December;
- units of funds investments are stated at their year-end market value in place of cost, using the value calculated by the management company.

The reasons for these changes and the related effects on consolidated net profit at 31 December 2001 and consolidated shareholders' equity at the same date are described in the notes to the consolidated financial statements.

4.3 As described in the notes to the consolidated financial statements, the group has charged directly to reserves and partly deferred to future years the effects of the losses incurred following a non-performing loan securitisation transaction. This treatment is permitted by Law no. 130/1999 as an alternative to fully charging the profit and loss account of the year in which the losses are incurred as required by correct accounting principles. The accounting treatment applied and the related effects on the consolidated financial statements are described in the notes thereto.

Florence, 11 April 2002

KPMG S.p.A.

(signed on the original)

Roberto Todeschini
Director of Audit