MONTE
DEI PASCHI
DI SIENA
GROUP

Quarterly Report as of 30 September 2001

- pursuant to Consob Regulation no. 11971 of 14 May 1999 -

Siena, 14 November 2001

Contents

MPS GROUP: SUMMARY OF RESULTS

(mln euro)	30/09/01	30/09/2000 pro-forma	Chg. %
Total Customer Funding	**164,057**	**162,092**	**1.2%** **+ 4.9% on average balances**
Indirect Funding Inflows			
Mutual Funds (direct customers-net inflow)	*569*		
Life Policies / Pension Funds	*1,840*		
Innovative Financial Products	*3,826*		
Customer Loans	**65,152**	**61,174**	**6.5%** **+ 14.6% on average balances**
Number of Customers (end of period) (^) (^) includes the customers of banks in which the Group holds Minority interests; net of this figure, the number of customers Is around 4,550,000 (+8,1%)	**4,870,421**	**4,481,508**	**8.7%**
Virtual Banking (number of connections)	**869,594**	**455,532** As of 31/12/00	**90.9%**
Gross Operating Income	**1,474**	**1,401**	**5.2%**
Gross Operating Income excluding Profits (loss) from financial transactions	**1,359**	**1,210**	**12.3%**
Net Income	**399**	**384**	**3.8%**
Net Income adjusted for Goodwill	**449**	**431**	**4.4%**

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

Board of Directors:	Pier Luigi Fabrizi, *Chairman*
	Mauro Faneschi, *Deputy 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*
Executive Committee:	Pier Luigi Fabrizi, *Chairman*
	Mauro Faneschi, *Deputy Chairman*
	Antonio Silvano Andriani, *Director*
	Stefano Bellaveglia, *Director*
	Francesco Saverio Carpinelli, *Director*
	Giuseppe Catturi, *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*
Director General	Vincenzo De Bustis
Substitute Director General	Pier Giorgio Primavera
Deputy Director General	Antonio Vigni
Deputy Director General	Pier Luigi Corsi
Independent Auditors	KPMG S.p.A.

▪ Explanatory Notes

The Quarterly Report of the Monte dei Paschi di Siena Group as of 30 September 2001 has been prepared in accordance with Consob Regulation no. 11971 of 14 May 1999.

The reclassified balance sheet and statement of income as of 30 September 2001 have been prepared using the format and valuation criteria adopted in the preparation of the 2000 Annual Report. These differ to the criteria used to value the trading securities portfolio as of 30 September 2000, specifically listed securities, derivatives contracts and unlisted securities with an economic relationship to derivatives contracts.

In the Annual Report, the data as of 31 December 2001 will be presented with comparative data as of 31 December 2000 which, as in the half-year report, have been determined on the basis of the change in the above-mentioned criteria. The data as of 30 September 2000 have been reclassified to take account of the inclusion of the Banca 121 Group in the consolidation.

With reference to the formation criteria used, the following should be noted:

- The quarterly financial statements have been prepared according to the principle of “independence of periods”, whereby each period is treated as a discrete accounting period. Accordingly, the interim statement of income reflects ordinary and non-recurring income components accrued during the period;

- The financial statements used as the basis for the consolidation are those prepared by subsidiary companies as of 30 September 2001, adjusted where necessary to comply with Group accounting policies;

- Adjustments and provisions effected by the parent company solely in application of tax laws have been reversed;

- With regard to the so-called Ciampi Law (Decree Law 153/99), following the suspension of the relevant subsidies, and in line with the policy previously adopted, a provision was made to the reserve for taxes in order to neutralize the effects of benefits;

- Intergroup assets and liabilities and revenues and expenses have been eliminated only if significant;

- Compared with 31 December 2000, no changes have occurred within the consolidation area, with the exception of the effects arising from the acquisition of 100% of the share capital of Banca C. Steinhauslin e C. by BMPS.

The financial statements as of 30 September 2001 are not subject to review by the Group’s independent auditors.

Banca Monte dei Paschi di Siena has elected the reporting option provided under art. 82, par 2, of Consob Regulation no. 11971 of 14 May 1999, and will publish its Annual Report for 2001 prior to 31 March 2002. Therefore, it will not draw up a separate report for the fourth quarter of 2001.

MPS GROUP: KEY FIGURES

CONSOLIDATED STATEMENT OF INCOME	(mln euro) 30/09/01	(mln euro) 30/09/00	Chg.%
Total income	3.601	3.385	6,4
Gross operating income	1.474	1.401	5,2
Gross operating income excluding Profit (loss) from financial transactions	1.359	1.210	12,3
Net income	399	384	3,8
Net income adjusted for goodwill	449	431	4,4

CONSOLIDATED BALANCE SHEET			
Total customer deposits (°)	**164.057**	**162.092**	**1,2**
Direct deposits - including subordinated securities -	76.412	69.187	10,4
Indirect deposits (°°)	87.645	92.904	-5,7
of which: assets under management	*38.495*	*42.888*	*-10,2*
of which: assets under administration	*49.150*	*50.016*	*-1,7*
Customer loans (°°°)	**65.152**	**61.174**	**6,5**
Shareholders' equity	5.513	4.513	22,2

(°) +4.9% on average balances (°°) + 1,4% on average balances

(°°°) +14.6% on average balances

PROFITABILITY RATIOS (%)		
Banking fees/Total income	37,5	36,0
Non interest income/Total income	53,1	54,3
Cost/Income ratio (including depreciations) (°)	64,8	63,7
Cost/Income ratio (excluding depreciations and Profit (loss) from financial transactions)	61,0	62,1

(°) Excluding goodwill

ASSET QUALITY RATIOS (%)		
Net non-performing loans / Customer loans	1,3	3,0
Net problem loans (*) / Customer loans	3,0	4,5

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

CAPITAL ADEQUACY RATIOS (%)	30/06/01	30/06/00
Credit risk capital ratio	8,87	8,99
Total capital ratio	8,01	8,37

BMPS SHARES	30/09/01	30/09/00
Number of common shares	2.587.084.618	2.292.506.067
Number of savings shares	9.432.170	8.574.700
Common share's prices during the 9 months:	*euro*	*euro*
- average	3,72	3,95
- low	2,41	3,20
- high	4,72	5,36
Earnings per share	0,15	0,17
Book value per share	2,12	1,96

OPERATING STRUCTURE	30/09/01	31/12/00	Abs chg vs 31/12/00
Number of employees	28.410	27.823	587
Domestic branches (*)	1.801	1.754	47
Foreign branches and representative offices	43	41	2
Virtual banking connections	869.594	455.532	414.062

(*) including branches of Inca and Mediocredito Toscano (26 as of 30.09.01; 21 as of 30.09.00)

MPS Group

Reclassified Consolidated Balance Sheet *mln euro*

Assets	**30/09/01**	**30/09/00**	**Changes**	
		pro-forma	**abs.**	**%**
Cash on hand and deposits with central bank and post office	390	336	54	16,0
Loans and advances:				
a) to customers	65.152	61.174	3.978	6,5
b) to banks	13.930	14.447	-517	-3,6
Dealing securities	10.973	8.992	1.981	22,0
Fixed assets				
a) investment securities	5.094	5.456	-362	-6,6
b) holdings	2.693	1.460	1.234	84,5
c) tangible and intangible	2.566	1.931	635	32,9
Godwill and differences from equity method	878	837	41	4,9
Own shares	54	19	35	179,3
Other assets	9.853	9.397	457	4,9
Total Assets	**111.583**	**104.049**	**7.535**	**7,2**

Liabilities	**30/09/01**	**30/09/00**	**Changes**	
			abs.	**%**
Deposits				
a) due to customers and securities issued	73.773	67.647	6.126	9,1
b) due to banks	16.663	19.220	-2.557	-13,3
Specific reserves for:				
a) pensions and similar obligations	473	479	-7	-1,4
b) termination indemnities	419	396	23	5,8
c) risks and charges	556	568	-11	-2,0
d) taxation	672	629	43	6,8
Other liabilities	9.599	7.983	1.616	20,2
Reserve for loan losses	312	272	40	14,8
Subordinated liabilities	2.639	1.540	1.099	71,4
Minority interests	965	802	162	20,3
Shareholder's equity:				
a) share capital	1.350	1.292	58	4,5
b) share premium	523	526	-3	-0,5
c) reserve for general banking risks	451	463	-12	-2,6
d) negative consolidation differences	55	27	28	105,8
e) reserves	2.736	1.822	914	50,1
f) net income for the period	399	384	15	3,8
Total liabilities	**111.583**	**104.049**	**7.535**	**7,2**

MPS Group

Reclassified consolidated income statement

mln euro

	30/09/01	30/09/00 pro-forma	Changes abs.	Changes %
Net Interest Income	**1.687**	**1.549**	**139**	**9,0**
Profit (loss) from financial transactions	114	191	-76	-40,0
Net commissions and other operating income	1.684	1.550	134	8,7
Dividends and tax credit on dividends	115	96	19	19,6
Non Interest Income	**1.914**	**1.837**	**77**	**4,2**
Total Income	**3.601**	**3.385**	**216**	**6,4**
Total income excluding Profit (loss) from financial transactions	***3.487***	***3.195***	***292***	***9,1***
Operating costs (*)				
- personnel expenses	-1.317	-1.240	-77	6,2
- other administrative expenses	-811	-745	-66	8,8
Total operating costs (*)	**-2.127**	**-1.985**	**-143**	**7,2**
Gross Operating Income	**1.474**	**1.401**	**73**	**5,2**
Gross Operating Income excluding Profit (loss) from financial transactions	***1.359***	***1.210***	***149***	***12,3***
Adjustments to the value of tangible and intangible fixed assets	-256	-219	-37	16,9
Provisions for risks and charges	-49	-130	81	-62,0
Net write downs of loans	-206	-149	-57	38,2
Provisions for credit risks	-27	-5	-22	ns.
Net adjustments to the value of financial fixed assets	-9	6	-15	ns.
Profit (loss) on investments valued with the net equity method	-24	18	-43	ns.
Net extraordinary income	5	-38	43	ns.
Change in reserve for general banking risks	0	-5	5	ns.
Income taxes	-428	-419	-9	2,2
Total Net Income	**478**	**459**	**19**	**4,1**
Minorities	-79	-75	-4	5,2
Net income	**399**	**384**	**15**	**3,8**

* Changes yoy on average balances:

Total operating costs	**5.5%**
Personnel expenses	4.7%
Other administrative expenses	6.7%

Group Structure

		Company	REGISTERED OFFICE	Investment held by	% held	Book Vallue (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.	Bruxelles	A.0 A.4	64,473 35,527	xxx
A.3		BANCA MONTE PASCHI SUISSE S.A.	Ginevra	A.0	99,997	xxx
A.4		BANCA TOSCANA S.P.A.	Firenze	A.0 A.19	57,278 4,979	xxx
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 A.5 A.19.2	37,500 25,000 37,500	xxx
A.7		DUCATO GESTIONI S.P.A.	Milano	A.0	100,000	xxx
A.8		G.E.R.I.T. S.P.A.	L'Aquila	A.0 A.19	95,572 4,407	xxx
A.9		I.N.C.A. S.P.A.	Firenze	A.0 A.4 A.5	63,500 29,230 3,770	xxx
A.10		M.P.S. COMMERCIAL PAPER	Delaware	A.0	100,000	xxx
A.11		MPS MERCHANT S.P.A.	Firenze	A.0 A.4	80,458 11,676	xxx
A.12		MONTE PASCHI BANQUE S.A.	Parigi	A.0 A.4	70,175 29,825	xxx
	12.1	MONTE PASCHI CONSEIL FRANCE	Parigi	A.12 A.12.3 A.12.4	99,760 0,040 0,040	
	12.2	MONTE PASCHI INVEST FRANCE S.A.	Parigi	A.12 A.12.1 A.12.3	99,960 0,007 0,007	
	12.3	M.P. ASSURANCE S.A.	Parigi	A.12 A.12.1 A.12.4	99,400 0,100 0,100	
	12.4	S.N.C. IMMOBILIARE POINCARE	Parigi	A.12 A.12.1	99,900 0,100	
	12.5	IMMOBILIARE VICTOR HUGO	Parigi	A.12 A.12.1	99,000 1,000	
A.13		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	A.0 A.4	86,000 14,000	xxx
A.14		MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	A.0 A.4	90,000 10,000	xxx
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.	Firenze	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 CORPORATE SERVICES	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	Mantova	A.0	52,310	xxx
	19.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantova	A.0		
	19.2	FINANZIARIA BANCA AGRICOLA MANTOVANA S.p.A.	Mantova	A.19	100,000	
	19.3	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantova	A.19	100,000	
	19.4	PADANA RISCOSSIONI S.p.A.	Mantova	A.19	54,540	
	19.5	PADANA IMMOBILIARE S.p.A.	Mantova	A.19.2	100,000	
	19.6	MANTOVANA IRELAND LTD.	Dublino	A.19	100,000	
	19.7	MANTOVANA MANAGEMENT LTD.	Dublino	A.19.7	100,000	
	19.8	G.I. GEST SRG S.p.A.	Milano	A.19	100,000	
	19.9	G.I. PROFIDI SIM S.p.A.	Roma	A.19	100,000	
A.20		CONSORZIO OPERATIVO GRUPPO MPS	Siena	A.0	69,900	xxx
				A.4	29,740	xxx
				A.5	0,080	
				A.31	0,080	
				A.9	0,040	
				A.19	0,040	
				A.11	0,040	
				A.23	0,040	
				A.14	0,040	
A.21		GRUPPO MP ASSET MANAGEMENT S.p.A.	Milano	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.	Milano	A.14	35,000	xxx
				A.19	35,000	
	22.1	WEB SIM S.p.A.	Milano	A.22	84,000	
A.23		BANCA C. STEINHAUSLIN & C. S.p.A.	Firenze	A.0	100,000	
A.24		GRUPPO BANCA 121	Lecce	A.0	93,980	xxx
	24.1	BANCA 121 S.p.A.	Lecce	A.0		
	24.2	BA.SA. SERVIZI S.p.A.	Lecce	A.24	99,979	
	24.3	G.IMM. ASTOR S.p.A.	Lecce	A.24	52,000	
	24.4	POOL FACTOR S.p.A.	Bari	A.24	80,000	
	24.5	SPAZIO FINANZA SGR S.p.A.	Milano	A.24	100,000	
	24.6	EUROCONSULTING S.r.l.	Lecce	A.24	70,000	
	24.7	121 FINANCIAL SERVICE Ltd	Dublino	A.24	100,000	
	24.8	4SALE ITALIA S.p.A.	Siena	A.24		
	24.9	I AM.IT S.p.A.	Siena	A.24		
A.25		ITALRISCOSSIONI S.p.A.	Roma	A.0	100,000	xxx
A.26		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	A.0	40,000	xxx
				A.1	60,000	
A.27		MPS PREFERRED CAPITAL S.P.A.	Delaware	A.0	100,000	xxx
A.28		MONTEPASCHI LUXEMBURG S.A.	Luxemburg	A.0	99,200	xxx

				A.12	0,800	
		A.2 Companies included in the consolidation (consolidated with the proportional method)				
A.29		BANCA POPOLARE DI SPOLETO S.P.A. *(valori di bilancio al 20% del valore nominale)*	Spoleto	A.0	20,000	xxx
A.30		BANCA MONTE PARMA S.p.A. *(valori di bilancio al 41% del valore nominale)*	Parma	A.0	41,000	xxx
	30.1	S.E.I.T S.p.A. *(valori di bilancio al 39,77% del valore nominale)*	Parma	A.30	40,205	xxx
A.31		CASSA DI RISPARMIO SAN MINIATO S.p.A. *(valori di bilancio al 25% del valore nominale)*	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.	Roma	A.0	100,000	278.501
B.2		TICINO - COMP.ITAL. ASS.NI S.P.A.	Roma	A.0	100,000	56.314
B.3		TICINO VITA S.P.A.	Roma	A.4 B.1	40,000 60,000	95.414
B.4		GROW LIFE LTD.	Irlanda	A.0 B.1	40,000 60,000	21.396
B.5		E-IDEA S.p.A.	Roma	A.0 A.4	70,000 30,000	2.978
B.6		MPS.NET S.p.A	Siena	A.0 A.11	99,000 1,000	20.806
B.7		DIPRAS S.P.A.	Roma	A.0	100,000	2.220
B.8		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantova	A.19.2	100,000	8.036
B.9		SAN PAOLO ACQUE S.r.l.	Lecce	A.24	100,000	500
B.10		SODIM (in liquidazione)	Lecce	A.24	100,000	-
		Totale				486.165

		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	1.636
C.2		FIDI TOSCANA S.p.A.	Firenze	A.0 A.4 A.11 A.9 A.5	13,390 10,359 4,127 0,990 0,918	25.987
C.3		I.B.A. VIENNA	Vienna	A.0	35,007	7.789
C.4		S.ES.IT PUGLIA S.p.A.	Bari	A.0	35,000	1.787
C.5		SO.RI.T. S.p.A.	Foligno	A.0 A.29	46,664 19,000	1.754
C.6		LINEAR COMPAGNIA ASS. S.p.A.	Bologna	A.19	20,000	4.476
C.7		QUADRIFOGLIO DISTRIBUZIONE S.r.l.	Mantova	A.19	100,000	31
C.8		QUADRIFOGLIO VITA S.p.A.	Bologna	A.19	50,000	27.683
C.9		UNION CAPITAL SIM S.p.A. (in liquidazione)	Milano	A.19	36,350	216
		Totale				71.359

INFORMATION ON GROUP PERFORMANCE

❑ *Basic trends*

The third quarter of 2001 witnessed a renewed downward in stock prices, a trend aggravated by the international events of 11 September. At System level, this created difficulties that had a negative impact on performance and "indirect funding" as well as on share values. Conditions subsequently improved thanks to the recovery of the stock market indices, partly in response to the action taken by the central banks and the US Government to support the economy.

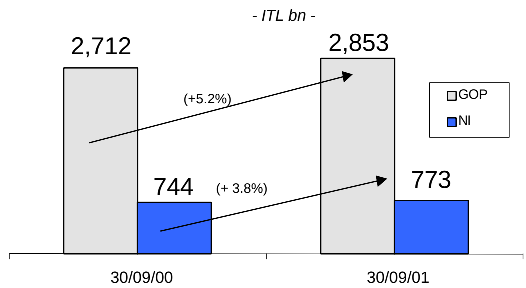
Despite the difficult market situation, which made a series of incisive new management measures necessary *(product placement plans, rates management, optimization of service revenues, cost containment)*, the MPS Group reported positive results as of 30 September 2001. It improved performance compared to the corresponding year-earlier period and achieved significant growth in its core businesses. Key developments were as follows:

- *high net product placement flows* – flows intensified in the bancassurance area and remained strong for innovative pension products;
- *expansion of direct funding,* driven by short-term instruments and bonds;
- *sustained growth in interest income* from customers due to the combined effect of higher average lending and deposit volumes and a broader short-term spread;
- *growth of "customer commissions",* linked to significant revenue from stable sources of income (fees from basic services, payments systems, etc.) and to new financial products, which more than offset the reduction in fees from funds under management and brokerage services;
- *a customer loan portfolio dynamic* based mainly on medium/long-maturities (residential mortgages and loans to SMEs) and a further improvement in credit quality;
- *significant growth in the customer base* and improvements in cross-selling and customer retention;
- *expansion of operations through online and virtual channels (Internet and Mobile Banking, Telephone Banking, TV Banking), as part of the development of the Group's integrated multi-channel delivery network.* Group customer connections amounted to more than 869,000 by the end of the period.

Income growth is reflected in the improvement in the *consolidated gross operating profit*, which reached ITL 2,853 billion (+5.2% compared to the first nine months of 2000; +12.3% excluding profits and losses on financial transactions) and in the improvement in *net profit*, which rose 3.8% to ITL 773 billion.

The decrease in net profitability for the period 1/7-30/9 compared to the average values for the previous quarters was almost entirely due to the impact of the exceptional fall in stock prices, particularly after 11 September, on the valuation (monthly average) of the Group's portfolios. Net of this factor, the profitability of the Group's traditional banking operations was substantially in line with the first-half trend, a result that confirms the effectiveness of the measures taken by management and the focus on customer relations.

Trend of Gross Operating Profit and Net Profit



Results also reflected the positive impact of:

- ✓ *the growing dimensions of the Group over the last few financial years,* through the acquisition of *Banca Agricola Mantovana, Banca 121 and other equity investments in well-established local banks*, and through the expansion of the sales network *(traditional and online channels);*

- ✓ *the enhancement of the offer with the introduction of innovative and personalized products and services,* with greater integration between the Group's delivery networks and its centers of excellence;

- ✓ the benefits – greater economies of scale and scope – obtained from the simplification of the organizational structure (formation – expansion of centralized marketing, information, procurement and property services functions).

- ❑ ***Analysis of earnings and financial position***

At operating level, the difficult conditions on the market led to deployment of a flexible commercial policy designed to adapt the value proposition of the centers of excellence to changing customer requirements. The delivery networks took rapid action to adjust the composition of flows, in part through new marketing plans in addition to those originally planned. As a result, Group product placement volumes were high, amounting to approximately ITL 12,000 billion in the first nine months, as follows:

- ✓ ITL 1,101 billion of net flows for *mutual funds/open-end investment funds,* rising to ITL 1,593 billion at 31/10, compared with outflows of more than ITL 7,000 for the industry;

- ✓ ITL 3,562 billion in new *life assurance policies/pension funds* (approximately ITL 4,400 billion at the end of October) with particularly fast growth in the third quarter;

- ✓ ITL 7,408 billion in innovative financial products and savings schemes (more than ITL 8,000 billion at the end of October).

Placement volumes of Group products (net flows in ITL bn)	Year to date at 30/09/01	Year to date at 31/10/01
Mutual/OEI funds (°)	**1,101**	**1,593**
Life policies + pension funds (*)	**3,562**	**4,408**
ordinary	*1,985*	*2,707*
index-linked	*709*	*798*
unit-linked	*814*	*843*
Innovative financial products	**7,408**	**8,065**

(°) Ducato Gestioni, Gigest, Spazio Finanza, Monte Sicav, Arlecchino Invest. Sicav.
(*) MPVita, Ticino Vita, Growlife, Quadrifoglio Vita.
(**) MPS Finance, 121 Financial Services

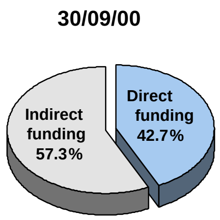
Including the particularly strong performance in October, aggregate placement volumes totaled ITL 14,000 billion, a most satisfactory result in view of the difficult conditions of the market, illustrated above.

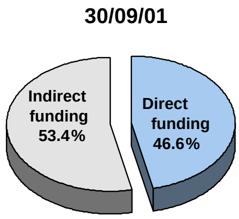
With regard to stocks, *total customer funding,* which continues to be a key strategic aggregate for the Group (structural growth and a stable source of income) amounted to ITL 317,659 billion, equivalent to an annualized increase of 1.2% (+4.9% in terms of average balances). The aggregate trend reflected:

- ✓ significant growth in *direct funding* (ITL 147,954 billion, +10.4% from 30/9/00);

- ✓ substantial stability in *indirect funding* (1.4% in average balances), with the decrease in *funds under management* (to ITL 74,538 billion.) generated entirely by the downturn in share prices which, as noted above, had a negative impact on assets under management and custodies (an estimated performance downturn of approximately 9% since the beginning of the year), despite positive net flows.

Breakdown of total customer funding in %

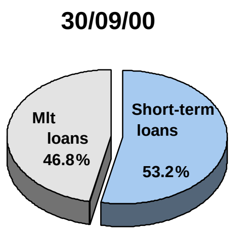


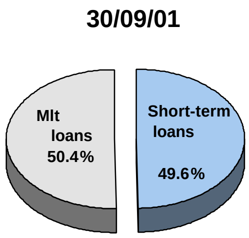


Placement volumes of Group products (ITL bn)	Year to date at 30/09/01	Year to date at 31/10/01
MPS Merchant		
loan applications	*6,238*	*7,107*
lending volumes	*1,585*	*1,769*
MPS Banca Verde		
loan applications	*1,131*	*1,277*
lending volumes	*583*	*654*
Consum.it		
lending volumes	*652*	*753*

The growth in *customer loans* continued to reflect business trends on the market, with MPS establishing itself as a "bank of choice" for SMEs and enhancing its positioning as a provider of specialized high-quality products. This is in accordance with the business plan focus on careful selection of credit risk (taking account of specific sectorial and territorial factors) and in line with improvement targets in loan quality and risk-yield ratios.

Breakdown of customer loans in %





At 30 September, outstanding loans totaled ITL 126,152 billion, an increase of 6.5% year on year (+14.6% in terms of average balances), with the bulk of growth coming from the more stable components (medium/long-term loans +23.4%).

In the specialized lending area (*industrial credit, agricultural loans, loans for environmental protection, consumer credit),* new production volumes experienced strong growth (35% on average) to reach high levels:

With regard to quality, *net non-performing loans* decreased significantly (largely as a result of securitization transactions) and continued to account for less than1.5% of total loans.

With regard to profitability, *interest income* was ITL 3,267 billion (an increase of ITL 269 billion, or 9%), benefiting from the expansion of customer operations as a result of higher volumes (increases in customer loans and deposits) and from the spread effect on short-term maturities (mark-ups and mark-downs):

Net fees from services rose to ITL 3,261 billion (+8.7%), or *ITL 3,400 billion* including contributions from insurance companies consolidated with the equity method. *Customer commissions* grew by 10.7%, an improvement that reflected:

- ✓ *a strong trend in core business fees (fees from basic services, payment systems, etc.)*, which totaled ITL 1,031 billion (+14.6% from the corresponding year-earlier period), partly as a result of the expansion of the operating base and ongoing improvement in cross-selling and customer retention*;*

- ✓ a marked increase (+28.8%) in *indirect funding commissions* which, driven by the placement of innovative financial products, reached ITL 881 billion, offsetting the decrease in fees from *brokerage and funds* under *management.* Brokerage and funds under management fees were nevertheless significant at ITL 701 billion (-9,7%), with steady performance in the most stable component, *continuing* commissions.

Profits and losses from financial transactions generated a profit of ITL 221 billion, lower than the result at the corresponding year-earlier date. This was largely due to the effect of the exceptional fall in share prices after 11 September on the Group's portfolios, offset by a recovery on the stock markets only in the weeks after closure of the quarter.

Group *non-interest income* including *dividends* (which increased by ITL 37 billion or 19.6%) amounted to ITL 3,705 billion, an improvement of ITL 148 billion (+4.2%) on the figure at 30/9/00. Net of less stable sources of income (profits and losses from financial transactions), growth in non-interest income was 9.3%.

Total income thus amounted to ITL 6,973 billion, an increase of ITL 417 billion or 6.4% (+9.1% excluding profits from financial transactions).

Administrative expenses were 7.2% higher than those for first nine months of 2000 (a slower increase compared to the first-half trend). Timing differences in the accounting of certain costs between the two periods were a significant factor in the change. In fact, a comparison with the average for the first nine months of 2000 reflects a more moderate increase (+5.5%), which comprised:

✓ *personnel expenses* (+4.7%) absorbed the impact of measures taken to strengthen the organization structure of the new businesses (Banca 121 and Steinhauslin), in part through recruitment of highly specialized professionals and a redistribution of staff on the delivery network (new branches and the Customer Care Center);

✓ *other expenses* (+6.7%) reflected the impact of projects to strengthen organization and marketing (product networks and companies), together with significant reductions in current operating expenses (thanks in part to the first results of the "Administrative Expenses" program being introduced in all Group banks).

Further benefits are expected in cost control from the recently formed Corporate Center, from the related processes to re-engineer and centralize operations being implemented in all the main Group banks and from other action taken to achieve structural improvements in efficiency levels.

Incorporating the elements outlined above, *gross operating profit* for the first nine months of 2001 amounted to ITL 2,853 billion, an increase of ITL 141 billion or +5.2% (+12.3% net of profits and losses from financial transactions).

The *net profit for the period* rose to ITL 773 billion (+3.8%); excluding amortization of goodwill it amounted to ITL 870 billion (+4.4%).

Annualized ROE (*eliminating the revaluation at the end of 2000 of real estate assets and equity investments, which clearly had no impact on Group profitability)* was 14.3% (14% at the end of 2000).

°° ° °°

A summary of the *results of the main Group companies* (banks and product companies) is provided below:

Banks (ITL bn.)	Net profit 30/09/01	Change YoY	% change YoY
Monte Paschi Siena	744	83	*12.5*
Banca Toscana	140	25	*21.1*
Banca Agricola Mantovana	145	24	*19.4*
Banca 121	33	-24	*-42.2*
Cariprato	18	-3	*-13.7*
Banca Steinhauslin	6,6	*n.s.*	*n.s.*
Monte Paschi Banque	17	2	*9.9*

Product companies (ITL bn)	Net profit 30/09/01	Change YoY	% change YoY
MPS Finance	138	138	
MPS AM SGR/Ducato Gestioni	82	-7	*-7.9*
Intermonte Securities	53	-40	*-43.0*
MPS Merchant	28	3	*10.0*
MPS Banca Verde	11	1	*12.6*

Significant earnings gains were reported by *BMPS, Banca Toscana (which recorded significant improvements in income) and Banca Agricola Mantovana*, which also had a capital gain (approximately ITL 23 billion) from the sale of Banca Steinhauslin to the parent company. Cariprato had net non-recurring income of approximately ITL 7 billion in 2000; excluding this amount, net profit would show an annualized increase of 31.5%.

The comparison with the prior-year period is not significant at operating level for *Banca121* since “Corporate” activities were transferred to Banca MPS after 30/09/00. *Banca 121* reported a satisfactory result (in a particularly unfavorable climate for banks with a high innovation content), which absorbed the rise in outlays to strengthen the organizational structure (sales network and technology).

Among *product companies*, *MPS Finance* made a large contribution, while the funds management companies (*Ducato Gestioni/Gruppo MPS Asset Management*) reported slightly lower profits; a sharper decline was reported by *Intermonte Securities*, which was affected by trends on the financial markets (lower volumes in share trading and corporate finance). Significant improvements were also achieved by *MPS Merchant* and *MPS Banca Verde,* attributable to growth in specialized lending activities and services for corporate customers.

- ***Risk management***

During the third quarter of 2001, control of the interest-rate risk on the Group and Banca MPS banking books focused on monitoring trends in the rate curves, especially the euro curve, given the high level of euro-denominated transactions.

The risks committee did not need to undertake any action to correct macro-coverage, and extended its analysis and assessment of all the possible synergies that could be realized at Group level to improve management of overall mismatching and natural hedging of intergroup positions.

As of 30 September 2001, a parallel upward shift of 25 basis points across all curves would have impacted earnings by EUR 37.03 million (0.59% of BIS consolidated capital) with regard to the Group banking book, which includes all commercial transactions and the investment securities portfolio. The figure was sharply down from the figure as of 31 March 2001 and in line with the result at the end of June 2001.

The main benefit was the reduction in the overall risk on the parent company portfolio, whose sensitivity practically halved compared to the figure at the end of 2000. Considering mismatching on commercial transactions only, i.e., excluding the investment securities portfolio, the neutral situation of the first half of the year became a negative gap on some positions (especially over the medium/long-term), in part as a result of the securitization transactions effected by the Group during the year, creating the conditions for earnings to benefit from a rise in rates on such maturities.

With regard to market risks on the trading securities portfolio, the start-up of the Corporate Center triggered a consolidation and re-organization of the Finance Area, to centralize management of market risks currently handled by the directly controlled commercial banks.

The overall securities trading risk was stable in the third quarter compared to the position at the end of the second quarter: market risks on the trading securities portfolio, measured as the sensitivity of the portfolio to a 25-basis-point change in interest rates and to historic volatility in the case of stocks, amounted to EUR 32.07 million as of 30 September 2001 at Group level (0.51% of consolidated BIS capital).

The Group uncorrelated VaR of the trading portfolio, determined using the *historical simulation method*, *a 99% confidence level and a 10-day holding period*, amounted to EUR 57.3 million (a notable decrease from EUR 78.6 million at the end of June).

At 30 September 2001, therefore, considering both the banking book and the trading portfolio, overall Group sensitivity to a 25-basis-point change was EUR 69.10 million (1.10% of BIS consolidated capital). The overall risk was therefore lower than in the first quarter and substantially in line with the situation at the end of June. The parent company continued to account for a predominant portion, of approximately 55%.

With regard to credit risk, work continued on the portfolio model during the third quarter, with the first releases issued according to schedule. Special attention was paid to capital absorption simulations, based on the indications emerging from Basel-2.

- ***Key operating initiatives***

    ? *Implementation of the 2001/2004 Business Plan*

During the third quarter, work continued as planned on the Business Plan, with a particular focus on:

✓ *the new organization of the parent company* (Corporate Center and Commercial Banking Division), to centralize operations and integrate services;

✓ *the implementation of the new business model*, with the creation of a customer-based divisional structure for the commercial banks and the formation of a customer relationship management unit, which is developing a state-of-the-art customer insight system;

✓ *the integration of the Group's assets management companies,* in order to streamline the area as a whole, with the merger of Ducato Gestioni, Gi.Gest and Spazio Finanza into Monte Paschi Asset Management SGR (the merger took place on 7 November);

✓ *the development of the investment bank for SMEs,* through the transformation of Mediocredito Toscano (now "MPS Merchant - Banca per le Piccole e Medie Imprese") into a center of excellence embracing the Group's innovative finance and specialized medium/long-term lending offers;

✓ *the transformation of INCA* into a specialized "green bank" to support agricultural and environmental projects (MPS – BancaVerde), with an innovative integrated offer of financial and advisory services;

✓ *the operating start-up of MPS.net* which provides integrated technology and finance services for corporate and retail customers and public authorities accessing digital markets.

Other projects included the on-going integration of *Banca 121* into the Group and further action to strengthen *Banca Steinhauslin* to serve as the Group's private banking unit.

Specifically, the sale of Banca Steinhauslin's corporate and retail divisions to Cariprato and BMPS was completed during the third quarter. The operation confirmed Cariprato's position as the Group's bank of reference in the Prato area.

Other activities relating to the Business Plan included the re-organization of leasing and factoring operations into a single specialized unit, the formation of a **workout unit** (to manage recovery of Group non-performing loans) and the unification of financial portfolio management and treasury operations.

At the same time, in view of the negative impact of current economic trends on a number of sources of revenue and growth projections, measures to achieve structural improvements in Group operating efficiency were introduced earlier than planned. Projects are underway to boost network efficiency, speed up and strengthen the centralization of operations and reduce operating and IT expenses, all with the aim of raising Group productivity.

? *New initiatives concerning commercial policies and credit risk management*

With regard to *commercial policies,* in response to the important changes in the financial markets and customer requirements as a result of 11 September, the product mix was reviewed to strengthen the focus on “security”: this will be achieved partly through a targeted enhancement of the offer, to provide the networks with all the tools they need to operate in an increasingly difficult and complex market.

The launch is imminent of a series of highly competitive new products (the Linea Forte range) with *anti-cyclical* characteristics (guaranteed capital and minimum yield on maturity) and a *wealth management* approach (joint co-ordinated engineering among product units; undifferentiated package).

As part of the division-based structuring of the retail offer, while the “Linea Forte” range is intended specifically for affluent customers, the new *“Bussola Reddito”* policy meets the requirements of basic customers as an anti-cyclical tool with guaranteed capital, intended mainly for customers investing in custodies. At the end of October, two months after the launch of the policy, Group premiums were close to ITL 500 billion.

In the *credit field,* a series of management and organizational measures were taken to strengthen monitoring, with a special focus on the business areas most directly affected by international events and the economic slowdown.

Changes were also made to the positioning of a number of fiduciary operations (classified under the highest-risk category) and independent local operations. Improved tools were provided for credit units and branch front offices for risk analysis of specific types of products.

°° °°

Key events in the third quarter also included:

- ✓ *the sale by investee company Bell S.p.A. of its equity investment in Olivetti S.p.A. to the Pirelli and Benetton groups.* On completion of the operation (after closure of the third quarter) Banca Monte dei Paschi di Siena recorded a pre-tax gain in respect of book value of around ITL 250 billion (not reflected in income as of 30/9/01) ;

- ✓ *the strengthening of ties with the Pirelli Group,* with the approval of an ITL 1,000 billion 6-year non-recourse loan to Olimpia S.p.A. and subscription of a 5-year bond convertible into TIM S.p.A. common shares to be issued by Olimpia S.p.A. for an amount of ITL 500 billion. A portion of ITL 154 billion of the Olimpia 2001/2007 bond redeemable with Olivetti common shares was also subscribed;

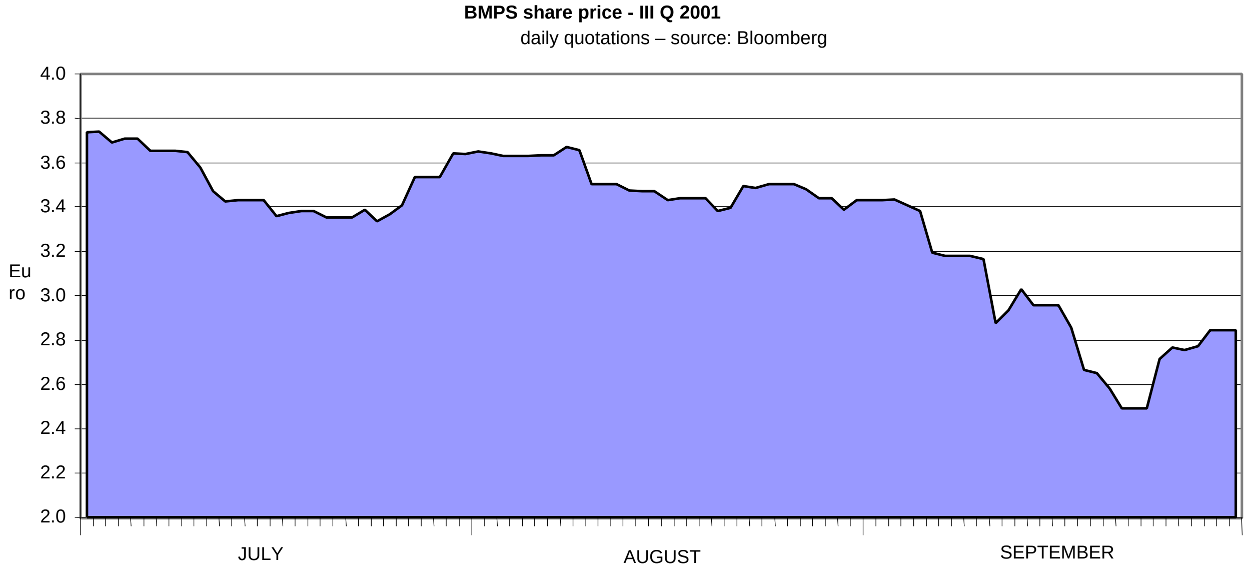
- ✓ the *sale by SAI – Società Assicuratrice Industriale SpA – to Banca Monte dei Paschi di Siena S.p.A. of 49% of MontePaschi Vita S.p.A., 40% of Ticino Assicurazioni S.p.A. and 50% of Dipras S.p.A.* The consideration paid totaled ITL 440 billion and the equity investments were transferred by SAI with dividend entitlement as from 1 January 2001. The parties also terminated their bancassurance partnership agreements signed in 1992;

- ✓ *the increase from 1.7% to 5% of the MPS equity investment in Hopa SpA* (total outlay of ITL 261 billion). The operation strengthens MPS’ strategy to consolidate relations with the corporate world by affording it entry to a sizeable business network in order to achieve significant synergies in the business areas concerned.

Performance of BMPS shares

During the third quarter of 2001, the BMPS share price reflected the weakness of the stock markets. Performance (-24%) was nonetheless slightly better than that of the Mib Banking Index (-26.6 %).

During the third quarter, the BMPS share price registered a high of EUR 3.75 on 2 July and a low of EUR 2.41 on 21 September (a smaller decline compared to the industry average). The share price subsequently re-gained to EUR 2.78 (+15.4 % from the low):



Statistical share price summary (1 July - 30 September 2001)

	Values in Euro
Average	3.30
Minimum	2.41
Maximum	3.75

Market capitalization of the BMPS share price at 30 September 2001 was EUR 7,360 million, equivalent to 1.4% of total market capitalization:

Summary of reference prices and capitalization

	30.9.2001
Price (Euro)	3.75
No. common shares	2,587,084,618
No. savings shares	9,432,170
Capitalization (Euro bn.)	7.4

The MPS Foundation, the Bank's majority shareholder, held 66.03% of equity:

Major shareholders pursuant to art. 120 Decree Law no. 58/98 (stakes at 8/11/2001)

MPS Foundation	66.03%
La Fondiaria Assicurazioni S.p.A.	2.008
Finsoe S.p.A.	2.006

❑ *Outlook*

In view of the profound changes on the markets, the Group's operations in the fourth quarter are focused, first, on ensuring effective implementation of the *new initiatives regarding commercial and credit risk management policies,* as described above.

In this context, product placement plans will be particularly important to help the Group maintain high levels of new direct funding and indirect funding (with a special focus on bancassurance and pension products). Operations will be conducted with the maximum flexibility in order to take immediate advantage of opportunities created by market trends and customers' new investment needs.

At the same time, action has been taken to:

- ✓ *optimize money management*, paying special attention, as rates gradually come down, to the containment of funding costs and the maintenance of primary and secondary interest income conditions, in order to improve the risk/return ratio on individual positions;
- ✓ *raise the contribution of other "structural" sources of income in services* for private investors and businesses, by enhancing content and quality levels;
- ✓ *contain operating expenses,* in part through greater process efficiency and implementation of the measures specified in the *"Administrative Expenses"* project, so that all the potential savings that have already been identified can be quickly achieved;
- ✓ *qualify customer relations* in the individual business areas, improving the overall *cost-effectiveness.*

Results as of 30/9/2001, current performance and the action being taken and planned indicate that earnings levels for the full year will be higher than those of 2000, *assuming that market conditions do not deteriorate further*.

Siena, 14 November 2001

The Board of Directors