GRUPPO MPS

Financial Statements as of 30 September 2002

- prepared pursuant to CONSOB Regulation n. 11971 of 14 May 1999 -

Siena, Italy, 13 November 2002

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MPS GROUP: SUMMARY FINANCIAL DATA

(in EUR mn)

	30/09/02	30/09/01	% Change
Total banking income	3,545	3,577	-0.9
Total banking income excluding profits (losses) from financial transactions	3,538	3,463	2.2
Gross operating profit	1,326	1,450	-8.5
Gross operating profit excluding profits (losses) from financial transactions	1,319	1,335	-1.2
Net profit	328	389	-15.8

	31/09/02		
Annualized ROE	9.0%		
Adjusted annualized ROE	11.1%		

	31/09/02	31/09/01	% Change
Aggregate customer funding	173,669	164,057	5.9
Customer loans	68,881	65,152	5.7

	31/09/02	31/09/01	Change
Total number of customers (actual number at period end)	4,585,000	4,360,000	225,000
Number of online customers (number of connections)	1,165,492	869,594	295,898
Number of branches in Italy	1,856	1,801	55

- **Corporate officers, senior management and 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* 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, *Substitute Auditor* Duccio Neri, *Substitute Auditor*
Senior Management:	
Chief Executive Officer	Vincenzo De Bustis
Deputy Chief Executive Officer	Pier Giorgio Primavera
Assistant Chief Executive Officer	Antonio Vigni
Assistant Chief Executive Officer	Pier Luigi Corsi
Independent Auditors:	*KPMG S.p.A.*

Notes to the financial statements

The financial statements of the Monte dei Paschi di Siena Group for the nine months ending 30 September 2002 have been prepared pursuant to CONSOB Resolution n. 11971 of 14 May 1999.

The balance sheet and the reclassified profit and loss statement as of 31 September 2002 have been prepared on the basis of the valuation criteria used in the preparation of the financial statements as of the previous year end.

The criteria for the preparation of the consolidated financial statements are summarized as follows:

The quarterly financial statements have been prepared in accordance with the "criterion of the independence of periods" whereby the period of reference is considered on a stand-alone basis. As a result, the profit and loss statements and for the first nine months of the year include ordinary and extraordinary income and expenses accrued to the period.

The financial statements of the Group companies used in the consolidated statements are those prepared by the Group companies as of 30 September 2002, adjusted where necessary in order to incorporate the Group's accounting principles.

All transactions between the Group companies have been eliminated.

In comparison with the financial statements as of 31 December 2001, changes in the area of consolidation mainly include the parent company's acquisition of 100 percent of 121 Financial Services Ltd. from Banca 121.

The financial statements as of 30 September 2002 have not been certified by the independent auditors.

Pursuant to Paragraph 2 of Article 82 of the CONSOB Resolution N. 11971 of 14 May 1999, the Banca Monte dei Paschi di Siena will publish financial statements for the year ending 31 December 2002 on or prior to 31 March 2003, and thus it will not prepare any financial statements relative to the fourth quarter of 2002.

KEY DATA AND RATIO ANALYSIS

	9 Months Ending 30/09/02	9 Months Ending 30/09/01	% Change
Profit and loss aggregates (in EUR mn)			
Total banking income	3,545.4	3,577.1	-0.9
Total banking income excluding profits (losses) from financial transactions	3,538.3	3,462.8	2.2
Gross operating profit	1,326.0	1,449.7	-8.5
Gross operating profit excluding profits (losses) from financial transactions	1,318.9	1,335.4	-1.2
Net profit	327.6	389.1	-15.8
Net profit excluding goodwill amortization	391.4	450.0	-13.0

Balance sheet aggregates (in EUR mn)	30/09/02	30/09/01	% Change
Aggregate customer funding	173,669	164,057	5.9
Direct funding - including subordinated debt	79,030	76,412	3.4
Indirect funding	94,638	87,645	8.0
including: Funds under management	38,038	38,496	-1.2
including: Funds under administration	56,600	49,149	15.2
Customer loans and advances	68,881	65,152	5.7
Consolidated shareholders' equity	5,430	5,513	-1.5

Credit quality indicators (%)	30/09/02	30/06/02
Net non-performing loans / customer loans and advances (%)	1.5	1.4
Watchlist credits / customer loans and advances (%)	1.5	1.6

Profitability ratios (%)	30/09/02	31/12/01
Banking commissions / total banking income (%)	34.5	36.8
Non interest income / total banking income (%)	49.4	55.2
Cost/income ratio (%) (excluding depreciation and amortization)	62.6	56.9
Cost/income ratio (%) (including depreciation and amortization) °	69.8	62.6
Cost/income ratio (%) (including depreciation and amortization , and excluding tax collection area) °	67.6	60.6
Adjusted ROE (%)	11.1	14.4
ROE (%) °°	9.0	13.3
Non interest income / administrative expenses (%)	78.9	97.0

° excluding goodwill amortization
°° shareholders' equity net of revaluation effected as of 31/12/2000 and inclusive of revaluation reserve consequent to sale of interest in SanPaolo-IMI

Solvency ratios (%)	30/06/02	31/12/01
Total Capital ratio (%)	8.70	8.53
Tier 1 ratio(%)	5.63	5.77

Share data	30/09/02	31/12/01
Number of shares outstanding	2,598,722,319	2,598,557,169
Number of savings shares outstanding	9,432,170	9,342,170
Ordinary share price during first quarter		
- average	3.10	3.52
- low	2.04	2.41
- high	3.88	4.72

Operating structure	30/09/02	31/12/01	Absolute Change
Number of banking employees	25,657	25,556	101
Number of total employees °	28,508	28,422	86
Number of branches in Italy °°	1,856	1,838	18
Number of foreign branches and foreign representative offices	43	43	-
Number of customers with online connections to the Group banks	1,165,492	974,948	190,544

Note: the work force as of the end of 2001 includes 111 employees operating on term contracts expiring 31/12/2001 who were re-employed as of 01/01/2002
° data include personnel of companies valued with net equity method
°° data include facilities of specialized units MPS Merchant and MPS Banca Verde

MPS GROUP
RECLASSIFIED BALANCE SHEET
(in EUR mn)

ASSETS	30/09/02	30/09/01	Change abs	% Change	31/12/01
Cash and cash on deposit with central banks and post offices	540	390	150	38.4	708
Loans					
a) Customer loans and advances	68,881	65,152	3,728	5.7	64,944
b) Amounts due from banks	15,713	13,930	1,783	12.8	14,089
Trading Account Securities	11,831	10,973	858	7.8	11,467
Non-current assets					
a) Investment securities	4,800	5,094	-294	-5.8	4,336
b) Equity investments	1,963	2,693	-730	-27.1	2,719
c) Fixed assets and intangible assets	2,741	2,566	175	6.8	2,616
Positive consolidation differences & positive net equity differences	864	878	-13	-1.5	857
Own shares or quotas	62	54	8	15.3	19
Other assets	17,844	9,853	7,991	81.1	15,199
Total Assets	125,240	111,583	13,657	12.2	116,954

LIABILITIES AND SHAREHOLDERS' EQUITY	30/09/02	30/09/01	Change abs	% Change	31/12/01
Liabilities					
a) Customer deposits and borrowed funds backed by negotiable instruments	75,947	73,773	2,174	2.9	75,900
b) Due to banks	20,818	16,663	4,155	24.9	15,142
Reserves for specific use					
a) Staff severance indemnity reserve	485	473	12	2.6	446
b) Pension funds	416	419	-2	-0.5	437
c) Other reserves for risks and charges	581	556	25	4.5	590
d) Reserve for taxes	564	672	-108	-16.1	855
	16,698	9,599	7,099	74.0	
Other liabilities	16,698	8,861	4,450	50.2	13,447
Reserve for loan losses	238	312	16	5.2\	317
Subordinated debt	3,084	2,639	444	16.8	3,060
Minority interests	889	965	-75	-7.8	973
Shareholders' equity					
a) Share capital	1,356	1,350	6	0.4	1,356
b) Paid-in capital	523	523	0	0.0	523
c) Reserve for general banking risks	457	451	6	1.3	456
d) Negative consolidation and net equity differences	22	55	-33	-59.6	22
e) Reserves	2,745	2,736	9	0.3	2,812
f) Profit (loss) for the year	328	399	-72	17.9	617
Total Liabilities and Shareholders' Equity	125,240	111,583	13,657	12.2	116,954

MPS GROUP
RECLASSIFIED PROFIT AND LOSS STATEMENT
(in EUR mn)

	30/09/02	30/09/01 Restated	Change	% Change	31/12/01
Interest income	**1,793.4**	**1,687.4**	**105.9**	**6.3**	**2,291**
Profit (loss) on financial transactions	7.2	114.4	-107.2	-93.7	232
Net commissions and other operating income	1,568.9	1,684.2	-115.3	-6.8	2,283
Dividends and tax credits	155.6	115.0	40.5	35.2	252
Earnings of companies valued with net equity method °	20.4	-23.9	44.4	n.s.	55
Non Interest Income	**1,752.1**	**1,889.7**	**-137.6**	**-7.3**	**2,822**
Total banking income	**3,545.4**	**3,577.1**	**-31.7**	**-0.9**	**5,113**
Total banking income excluding profits (losses) from financial transactions	3,538.3	3,462.8	75.5	2.2	4,880
Administrative expenses					
- personnel expense	-1,366.0	-1,316.6	49.3	3.7	-1,765
- other expenses	-853.4	-810.8	42.7	5.3	-1,143
Total administrative expenses	**-2.219.4**	**-2,127.4**	**-92.0**	**4.3**	**-2,909**
Gross operating profit	**1,326.0**	**1,449.7**	**-123.7**	**-8.5**	**2,204**
Gross operating profit excluding profits (losses) from financial transactions	1,318.9	1,335.4	-16.5	-1.2	1,972
Valuation adjustments to fixed and intangible assets °	-320.8	-265.7	55.1	20.7	-377
Provisions for risks and charges	-27.1	-49.3	-22.2	-45.1	-76
Valuation adjustments to loans and provisions for risks, net of recoveries	-280.9	-233.6	47.3	20.2	-384
Writedowns to non-current financial assets	-19.0	-9.2	-9.8	n.m.	-22
Profit (losses) from ordinary operations	**678.3**	**891.9**	**-213.6**	**-24.0**	**1,346**
Extraordinary income (charges)	49.5	4.6	44.9	n.m.	-17
Change in reserve for general banking risks	0.0	0.0	0.0	n.m.	-6
Income taxes	-332.5	-428.4	95.9	-22.4	-611
Profit for the period before minority interests	**395.2**	**468.1**	**-72.8**	**-15.6**	**713**
Minority interests	-67.7	-78.9	11.3	-14.3	-96
Net profit for the period	**327.6**	**389.1**	**-61.6**	**-15.8**	**617**

° The values for the first nine months of 2001 have been restated in order to take into account the acquisition of 100% of the MPV Group which took place in 2001.

MPS GROUP
QUARTERLY PROFIT AND LOSS STATEMENT

(in EUR mn)

	2002			2001 Restated			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Interest income	**600.8**	**587.3**	**605.3**	**603.1**	**577.5**	**547.0**	**562.9**
Profit (loss) on financial transactions	-74.6	10.7	71.1	118.1	-61.7	108.7	67.5
Net commissions and other operating income	447.5	563.9	557.5	598.9	516.5	597.7	570.0
Dividends and tax credits	-1.7	146.3	11.0	136.6	-2.7	113.9	3.8
Earnings of companies valued with net equity method °	8.6	2.2	9.7	78.9	-22.2	13.5	-15.2
Non interest income	**379.8**	**723.0**	**649.2**	**932.5**	**429.8**	**833.8**	**626.1**
Total banking income	**980.6**	**1,310.3**	**1,254.5**	**1,535.6**	**1,007.3**	**1,380.8**	**1,189.0**
Total banking income excluding profits (losses) from financial transactions	1,055.2	1,299.6	1,183.5	1,417.5	1,069.1	1,272.2	1,121.5
Administrative expenses							
- personnel expense	-449.0	-468.5	-448.5	-448.5	-434.5	-447.3	-434.8
- other expenses	-291.1	-286.0	-276.3	-332.7	-265.5	-278.9	-266.4
Total administrative expenses	**-740.1**	**-754.5**	**-724.8**	**-781.1**	**-700.0**	**-726.2**	**-701.2**
Gross operating profit	**240.5**	**555.8**	**529.7**	**745.5**	**307.3**	**654.6**	**487.7**
Gross operating profit excluding profits (losses) from financial transactions	315.1	545.1	458.7	636.3	369.1	546.0	420.3
Valuation adjustments to fixed and intangible assets °	-115.4	-108.6	-96.8	-110.9	-91.1	-90.8	-83.8
Provisions for risks and charges	-9.3	-16.5	-1.4	-26.3	26.1	-69.3	-6.1
Valuation adjustments to loans and provisions for risks, net of recoveries	-99.9	-110.6	-70.4	-150.3	-78.2	-101.1	-54.3
Writedowns to non-current financial assets	-2.7	-7.6	-8.7	-12.4	-4.0	-1.7	-3.5
Profit (losses) from ordinary operations	**13.2**	**312.6**	**352.5**	**454.6**	**160.2**	**391.7**	**340.0**
Extraordinary income (charges)	22.3	16.7	10.6	-21.2	-40.9	12.7	32.8
Change in reserve for general banking risks	0.0	0.0	0.0	-5.6	0.0	0.0	0.0
Income taxes	-10.5	-152.4	-169.7	-182.4	-59.4	-191.9	-177.1
Profit for the period before minority interests	**25.0**	**176.9**	**193.4**	**245.4**	**59.9**	**212.5**	**195.6**
Minority interests	-15.0	-21.0	-31.7	-17.1	-19.2	-24.5	-35.3
Net profit for the period	**10.0**	**155.9**	**161.7**	**228.3**	**40.7**	**188.0**	**160.3**

° The values for the first nine months of 2001 have been restated in order to take into account the acquisition of 100% of the MPV Group which took place in 2001.

GROUP STRUCTURE

		COMPANY NAME	REGISTERED OFFICE	INVESTMENT RELATIONSHIP Investor	% Held	CARRYING VALUE
		A.1 Consolidated companies (companies 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	
A.3		BANCA MONTE PASCHI SUISSE S.A.	Geneva	A.0	99.997	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.7	100.000	xxx
A.7		MPS LEASING E FACTORING S.p.A.	Siena	A.0	82.430	
				A.4	6.721	
				A.5	4.340	
				A.19.2	6.509	
A.8		G.E.R.I.T. S.p.A.	L'Aquila	A.0	95.572	xxx
				A.19	4.407	
A.9		MPS BANCA VERDE S.p.A.	Florence	A.0	67.000	xxx
				A.4	29.230	
				A.5	3.770	
A.10		M.P.S. COMMERCIAL PAPER	New York	A.0	100.000	xxx
A.11		MPS MERCHANT BANCA PER LE PICCOLE E MEDIE IMPRESE S.p.A.	Florence	A.0	88.001	xxx
				A.4	11.680	
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	99.840	
	12.2	MONTE PASCHI INVEST FRANCE S.A.	Paris	A.12	99.973	
	12.3	M.P. ASSURANCE S.A.	Paris	A.12	99.600	
	12.4	S.N.C. IMMOBILIARE POINCARE	Paris	A.12	100.000	
	12.5	IMMOBILIARE VICTOR HUGO	Paris	A.12	100.000	
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	100.000	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.	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 CORPORATE SERVICES LTD	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	60.388	xxx
	19.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	A.0	60.388	
	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	100.000	
	19.4	PADANA RISCOSSIONI S.p.A.	Mantua	A.19	54.538	
	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.19.6	100.000	
	19.8	G.I. PROFIDI SIM S.p.A.	Rome	A.19	100.000	
	19.9	AGRISVILUPPO S.p.A.	Mantua	A.19	85.200	
				A.9	9.500	
A.20		CONSORZIO OPERATIVO GRUPPO MPS	Siena	A.0	62.582	xxx
				A.4	26.619	xxx
				A.5	0.074	
				A.32	0.072	
				A.9	0.037	

				A.22	0.037	
				A.11	0.037	
				A.19	10.430	
				A.14	0.037	
				A.7	0.037	
A.21		MONTE PASCHI ASSET MANAGEMENT SGR S.p.A.	Milan	A.0	79.980	xxx
				A.4	6.333	
				A.5	1.267	
				A.19	8.505	
				A.24	3.915	
	21.1	MPS ALTERNATIVE INVESTMENT SGR S.p.A.	Milan	A.21	100.000	
A.22		BANCA C. STEINHAUSLIN & C. S.p.A.	Florence	A.0	100.000	
A.23		INTERMONTE SECURITIES SIM S.p.A.	Milan	A.14	34.653	xxx
				A.19	34.653	
	23.1	WEB SIM S.p.A.	Milan	A.23	84.000	
A.24		GRUPPO BANCA 121	Lecce	A.0	93.978	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	100.000	
	24.5	4 SALE ITALIA S.p.A.	Siena	A.24	78.000	
	24.6	IAM S.p.A.	Siena	A.24	99.500	
A.25		121 FINANCIAL SERVICE LTD	Dublin	A.0	100.000	
A.26		ITALRISCOSSIONI S.p.A.	Rome	A.0	100.000	xxx
A.27		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	A.0	40.000	xxx
				A.1	60.000	
A.28		MPS PREFERRED CAPITAL I LLC	Delaware	A.0	100.000	
A.29		MONTEPASCHI LUXEMBOURG S.p.A.	Luxembourg	A.0	99.200	
				A.12	0.800	
		A.2 Consolidated companies (companies consolidated on a proportional basis)				
A.30		BANCA POPOLARE DI SPOLETO S.p.A. (carrying value at 20% of nominal value)	Spoleto	A.0	20.000	xxx
A.31		BANCA MONTE PARMA S.p.A. (carrying value at 41% of nominal value)	Parma	A.0	41.000	xxx
	31.1	S.E.I.T S.p.A. (carrying value at 40,205% of nominal value)	Parma	A.31	40.205	xxx
A.32		CASSA DI RISPARMIO SAN MINIATO S.p.A. (carrying value at 25% of nominal value)	San Miniato (PI)	A.0	25.000	xxx
	32.1	FEDERIGO IMMOBILIARE	San Miniato (PI)	A.32		
	32.2	LA ROCCA IMMOBILIARE S.p.A.	San Miniato (PI)	A.32	87.041	
	32.3	FIDUCIA S.p.A.	San Miniato (PI)	A.32	100.000	
	32.4	SAN GENESIO IMMOBILIARE S.r.l.	San Miniato (PI)	A.32	87.041	
	32.5	MAGAZZINI GENERALI	San Miniato (PI)	A.32		
		B. Companies valued with the net equity method (detail of account 80 a)				
B.1		MONTE PASCHI VITA S.p.A.	Rome	A.0	100.000	210,578
B.2		TICINO - COMP.ITAL. ASS.NI S.p.A.	Rome	A.0	100.000	31,406
B.3		TICINO VITA S.p.A.	Rome	A.4	40.000	71,934
				B.1	60.000	
B.4		GROW LIFE LTD.	Dublin	A.0	40.000	14,553
				B.1	60.000	
B.5		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantua	A.19.2	100.000	8,294
B.6		SAN PAOLO ACQUE S.r.l.	Lecce	A.24	100.000	250
B.7		DIPRAS S.p.A.	Rome	A.0	100.000	1,383
B.8		E-IDEA S.p.A.	Rome	A.0	70.000	2,411
				A.4	30.000	
B.9		MPS NET S.p.A.	Siena	A.0	99.000	23,603
				A.11	1.000	
		Total				364,412
		C. Other companies valued with the net equity method				

		(detail of account 70 a)				
C.1		CONSORZIO AEROPORTO SIENA S.p.A. (*)	Siena	A.0	20.000	791
				A.4	20.000	
C.2		FIDI TOSCANA S.p.A. (*)	Florence	A.0	13.390	13,948
				A.4	10.359	
				A.11	4.127	
				A.9	0.999	
				A.5	0.918	
C.3		I.B.A. VIENNA	Vienna	A.0	35.007	4,009
C.4		S.ES.IT PUGLIA S.p.A.	Bari	A.0	35.000	79
C.5		SO.RI.T. S.p.A.	Foligno	A.0	46.664	602
				A.27	11.030	
C.6		LINEAR COMPAGNIA ASS. S.p.A.	Bologna	A.19	20.000	3,317
C.7		QUADRIFOGLIO VITA S.p.A.	Bologna	A.19	50.000	15,737
C.8		UNION CAPITAL SIM S.p.A. (in liquidation)	Milan	A.19	36.000	82
		Total				38,565

(*) The data indicated are relative to the financial statements as of 31/12/2001

INFORMATION ON THE OPERATIONS OF THE MPS GROUP

- ***Fundamental developments***

The economy and the financial markets showed new signs of deterioration in the third quarter, thereby accentuating to some extent the critical situation which had already taken shape in the first half of the year. Business activity remained sluggish, and uncertainty about the timing and intensity of an economic recovery made for a particularly difficult operational framework for banks.

As expectations grew more pronounced of a possible interest-rate cut, the euro yield curve descended from where it stood in June, with its slope also leveling off. Equity prices were some 22 percent lower in the quarter, with the decrease exceeding the loss for the same period of 2001. By the end of September, equity indices had given up some 30 percent of their values in the nine months since the start of the year. Equity trading volumes were also down significantly (a decrease of 15 percent in comparison with the second quarter, with the year-to-date reduction amounting to 10 percent).

Although exceptional in some respects, these circumstances had an adverse impact on the MPS Group's third-quarter results, and mainly because they reduced the value of securities held in trading portfolios and in accounts managed for customers. Many customers responded to the situation by sharply curtailing their propensity to risk and their exposure to instruments promising high rates of return, and opting instead to hold their funds in current accounts or highly marketable securities.

Despite the market difficulties, the MPS Group's results for the third quarter of 2002 were appreciable. Such results are due partially to the adoption of certain initiatives focusing on various areas of operations (product placement, interest-rate management, optimization of service revenues, and cost containment). In addition, the Group successfully combined the focus on customer relationships with the implementation of important programs of an organizational and commercial nature, including the launch of a new corporate platform for small-/medium-sized firms, a project to centralize the private-banking activity, and the definition of a specialized role for Banca 121. A key development for the quarter was the substantial growth of the mass of funds administered by the Group. Highlights of operating performance include:

- *the growth of revenues from traditional banking activity in both the retail* (including asset management) *and corporate areas* due to:
  - *a significant increase in the interest margin* that came from better management of the pricing of credit and deposit products, and a shrewder approach to asset-liability management;
  - *a solid contribution of revenues from standard services* (fees on base services, payment systems, etc.);

- *significant sales of insurance policies* serving as a mechanism for protection and retirement savings, in line with market demand; and

- *the expansion of the customer base* (an increase of more than 5.0 percent year on year) *and of aggregate funding*.

In response to such developments, total banking income net of profits (losses) from financial transactions rose by an appreciable 2.2 percent year on year to EUR 3,538 million, and gross operating profit net of profits (losses) from financial transactions remained virtually stable at

EUR 1,319 million (-1.2 percent year on year).

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

  - **Commercial activity and balance-sheet aggregates**

As indicated in the preceding section, the Group's marketing activity has been accented customer retention and business development. In this regard, the emphasis goes to pinpointing customer needs, and then matching those needs with reliable and highly transparent products and services. In the **retail business**, in recognition of the turbulence in the financial markets worldwide, the thrust went to the placement of insurance products with a high embedded value and low risk. In addition, the Group continued to develop the projects set out in the business plan; initiatives already inaugurated or in the start-up phase include: the completion of the development of methods and instruments to be used in integrated customer-relationship management campaigns in the family segment; the development of the PFP ("Previdenza e Finanza Personale") and the relative support instruments, and the roll-out of the "Carattere" Project in the affluent segment; and the activation of a decentralized and highly personalized marketing approach in the private segment.

Instead, in the **corporate business**, the accent went to innovative products for managing financial risks and working capital, and to online services to support the activity of small-/medium-sized firms. Such efforts are directed toward getting the most value out of corporate relationships, and at responding to the increasingly sophisticated needs of the corporate customers. Specific initiatives in process during the third quarter included: the start-up of testing of a new model for developing business with small-/medium-sized firms; the continuation of the successful marketing of Internet corporate banking and the "Opifici Digitali" (a horizontal portal designed, built and managed by MPSnet); the inauguration of MPS Professional, a service dedicated to professionals working with small-/medium-sized firms; and the launch of the operation of MPS Leasing e Factoring, a new company that will serve as the MPS Group's excellence center for leasing and factoring.

From an operational perspective, the net flows to funds management products were adversely influenced by the ongoing difficulties enveloping the mutual funds industry (a situation that grew even more acute in the third quarter of 2002 when stock prices plummeted). The distribution of innovative finance products also slowed during the period. The relative aggregates are summarized as follows:

- ✓ EUR 698 million of net outflows from mutual funds and SICAVs;
- ✓ EUR 3,342 million of inflows to life insurance policies and pension funds, the bulk of which went to traditional products; as a result, **the Group's market of bancassurance/postal accounts rose to around 14 percent compared with 11.5 percent for the entire year of 2001**;
- ✓ EUR 2,586 million of innovative finance products.

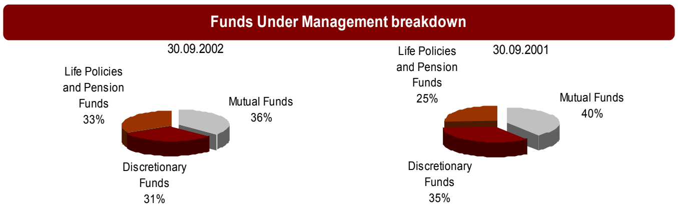
Rounding out the picture, the net outflows of assets held in discretionary accounts were relatively lower year on year.

▫ Product Placement Volumes for the Group

(in EUR mn)	Total as of 30/09/01	Total as of 30/09/02
Mutual funds/SICAVs	569	-698
Life policies and pension funds	1,812	3,318
including: (°)		
ordinary life policies	1,025	1,908
index-linked policies	366	916
unit-linked policies	420	494
Pension funds	27	24
Innovative financial products	3,826	2,586
TOTAL	6,234	5,230

(°) The total includes the flow placed through innovative finance products.

Even though the prices of equity securities in leading markets were lower across the board, the stock of **indirect funding** as of 30 September 2002 was up by a substantial 8.0 percent year on year. This growth is the result of both new inflows and the transfer of funds from managed accounts to administered accounts. The expansion of indirect funding incorporates a significant 15 percent increase in administered funds, while also discounting a 1.2 percent decrease in funds under management (EUR 38,038 million as of 30 September 2002). Amounts placed in life policies and pension funds rose by an impressive 28 percent to a total of EUR 12,462 million.



Against this backdrop and very limited expectations in terms of the return on capital, the growth of direct funding was dominated by sight deposits and investments in bonds issued by the banks of the Group. As of 30 September 2002, direct funding had grown by 3.4 percent year on year, and was some EUR 648 million higher than the balance as of 30 June 2002. **Accordingly, the MPS Group's share of the domestic market for direct funding came to 6.84 percent at the end of September**.

Given the effects of the trends indicated above, ***aggregate customer funding*** came to around EUR 174,000 million as of the end of September, rising by 5.9 percent year on year.

■ AGGREGATE CUSTOMER FUNDING (in EUR mn)

	9/30/02	% Change Y/Y	% 30/09/02	% 30/09/01
Direct funding	79,030	3.4	45.5	46.6
a) customer deposits	49,549	0.7	28.5	30.0
b) other borrowed funds backed by negotiable instruments	26,397	7.5	15.2	15.0
c) subordinated debt	3,084	16.8	1.8	1.6
Indirect funding	94,638	8.0	54.5	53.4
a) funds under management	38,038	-1.2	21.9	23.5
b) funds under administration	56,600	15.2	32.6	30.0
Total	173,669	5.9	100.0	100.0

In the corporate business, the specialized lending activity (industrial, agricultural and environmental credit and consumer credit) continued to be buoyant with volumes growing by around 40 percent year on year. Volumes of innovative risk-management products were also higher, with the aggregate value thereof exceeding EUR 2,000 million. At the same time, the banking networks reported disbursements of mortgages to retail and corporate customers that hit a record level of more than EUR 4,000 million.

■ Specialized Credit and Financial Products for Companies

(in EUR mn)		Total as of 30/09/01	Total as of 30/09/02
MPS Finance			
	Investment products		487
	Risk management		1,640
MPS Merchant			
including:	Applications	3,222	4,956
	Disbursements	820	1,148
MPS Banca Verde			
including:	Applications	584	1,089
	Disbursements	301	481
Merchant Leasing & Factoring			
including:	New leases	923	1,215
	Factoring turnover	2,666	2,944
Consumit			
including:	Disbursements	337	482

The trend of short-term loans was instead much more modest due in part to the difficult economy, and in part to risk-reduction measures implemented by the Corporate Center at mid-year. Incorporating the effects of these various developments, **customer loans** came to EUR 68,881 million as of 30 September 2002, growing by 5.7 percent year on year (with the rate of growth decelerating in comparison with the prior quarters). **The MPS Group's share of the domestic loan market rose to 6.4 percent from 6.3 percent at the end of 2001**.

Credit quality remained at the excellent level achieved in 2001 as a result of the rigorous risk-management policy applied in the previous quarters. During the third quarter, doubtful loans rose by a modest EUR 40 million in comparison with the EUR 140 million average for the two preceding quarters. In October, the increase was even more modest. As of the end of the third quarter, the ratio of doubtful loans to total customer loans stood at 3.4 percent; **the ratio of non-performing loans to total loans was 1.5 percent, or well below the industry average (2.1 percent in August)**.

Customer Loans by Risk Rating (in EUR mn)	**30/09/02**	**30/06/02**	**% 30/09/02**	**% 30/06/02**
Non-performing loans	1,034	968	1.5	11.4
Watchlist credits	1,051	1,082	1.5	1.6
Credits in the process of restructuring				
Restructured credits	55	51	0.1	0.1
Unsecured loans to borrowers in high-risk nations	170	170	0.2	0.2
Total doubtful loans	**2,311**	**2,271**	**3.4**	**3.3**
Performing loans	66,569	66,871	96.6	96.7
Total customer loans	**68,881**	**69,088**	**100.0**	**100.0**

❑ The securities portfolio

As of 30 September 2002, the Group held a securities portfolio with a value of EUR 16,631 million. The balance reflects a decrease of EUR 3,023 million over the comparable figure as of the end of June, with the change mainly due to the liquidation of several large temporary investments and the activation of new measures aimed at curbing financial risks.

■ Owned Securities (in EUR mn)

	9/30/02	6/30/02	12/31/01	9/30/01
Securities held	**16,631**	**19,654**	**15,803**	**16,067**
including:				
Investment securities	4,800	4,488	4,336	5,094
Trading securities	11,831	15,166	11,467	10,973

Following is a summary of the Group's interbank accounts. The decrease in the net liability with respect to the balance as of the end of June came as a result of the liquidation of investments in securities as indicated above.

■ Interbank Accounts (in EUR mn)

	9/30/02	6/30/02	12/31/01	9/30/01
Due from banks	15,713	14,112	14,089	13,930
Due to banks	20,818	22,877	15,142	16,663
interbank net borrowing	-5,105	-8,765	-1,053	-2,733

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❑ Profit-and-loss aggregates

The Group again enjoyed significant growth of the *interest margin* in the third quarter. Though higher volumes of loans and deposits contributed to the increase, the bulk of the growth came from more careful pricing. As a result, the short term spread at the end of the quarter was four basis points above the level reported at the end of June. Net interest income for the third quarter was 2.3 percent higher than the amount reported for the second quarter; as a result, the net interest income for the first nine months of 2002 climbed by 6.3 percent over the comparable balance for 2001.

Net commissions and other operating income totaled EUR 1,568.9 million for the first nine months of the year, falling by 6.8 percent in comparison with the same period for 2001. The balance incorporates the positive performance of standard commissions (fees on loans, base services, payment systems, etc.) and the decrease in income earned on investment products. In the latter case, the results were substantially influenced by a weak market context which prompted a sizeable decline in the value of assets under management and a contraction in the turnover of portfolios, with many customers opting to leave their funds in lower risk investments. Though evident in previous quarters, these phenomena were more intense in the summer months, and thus pushed the Group to adopt an even more focused policy with regard to customer retention.

Adversely affected by depressed prices in the financial markets, *profits from financial transactions* for the first nine months of 2002 came to EUR 7.2 million, decreasing by some EUR 107.2 million with respect to 2001. Though the Group sustained a net loss from financial transactions in the third quarter alone, the subsequent recovery of prices pushed the year-to-date balance up by some EUR 50 million in comparison with the figure at the end of September.

Including the contribution of dividends (which were some EUR 40.5 million higher year on year), the consolidated *service margin* for the first nine months of 2002 was EUR 1,752.1 million, or 7.3 percent lower year on year.

Total banking income thus amounted to EUR 3,545.4 million, decreasing 0.9 percent year on year. Excluding profits/losses from financial transactions, total banking income was EUR 3,538.3 million, and some EUR 75.5 million or 2.2 percent higher than the prior-year figure. This result is considered particularly significant since it is reflective of the performance of the core business units and was achieved in midst of the persistent difficulties enveloping the banking industry as a whole.

Administrative expenses for the first nine months of 2002 were 4.3 percent higher year on year, and include:

- ✓ *personnel expenses* which rose by 3.7 percent, partly due to the renewal of the national collective bargaining contract for the banking industry and partly due to the cost of new staff hired in 2001 (mainly in the marketing area);
- ✓ *other administrative expenses* which include outlays for various operational and marketing initiatives provided by the Group's new business plan; such expenses rose by 5.3 percent, or a rate well below the 8.8 percent increase posted for the year 2001.

Given the effect of the various accounts detailed above, the consolidated *gross operating profit* amounted to EUR 1,326.0 million, whereas net of profits and losses from financial transactions, the balance was EUR 1,318.9 million, or only 1.2 percent below the figure reported as of 30 September 2001. The cost/income ratio (excluding amortization and depreciation) amounted to 62.6 percent at 30 September 2002, compared with 59.5 percent as of 30 September 2001.

The Group's *net profit* for the first nine months of 2002 was substantially influenced by depreciation and amortization charges that rose by EUR 55.1 million to a total of EUR 320.8 million. In addition, adjustments to the value of credits were some EUR 47.3 million higher at a total of EUR 280.9 million.

Net earnings for the first nine months of 2002 thus amounted to EUR 327.6 million, declining by 15.8 percent over the comparable figure reported at 30 September 2001. Net of positive consolidation differences, the profit came to EUR 391.4 million (-13 percent).

Computed net of positive consolidation differences, the annualized ROE for the first nine months of 2002 was 11.1 percent compared with 14.4 percent for the same period in 2001.

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Following are comments on the *earnings performance of the principal companies* of the MPS Group (banks and product companies).

Commercial Banks (in EUR mn)	30/09/02	Change	% Change
Banca MPS			
Operating profit	859.6	-11.1	-1.3
Net profit	355.2	-28.9	-7.5
Banca Toscana			
Operating profit	262.0	37.1	16.5
Net profit	100.9	38.5	39.4
Banca Agricola Mantovana			
Operating profit	167.1	-8.2	-4.7
Net profit	63.6	-11.1	-14.8
Cassa di Risparmio di Prato			
Operating profit	29.5	5.7	24.0

Net profit	14.3	5.8	69.0

Highlighting the results of the commercial banks is Banca Toscana's EUR 100.9 million profit, which represents a 39.4 percent gain year on year.

The **retail product companies** were adversely affected by the negative performance of the financial markets, with operating results drifting slightly lower. The *bancassurance* companies instead reported significant improvement, with volumes much higher year on year.

Bancassurance	MPS Vita		Ticino Vita		Grow Life		Quadrifoglio Vita	
(in EUR mn)	30/09/02	% Chg	30/09/02	% Chg	30/09/02	% Chg	30/09/02	% Chg
Premiums earned	1,379	60.0	432	57.5	683	68.1	567	116.9
Net profit	17.2	n.m.	3.0	n.m.	12.6	15.1	5.2	148.4

Among the **corporate product companies**, MPS Merchant and Consum.it performed very strongly, with the former realizing an 88.2 percent increase in profits year on year.

- ***Risk management***

During the third quarter of 2002, the international stock markets suffered severe setbacks, while interest rates continued to drift lower. Market rates at the short end of the dollar curve experienced the most pronounced drop, with reference interest rates hitting historically low levels in anticipation of the expansionist measures subsequently adopted by the monetary authorities.

The MPS Group's risks committee continued its close monitoring of the trend of the international economy. Although changes in macro-hedging were not deemed necessary, the committee did oversee certain micro-hedging transactions in order to address risk on bond issues and the specific needs of the various *risk-taking activities* which flow through the centralized treasury.

The overall interest-rate risk profile of the **Group's banking book** (inherent to commercial operations and inclusive of the investment portfolios of the individual Group companies) was in line with the degree of risk expected by the risks committee, and specifically, as computed on the assumption of a 25-basis-point parallel shift of the interest-rate curve, was equal to 0.33 percent of capital calculated for regulatory purposes. The result is consistent with the neutral-risk policy mandated by the risks committee with regard to the mis-matching of customer loans and deposit.

As part of its overall effort to centralize the management of market risks, during the third quarter the commercial banks of the Group started to transfer the management of their trading portfolios to the parent company.

Although total risk on trading activity in the third quarter was slightly higher than in the preceding quarter, the exposure remained within the pre-set limits for each Group company involved. When measured in terms of the sensitivity to a 25-basis point shift in interest rates and on the basis of the individual historic volatilities in terms of price risk, the market risks on the Group's trading portfolio were equal to 0.57 percent of capital computed for regulatory purposes as opposed to 0.52 percent as of the end of June. As calculated with the historical simulation method, a confidence level of 99 percent and holding period of one day, the non-correlated VaR of the Group's trading portfolio (inclusive of the portfolios managed by the parent company) was equal to EUR 21.5 million as of 30 September. The value is closely in line with the EUR 22.28 million comparable value reported as of 30 June. The two main risk-taking centers of the Group are Banca MPS and MPS Finance BM which account for around 90 percent of the total VaR.

As to **credit risks**, efforts continued in developing and refining the instrumentation to support the calculation of VaR on lending activity.

Plans to integrate credit risk with other risk computations were also completed.

- ***Significant operating initiatives***

   - *Implementation of 2002/2005 business plan for the MPS Group*

During the third quarter, the Group moved ahead with the development of strategic projects begun in the first half, in line with the implementation of the 2002-2005 business plan.

Based on the re-engineering of processes both at the head office and within the networks, the current strategy is aimed at the achievement of additional productivity gains and a renewed focus on efficiency.

As far as productivity is concerned, the Group's strategic actions have been targeted toward the adoption of a distribution and production structure with specialized platforms for *servicing the various customer segments. This structure dovetails with the Group's new multi-market orientation*.

Instead, the drive to improve efficiency involves a series of *ongoing projects that will lead to greater operating efficiency and that will free up resources for redeployment to the marketing areas*.

On the *personnel front*, the Group continues to develop a *human resources plan* that contemplates integrated programming and governance of job evaluations across the Group and the relative qualitative and quantitative measures related to strategic projects. The plan is designed first and foremost to ensure effective coverage of the needs for new professional skills (including through training of administrative staff to facilitate entry in marketing positions). Efficiency improvement is another priority. Executed as part of the implementation of the Group's business plan, the human resources plan will result in structural changes within the organization and is to be supported by a large-scale training effort.

In addition to resource management being correlated to the organizational revision of the Group's main units (the Corporate Center and the head offices of the commercial banks), the Group has also moved ahead with other important initiatives such as the concentration of back-office processing, changes in the consolidation area (and the efficiency gains in relation thereto) and the preparation of new programs, such as a retirement-incentive plan. Given these initiatives, the Group can (i) avoid the retraining of some resources (and the relative cost) in instances where the returns would be limited and (ii) *focus further on the overall process of recovering efficiency with the consequent beneficial effects on the cost structure*.

The Group's *training plan* consists of a series of broad-based initiatives which are considered vital for ensuring professional skills in line with the levels of responsibility and specialization required, and for raising the level of staff involvement and motivation. In the short term, these programs aim at offering an effective response to training and communication needs in relation to the activation of various projects. Over the medium term, the goal is to *create an integrated e-learning system and a network of trainers at the Group level*.

The system includes three inter-related aspects: activity to support *organizational development and management of change* (with priorities given to the needs related to the retail and corporate commercial platforms); *professional families* (marketing managers, operations managers, branch managers, affluent client account representatives, account representatives for small- and medium-sized firms, etc.); and *professional communities* (senior managers, middle managers, talented young people, trainers).

Finally, in terms of *operating governance*, the Group has continued with its implementation of *PaschiRisorse* (a series of projects related to the management and development of human resources at a Group level). An *information system for employees* is also being developed through changes to an existing program at the parent company; though this system will be made available across the Group, it will be designed so as to incorporate specific information for each company making use of it.

- *New developments in marketing and in product innovation*

With individuals and businesses remaining uneasy about the direction of the economy and the financial markets, changes in marketing policies and enhancements to the product/service portfolio made during the third quarter had an even more pronounced customer orientation. Additional progress was made in a project to *re-organize the product catalogue by customer segment*, with the final objective of more effective marketing. As part of this effort, the Group has put together packages of products which help to increase the rates of cross-selling and customer retention.

Key developments during the third quarter include:

✓ *the definition of a new production-distribution chain* for both *the retail and corporate segments*;

✓ the introduction of a *new model for servicing and developing business with small- and medium-sized firms*, the testing of which began on 14 October at the Banca MPS facilities in Milan; the model aims to reposition the marketing and pricing policy through the supply of products and services on the basis of specific customer segments;

✓ *the ongoing distribution of the Opifici Digitali* (horizontal portal realized and managed by MPSnet) by the commercial networks of the Group's banks; the portal provides package of online services available to small- and medium-sized firms; having already been promoted by Banca MPS and Banca Toscana, the portal was made available to customers of BAM as of October;

✓ *the perfection of the "MOVE Enti" project* which requires the commercial banks and group companies to come up with an integrated model for servicing and supplying public-sector entities; in the meantime, the Group continued to analyze and evaluate industrial and infrastructure projects in which it could become a primary partner (in water management in particular);

✓ *the conclusion of testing with pilot customers of an Internet banking service known as PaschiInTesoreria*, to be marketed to public-sector and other entities (national retirement funds, professional associations, etc.); the service was introduced at the end of September when the Group also procured UNI EN ISO 9001/2000 certification;

✓ *the positive results from the roll-out of the "Carattere" project for the affluent segment of the retail market*; this project, already introduced at Banca MPS and BAM, has been well received by customers and has already generated increased returns on the managed assets;

✓ *the creation and start-up of a new "Institutional Finance Solutions" unit within MPS Finance, which has the mission of developing the company's* *service to institutional investors* (banks, brokerage firms, financial advisors, private banks, insurers and mutual investment funds) in Italy; with the new unit, MPS Finance has enhanced its skills base and the activity of the former "Web Financial Solutions", including in terms of distribution; in the meantime, MPS Finance has continued to focus on innovative distribution, marketing and communications.

- *the ongoing reorganization of the stock of mutual investment funds* which began in early 2002 with the incorporation of Ducato Gestioni SGR, G.I. Gest SGR and Spazio Finanza SGR into Monte Paschi Asset Management SGR;

- *the definition of a new "Platinum" credit card for private banking customers* which is to be launched in the fourth quarter, and *the entry into the second phase of a project to develop a disposable prepaid debit card* (available for use through the Bancomat and PagoBancomat circuits);

- *the launch of the BAM Corporate Plus Internet banking service*, which was on the market as of October; the BAM service flanks similar products for Banca Toscana (Office.net), and Banca MPS (PaschiInAzienda);

- *the distribution of the new Export Key product* to facilitate exports of small- and medium-sized firms and *the introduction of various key-man life insurance policies* (Iride Corporate, Trittico Corporate, Sinfonia Corporate);

Turning to the final quarter of the year, one of the most important initiatives is *the planned introduction of the "Investire Immobiliare 1" mutual fund*, which is the MPS Group's first undertaking in closed-end property funds.

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Other important events during the third quarter include:

✓ *the Board of Director's approval of a plan to set up a new bank to service the clientele of the financial advisor networks*. The project contemplates the incorporation of Banca 121 in Banca MPS (with the latter absorbing a network of 74 bank branches) and the subsequent divestiture of the financial advisor network to a new bank to be known as Banca 121-Promozione Finanziaria that will operate with 1,500 financial advisors and 250 financial boutiques. Fully integrated into the strategies spelled out in the MPS Group's 2002-2005 business plan, the new bank will be charged with fulfilling a specialized role and will have the mission of marketing to prospect customers in the affluent segment, offering high-quality financial management services. The incorporation of the Banca 121 branches into the BMPS network is consistent with the Group's plan to develop a specialized distribution system. The move is also functional to improving relations with the local community in the Apulia region. With Banca 121 divesting its information processing units, the MPS Group will set up a services hub in Lecce. This center will provide technological support for the information needs of the new bank as well as the branches of the MPS banks located in southern Italy.

✓ *the start-up of operations of MPS Leasing & Factoring, Banca per i Servizi Finanziari alle Imprese S.p.A.*. The new company will serve as the excellence center for all leasing and factoring activity of the MPS Group, as provided by the business plan. The share capital of MPS Leasing & Factoring S.p.A. is held by Banca MPS (82.430 percent), Banca Toscana (6.721 percent), Finanziaria BAM (6.509 percent) and Cariprato (4.340 percent);

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Subsequent to 30 September 2002, BMPS signed a preliminary agreement to sell 25 percent of the share capital held in Cassa di Risparmio di S. Miniato to Società Cattolica di Assicurazione Coop. R.l.; the sale price was set at EUR 72 million. The transfer of the shares will occur upon the procurement of the required authorizations.

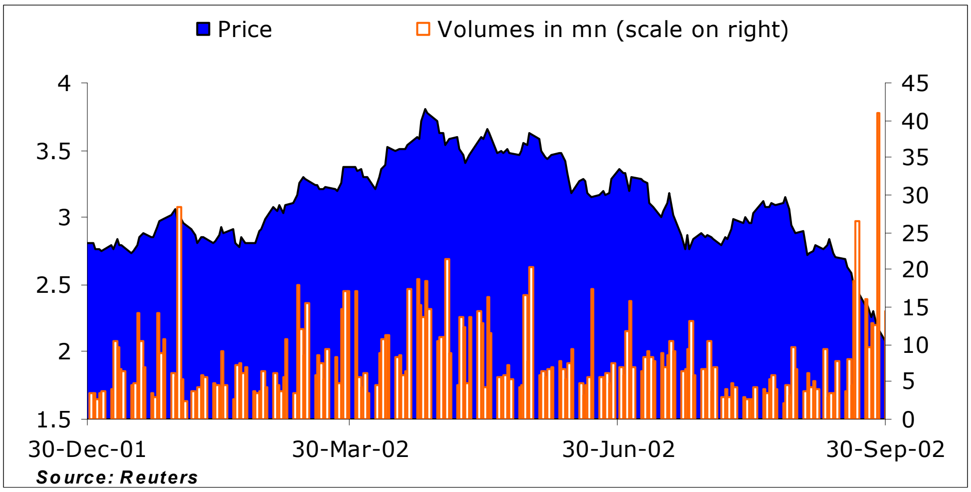
On 10 October 2002, the Board of Directors of BMPS provided its endorsement to a planned merger by incorporation of Banca Toscana and Banca Agricola Mantovana into BMPS. The project, which is part of a process to streamline the MPS Group organization, provides that the banking activity of the two subsidiary banks will be spun off to two new banking companies which maintain their respective brand names; these companies will be 100-percent held by BMPS.

❑ *BMPS share performance and shareholder base*

- *Prices, capitalization and shareholder base*

During the third quarter of 2002, equity market indices around the world experienced dramatic declines. In Italy, the MIB-30 Index lost some 22 percent while the MIB Banking Index was off by 28 percent. The BMPS share price thus hit its quarterly high at EUR 3.44 on 1 July, with the low for the period set on 30 September at EUR 2.04. In comparison with the start of 2002, the BMPS share price was some 26.3 percent lower; this compares with a 33.1 percent decrease of the MIB-30 Index and a 31.4 percent decrease of the MIB Banking Index.

TREND OF THE BMPS SHARES (from 31 december 2001 to 30 september 2002)



TREND OF THE BMPS SHARES (from 1 july 2002 to 30 september 2002)

Average	2.88
Low	2.04
High	3.44

BMPS' total capitalization as of 30 September 2002 was around EUR 5.4 billion, and accounted for around 1.25 percent of the total capitalization of the Italian Stock Exchange.

Summary of reference prices and capitalization

	30.6.2002	30.9.2002
Price (EUR)	3.29	2.04
No. ordinary shares	2,598,722,319	2,598,722,319
No. savings shares	9,432,170	9,432,170
Capitalization (in EUR bn)	8.5	5.4

The BMPS share capital as of the end of September consisted of 2,598,722,319 ordinary shares and 9,432,170 savings shares.
The quota held by the MPS Foundation, the majority shareholder of BMPS, was 65.74 percent as of 30 September 2002, remaining unchanged with respect to the holding as of mid-year. Instead, the quota held by the Fondiaria Group rose to 2.43 percent compared with 2.01 percent as of the end of June.

Significant shareholders
(pursuant to the definition contained in
Article 120 of Law Decree N. 58 of 1998)

MPS Foundation	65.74%
Fondiaria Group	2.43%

- *Volumes*

In the third quarter of 2002, daily trading in the BMPS shares averaged 8 million shares, with volumes climbing to over 20 million shares in the final ten days of September. Taken altogether, shares totaling some 20 percent of the BMPS ordinary capital, or 57 percent of the market float, changed hands during the period.

Summary of volumes of BMPS shares
Traded in the third quarter of 2002 (in mn)

July	197
August	94
September	218

- *Main market multiples*

As of the end of the quarter, the BMPS shares were trading at roughly eight times the projected earnings for 2002 (source of earnings estimates: IBES) and roughly 0.9 times net book value per share as of the end of 2001.

❑ *Outlook*

The Group's operations in the fourth quarter will be oriented toward further improving qualitative performance in terms of the management of customer relationships. The emphasis will be placed on ensuring the competent implementation of the initiatives contemplated by commercial policies put into effect at the end of the third quarter.

In this regard, the priority will go to actions coordinated by the Corporate Center that are designed to ensure business volumes in line with the levels reported in the first three quarters of the year, and ongoing attention to customer retention and the satisfaction of customer needs.

From a quantitative perspective, the outlook is still clouded by the weakness of the economy, the persistent volatility of the financial markets, and the significant geo-political uncertainty (as recently also highlighted by the U.S. Federal Reserve Board).

Considering this backdrop, the operational initiatives at a Group level involve the use of all possible mechanisms (prices, volumes, and expenditures) to keep profitability from ordinary operations at the levels reported for the first half of the year.

Given the actions already undertaken and notwithstanding the tough operating environment, the Group's ROE should be such as to generate positive EVA®.

Adjustments to the value of non-current financial assets will be determined in line with the needs which may emerge at the close of the year. It should be noted that the Group realized significant gains in the first part of the year from the sale of investments in banks that were no longer considered strategic. Other significant benefits in terms of a lower tax burden are expected for the year end.

Siena, Italy, 13 November 2002

The Board of Directors