**MONTE
DEI PASCHI
DI SIENA
GROUP**

Quarterly Report as of 31 March 2001

- prepared in accordance with CONSOB Resolution No. 11971 of 14 May 1999 -

Siena, Italy, 15 May 2001

Contents

MPS GROUP: SUMMARY OF RESULTS

(Amounts in ITL bn)

	31/03/00	31/03/01
Total Customer Funding	297,715	314,980 (+6%) (°)
Total Customer Loans	104,466	117,340 (+12%)
Number of Customers	4,284,450	4,616,500 (+8%)
Virtual Banking Customers	455,532(*)	575,457 (+26%)
Gross Operating Income	970	1,086 (+12%)
Net Income	282	337 (+19%)

(°) In terms of average balances, the growth climbs to 7 percent

(^) The number includes the customers of banks in which the Group holds minority interests; net of this figure, the number of customers is around 4.3 million, for an increase of 8 percent

(*) As of 31.12.2000

- **Board, Senior Management and Independent Auditors of Banca Monte dei Paschi di Siena**

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 (as of 5.4.2001)* Antonio Sclavi, *Director* Giovanni Semeraro, *Director* Alessandro Vercelli, *Director*
Executive Committee	Pier Luigi Fabrizi, *Chairman* Mauro Faneschi, *Vice Chairman* Carlo Querci, *Director* Antonio Sclavi, *Director* Alessandro Vercelli, *Director*
Board of Statutory Auditors	Giuseppe Vittimberga, *Chairman* Pietro Fabretti, *Acting Auditor* Luciana Granai De Robertis, *Acting Auditor* Angiola Lippi, *Substitute Auditor* Duccio Neri, *Substitute Auditor*
Senior Management	Vincenzo De Bustis, *Director General* Piergiorgio Primavera, *Deputy Director General* Antonio Vigni, *Deputy Director General*
Independent Auditors	KPMG SpA

▪ Notes to the Financial Statements

The quarterly report of the Monte dei Paschi di Siena Group as of 31 March 2001 has been prepared in accordance with the CONSOB Resolution No. 11971 of 14 May 1999.

The reclassified balance sheet and the profit and loss statement as of 31 March 2001 have been prepared using the same format and valuation criteria used in the preparation of the annual report for the previous year, which are different from the format and criteria used as of 31 March 2000 in the case of the valuation of the trading securities portfolio, in relation to listed securities, derivatives contracts and unlisted securities having an economic relationship to derivatives contracts.

The data as of 30 June 2001 will be presented in the semi-annual report with comparative data as of 30 June 2000 which were determined by taking into account the aforementioned valuation criteria. The data as of 31 March 2000 have instead been reclassified to include Banca 121 in the area of consolidation.

The following is to be noted with reference to the format of the financial statements:

- The financial statements were prepared on the basis of the criterion of the "independence of periods" on the basis of which the period of reference is considered as a discrete interval of time. Accordingly the profit and loss statements reflects components of ordinary and extraordinary income accrued during the period.

- The financial statements used as the basis for the consolidation are those prepared by companies which were subsidiaries as of 31 March 2001, adjusted wherever necessary in order to conform with the accounting principles of the Group.

- Adjustments and provisions effected by the parent company solely in application of fiscal laws were reversed.

- Given the suspension of the fiscal benefits arising in relation to the so-called "Ciampi Law" (Law Decree 153 of 1999), a provision to the reserve for taxes was made to neutralize the effects of the benefits.

- Intergroup assets and liabilities, and revenues and expenses have been eliminated only if material.

Compared with 31 December 2000, no changes have occurred within the area of consolidation, with the exception of the effects stemming from the acquisition of all of the share capital of Banca C. Steinhauslin e C.

The financial statements of the MPS Group as of 31 March 2001 have not be subject to any certification on the part of the Group's independent auditors.

Electing the reporting option provided by Article 82, Paragraph 2 of CONSOB Resolution No. 11971 of 14 May 1999, Banca Monte dei Paschi di Siena will publish its semi-annual report for 2001 prior to 13 September 2001 and, therefore, it will not prepare separate statements relative to the second quarter of the year.

MPS GROUP: KEY FIGURES

CONSOLIDATED STATEMENT OF INCOME	(bn lire) 31/03/01	(bn lire) 31/03/00	Chg. %	(mln euro) 31/03/01
Total Income	2.444	2.242	9,0	1.262
Gross operating income	1.086	970	12,0	561
Net write downs of loans	105	101	4,1	54
Net income	337	282	19,4	174
Net income adjusted for amortization of goodwill	369	312	18,4	191

CONSOLIDATED BALANCE SHEET				
Total customer deposits	314.980	297.715	5,8	162.674
Direct Deposits	139.004	124.986	11,2	71.790
Indirect Deposits	175.976	172.729	1,9	90.884
of which: assets under management	78.328	79.186	-1,1	40.453
- Mutual Funds	*31.603*	*33.394*	*-5,4*	*16.322*
- Portfolio Management	*30.637*	*33.211*	*-7,8*	*15.823*
- Life Insurance and Pension Funds	*16.088*	*12.581*	*27,9*	*8.309*
of which custodies	97.648	93.543	4,4	50.431
Customer loans	117.340	104.466	12,3	60.601
Shareholder's equity	10.653	8.116	31,3	5.502

PROFITABILITY RATIOS (%)	31/03/01	31/12/00
Banking Fees/Total income	39,3	36,5
Non interest income/Total income	55,4	55,5
Cost/Income ratio	55,6	56,6
Cost/Income ratio (including depreciations)	60,6	61,7
Annualised R.O.E.	16,1	14,0
Non interest income / Administrative costs	99,7	98,0

ASSET QUALITY RATIOS (%)	31/03/01	31/03/00
Net non performing loans/Customer loans	2,5	3,1
Net problem loans (*)/Customer loans	4,5	5,3

(*) Problems loans include doubtful loans, substandard loans and country risk loans

CAPITAL ADEQUACY RATIOS(%)	31/12/00	Valori al 31/12/99
Credit risk capital ratio	8,92	8,63
Total capital ratio	8,41	8,06

Bmps Share	31/03/01	31/03/00	*Chg. %*	
Common shares	2.351.895.107	2.151.583.000	9,3	
Saving shares	8.574.700	8.574.700	0,0	
Common share's prices during the semester:	*lire*	*lire*	*Chg..%*	*euro*
- average	8.810			4,55
- low	6.796			3,51
- high	10.049			5,19
Earnings per share	143	131	9,3	0,07
Book value per share	4.513	3.757	20,1	2,33

OPERATING STRUCTURE	31/03/01	31/03/00	*Var. ass.*
Number of employees (excluding tax collection)	25.087	24.163	924
Domestic branches (*)	1.780	1.656	124
Foreign branches and representative offices	42	39	3

(*) Including branches of Inca and Mediocredito Toscano

MPS Group

Reclassified Consolidated Balance Sheet

- mln euros -

Assets	31/03/01	31/03/00	Changes abs	Changes %	31/12/00
Cash on hand and deposits with central bank and post office	384	313	71	22,8	474
Loans and advances:					
a) To customers	60.601	53.952	6.649	12,3	60.952
b) To banks	19.552	17.542	2.010	11,5	15.870
Dealing securities	11.855	10.096	1.759	17,4	10.469
Fixed assets					
a) Investment securities	4.892	6.568	-1.676	-25,5	5.335
b) holdings	2.386	963	1.423	147,9	1.872
c) tangible and intangible	2.427	1.683	744	44,2	2.375
Goodwill and differences from equity method	825	856	-31	-3,6	806
Own shares	17	41	-24	-58,4	18
Other assets	9.914	11.676	-1.763	-15,1	10.140
Total assets	**112.853**	**103.689**	**9.164**	**8,8**	**108.311**

Liabilities	31/03/01	31/03/00	Changes abs	Changes %	31/12/00
Deposits:					
a) due to customers and securities issued	71.790	64.550	7.240	11,2	70.971
b) due to banks	20.504	19.959	545	2,7	17.778
Specific reserves for:					
a) pensions and similar obligations	459	457	2	0,5	446
b) termination indemnities	430	316	114	35,9	432
c) risks and charges	531	522	8	1,6	543
d) taxation	1.253	916	337	36,7	1.020
Other liabilities	9.105	10.424	-1.319	-12,7	8.675
Reserve for loan losses	296	263	33	12,6	290
Subordinated liabilities	2.155	1.289	867	67,2	1.795
Minority interests	829	802	27	3,4	788
Shareholder's equity:					
a) share capital	1.219	1.219	-0	0,0	1.219
b) share premium	523	547	-24	-4,3	523
c) reserve for general banking risks	451	452	-1	-0,3	451
d) negative consolidation differences	22	28	-6	-21,1	23
e) reserves	3.113	1.800	1.313	72,9	2.791
f) net income for the period	174	146	28	19,4	566
Total Liabilities	**112.853**	**103.689**	**9.164**	**8,8**	**108.311**

Figures as of 31/03/00 have been corrected to reflect the changes to "infragroup offsettings", having taken place as of the 30/6/00

MPS GROUP

Reclassified consolidated income statement

- mln euros -

	31/03/01	31/03/00 pro-forma	Changes abs	Changes %	Full year 2000
Net interest income (1)	**563**	**506**	***57***	***11,3***	**2.112**
Profit (loss) from financial transactions	67	66	*1*	*2,1*	222
Net commissions and other operating income	571	541	*30*	*5,5*	2.188
Dividends and tax credit on dividends	61	45	*16*	*34,9*	227
Non Interest Income	**699**	**652**	***47***	***7,2***	**2.637**
Total Income	**1.262**	**1.158**	***104***	***9,0***	**4.749**
- personnel expenses	-435	-411	*-24*	*5,8*	-1.676
- other administrative expenses (2)	-266	-246	*-20*	*8,2*	-1.013
Total Operating Costs	-701	-657	***-44***	***6,7***	**-2.690**
Gross Operating Income	**561**	**501**	***60***	***12,0***	**2.059**
Adjustments to the value of tangible and intangible fixed assets	-80	-64	*-17*	*26,7*	-308
Provisions for risks and charges	-6	-56	*50*	*-89,0*	-107
Net write downs of loans	-54	-52	*-2*	*4,1*	-413
Net adjustments to the value of financial fixed	-3	10	*-13*	*-134,4*	2
Profit (loss) on investments valued with the net equity method	-6	6	*-11*	*-201,9*	31
Net extraordinary income	33	55	*-22*	*-39,9*	39
Change in reserve for general banking risks		-0,02	*0*		2
Income taxes	-234	-227	*-7*	*3,2*	-656
Total Net Income	**209**	**172**	***37***	***21,3***	**650**
Minorities	-35	-27	*-9*	*32,0*	-84
Net income	**174**	**146**	***28***	***19,4***	**566**

(1): due to a delayed accounting, 1Q00 net interest income has been reduced by 10,33 mln euros (with identical counterpart posted as "Net extraordinary income")

(2): the amount of 1Q00 "Other administrative expenses" has been increased by 22,72 mln euros (with identiacal counterpart poseted a "Net extraordinary income") due to the spreading of "Consorzio Operativo di Gruppo" costs

▪ Group Structure

		NAME	REGISTERED OFFICE	Investment Held by.	% Held	BOOK VALUE (in ITL bn)
		A.1 Companies included in the consolidation (consolidated on a line-by-line basis)				
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena			xxx
A.1		AMMINISTRAZIONI IMMOBILIARI S.p.A.	Siena	A.0	100.000	xxx
A.2		BANCA MONTE PASCHI BELGIO S.A.	Brussels	A.0	64.473	xxx
				A.4	35.527	
	2.1	MONTE PASCHI NEDERLAND N.V.	Amsterdam	A.2	100.000	
A.3		BANCA MONTE PASCHI SUISSE S.A.	Ginevra	A.0	100.000	xxx
A.4		BANCA TOSCANA S.p.A.	Florence	A.0	57.278	xxx
				A.19	4.979	
A.5		CARIPRATO CASSA RISPARMIO PRATO S.p.A.	Prato	A.0	79.000	xxx
A.6		MERCHANT LEASING & FACTORING S.p.A.	Prato	A.4	37.500	xxx
				A.5	25.000	
				A.19.2	37.500	
A.7		DUCATO GESTIONI S.p.A.	Milan	A.0	100.000	
						xxx
A.8		G.E.R.I.T. S.p.A.	L'Aquila	A.0	95.572	
				A.19	4.407	xxx
A.9		I.N.C.A. S.p.A.	Florence	A.0	63.500	xxx
				A.4	29.230	
				A.5	3.770	
A.10		M.P.S. COMMERCIAL PAPER	Delaware	A.0	100.000	xxx
A.11		MEDIOCREDITO TOSCANO S.p.A.	Florence	A.0	80.454	xxx
				A.4	11.676	
A.12		MONTE PASCHI BANQUE S.A.	Paris	A.0	70.175	xxx
				A.4	29.825	
	12.1	MONTE PASCHI CONSEIL FRANCE	Paris	A.12	99.800	
	12.2	MONTE PASCHI INVEST FRANCE S.A.	Paris	A.12	99.960	
	12.3	M.P. ASSURANCE S.A.	Paris	A.12	99.400	
	12.4	S.N.C. IMMOBILIARE POINCARE	Paris	A.12	99.900	
	12.5	IMMOBILIARE VICTOR HUGO	Paris	A.12	99.000	
A.13		MONTE PASCHI FIDUCIARIA S.p.A.	Siena	A.0	86.000	xxx
				A.4	14.000	
A.14		MPS FINANCE BANCA MOBILIARE S.p.A.	Siena	A.0	90.000	xxx
				A.4	10.000	
A.15		MONTE PASCHI SERIT S.p.A.	Palermo	A.0	100.000	xxx
A.16		SAPED S.p.A.	Siena	A.0	47.400	xxx
				A.4	20.000	
				A.5	12.600	
A.17		CONSUM.IT S.p.A.	Florence	A.0	70.000	xxx
				A.4	30.000	

A.18		BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD	Guernsey C.	A.0	100.000	
	18.1	CITY NOMINESS LTD	Guernsey C.	A.18	100.000	
	18.2	BMPS INVESTMENT MANAGEMENT	Guernsey C.	A.18	100.000	
	18.3	BMPS NOMINESS (CI) LTD	Guernsey C.	A.18	100.000	
	18.4	BMPS TRUSTEES (CI) LTD	Guernsey C.	A.18	100.000	
	18.5	SAINTS TRUSTEES LTD	Guernsey C.	A.18	100.000	
A.19		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua	A.0	52.310	xxx
	19.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	A.0		
	19.2	FINANZIARIA BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	A.19	100.000	
	19.3	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua	A.19	54.480	
	19.4	PADANA RISCOSSIONI S.p.A.	Mantua	A.19	100.000	
	19.5	PADANA IMMOBILIARE S.p.A.	Mantua	A.19.2	100.000	
	19.6	MANTOVANA IRELAND LTD.	Dublin	A.19	100.000	
	19.7	MANTOVANA MANAGEMENT LTD.	Dublin	A.19.7	100.000	
	19.8	G.I. GEST SRG S.p.A.	Milan	A.19	100.000	
	19.9	G.I. PROFIDI SIM S.p.A.	Rome	A.19	100.000	
	19.10	BISIEL	Mantua	A.19	100.000	
A.20		CONSORZIO OPERATIVO GRUPPO MPS	Siena	A.0	69.900	xxx
				A.4	29.740	xxx
				A.5	0.082	
				A.28	0.082	
				A.9	0.041	
				A.26	0.041	
				A.11	0.041	
				A.14	0.040	
				A.19	0.040	
A.21		GRUPPO MP ASSET MANAGEMENT S.p.A.	Milan	A.0	69.000	xxx
				A.4	15.000	
				A.5	3.000	
				A.19	13.000	
A.22		INTERMONTE SECURITIES SIM S.p.A.	Milan	A.14	35.000	xxx
				A.19	35.000	
	22.1	WEB SIM S.p.A.	Milan	A.22	96.000	
A.23		GRUPPO BANCA 121	Lecce	A.0	93.980	xxx
	23.1	BANCA 121 S.p.A.	Lecce	A.0		
	23.2	BA.SA. SERVIZI S.p.A.	Lecce	A.23	99.979	
	23.3	G.IMM. ASTOR S.p.A.	Lecce	A.23	52.000	
	23.4	POOL FACTOR S.p.A.	Bari	A.23	80.000	
	23.5	SPAZIO FINANZA SGR S.p.A.	Milan	A.23	100.000	
	23.6	EUROCONSULTING S.r.l.	Lecce	A.23	70.000	
	23.7	121 FINANCIAL SERVICE Ltd	Dublin	A.23	100.000	
A.24		ITALRISCOSSIONI S.p.A.	Rome	A.0	100.000	xxx
A.25		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	A.0	40.000	xxx
				A.1	60.000	
A.26		BANCA C. STEINHAUSLIN & C.	Florence	A.0	100.000	xxx
		A.2 Companies included in the consolidation (consolidated with the proportional method)				
A.27		BANCA POPOLARE DI SPOLETO S.p.A. *(book values at 20% of nominal value)*	Spoleto	A.0	20.000	xxx

A.28		BANCA MONTE PARMA S.p.A. *(book values at 41% of nominal value)*	Parma	A.0	41.000	xxx
	28.1	S.E.I.T S.p.A. *(book values at 39.77% of nominal value)*	Parma	A.27	39.770	xxx
A.29		CASSA DI RISPARMIO SAN MINIATO S.p.A. *(book values at 25% of nominal value)*	San Miniato	A.0	25.000	xxx
		B. Companies consolidated with the net equity method (detail of Account 80 a)				
B.1		MONTE PASCHI VITA S.p.A.	Rome	A.0	51.000	146,957
B.2		TICINO - COMP.ITAL. ASS.NI S.p.A. *(1999 book value)*	Rome	A.0	60.000	32,826
B.3		TICINO VITA S.p.A.	Rome	A.4 B.1	40.000 60.000	71,826
B.4		E -IDEA S.p.A.	Rome	A.0 A.4	70.000 30.000	4,042
B.5		GROW LIFE LTD.	Dublin	A.0 B.1	40.000 60.000	22,907
B.6		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantua	A.19	100.000	11,293
B.7		SAN PAOLO ACQUE S.r.l.	Lecce	A.23	100.000	569
B.8		SODIM (in liquidation)	Lecce	A.23	100.000	-
		Total				290,420
		C. Other companies consolidated with the net equity method (detail of Account 70 a)				
C.1		CONSORZIO AEROPORTO SIENA S.p.A.	Siena	A.0 A.4	20.000 20.000	1,794
C.2		DIPRAS S.p.A.	Rome	A.0	50.000	797
C.3		FIDI TOSCANA S.p.A.	Florence	A.0 A.4 A.11 A.9 A.5	13.390 10.359 4.127 0.990 0.918	27,090
C.4		I.B.A. VIENNA	Vienna	A.0	35.007	7,789
C.5		S.ES.IT PUGLIA S.p.A.	Bari	A.0	35.000	331
C.6		SO.RI.T. S.p.A.	Foligno	A.0 A.27	45.000 11.030	(30)
C.8		LINEAR COMPAGNIA ASS. S.p.A.	Bologna	A.19	20.000	4,092
C.9		QUADRIFOGLIO DISTRIBUZIONE S.r.l.	Mantua	A.19	100.000	33
C.10		QUADRIFOGLIO VITA S.p.A.	Bologna	A.19	50.000	28,347
C.11		UNION CAPITAL SIM S.p.A. (in liquidation)	Milan	A.19	36.350	2,987
		Total				73,230

Information on Group Performance

❑ *Fundamental Trends*

The MPS Group performed positively in the first quarter of 2001, with business volumes increasing over the levels reported for the same period of the previous year and the budget targets being met. The positive results were achieved despite a market situation that was difficult overall, with pronounced corrections of stock prices and the correlated crisis in the funds management business. Specific developments for the period are highlighted as follows:

- *growth of customer commissions,* partly due to the sizeable contribution of the core business fees *(fees for basic services, payment systems, recovery of expenses)* and partly due to the contribution of innovative financial instruments, which more than offset the reduction in fees from order-taking and mutual fund subscriptions;

- *the recovery of the interest margin,* stemming from the combination of higher average lending and deposit volumes, and more generous spreads (both with respect to the same period in 2000, and in relation to the start of the year), due mainly to the increased markdowns;

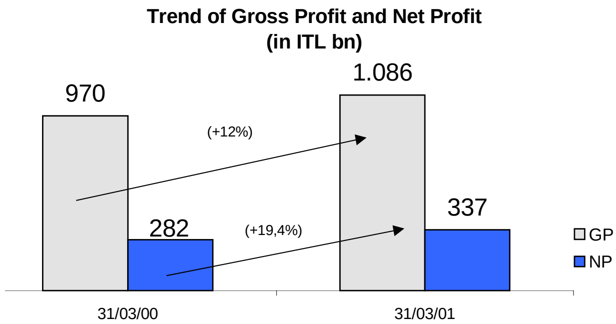
- *expansion of total funding,* dominated by the strong growth of direct funding and by the placement of innovative financial and bancassurance products;

- *a dynamic in the loan portfolio* which included strong growth of medium- and long-term maturities (residential mortgages and loans to small- and medium-sized businesses) and further contraction of non-performing loans;

- *additional advances in online and automated banking services (Internet and Mobile-Telephone Banking, Telephone Banking, TV Banking), as part of the development of an integrated multi-channel distribution network.* At the end of the first quarter, more than 575,000 customers were using online services.

The developments indicated above translated into significant increases of:

- consolidated gross profit, which rose 12 percent year on year to reach ITL 1,086 billion;
- net profit, which advanced 19.4 percent to ITL 337 billion.



Key factors influencing the results for the period include:

the *expansion of the operating base* in 2000, both with the acquisition of Banca 121, and with the extension of the sales network (*traditional branches and online services*);

the *enhancement of the supply of innovative products* (due first and foremost to the start-up of the activity of MPS Finance BIM);

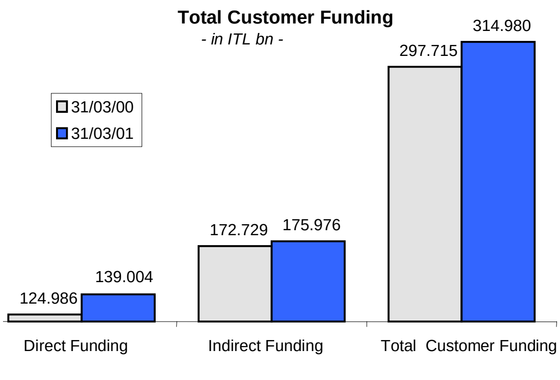
the *benefits of the integration of the distribution networks and product companies* and *initiatives to streamline various areas of the Group* (setting up and expanding central units for marketing and information, supply and property services; mergers and incorporation transactions) in terms of developing synergies of scale and scope.

❑ *Analysis of Earnings and Financial Position*

A review of key operating aggregates highlights the expansion of *total funding from customers*, whose balance at the end of the quarter amounted to ITL 314,980 billion, rising by 6 percent year on year. This growth is essential to the Group's strategies, which are aimed at ensuring a more stable flow of earnings over the long term. The increase in the aggregate includes:

direct funding (ITL 139,004 billion) which experienced a high rate of growth (11.2 percent year on year, and 12.7 percent on the basis of average balances); much of this funding increase came from bank-issued bonds (+36 percent);

indirect funding (ITL 175,976 billion) which grew by a more modest 1.9 percent, partly due to difficulties in the mutual fund market and partly due to the effects of price declines relative to securities held in managed and administered portfolios *(with prices hitting their lows in the month of March).*



Considering the circumstances in the financial markets, the distribution networks of the Group quickly redirected their efforts, coming up with initiatives designed to channel customer funds into new financial products *(innovative saving schemes and financial solutions)* with aggregate flows for the quarter of roughly ITL 2,500 billion (ITL 3,400 billion as of 30 April 2001). Such initiatives also concentrated on boosting the sale of insurance products and retirement plans.

Assets under management amounted to ITL 78,328 billion at 31 March 2001, falling by a slight 1 percent year on year. The decrease is is attributable to the negative trend of equity prices, which had the effect of penalizing the value of the portfolios under management. Meanwhile, the placement of new funds management products continued:

The Group's *mutual funds/SICAVs* experienced net inflows of ITL 522 billion (ITL 1,160 billion as of 30 April), in comparison with net outflows of more than ITL 5,000 billion for the industry.

Life insurance premiums and pension funds came to ITL 1,037 billion for the quarter (roughly ITL 1,300 billion as of the end of April).

Placement Volumes of Group Products (net flows in ITL bn)	First Quarter of 2001	First Four Months of 2001
Mutual funds / SICAVs (°)	522	1,160
Life insurance and pension funds (^)	1,037	1,297
including:		
- ordinary	404	
- index-linked	329	
- unit-linked	291	
Innovative saving schemes	1,574	2,078
Innovative finance	950	1,311

(°) Ducato Gestioni, Gigest, Spazio Finanza, Monte Sicav, Arlecchino Invest. SICAV
(^) MPVita, Ticino Vita, Grow Life, Quadrifoglio Vita

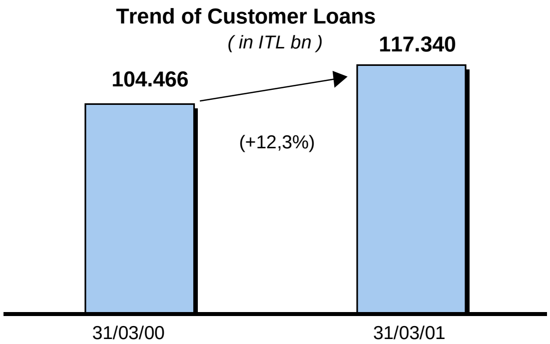
Custodies amounted to ITL 97,648 billion, growing 4.4 percent year on year.

The aforementioned variances regard balances at the end of the period. When measured on the basis of average balances for the period, aggregate funding was 7 percent higher.

In *lending* area, the Group kept pace with the commercial trends in the market, capitalizing on the growth of the Italian economy. The expansion of the lending business is based on the MPS Group's strategy to configure itself as a "bank of reference" to individuals and small- and medium-sized businesses, turning out specialized, high-quality products for these market segments (e.g. loans and innovative services, advisory services).

In accordance with the business plan, the loan business has been managed with a focus on: careful selection of credit risk; the ongoing monitoring of creditworthiness; a broad-based distribution of loans (by both geographic area and sector); and the optimization of pricing of the allocation of capital.

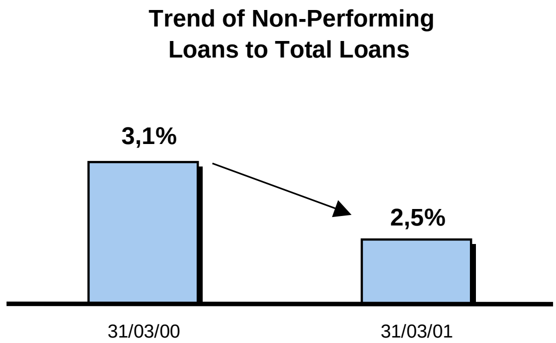
As of 31 March 2001, outstanding loans amounted to ITL 117,340 billion, increasing by 12.3 percent year on year and by 18 percent on the basis of average balances for the quarterly period. The bulk of the growth over the quarter came from the more stable components of the portfolio, namely, medium- and long-term loans whose outstandings were up by 23 percent.



Specialized lending (industrial credit, agricultural loans, loans for the environmental protection and consumer credit) also experienced significant growth, with the average outstandings rising 30 percent year on year.

Placement Volumes of Group Products (net flows in ITL bn)	First Quarter of 2001	First Four Months of 2001
Mediocredito Toscano		
Loan applications	1,916	2,580
Lending volumes	530	718
INCA		
Loan applications	342	385
Lending volumes	174	226
Consumit		
Lending volumes	202	271

Non-performing loans contracted by another 1.6 percent, and accounted for 2.5 percent of total loans as of 31 March 2001; *doubtful loans* were 4.8 percent lower year on year.



From a profitability standpoint, the *interest income* rose by ITL 111 billion, or 11.3 percent, to ITL 1,090 billion, benefitting in almost equal measure from volumes (increases in customer loans and deposits) and from the effect of spreads on short-term maturities (the markdown, in particular).

Rising by ITL 73 billion or 8.2 percent, *customer commissions* were up to ITL 904 billion; this rises to ITL 960 billion when incorporating the fees of the insurance companies consolidated with the net equity method. The aggregate balance includes core business fees *(fees for basic services, payment systems, recovery of expenses)* which rose by around 20 percent year on year as a result of an expansion of the operating base and ongoing improvement in cross-selling and customer retention. The core business fees performed as follows:

Fees and expense recovery: ITL 200 billion (+23 percent);

Fees from lending activity: ITL 93 billion (+17 percent);

Fees for international banking services: ITL 49 billion (+19.5 percent);

Net revenues from the securities area were also higher, advancing by 15 percent to ITL

323 billion. In this area, the increased fees from the placement of innovative financial products served to offset the year-on-year reduction of commissions earned on order-taking activity. Though decreasing by 8.5 percent year on year, the *fees from funds management activity* were still significant at ITL 288 billion.

The net change in other sources of income was an increase of ITL 18 billion: *an increase of ITL 3 billion of profits from financial transactions; an increase of ITL 31 billion for dividends and tax credits; and a decrease of ITL 16 billion for "other revenues", most of which is represented by the recovery of expenditures for stamp duties, stock-exchange contracts, etc.*

Non interest income accordingly reached ITL 1,354 billion, moving up by ITL 91 billion or 7.2 percent with respect to the comparable figure for 2000.

Total income thus came to ITL 2,444 billion, rising by ITL 202 billion or 9 percent in reference to the prior year figure.

Administrative expenses were up by 6.7 percent, in line with the budget. The aggregate includes a 5.8 percent increase in personnel expenses which incorporates both the impact of Banca 121 and Steinhauslin projects as well as the recruitment of highly specialized professionals. Total staffing rose by a limited 97 units over the three-month period, with most of the new employees assigned to the branches and the customer care center.

Other expenses were 8.2 percent higher, with the bulk of the increment related to projects designed to reinforce the Group structure (networks and product companies). Instead, expenses relative to normal operations increased by only a limited extent.

All of the banks of the Group are currently implementing a specific project designed to optimize spending and to generate savings over the long term on certain costs (which is discussed further in the section on Key Operating Initiatives). Additional effects, in terms of the expansion of economies of scale, are expected to come from the creation of the corporate center (centralization of various functions), from ongoing restructuring programs (with the relative integration of companies) and from the efforts across the entire Group to achieve greater efficiency in operating processes.

Incorporating the elements outlined above, the *gross operating profit* for the first quarter of 2001 came to ITL 1,086 billion, with an increase of ITL 116 billion or 12 percent over the comparable amount for the first quarter of 2001.

At 19.4 percent, the growth of *net profit* was also impressive. With quarterly net earnings at ITL 337 billion, annualized ROE went from 14 percent for the year of 2000 to 16.1 percent *(the figure has been calculated on the basis of reclassified data in order to provide the same basis for comparison, and specifically, with the elimination of the revaluation at the end of 2000 of real property assets and of equity investments in that such revaluation did not have, so far, any repercussion on the Group's profitability).*

With the exclusion of the amortization of goodwill, the *net earnings* climb to ITL 369 billion, with annualized ROE totalling 17.6 percent and in line with the budgeted objective.

oo o oo

Following is a summary of the *quarterly results of the principal companies of the Group* (banks and product companies):

Banks (in ITL bn)	Net Profit as of 31/03/01	Change YoY	% Change YoY
Banca MPS	380	67	21.5
Banca Toscana	49	24	96.1
Banca Agricola Mantovana	67	21	46.3
Banca 121	26	17	174.7
Cassa di Risparmio di Prato	6	-6	-48.6
Monte Paschi Banque	7	0.4	5.1
Product Companies			
Monte Paschi Finance	81	81	n.m.
MPS AM SGR / Ducato Gestioni	27	-6	-18.2
Intermonte Securities	21	-6	-23.3
Mediocredito Toscano	10	3	39.3
INCA	4	0.1	1.5

The most significant earnings gains were reported by *BMPS, Banca Toscana* and *Banca 121*, the last of which realized an 18 percent increase in funding. The quarterly results of *Banca Agricola Mantovana* include the benefit of a roughly ITL 28 billion capital gain realized on the sale of Banca Steinhauslin to the parent company. Instead, the decrease in profits at Cassa di Risparmio di Prato is partly explained by the absence of roughly ITL 7 billion of extraordinary income in the first quarter of 2000; were this amount not be included, the net change is positive for roughly ITL 1 billion.

Leading the performance of the *product companies* is *MPS Finance*, while the funds management companies (*Ducato Gestioni/Gruppo MPS Asset Management*) and *Intermonte Securities* realized declines in profits mainly in response to the trend of the financial markets. The improvement at *Mediocredito Toscano* is also significant and attributable to the development of both specialized lending activity and services marketed to small- and medium-sized firms.

- ***Risk Management***

The activity of measuring and monitoring risks at a Group level continued in the first quarter of 2001. This activity is not only aimed at achieving compliance with market regulations, but more importantly, it is designed to improve the supervision and overall efficiency of the risk-management process.

Controlling the interest-rate risk over the banking books involves monitoring the trend of the rate curves, especially the euro curve because of the high concentration of euro-denominated transactions. At the parent company, the market risks management committee did not need to undertake any action to correct the macro-coverage, given levels of risk which were virtually constant with those reported at the end of 2000 *(net of the weight of the investment securities portfolio, the risk is substantially neutral).*

Instead, the market risks management committee concentrated on analyzing and assessing all of the possible synergies which might be realized at a Group level in terms of the management of overall mismatching and thus, the natural hedging of intergroup positions. As of 31 March 2001, a parallel upward shift of 25 basis points across the curve would have impacted earnings by EUR 52.38 million (*0.87 percent of consolidated BIS capital*) in the case of Group's banking book, which includes all commercial transactions and the investment securities portfolio.

Turning to the issue of market risks on the *trading securities portfolio*, BMPS transferred most of its trading securities to MPS Finance BM, when the latter began operating in February 2001. As of mid-2001, the finance area of the parent company will begin managing the securities portfolios of the commercial banks of the Group under mandates from the same.

During the first quarter of 2001, *the overall trading risk decreased* as a result of a reduction in exposure at BMPS and a situation of virtual stability at the other entities of the Group. At the parent company, the positions in bonds were downsized, partly in response to the ongoing uncertainty with regard to the ECB's posture on interest rates. Several positions were assumed for brief periods on the medium-term segment of the euro curve.

Market risks on the Group's trading portfolio, measured as the sensitivity of the portfolio to a 25-basis-point change in interest rates and on the basis of the historic volatility in the case of stocks, amounted to EUR 23.09 million as of 31 March 2001 *(0.38 percent of consolidated capital computed for regulatory purposes).*

The consolidated uncorrelated *VaR* of the trading portfolio (with the confidence level of 99 percent, a holding period of 10 days) amounted to EUR 98.3 million. In the case of BMPS, the maximum probable loss decreased in comparison with the end of 2000, while in the case of the other banks, the positions were virtually stable.

Accordingly, as of 31 March 2001, between the banking book and trading portfolio, the Group's risk sensitivity could be quantified as EUR 75.47 million (1.25 percent of BIS consolidated capital). *The overall risk is thus lower than the comparable level at the end of 2000*, with the parent company accounting for roughly 60 percent of the total.

The new *risk management* system for tracking market risk at the Group level is virtually complete, and is now in an advanced stage of testing. The Group has also inaugurated a project for measuring credit risk, developed with a totally integrated approach and consistent with the system realized for computing market risks.

- ***Key Operating Initiatives***

During the first months of 2001, much effort went into the realization of the programs defined in the 2001-2004 Business Plan. The initiatives were aimed primarily at the streamlining of the organzation and the fortification of the marketing and sales areas, with the objectives of enhancing the quality of customer services and realizing greater synergies. The push toward product innovation and the development of new distribution channels continued, with particular emphasis on the funds management areas and on new value-added services for both retail and corporate customers.

Key projects in this regard involved:

- The *divisionalisation of commercial banks in the Group*, which is fundamentally aimed at improving the effectiveness of the sales effort, in terms of enhancing the value of client relationships (*cross selling*, *customer retention*), through specializing the branch organizational structure by customer segments;

- *the inauguration of a marketing center of excellence (CRM)* which will serve as the driving force for the Group's marketing efforts in terms of planning and initiatives aimed at boosting the present and potential value of the clientele;

- *the integration of the Group's asset management activity* which will streamline the organization, optimize the cost structure and allow for more effective interaction with the networks of the Group.

In terms of the revision of the commercial structures, the implementation of the "Paschi Valore" project continued with respect to the BMPS sales network, with the objective of introducing the modifications needed for extending the project to the other commercial banks of the Group. The project is aimed at a revision of the distribution structure, by means of the creation of new divisions to service retail and corporate customers, the simultaneous re-alignment of head-office units and the re-deployment of resources to the sales network.

In *asset management*, additional progress was made in the *project for concentrating with Gruppo Monte Paschi Asset Management SGR* all of the portfolio management activity of the various product companies of the Group. Once this has been completed, this company will become a Group center of excellence.

As of the end of January, the Bank of Italy authorized the *incorporation of a funds management company specialized in alternative investment*, to be controlled by the Gruppo Monte Paschi Asset Management SGR. The new company will be active in the management of high value-added funds (hedge funds, private-equity funds, and funds of funds).

The first quarter of 2001 also marked the *start-up of MPS Finance*, which constitutes the center of excellence for the Group's efforts in *investment banking* and in planning and developing innovative financial products and services for retail, corporate and institutional clients. In the first four months of 2001, MPS Finance rolled out a diversified range of products in terms of risk profile and customer segment which were successfully marketed by the banks of the Group.

The *creation of a centralized unit to improve the Group Governance (Corporate Center)* is a fundamental part of streamlining the organization and an initiative aimed at the realization of economies of scale. By unifying productive factors and essential processes over time, the Group will be able to contain operating expenses and investments, boost efficiency, and improve qualitative and quantitative performance. This process should also free up some resources to be used in the commercial activity.

The projects undertaken in this regard have affected *asset management* as well as the following areas:

- the business of special medium-term lending and innovative corporate finance, with a *project to transform Mediocredito Toscano into a merchant bank* for small and medium-sized companies. The bank has taken on the new name of MPS Merchant - Banca per le Piccole and Medie Imprese S.p.A., and will serve as a point of reference for the Group for both traditional and innovative financing, with business to cover mergers and acquisitions, private equity investment, project financing, advisory services for market offerings and consulting in general.

- the agricultural lending unit, with the approval and implementation of a *project which will transform Istituto Nazionale di Credito Agrario ("INCA") into "Banca Verde"* whose business will focus on initiatives in the farming industry as well as those for the environment;

- the e-business with *the incorporation of MPS.net S.p.A.*, the company which will become the center of excellence for the Group's, carring out the function of promoting and coordinating the high-potential initiatives in this area.

In credit management, the Group is continuing with the implementation of a *project for the re-engineering of lending activity*. The objectives of this project include a more efficient relationship between the risk/return ratio and the absorption of capital and *better control over risk*. In addition, with the priority of extending internal controls, the Group is developing a *new, important integrated risk-management system* which will be an effective, timely and valid tool in supporting the operating decisions relative to managing the overall risk position and to optimizing capital (additional comments on this topic are included in the section on Risk Management).

On the *e-banking front*, the planned initiatives embrace two key objectives: *the integration of the multiple-channel distribution network*, by offering high value-added products and services to the clientele through the Internet (with each bank of the Group focusing on specific areas of business) and "*web re-engineering*" of specific processes (thereby reducing both the costs and the timing for responding to the market, while also improving operating efficiency).

The move toward specialized distribution channels is also highly correlated to the business plans of:

- *Banca 121, whose main objective is the transformation from a regional commercial bank to a bank specialized in personal financial services, operating nationwide*, with a portfolio of highly customized products and "one-to-one" advisory services, and with a strong degree of innovation in terms of products and distribution;

- *Banca Steinhauslin, whose main objective is to become the point of reference for the private banking activity of the Group*, leveraging the value of its brand and distinct skills; as part of this development, BMPS took over control of the bank in the first quarter of 2001, purchasing all of the shares that had previously been held by Banca Agricola Mantovana.

The developments in terms of the organizational structure were flanked by the introduction of new products and services, with the principal initiatives outlined below:

- *the new "PaschiInFiore" package account introduced by BMPS*, which embraces a bank current account, insurance policies and other non-financial services, which are all available for single monthly fee. Differentiated according to customer segments, the new package is designed to grow the value of the customer relationship and favour opportunities for cross-selling, in line with Group objectives;

- *the launch of new types of mutual funds, the "Ducato Portfolio"*, whose assets are invested in mutual funds and SICAVs of select managers, mostly abroad (funds of funds). The new fund allows for tapping a good 11 investment approaches, thereby offering investors the possibility for greater diversification, reduced risk, better performance and most importantly, the ability of building a customized portfolio for any client. The program for enhancing the supply of funds will continue throughout the year, with the planned launch of more new funds: Ducato Capitale Protetto (a fund with several sub-funds), Ducato Index Fund (passive management), Ducato Ambiente, Ducato Civita (ethical fund) and Ducato Bilanciato Europa;

- *the enlargement of the portfolio of innovative finance instruments*, which are capable of immediately responding to the needs of an ever-changing market. This effort includes the placement of "innovative saving schemes" products, with the guarantee of an insurance policy, and new financial instruments developed for three different types of risk orientation: "verde" (low propensity to risk); "gialla" (medium propensity); and "red" (high propensity). These changes are flanked by the planned expansion of the line of corporate finance services with customized instruments designed to appeal to precise client segments (large corporations, companies controlled by local authorities, foundations). In the area of Internet-based financial services, the projects include the development of the "mpsfinance" portal (in close coordination with the Group's e-banking initiatives), a multi-channel trading platform and the BMPS covered warrant project.

Other important developments during the first quarter of 2001 are described below:

- Progress in the area of corporate governance and the coordination of the Group activity, with the *approval of the first tier of the Corporate Center* and the start-up of procedures developed for implementing the organizational and operational structure thereof;

- the start of a *project for streamlining* *administrative expenses*, through the revision and optimization of processes for managing expenditures, and the rapid implementation of micro-organizational measures in specific areas of costs, with the project expected to produce immediate savings of a long-term nature;

- the creation of a *permanent structure dedicated to the environment,* that will be the unit charged with planning and organizing the entire Group's involvement in this area; among the first objectives of the new structure are the *publication of an environmental report and an annual report*, to be issued in the second quarter;

- the *expansion of the banking network*, with the addition of 26 branches, including the opening of three innovative outlets (with interactive kiosks and the assistance of financial consultants), as part of the PaschiInsieme Project, and *the enlargement of the financial-consultant networks* (with the recruitment of more than 100 consultants);

- *the upgrade by Moody's Investors Service of the BMPS rating relative to "intrinsic financial strength "*, from C+ to B-.

The implementation of the strategies defined by the 2001-2004 business plan in early 2001 has not only involved the reorganization of the Group, but also changes in strategic alliances through two principal transactions:

➢ *an agreement with Finsoe-Unipol* for a business and marketing initiative embracing insurance, retirement plans and financial services;

➢ *the purchase of 4.75 percent of Banca Nazionale del Lavoro from Banca Popolare di Vicenza.*

The strategic significance of both transactions is highlighted in the report on operating performance relative to the financial statements as of 31 December 2000.

The initiatives realized in early 2001 will allow the Group to continue growing and to improve the product and process quality, thereby favouring the consolidation of its position as a leading Italian financial services group with a European-scale orientation.

* * * * *

❑ *Performance of BMPS Shares*

During the first quarter of 2001, the BMPS shares registered a high of EUR 5.19 on 31 January, for a 31 percent gain over the price quoted upon the initial public placement.

With the correction of the stock market thereafter, the price of the shares hit a low of EUR 3.51 on 22 March, ending the quarter at EUR 4.08.

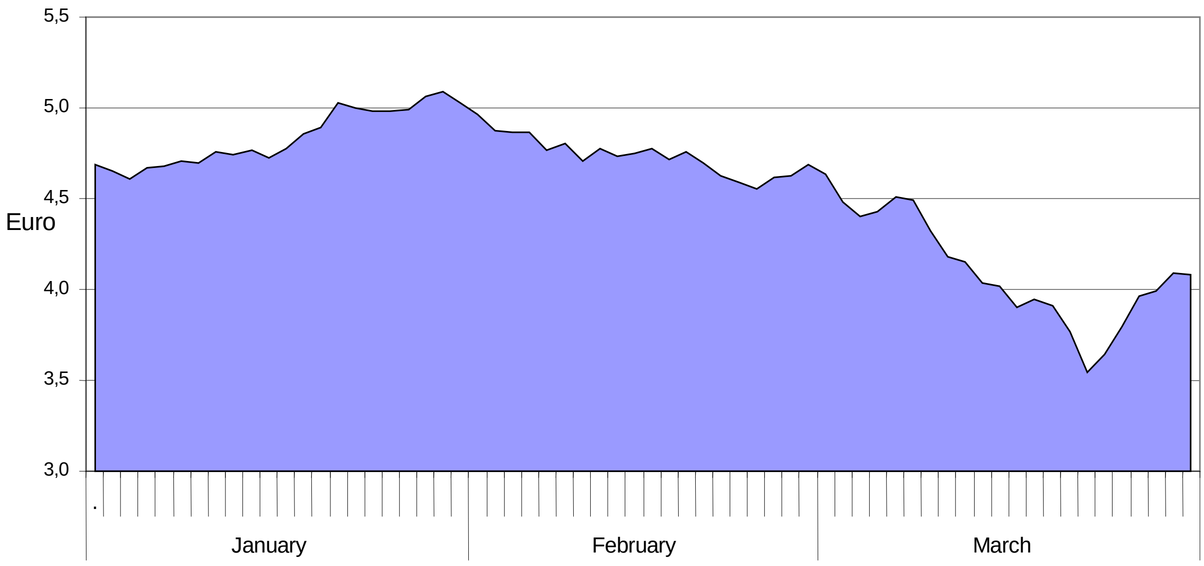
The cumulative loss for the quarter amounted to 14 percent, which was slightly higher than the 11 percent decline of the MIB30 Index.

Instead, on an annual basis (March 2000 - March 2001), the share price was roughly 20 percent higher, whereas the MIB30 Index decreased over the same period by 16.5 percent and the MIB Banking Index gained a modest 2 percent.

In terms of market capitalization, the growth rate was even higher: as of the end of March 2001, the aggregate capitalization of BMPS amounted to more than ITL 18,500 billion, or about 31 percent above the value reported at the end of March 2000.

Price of BMPS Shares - First Quarter of 2001

Daily quotations - Source: Bloomberg



❑ *Outlook*

The Group's operations and correlated plans for the second quarter of the year are oriented first and foremost to ensuring stability with regard the placement of indirect funding products. This means operating with the maximum flexibility in order to capitalize on the opportunities arising from market trends and from the investment preferences of the clientele. This particular orientation is also designed to ensure commission revenues in line with the budgeted objectives.

In moving in this direction, the Group is implementing specific commercial initiatives that are aimed at enhancing the value of the expanding product portfolio. A particular emphasis in this regard has gone to mutual funds, which were already showing signs of recovery in the month of April.

Other priority areas include:

- *the management of interest rates*, to optimize the contribution of the interest margin in light of balance-sheet aggregates (direct funding and loans) which are expanding at rates similar to those realized in the first quarter;

- the containment of *administrative expenses*, through maximizing the benefits of cost synergies from the recent integration of operations and from the integration efforts still under way;

- the activation of any other suitable measures to improve operating profitability, concentrating on the aspects of the individual areas of Group activity which are critical to customer relationships.

Considering the results for the first three months of the year, the trend of business, and the initiatives in the implementation phase as well as those planned, it is anticipated that the Group's profitability for the remainder of 2001 will exceed that reported for 2000, while meeting the objectives set out in the budget.

Siena, 15 May 2001

The Board of Directors