

**BANCA MONTE
DEI PASCHI
DI SIENA S.p.A.**
Established 1472

Annual Report
as at December 31, 2000



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

REPORT OF THE BOARD OF DIRECTORS

Siena, 30 March 2001

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BANCA MPS: SUMMARY OF RESULTS

Bln lira	31/12/99	31/12/00
Total Customer Funds	164,242	181,972 (+10.8%)
Loans to Customers	62,695	70,251 (+12.1%)
Number of Customers	2,170,442	2,348,521 (+8.2%)
On line Customers	46,476	241,861 (+420%)
Gross Operating Profit	2,049	2,478 (+20.9%)
Net Profit	781	983 (+25.9%)
R.O.E. (%)	11.6	12.8

▪ *Corporate Officers, Senior Management and Independent Auditors*

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 Divo Gronchi, Director (surrendered office as of 1.1.2001) Carlo Querci, Director Antonio Sclavi, Director Giovanni Semeraro, Director Alessandro Vercelli, Director
Executive Committee: 1	Pier Luigi Fabrizi, Chairman Mauro Faneschi, Deputy Chairman Carlo Querci, Director Antonio Sclavi, Director Alessandro Vercelli, Director
Board of Statutory Auditors:	Giuseppe Vittimberga, Chairman Pietro Fabretti, Acting Auditor Luciana Granai De Robertis, Acting Auditor Angiola Lippi, Substitute Auditor Duccio Neri, Substitute Auditor
Senior Management	Vincenzo De Bustis, Chief Executive Officer Pier Giorgio Primavera, Deputy Chief Executive Officer Antonio Vigni, Assistant Chief Executive Officer
Independent Auditors	KPMG S.p.A.

▪ *Nature of Authority Delegated to Members of the Board of Directors*

With reference to Article 18, Paragraphs 2 and 3 of the CONSOB Memorandum 97001574 of 20 February 1997, the Board of Directors appointed an Executive Committee consisting of five directors. The Chairman and Deputy Chairman serve as permanent members of the Executive Committee, with the other three members being directors appointed for a term of one year. The Executive Committee is vested with the authority for credit approval, and may delegate its authority to other persons, determining the limitations thereof.

Upon the confirmation of the Executive Committee on 27 April 2000, the Board of Directors reaffirmed the authority and independence of the Executive Committee in relation to legal affairs, litigation, financing, general expenditures, human resources and other aspects of operations.

Should it be necessary or in the event of an emergency, the Executive Committee is empowered to approve resolutions on behalf of the Board of Directors with respect to any matter for which the Board of Directors is responsible, with the exception in the case of the responsibilities exclusively delegated to the Board of Directors (e.g. strategic planning, the general organization of the Bank, the criteria for coordinating and managing the companies which are part of the banking group, the preparation of the financial statements and the appointment of the Chief Executive Officer or Deputy Chief Executive Officers). The Executive Committee is required to report on any decisions taken on behalf of the Board at the Board of Directors meeting immediately thereafter.

Should the Executive Committee be unable to exercise the aforementioned authority, it may be exercised by the Chairman if necessary or in the event of an emergency. In such case, the Chairman is required to report on any decisions taken on behalf of the Executive Committee at the meeting of the Executive Committee held immediately thereafter. By virtue of the Bank's by-laws, the Chairman is furthermore vested with the authority to promote and sustain legal actions, to be exercised within the limits established by the Board of Directors. Should the Chairman be absent or unable to fulfill his duties, the authority vested with the Chairman may be exercised by the Deputy Chairman. No specific or general authority has been delegated to the Directors.

Pursuant to Article 18, Paragraph 5 of the Bank's by-laws, the Board of Directors has delegated authority, establishing the limits thereof, to the Chief Executive Officer and to the Deputy Chief Executive Officer, and with regard to their respective functions, to various department managers, office managers and branch managers. Such authority is relative to operational matters as well as credit approval.

In the case of credit approval, authority has also been delegated to the Credit Committee which consists of senior managers of the Bank.

Given a more complex structure of the Group, the Board requested shareholder approval of a provision to the by-laws allowing for the possibility of appointing one or more managing directors, together with the option, rather than the obligation, to appoint an executive committee. These proposals, which were approved by the shareholders in a meeting on 7 June 2000, will provide improved organizational flexibility and the consequent potential of a broad array of options in terms of the structure of the Bank's senior management and the conferral of authority to officers and executives.

The Board of Directors is charged with determining the powers to be conferred to the Managing Director (currently a position that has not been filled), specifying the area of authorized activity for the Managing Director which shall fall within the powers exclusively vested with the Board itself as well as those vested in accordance with the by-laws with the Chief Executive Officer (the latter of which may not be changed, thereby allowing for efficient administration of senior management). The breadth of the powers vested with the Managing Director may also depend on whether or not the Board of Directors decides to revise the powers currently vested with the Executive Committee.

BANCA MONTE DEI PASCHI DI SIENA S.p.A.
ORDINARY MEETING OF THE SHAREHOLDERS

SUMMARY OF THE REPORT
OF THE BOARD OF DIRECTORS
ON OPERATING PERFORMANCE
AND FINANCIAL POSITION

Pier Luigi Fabrizi
Chairman of the Board of Directors

Siena, 1 May 2001

To the Shareholders:

In 2000, the Bank achieved very positive results in terms of both operations and earnings, while also consolidating its position as one of the leading financial institutions in Italy. Important transactions realized during the year had a significant impact on the structure of the MPS Group and have paved the way to new growth opportunities in the future.

The operating framework in 2000 was not without its difficulties, with the fluctuation of interest rates and the ongoing economic slowdown adversely affecting the financial and foreign-exchange markets. Despite these difficulties, the Bank and the MPS Group operated in accordance with their business plan, achieving volumes and margins which were higher than the levels anticipated.

Combining these fundamental developments with further improvement of credit quality and attentive management of market risks, the Bank and the MPS Group realized considerable gains in profitability and created significant value for the shareholders. In 2000 the net earnings of the Bank and the MPS Group rose by 25.9 percent and 25.7 percent, respectively, over 1999 to reach ITL 983 billion and ITL 1,095 billion. Returns on equity were also higher, with the Bank's multiple climbing from 11.6 percent to 12.8 percent, and the Group's advancing from 12.7 percent to 14.0 percent.

The growth of profits was partially driven by a large increase in commissions which came from the implementation of policies to broaden the base of operations and to enhance the value of customer relationships. The reduction of the cost/income ratio figured as another element underlying the expansion of earnings, and was achieved despite a series of significant investments in programs designed to upgrade the organizational structure and marketing thrust.

These fundamental changes were accompanied by a rebound of the interest margin, higher profits from financial transactions, and an increased contribution of dividends correlated mostly to the results of the product companies of the MPS Group.

From the perspective of volumes, the expansion of the strategic aggregates continued to be significant, with additional improvements logged in terms of market share.

The Bank's total customer funding was up by 10.8 percent over 1999, while the comparable increase for the MPS Group was 8.6 percent. The gains were driven by both funding components: direct funding (deposits and bonds) and indirect funding. The balance of the latter rose in response to an increase in funds under administration and higher amounts placed in asset management, even though the market suffered the effect of a decrease in stock prices in the final months of the year.

The growth of customer loans was equally significant, with the Bank registering a 12.1 percent gain in lending and the Group portfolio increasing by 11.6 percent. The development of the lending business was mostly oriented toward investment to sustain the expansion of the economic cycle, and was based on the growth of longer-term maturities in accordance with the strategy to reinforce the Bank's role as a "bank of reference" for consumers and small- and mid-sized firms. Progress was achieved in terms of credit quality partly due to a reorganization of lending activity aimed at the achievement of an improved risk-return ratio, a more efficient allocation of capital and better controls over risks.

The Bank's total capital for regulatory purposes amounted to ITL 11,789 billion. This represents a growth of more than ITL 2,300 billion over the comparable figure at the prior year-end. The

transactions contributing to the increase included: the allocation of a portion of 1999 earnings to shareholders' equity reserves; the increase in share capital to service the acquisition of Banca 121; and the effects of the revaluation of real estate assets and of an investment in SanPaolo-IMI, the latter of which was written up to market value as of the end of the year, since this Bank is listed on the Milan Stock Exchange.

The bancassurance activity also proved to be quite dynamic, with the Group confirming its position as the market leader with a share of around 12 percent of premiums collected. The mutual funds and SICAV companies also realized an increase in market share, accounting for about 11.9 percent of new net flow during the year.

The development of the customer portfolio was also significant, with the aggregate number of relationships rising by 8.2 percent to 2,348,000 in the case of the Bank and by 7.9 percent to around 4,250,000 in the case of the MPS Group.

In terms of strategy, the efforts in 2000 were again dedicated to orienting all units of the MPS Group toward the objective of reinforcing the Group's position as a leading national group with a European reach. In moving toward this objective, the Bank not only concentrated on internal and external growth, but also on actions to streamline the organization.

In 2000, the external growth strategy was again focused on expanding market presence. This logic was the basis for the acquisition of Banca del Salento (currently operating as Banca 121). Aside from increasing the MPS Group's presence in areas that had not been sufficiently covered in the past, the acquisition allowed the MPS Group to team up with a highly innovative bank, especially in terms of its technologically advanced and highly integrated multi-channel distribution network.

Internal growth has involved the expansion of the traditional network as well as further development of new distribution channels. As of the end of 2000, the MPS Group counted 1,795 banking facilities (including 41 abroad), 2,086 ATMs and 44,066 POS terminals, with the rates of growth for these units respectively totalling 6.2 percent, 13.3 percent and 23.9 percent for the year. Newer distribution channels include a network of 2,936 financial consultants and some 208 financial boutiques. Finally, the internal growth entailed development of electronic banking services (internet banking, phone banking, and banking by mobile telephone) whose total clientele rose to 450,000 at the end of 2000, with Banca Monte dei Paschi di Siena accounting for over 240,000 of the figure.

Numerous actions were undertaken in 2000 to streamline the organization at the Group level. Among these were the creation of new centers of excellence, the integration of various operations, and the restructuring of the commercial areas of the network.

New units set up during the year included:

- MPS Finance Banca Mobiliare S.p.A., a company specialized in the area of finance and investment banking which has been charged with designing and producing innovative financial products for the Group's retail and corporate markets; the company's mission also includes operations in the capital market, in derivatives and in corporate and government bonds;
- Paschi Gestioni Immobiliari S.p.A., a company responsible for managing the Bank's real estate and generating the most value from such assets; at a later date, the company will supervise all properties for the MPS Group;

- Itariscossioni S.p.A., a company set up for the purpose of concentrating tax collection activity and the collection of local taxes carried out by the concessionaires managed directly by the Bank.

The creation of the new companies was flanked by other efforts to build up the operations of Gruppo Monte dei Paschi Asset Management SGR and by further development of both the Group's information system run by the Operations Center and the purchasing procedures of the Centralized Purchasing Unit. All of these initiatives contributed to improving service quality and to generating significant synergies in terms of costs.

The integration of various Group functions included principal transactions, as follows:

- the merger by incorporation of Cooperbanca and Banca Popolare di Abbiategrosso into Banca Agricola Mantovana, and Banca Popolare della Marsica into Banca Toscana;
- the merger by incorporation of Padana Factoring into Merchant Leasing & Factoring;
- the transfer of the business unit, Monte Paschi Mercato SIM, to Intermobiliare Securities, whose name was subsequently changed to Intermonte Securities SIM.

As in the case of the initiatives outlined previously, the integration of the various Group operations also served to boost the quality of service and to generate important synergies.

The implementation of the Paschi Valore Project figured as the fundamental element in the restructuring of the commercial areas of the network. By creating separate divisions to service the retail and corporate clientele, the project aims to improve the efficiency of the marketing effort. The objective is to raise the value of the customer relationships through a better customer retention rate and increased cross selling.

Currently in the implementation phase at all units of Banca Monte dei Paschi di Siena, the project is subsequently to be extended to all of the commercial banks of the MPS Group, with the introduction of modifications where needed.

As the strategic profile described above has unfolded, it has been accompanied by efforts to develop future goals and objectives. Important progress in this regard was made with the Board of Directors' definition and approval in October of the future plans and strategies for the Bank and the MPS Group.

Incorporated into the 2001-2004 business plan approved by the Board in November, these plans and strategies are intended to pave the way to a series of new alliances, including with large banking organizations, and to the reorganization of the bancassurance partnership. The business plan also includes the guidelines established for reinforcing the Group's strategic and managerial coordination, as well as the guidelines for defending the various areas of activity and for the consequent revision of the organization.

The business plan concretely places the Bank and the Group on a track toward organizational innovation and acceleration of growth. With the implementation of a new business model, the Bank and Group are moving toward the achievement of ambitious objectives in terms of creation of value, ROE (a projected 26 percent expected in 2004), operating efficiency (cost/income ratio forecast to

decrease to 46 percent in 2004), and operational excellence with respect to the completeness and high quality of the services offered to the clientele.

The new business model for the MPS Group rests on two fundamental principles:

- specialization, which is the basis for the redefinition of the business areas (commercial banking, personal financial services, private banking and e-business) and the reinforcement of product companies through the creation of excellence centers in asset management, insurance/pension products, securities trading and innovative corporate finance;
- coordination, which is the idea behind the so-called “Corporate Center” - to be set up within the Parent Company - which will be charged with managerial and operational responsibilities for the MPS Group and which will operate in accordance with the strategic directives established by the Bank's Board of Directors and the input of the Board of Directors of the subsidiary companies;

As to configuration of the Group, the objective is to transform the financial services conglomerate constructed through the acquisitions in 1999 and 2000 into a group having three fundamental aspects, namely, a multi-specialist, integrated and coordinated group.

The basic organizational structure is consistent with the distinctive characteristics of the MPS Group as explained previously, and in particular, is sub-divided into four fundamental areas:

- a single centralized governance area represented by the “Corporate Center”, which is to ensure managerial and operational coordination;
- the production area as represented by the product companies which operate as excellence centers;
- service units charged with the efficient and effective management of common services;
- distribution units responsible for managing customer relationships in accordance with the criteria established for segmentation and specialization

The implementation of the future plans and strategies defined last autumn was ongoing in the first months of 2001, with efforts dedicated to strategic alliances and to the revision of the organization of the MPS Group.

Two principal transactions were carried out in relation to strategic alliances:

- an agreement with the Finsoe-Unipol Group for a marketing and production relationship in the area of insurance, retirement plans and financial services;
- the acquisition of 4.75 percent of the capital of Banca Nazionale del Lavoro from Banca Popolare di Vicenza, with the prospect of increasing the holding by roughly another 3.45 percent.

The agreement with Finsoe-Unipol is broad-based and aimed at the gradual development of a banking-insurance alliance which should result in reinforcing the competitive position of the two partners. This will occur through the sharing of expertise and through cross-selling initiatives

addressed to a base of around nine million customers, the aggregate of the MPS Group's and Unipol Group's current customers.

As to the investment in Banca Nazionale del Lavoro, the relative decision implies a strategic option whose future possibilities are to be outlined. In any event, the transaction has positioned Banca MPS to play an active role in the consolidation of the Italian banking system, with the prospect of defining a business plan full of opportunities.

The revision of the MPS Group organization in process represents the gradual concrete application of the provisions of the 2001-2004 business plan. Such initiatives may be summarized as follows:

- **Asset management:** the concentration of all asset management activity of the various product companies within Gruppo Monte Paschi Asset Management SGR and the preparation of an integration plan that will make this company a center of excellence for the asset management business;
- **Specialized medium-term lending and innovative corporate finance:** the approval of a project to transform Mediocredito Toscano into an investment bank for small and medium-sized companies with the name of the institution changed to MPS Merchant - Banca per le Piccole e Medie Imprese S.p.A.; this bank will become an excellence center in the area of traditional and innovative finance with specific reference to M&A, private equity, project financing, initial public offerings and advisory services in general;
- **Agricultural lending:** a plan has been approved which will transform Istituto Nazionale di Credito Agrario into "Banca Verde" to act as the MPS Group excellence center in supporting agricultural and environmental initiatives;
- **Personal financial services:** as part of the activation of the business plan, Banca 121 sold off its business corporate unit to BMPS in December 2000 and will be transformed from a regional commercial bank into a bank specializing in personal financial services; supported by an integrated, multi-channel distribution network, the bank will embrace a one-to-one philosophy for servicing customers;
- **Private banking:** with the Parent Company purchasing 100 percent of the share capital of Banca Steinhauslin and with the approval of the relative business plan, the Florence-based bank will become the MPS Group's center of excellence in catering to high net-worth clients, leveraging a well-known name and specific skills in this business area;
- **Initiatives relative to new technologies and the Internet:** with the approval for the incorporation of MPS.net S.p.A., the MPS Group has formalized plans to establish an excellence center dedicated to the e-business and to the promotion and coordination of high-potential initiatives in this particular area;
- **Coordination of the MPS Group,** through the approval of the top-tier structure, the "Corporate Center", and the start-up of procedures for the implementation of the various organizational and operational procedures in relation thereto.

The initiatives realized in 2000 and in the first few months of 2001 will allow the MPS Group to achieve further progress in expansion of its operations and in the improvement of product and

process quality. Such a scenario augurs well for the consolidation of the Bank's position as a financial institution which is a leader in the domestic market and which has an increasing reach across Europe.

As Chairman, I wish to acknowledge the important contribution of the staff in the results achieved to date, and to thank all employees for their professionalism, dedication and sense of commitment.

I also wish to thank the Head Office Executives and other managers for the quantity and quality of their work in the midst of a significant escalation of competition and innovation. I should like in particular to acknowledge the contribution of Divo Gronchi, who served as Chief Executive Officer for the first part of the year, and Vincenzo De Bustis Figarola who took over the position thereafter and who, working together with the Board of Directors, has demonstrated his ability to guide the process of change within the Group.

I am also grateful for the support and consultative input received from the members of the Board of Directors, without which it would have been very difficult to realize all of the results that I have highlighted thus far.

A final note of thanks goes to the Board of Statutory Auditors for their diligent and effective activity of internal controls, and to the Delegate of the Bank of Italy for his meaningful collaboration.

Operating in the midst of an ever-changing financial services industry and under the strain of competitive pressure and technological innovation, the Bank and the MPS Group have demonstrated their capacity in confronting the change and in responding to the challenges of the market in a rapid and sufficient manner.

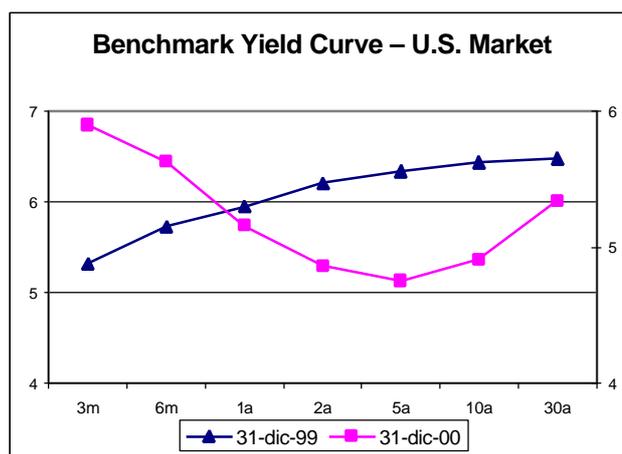
Such a capacity is confirmed by the positive results achieved in 2000 and can do nothing but suggest optimism about the future. The confidence of the Board of Directors in this regard is based on the proven ability of the Bank to find the best way of uniting its culture and tradition with an openness to innovation and willingness to change.

OVERVIEW OF ECONOMY, INDUSTRY AND REGULATORY ENVIRONMENT

▪ Macroeconomic Scenario

After expanding at a healthy rate in the first six months of 2000, the global economy gradually slowed in the second half, thereby prompting general weakness of the financial and foreign-exchange markets.

The signs of a deceleration of the U.S. economy were increasingly evident: consumer confidence declined, while retail sales grew sluggish and private investment slumped. Against this backdrop, the U.S. Federal Reserve Bank made a decisive shift in its policy, going from raising rates in the first half of the year, to a phase of neutrality for most of the second half and thereafter to a posture accommodating the slowdown of economic activity. The inversion of the benchmark yield curve was testimony to the expectations of lower interest rates, which eventually materialized in the first two months of 2001.



In Japan, too, the macroeconomic situation in the final months of 2000 was less favourable than the scenario projected during the first half of the year, with GDP growing by less than 2 percent.

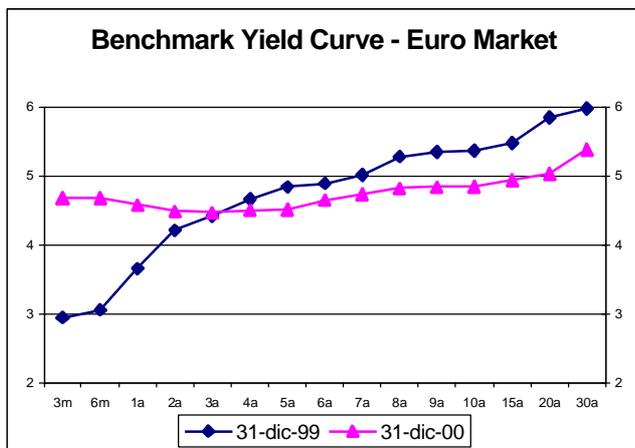
By contrast, the European economy continued on an expansion in 2000, albeit at a modest pace. The increase in GDP came to 3.4 percent for the year, though the rates of expansion were lower in Germany and Italy, the two countries where the start of the recovery has taken longer. Private consumption and investment provided a significant contribution to growth, whereas the contribution of net foreign demand was depressed by strong growth of imports, despite the weakness of the euro and the positive trend of world trade.

Annual Changes in GDP %	1998	1999	2000
OECD countries	2.7	3.1	4.0
United States	4.4	4.2	4.9
Eurozone	2.7	2.5	3.4
Italy	1.5	1.4	2.9
Germany	1.8	1.4	3.0
France	3.2	3.0	3.3
Japan	-1.1	0,8	1.6

Source: OECD, Prometeia

The trend of commodity prices throughout the year, and mainly that of oil, had a material impact on the annual growth of consumer prices, within the annual inflation rate in the Eurozone climbing above the 2 percent threshold targeted by the European Central Bank. In adopting a more restrictive

stance, the ECB increased the reference rate from 3 percent in December 1999 to 4.75 percent in October 2000, with the action justified by the need to avoid further tensions on prices and the necessity to boost the euro.



In Italy, the rate of growth of GDP reached 2.9 percent in real terms, thereby advancing markedly over the 1.4 percent expansion registered in the prior year. With this performance, the negative differential between Italy's growth rate and the average for the Eurozone narrowed to 0.5 percentage points from 1.1 percentage points in 1999. While the Italian economy was strong for the year as a whole, there were signs of a slowdown in the second half, mostly due to the weaker momentum of exports.

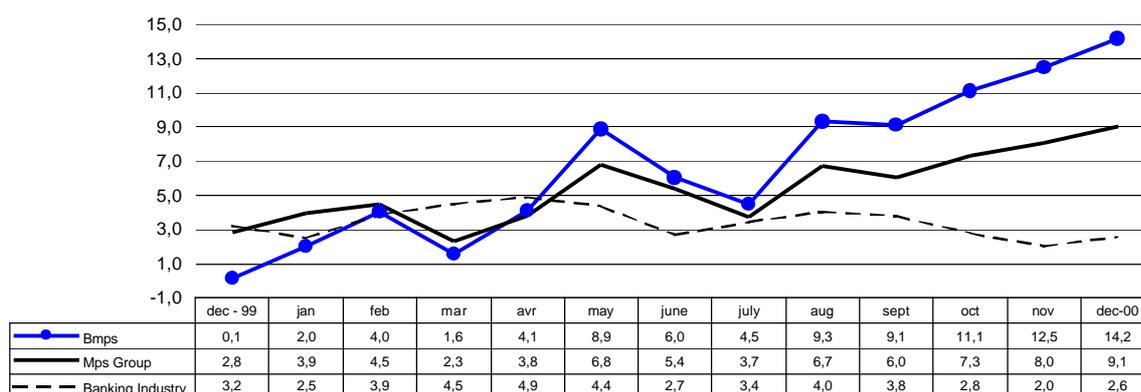
The acceleration of prices, especially in the manufacturing sector, was fuelled by the run-up of the cost of energy and by the depreciation of the euro. Consumer prices in Italy rose by 2.5 percent on average for the year, thereby surpassing the 1.6 percent growth logged in 1999. The differential between inflation in Italy and the average for the Eurozone also narrowed as the latter rose from 1.1 percent in 1999 to 2.3 percent in 2000.

Interest rates moved in tandem with the economy, rising on average by about 150 basis points at the short end of the curve and by a more limited extent for medium- and long-term maturities. The average yield on three-month Italian Treasury Bills rose, for example, from 2.79 percent in 1999 to 4.24 percent in 2000; instead, yields on long-term government bonds rose from 4.18 percent to 5.36 percent. The yield curve by maturity therefore leveled off, indicating the more restrictive orientation of monetary policy. As of mid-November, the trend of short-term rates again shifted course on the expectations of a less restrictive posture on the part of the ECB.

▪ Banking Industry Trends

The development of electronic distribution channels and automated services, further progress in the industry consolidation, and the definition of more flexible organizational structures and strategies are some of the key themes dominating the Italian banking industry in 2000. Competition in the market for banking services intensified over the year, especially in the area of funds management.

Graph 1 : Direct Funding (Deposits and Bonds) % change year on year



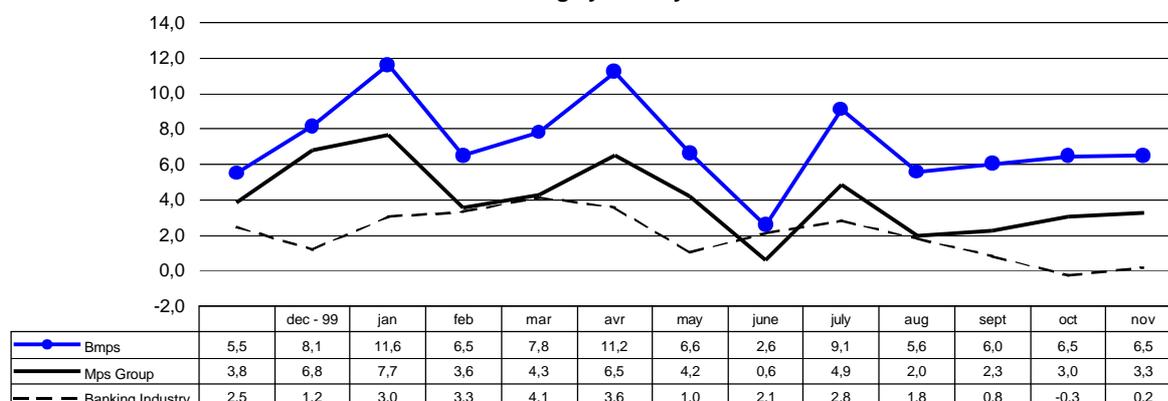
Note: The MPS Group data in this section exclude the balances at Banca 121

The expansion of direct funding excluding repurchase agreements experienced a major deceleration, with the industry growth rate declining from 4.9 percent to 3.5 percent. The variance can be ascribed to both deposits, whose growth rate fell from 2.9 percent to 2 percent, and to bonds, whose growth contracted from 8.9 percent to 6.3 percent. When incorporating the more volatile repurchase agreements (which went from a contraction of 25.5 percent in 1999 to growth of 11.7 percent in 2000), the rate of growth of total direct funding stands at 4 percent versus the 2 percent of the prior year.

As shown by Graph 1, the MPS Group and Banca MPS enjoyed growth of direct funding throughout the year that was much stronger than the industry average, with the difference especially pronounced in the final months of the year.

Current account balances across the industry were up by 8.4 percent for the year, with the growth rate decelerating substantially from the 15.4 percent reported for 1999. The shift in momentum is correlated to the increase of the opportunity-cost of holding deposits, as the markdown with respect to the three-month EURIBOR rate rose by about 100 basis points during the year.

**Graph 2: Deposits
% Change year on year**

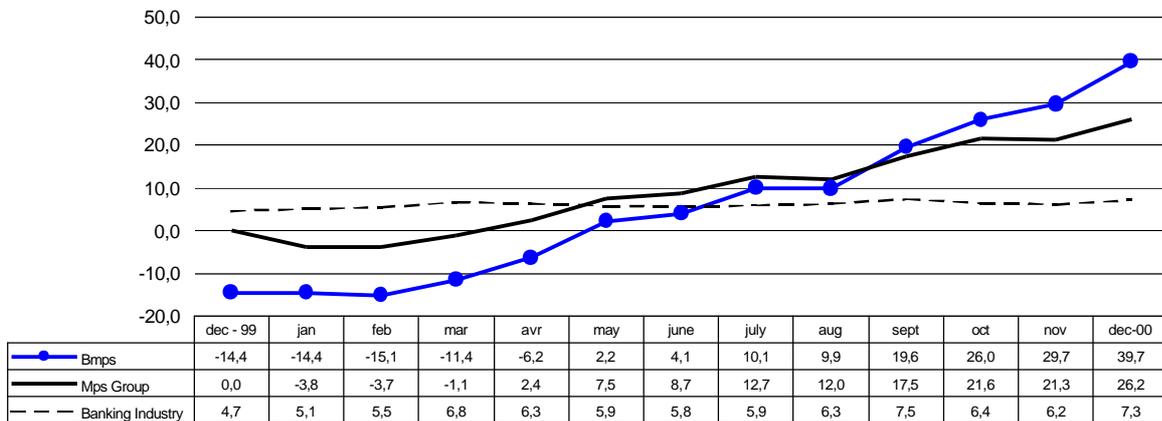


Balances maintained in certificates of deposit fell another ITL 25.3 trillion over the year, with decreases reported in both short- and medium-/long-term instruments. Savings deposits were some

3.7 percent lower year on year. Taken together, the two categories of funding accounted for only 12 percent of funding from ordinary customers.

After levelling off in the second half of 1999, the net flow of bond funding was ITL 33.0 trillion higher in 2000, with part of the increase due to product innovation and appetizing yields.

Graph 3: Bonds
% Change year on year

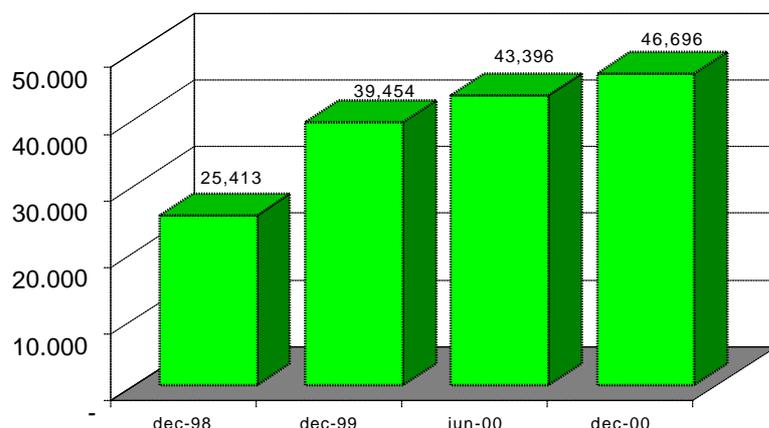


In indirect funding, the balances of funds in managed accounts were again higher, though the growth rate was almost half of the level reported for 1999. Even though the lower growth was the result of market volatility, higher interest rates and the basic conclusion of a process in which retail investors transferred funds out of government securities into other instruments, the business of funds management has become an increasingly strategic segment for banks.

Net new investment in mutual funds topped ITL 57 trillion in 2000, or just over one-third of the net flow in 1999. The aggregate figure incorporates net new investment in equity and balanced funds, and net redemptions of quotas bond funds. The performance of mutual funds over the year was generally negative. Exceptions included U.S. dollar and emerging markets bond funds, and Italian equities.

Within this framework, the MPS Group achieved market share of nearly 4.4 percent as of December 2000, with the performance attributable to product innovation and a strong capacity to attract new funds. As reported in the consolidated financial statements, the Group managed to secure 11 percent of total industry flows.

Total Assets Managed by Group Companies

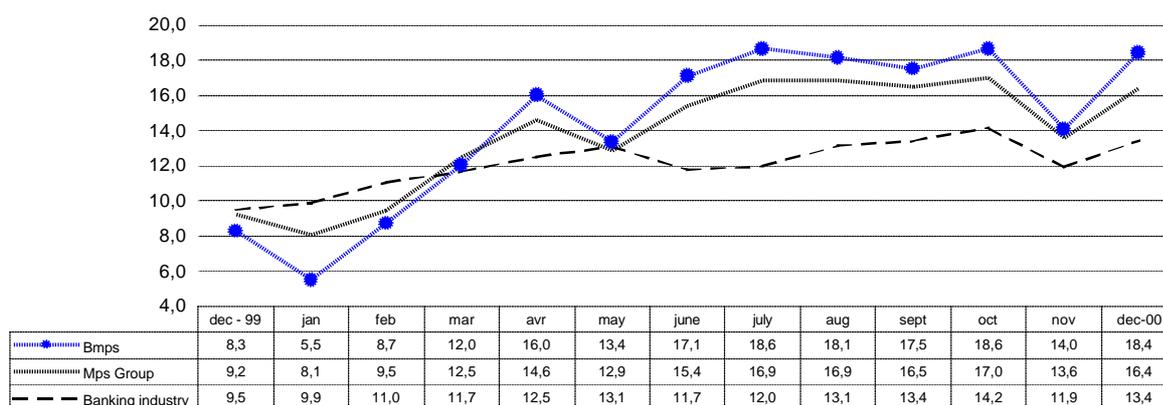


(*) Includes Spazio Finanza as of July

Though declining, the rate of growth of life insurance premiums was still strong at just under 20 percent for the year. Instead, the performance was mixed in terms of individual portfolios under management by banks, with balances contracting by 3 percent for the year. Against this backdrop, the development of mutual funds management continued.

The consolidation of the economic recovery served to bolster the market for bank credit in 2000, with outstanding loans rising by more than 12 percent on average for the year. The increase resulted mostly from higher demand from corporate customers for short-term loans in the second half of the year, though extraordinary financing also contributed to the growth. The trend of medium- and long-term borrowings was instead much softer, although the growth was still a considerable 10.5 percent on average for the year.

Graph 5 : Loans % change year on year



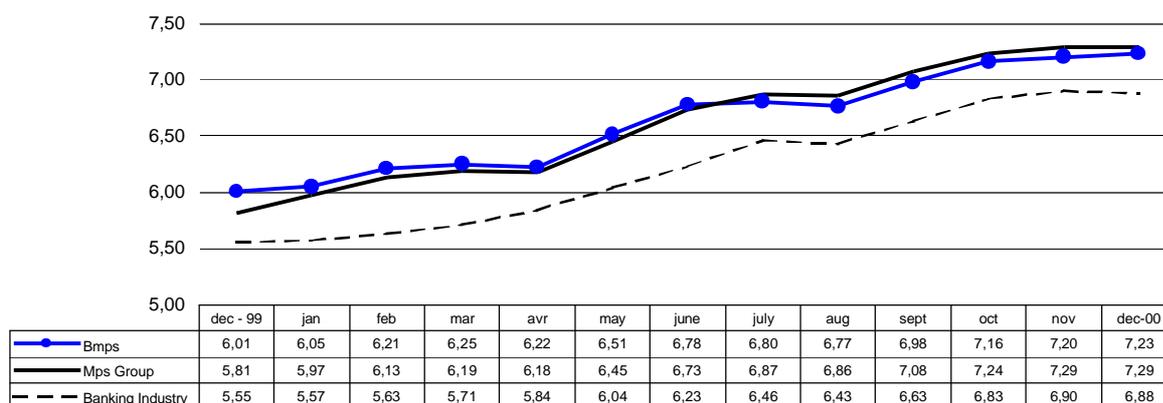
The MPS Group logged growth in excess of the industry average for almost every month of the year.

The favorable orientation of the economy and the ongoing improvement of systems for assessing and analyzing credit risk had a positive impact on the trend of non-performing loans across the banking industry. Between the end of 1999 and the end of 2000, the balances of such loans fell by

ITL 15 trillion or 13 percent, with part of the reduction attributable to a greater number of securitization transactions.

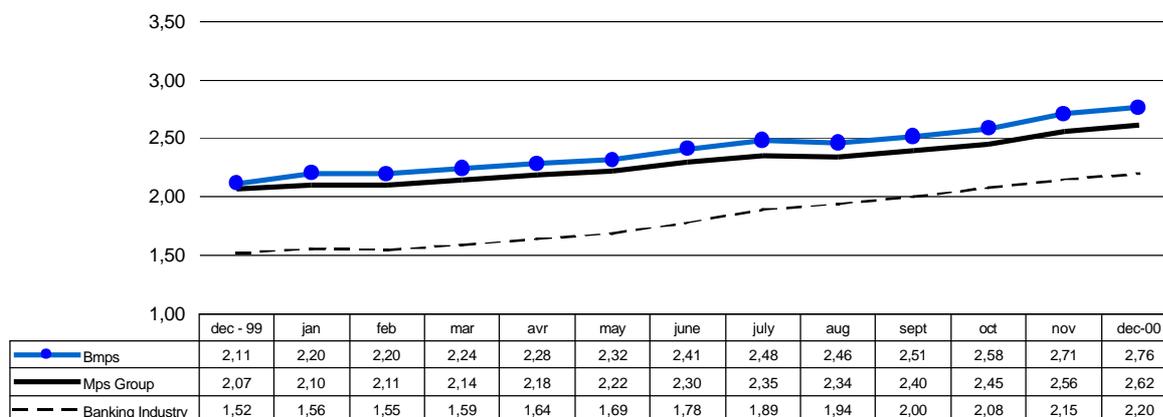
As reported by the Bank of Italy, the industry average lending rate for short-term loans rose from 5.55 percent at the end of 1999 to a peak of 6.90 percent in November, before edging down to 6.88 percent in December (*Graph 6*). The movements of lending rates matched both the changes in the macroeconomic scenario and the shifts in the monetary policy on the part of the ECB. Lending rates offered by the MPS Group banks were also higher in 2000, with the intensity of the increase varying from bank to bank. Altogether, the markup within the Group was greater than the industry average.

Graph 6: Average Interest Rate on Short-Term Loans



The increase in the cost of bank deposits was less intense, with the industry average rate climbing from 1.52 percent to 2.20 percent as of December. The increase was essentially the same at Banca MPS. Considering the rate dynamics, the traditional spread between lending rates and the cost of funds rose from 4.03 percent at the end of 1999 to 4.68 percent at the end of 2000. The MPS Group's average spread shifted in line with the industry average, ending the year at 4.67 percent.

Graph 7: Average Interest Rate on Deposits



The favourable trend of spreads and the growth of loans and deposits had positive effects on banking industry earnings. With the interest margin expanding once again and strong growth of fee income, total banking income was up by around 10 percent. Investments in new technology and the

development of innovative distribution channels had the effect of pushing up operating expenses, which rose overall by around 3 percent. As a result, the return on invested capital improved overall.

2000 FINANCIAL STATEMENTS

▪ Reclassified Balance Sheet and Profit and Loss Statement – Reclassification Criteria

The balance sheet and the profit and loss statement as of 31 December 2000 and 1999 have been reclassified in accordance with the criteria listed hereunder in order to facilitate the analysis of the Bank's operations and earnings.

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

- Assets under financial leases are reported using the financial method. In accordance with this method, the assets are classified under customer loans and advances as the "loan value of financial leases", instead of as fixed assets, net of depreciation, as required by the Italian Civil Code. Income earned on such assets is reported as interest income whereas under the Italian Civil Code, it is classified as rental income. Depreciation is included in valuation adjustments to fixed and intangible assets.
- The aggregate, "net income from services", includes commissions earned (Account 40 on the parent-company's profit and loss statement), commissions expense (Account 50) and other operating income, net of the aforementioned income from leases (Account 70).
 - Amounts not pertaining to operations have been eliminated from interest expense and other expense on borrowed funds (Account 20) , and have been reclassified as extraordinary charges.
 - Profits and losses from financial transactions include income referring to past years which resulted from the change in the criteria for valuing the trading securities portfolio; according to the Italian Civil Code, such earnings are classified as extraordinary income (Account 180).
 - Expenses for personnel assigned to the operations center (Account 80) and for personnel of the Bank assigned to other MPS Group companies have been eliminated against the revenues recognized on the reimbursement of the same (Account 70).
 - The depreciation of the assets transferred to the operations center which is included in the "service fee" paid to the Center has been eliminated from other administrative expenses and reclassified among the valuation adjustments to fixed and intangible assets.

RECLASSIFIED BALANCE SHEET

(in ITL bn)

ASSETS	31.12.2000	31.12.1999	Change	% Change
Cash and cash on deposit with central banks and post offices	427	347	81	23.2
Loans				
a) Customer loans and advances	70,251	62,695	7,556	12.1
including: loan value of financial leases	1,748	1,414	334	23.6
b) Amounts due from banks	32,881	27,398	5,483	20.0
Trading account securities	11,109	12,868	-1,759	-13.7
Non-current assets				
a) Investment securities	6,257	6,166	81	1.3
b) Equity investments	9,020	5,915	3,104	52.5
c) Fixed assets and intangible assets	2,145	1,512	623	41.8
Own shares or quotas	11	57	-46	-80.2
Other assets	12,052	13,301	-1,249	-9.4
Total Assets	144,143	130,260	13,883	10.7
LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2000	31.12.1999	Change	% Change
Liabilities				
a) Customer deposits and other borrowed funds backed by negotiable instruments	85,602	77,226	8,376	10.8
b) Due to banks	31,168	29,655	1,512	5.1
Reserves for specific use				
a) Staff severance indemnity reserve	472	473	-1	-0.3
b) Pension fund	168	141	27	19.1
c) Reserves for risks and other charges	601	513	88	17.1
d) Reserve for taxes	1,188	809	378	46.8
Other liabilities	11,003	11,159	-156	-1.4
Reserve for loan losses	300	280	20	7.1
Subordinated debt	3,184	2,001	1,183	59.1
Shareholders' equity				
a) Share capital	2,360	2,160	200	9.3
b) Paid-in capital	1,013	978	34	3.5
c) Reserves	3,83	3,468	415	12.0
d) Revaluation reserves	1,621	0		
e) Reserve for general banking risks	813	813	0	0.0
f) Retained earnings	0	0	0	-41.7
g) Profit (loss) for the year	767	582	184	31.7
Total Liabilities and Shareholders' Equity	144,143	130,260	13,883	10.7

RECLASSIFIED PROFIT AND LOSS STATEMENT

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	2,243	2,166	77	3.6
Profit (loss) on financial transactions	287	54	233	430.4
Net income from services	1,904	1,587	317	20.0
Dividends and tax credits	626	669	-43	-6.4
Service margin	2,817	2,310	508	22.0
Total banking income	5,061	4,476	585	13.1
Administrative expenses				
- personnel expense	-1,509	-1,476	33	2.3
- other expenses	-1,074	-952	123	12.9
Total administrative expenses	-2,583	-2,427	156	6.4
Gross operating profit	2,478	2,049	429	20.9
Valuation adjustments to fixed and intangible assets	-201	-157	44	28.2
Provisions for risks and charges	-128	-79	49	n.m.
Other operating expenses	-18	-10	8	82.8
Valuation adjustments to loans and provisions for risks, net of recoveries	-381	-423	-42	-10.0
Provision to loan loss reserve	-20			n.m.
Valuation adjustments to non-current financial assets, net of recoveries	-135	-217	-82	-37.6
Extraordinary income (charges)	69	482	-413	-85.7
Change in reserve for general banking risks		-300		n.m.
Income taxes	-680	-564	116	20.5
Profit for the year	983	781	202	25.9
Reserve provisions under Law 153 of 1999	-216	-198	18	8.9
Net profit for the year	767	582	184	31.7

KEY DATA AND RATIO ANALYSIS

	in ITL bn 31.12.2000	in ITL bn 31.12.1999	% Change	in EUR mn 31.12.2000
Profit and loss aggregates				
Total banking income	5,061	4,476	13.1	2,614
Gross operating profit	2,478	2,049	20.9	1,280
Net profit	983	781	25.9	508
Balance sheet aggregates				
Total funding	181,972	164,242	10.8	93,981
Direct funding	85,602	77,226	10.8	44,210
Indirect funding	96,370	87,016	10.7	49,771
including: Funds under administration	48,538	41,899	15.8	25,068
including: Funds under management	47,832	45,117	6.0	24,703
- Mutual investment funds	19,539	18,737	4.3	10,091
- Portfolio management	17,372	18,142	-4.2	8,972
- Life insurance policies and pension funds	10,921	8,238	32.6	5,640
Customer loans and advances	70,251	62,695	12.1	36,282
Consolidated shareholders' equity	10,457	8,002	30.7	5,401
Profitability ratios				
Banking commissions / total banking income (%) (°)	28.6	26.7		
Service margin / total banking income (%)	55.7	51.6		
Cost/income ratio (%) (°)	48.9	51.8		
Cost/income ratio inclusive of depreciation and amortization (%) (°)	53.0	55.4		
ROE (%)	12.8	11.6		
Service margin / administrative expenses (%)	109.0	95.0		
(°) excluding tax collection activity				
Credit quality indicators				
Net non-performing loans / customer loans and advances (%)	3.2	3.3		
Doubtful loans (*) / customer loans and advances (%)	4.8	5.8		
(*) Doubtful loans include: non-performing loans, watchlist credits and loans to high-risk nations				
Productivity indicators (*)				
Direct customer funding / average number of employees (**)	6.8	6.3		
Customer loans and advances / average number of employees (**)	5.6	5.1		
Total funding / average number of employees (**)	14.5	13.4		
Total banking income / average number of employees (**)	0.40	0.36		
(*) indicators expressed in ITL bn (**) employees in banking activity				
Solvency ratios				
Solvency coefficient for credit risk (%)	13.80	12.89		
Overall solvency coefficient (including absorption of market risks) (%)	12.96	12.09		
Share data				
Number of shares outstanding	2,351,895,107	2,151,583,000	9.3	
Number of savings shares outstanding	8,574,700	8,574,700	0.0	
Ordinary share price over the year:	in ITL			in EUR
- average	7,977			4.12
- low	6,196			3.20
- high	10,378			5.36
Operating structure				
			Absolute Change	
Number of employees at end of period (excluding tax collection personnel)	12,805	12,310	495	
including: employees assigned to Group Operations Center	714	716	-2	
Number of Italian branches	927	868	59	
Number of foreign branches and foreign representative offices	16	14	2	
Number of customers with online connections	241,861	46,476	195,385	

RECLASSIFIED BALANCE SHEET

(in EUR mm)

ASSETS	31.12.2000	31.12.1999	Change	% Change
Cash and cash on deposit with central banks and post offices	221	179	42	23.2
Loans				
a) Customer loans and advances	36,282	32,379	3,902	12.1
including: loan value of financial leases	903	730	172	23.6
b) Amounts due from banks	16,982	14,150	2,831	20.0
Trading account securities	5,737	6,646	-908	-13.7
Non-current assets				
a) Investment securities	3,226	3,184	42	1.3
b) Equity investments	4,658	3,055	1,603	52.5
c) Fixed assets and intangible assets	1,108	781	326	41.8
Own shares or quotas	6	30	-24	-80.2
Other assets	6,224	6,869	-645	-9.4
Total Assets	74,444	67,274	7,170	10.7
LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2000	31.12.1999	Change	% Change
Liabilities				
a) Customer deposits and other borrowed funds backed by negotiable instruments	44,210	39,884	4,326	10.8
b) Due to banks	16,0977	15,316	781	5.1
Reserves for specific use				
a) Staff severance indemnity reserve	244	244	-1	-0.3
b) Pension fund	87	73	14	19.1
c) Reserves for risks and other charges	311	265	45	17.1
d) Reserve for taxes	613	418	195	46.8
Other liabilities	5,683	5,763	-80	-1.4
Reserve for loan losses	155	145	10	7.1
Subordinated debt	1,644	1,034	611	59.1
Shareholders' equity				
a) Share capital	1,219	1,116	103	9.3
b) Paid-in capital	523	505	18	3.5
c) Reserves	2,005	1,791	214	12.0
d) Revaluation reserves	837	0		
e) Reserve for general banking risks	420	420	0	0.0
f) Retained earnings	0	0	0	-41.7
g) Profit (loss) for the year	396	301	95	31.7
Total Liabilities and Shareholders' Equity	74,444	67,274	7,170	10.7

RECLASSIFIED PROFIT AND LOSS STATEMENT

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	1,159	1,119	40	3.6
Profit (loss) on financial transactions	148	28	120	430.4
Net income from services	983	819	164	20.0
Dividends and tax credits	323	345	-22	-6.4
Service margin	1,455	1,193	262	22.0
Total banking income	2,614	2,312	302	13.1
Administrative expenses				
- personnel expenses	-779	-762	17	2.3
- other expenses	-555	-491	63	12.9
Total administrative expenses	-1,334	-1,254	81	6.4
Gross operating profit	1,280	1,058	221	20.9
Valuation adjustments to fixed and intangible assets	-104	-81	23	28.2
Provisions for risks and charges	-66	-41	25	n.m.
Other operating expenses	-9	-5	4	82.8
Valuation adjustments to loans and provisions for risks, net of recoveries	-197	-218	-22	-10.0
Provision to loan loss reserve	-10			n.m.
Valuation adjustments to non-current financial assets, net of recoveries	-70	-112	-42	-37.6
Extraordinary income (charges)	36	249	-213	-85.7
Change in reserve for general banking risks		-155		n.m.
Income taxes	-351	-291	60	20.5
Profit for the year	508	403	104	25.9
Reserve provisions under Law 153 of 1999	-112	-102	9	8.9
Net profit for the year	396	301	95	31.7

OVERVIEW OF OPERATIONS

From an operational perspective, the main developments in 2000 are summarized below:

- a strong expansion of strategic aggregates, with total funding at the top of the list;
- further improvement in credit quality, with a reduction of non-performing loans in absolute terms and as a percentage of total loans;
- appreciable gains in core banking indicators, including the number of customers and other indicators;
- development of innovation, with particular regard to multiple distribution channels for products and services.

A review of the principal results achieved by the Bank in 2000 is presented below. These results are the by-product of an operating structure that has increasingly focused on the customer in terms of active management of accounts, service quality, and consultative input. The emphasis has also gone to developing products and distribution channels which better satisfy the customer's needs. Taken altogether, these efforts have resulted in increasingly personalized service.

▪ Funding (1)

As of 31 December 2000, the Bank's aggregate customer funding amounted to ITL 181,972 billion, for an increase of 10.8 percent and net inflow of ITL 18,000 billion in comparison with the balance as of 31 December 1999:

Aggregate Customer Funding

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Direct funding from customers	85,602	10.8	47.0	47.0
- customer deposits	53,209	13.9	29.2	28.4
- other borrowed funds backed by negotiable instruments	32,393	6.1	17.8	18.6
Indirect funding from customers	96,370	10.7	53.0	53.0
- funds under management	47,832	6.0	26.3	27.5
- funds under administration	48,538	15.8	26.7	25.5
Total customer funding	181,972	10.8	100.0	100.0

Increased funding is a marketing priority for both the Bank and the Group, and part of the objective to satisfy all of the customer's banking needs. The growth of the aggregate incorporates significant expansion of both direct funding, the balance of which rose by 10.8 percent to ITL 85,602 billion, and of indirect funding, which was 10.7 percent higher at ITL 96,370 billion.

(1) Some of the detailed data referenced in this section and in the sections below are taken from the flow data contained in the central record of accounts transmitted to the regulatory authorities, and accordingly may slightly vary from the figures reported in the financial statements as a result of differences in classification criteria. Data from the sample of banks prepared by the Bank of Italy have been used in the case of industry comparisons.

• Direct Funding

The growth of the component was mainly realized through sight deposits – current account balances were 14.4 percent higher – and through bank-issued bonds. Part of the increase in sight deposits stems from uncertainties about the future direction of interest rates and the consequent customer preference for liquid assets. Funds placed in bank-issued bonds rose by 39.6 percent; subscriptions for the year amounted to ITL 5,600 billion, with structured products accounting for a sizeable portion of the funding at ITL 765 billion.

Breakdown of Deposits

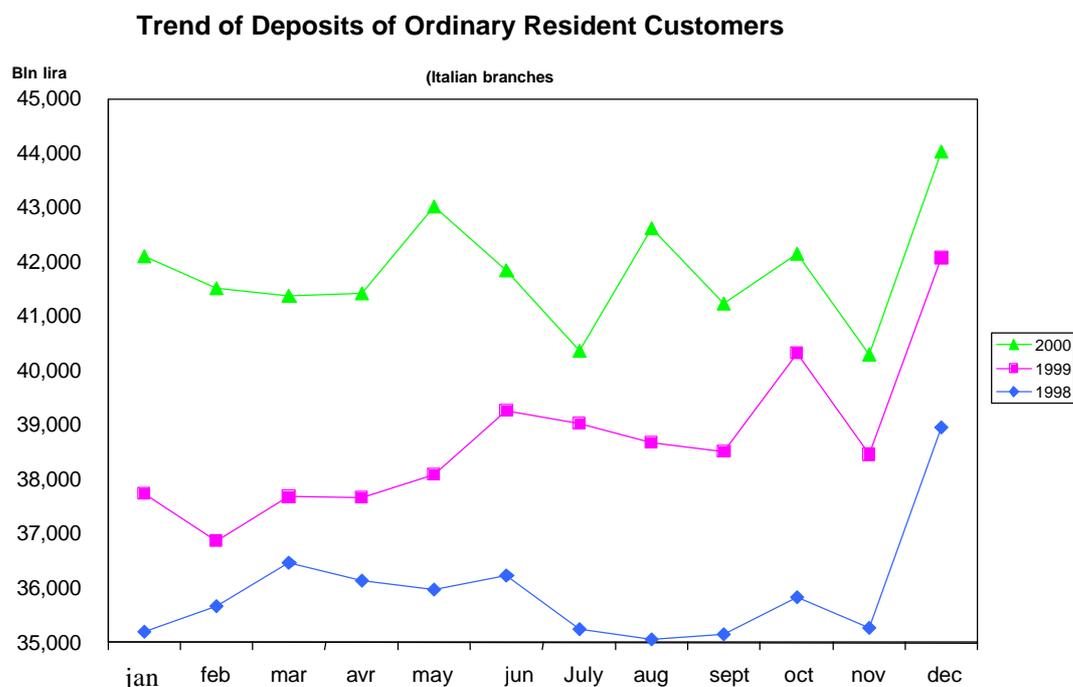
(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Savings deposits	4,065	-8.4	4.7	5.7
Current accounts	38,030	14.4	44.4	43.1
Certificates of deposit	12,975	-21.9	15.2	21.5
Repurchase agreements	9,494	23.5	11.1	10.0
Bonds	18,398	39.6	21.5	17.1
Other	2,640	28.1	3.1	2.7
Total	85,602	10.8	100.0	100.0

At -21.9 percent, the total decrease in certificates of deposit is attributable to the ongoing reduction of funding placed in instruments with maturities of 18 months or more, whereas in shorter term maturities (especially under six months) the rate of renewal was around 94 percent.

The increase in funding through repurchase agreements is largely the result of the temporary allocation of savings by affluent customers and institutions. The weight of this component remained, in any event, a limited 5 percent of aggregate funding.

The trend of the deposits held by the Italian branches is evidence of the solid growth of direct funding over the past three years:



- ***Distribution by Sector of Activity***

Highlighting the Bank's retail orientation, the distribution of traditional funding by sector of activity shows that retail customers and family-owned businesses accounted for some 63.2 percent of the current accounts, savings deposits and certificates of deposit held by the Italian branches as of the end of 2000.

Deposits of Ordinary Customers with Italian Branches

Distribution by Sector of Activity – in ITL bn

	31.12.2000	% Change	% of 2000 Total	% of 1999 Total
Governments	4,135	54.4	9.4	6.4
Financial institutions	4,939	12.2	11.2	10.5
Non-financial companies	7,128	22.8	16.2	13.8
Family-owned businesses	2,604	12.2	5.9	5.5
Retail customers (°)	25,245	-6.1	57.3	63.9
Total	44,050	4.7	100.0	100.0

(°) Includes deposits of private social institutions and deposits which are not part of the other categories

- ***Geographical Distribution***

As shown by the geographical distribution of deposits, the Bank enjoys strong penetration of the retail market in the central regions of Italy which account for 56.1 percent of total deposits of ordinary customers.

Deposits of Ordinary Customers with Italian Branches

Distribution by Customer Residence – in ITL bn

	31.12.2000	% of 2000 Total
Northwestern Italy	5,925	13.5
Northeastern Italy	1,168	2.7
Central Italy	24,708	56.1
Southern Italy	9,102	20.7
Islands	3,147	7.1
Total	44,050	100.0

- ***Concentration***

The breakdown of funding by average account balance highlights the broad distribution of the funding base.

Deposits of Ordinary Customers by Average Amount on Deposit

Breakdown of Number of Account Relationships

Average Amount of Deposit	% of Total
0 – ITL 10 million	65.6
ITL 10 million – ITL 20 million	14.4
ITL 20 million – ITL 40 million	10.3
ITL 40 million – ITL 60 million	3.8
ITL 60 million – ITL 100 million	2.8
ITL 100 million – ITL 150 million	1.3
ITL 150 million – ITL 500 million	1.5
More than ITL 500 million	0.4
Total	100.0

- **Indirect Funding**

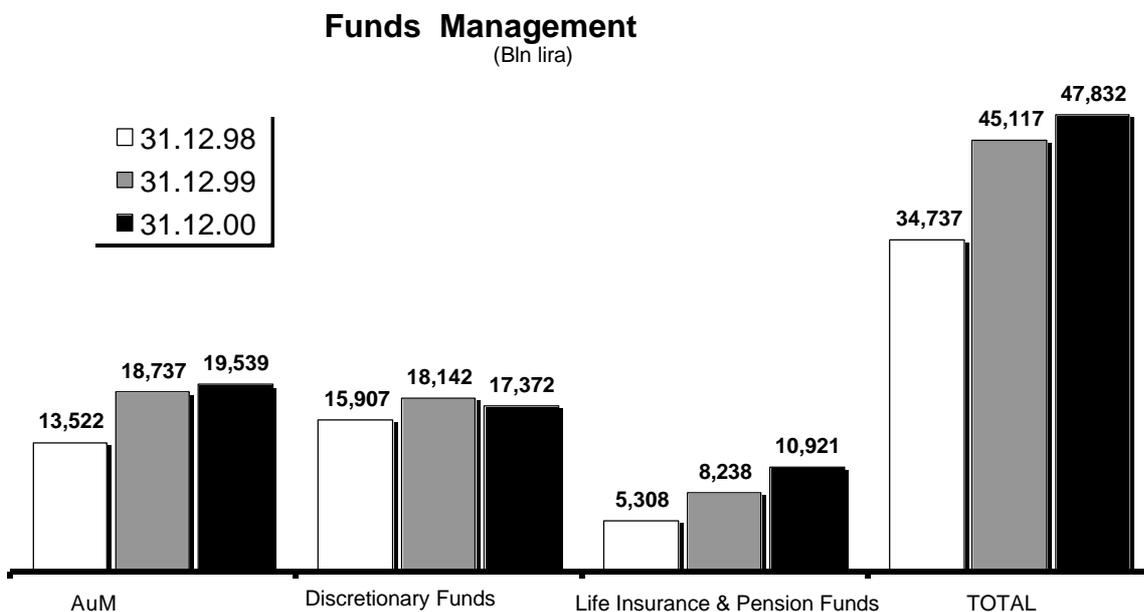
The expansion of the component came from funds under administration whose balance advanced by 15.8 percent to ITL 48,538 billion. Funds in managed accounts reached ITL 47,832 billion, though the growth rate of 6.0 percent represented a deceleration vis-à-vis the increases in recent years.

- **Funds Under Management**

The balance of funds under management was influenced by the trend of the financial markets and in particular, the difficulties affecting the mutual-fund component for most of the year and the consequent preference of customers for other types of instruments.

After closing the first half at ITL 1,200 billion, net flows rebounded to ITL 2,850 billion in the last six months of the year, with part of the momentum due to the launch of new, highly specialized Ducato mutual funds and the introduction of innovative products linked to long-term savings plans.

The contribution of the bancassurance business was also very strong due to the placement of unit- and index-linked policies, whereas the growth of premiums collected on traditional policies tended to be weaker.



The totals as of December 1999 and December 2000 include pension funds amounting to ITL 54 billion and ITL 122 billion, respectively.

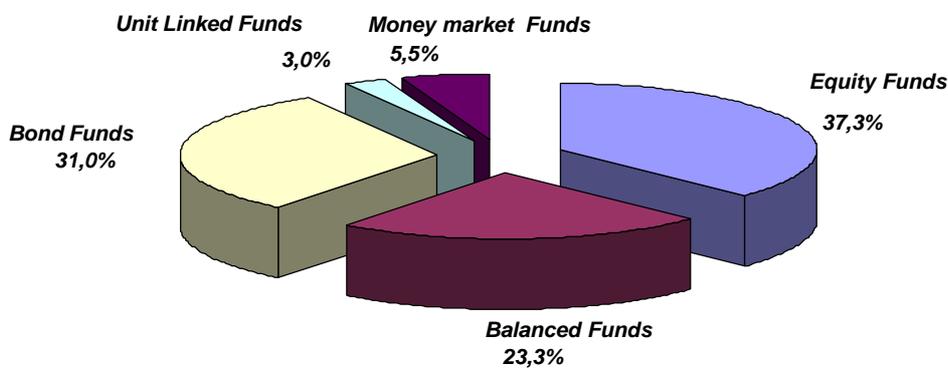
Following are comments on the individual components of indirect funding.

- **Mutual Funds**

Net new investment flows came to ITL 1,660 billion for the year. In terms of stock, Bank customers accounted for ITL 19,539 billion of quotas outstanding, with the 4.3 percent annual increase thereof also discounting the significant decrease of market indices in the final months of the year.

The following graph shows the distribution of the Ducato mutual funds placed by Bank. The amount invested in equity funds rose to 37.3 percent of the total in 2000, as compared with 30.2 percent as of 31 December 1999. Launched in September 1999, the balanced funds also rose to account for a significant portion of the total.

Ducato Mutual Fund BMPS
Distribution by type of fund as of 31.12.2000)



Following is a breakdown of the assets invested in the various Ducato funds, with the totals including the investment made through individual portfolios under the Bank's management.

Ducato Mutual Funds
Direct Customers and Investments of Portfolios Under Management
as of 31 December 2000

Breakdown of Assets in Funds
(in ITL bn and %)

International income	2,345	27.7	European equities	4,908	48.2
Euro bonds 2000	2,252	26.6	Italian equities	1,480	14.5
Italian income	1,850	21.9	American equities	984	9.7
Dollar bonds	652	7.7	Japanese equities	733	7.2
Floating rate bonds	565	6.7	Trend	606	6.0
Emerging markets bonds	497	5.9	International equities	412	4.0
Corporate income	223	2.6	Asian equities	330	3.2
Euro short-term bonds	72	0.9	Emerging markets equities	282	2.8
Dollar money market	6	0.1	Web	121	1.2
Total bonds	8,462	100.0	New markets	113	1.1
Global income	2,547	40.0	Finance	94	0.9
Global balanced	2,507	39.4	Equities in property investment cos.	67	0.7
Global growth	1,306	20.5	Medium- and small-cap issues	39	0.4
Total balanced funds	6,360	100.0	Industry	10	0.1

Money market	1,494	100.0	Total equities	10,178	100.0
Total liquidity	1,494	100.0			
Securpac	813	100.0			
Total flexible funds	813	100.0	Total	27,307	

The total includes ITL 7,768 billion of funds of portfolios under management.

➤ **Individual Portfolios Under Management**

Assets in individual portfolios managed by the Bank amounted to ITL 17,372 billion at the end of 2000, with the balance decreasing by 4.2 percent for the year. The decrease is mainly attributable to the outflow of around ITL 1,200 billion in the early months of the year, most of which was redeployed into accounts under the Bank's administration. The balance thereafter was more or less level, while from a qualitative standpoint, efforts were intensified to provide an enriched and more diversified portfolio of investment possibilities, with the SICAVs of the Group being added.

➤ **Bancassurance**

Sales of insurance policies by the Bank covered premiums amounting to ITL 2,800 billion in 2000. Inclusive of these policies, the premiums of Monte Paschi Vita and Grow Life rose by 32 percent to a total of ITL 10,799 billion, thereby affirming a leading position in the domestic insurance market. As indicated above, index- and unit-linked policies made a significant contribution to the business of the two companies, accounting for ITL 1,100 billion and ITL 1,060 billion, respectively.

Bancassurance Distribution of Net New Investments

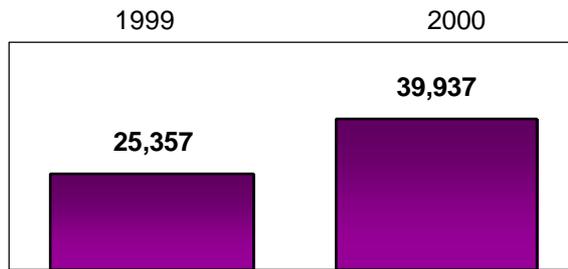


➤ **Pension funds**

As far as open-end pension funds, funds under management of "Paschirevidenza" rose to ITL 122 billion, with more than 40,000 members. The annual funding flow amounts to ITL 58 billion.

Pension Funds

Number of Subscribers *)



(*)Number of those who have subscribed Pasdri Previdenza Diadema and Acquamarina funds and through la Banca Monte dei through Banca Mps

Commercial activities were mainly fostered both by sales to potential subscribers such as merchants, artisans, peasants, professionals, employees, etc. and by other group subscriptions of employees, whose labor collective agreements do not provide for a specific closed-end fund. These achievements enable the Bank to be one of the leaders of the industry and to improve its market share, to 18.1%.

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The Bank's depository activity also yielded appreciable results in 2000, in the service of both mutual investment funds and pension funds. In the closed pension funds, the Bank has a significant contract with Cometa, a fund available to some 8,000 metal-mechanical firms which had almost 400,000 participants as of the end of December and the potential to rise to a total of 1.2 million participants.

New contracts procured for depository bank service in 2000 included the Previambiente pension fund for companies operating in waste management; the Cooperlavoro pension fund for associates and employees of production and labour cooperatives; the Previcoper pension fund for employees of cooperative retailers; the Fundum pension fund for Confesercenti retailers; and the Arco pension fund for brick layers and wood workers. These funds are open to roughly 750,000 individuals altogether.

In addition, the Priamo pension fund for transport workers, the Concreto fund for employees of cement companies and the Fundum fund selected BMPS as the deposit bank for initial contributions from participants.

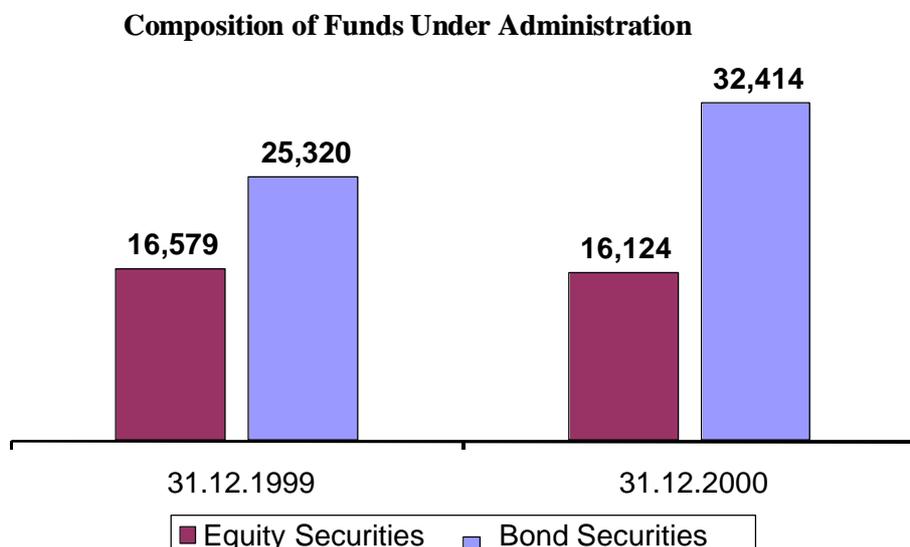
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- *Funds Under Administration*

Balances of funds under administration rose significantly in the final months of 1999 and continued to grow in the first few months of 2000. With the momentum slowing in the second half, the balances had risen by 15.8 percent by 31 December to a total of ITL 48,538 billion (+15.8 percent). The rebound can be ascribed to both market dynamics as well as the public's growing interest in

direct investment in equities and the strong expansion of online trading as reviewed in the section on innovative distribution channels.

The chart below provides a breakdown of funds under administration by type of investment:



▪ Lending

In 2000, the Bank's lending business kept pace with the commercial trends of the loan market and the cycle of the Italian economy. At the same time, however, lending was managed in a selective manner with reference to the distribution of the credit facilities by geographic area, industry and customer segment. Outstanding loans grew by 12 percent or more than ITL 7,500 billion to reach a total of ITL 70,251 billion.

The table below highlights the changes in the loan portfolio (°):

Distribution of Loan Portfolio by Type of Loan (in ITL bn)

	31.12.2000	% Change vs 1999	% of 1999 Total	
Current accounts	14,378	8.9	20.5	21.1
Advances	5,992	-11.7	8.5	10.8
Advances and subsidies	14,982	59.4	21.3	15.0
Personal loans	1,433	-3.9	2.0	2.4
Mortgages and advances against mortgages	25,759	12.1	36.7	36.7
Loan value of financial leases	1,730	22.3	2.5	2.3
Other	3,743	-29.9	5.3	8.5
Non-performing loans, net	2,233	7.3	3.2	3.3
Total	70,251	12.1	100.0	100.0

(°) Net of "corporate" credits from Banca 121 (ITL 2,700 billion), the annual growth decreases to 7.7%

The Bank continued to place the emphasis of its lending activity on improving credit quality and on carving out a role as a "bank of reference" for households and small- and medium-sized businesses in Italy.

Several major programs were implemented in support of this strategy, including:

- the Small/Medium Enterprise Project ("SME Project") which aims to bolster the Bank's traditional, strong role in servicing this market, through the offer of a wide range of traditional, specialized and innovative services (as further reviewed in the section on "Commercial Activity, Research and Development").
- the credit re-engineering project which is designed to improve the efficiency of the loan approval process and of the monitoring and control of portfolio quality and to optimize the risk/return ratio as well as the employment of capital (as further discussed in the sections on "Organizational Development" and "Integrated Risk Management").

- *Loans by Economic Sector*

As shown by the distribution of the loans of Italian branches by sector, loans to support production rose by a significant 25.4 percent in 2000, partly due to the positive trend of the economy.

Loans of Italian Branches to Ordinary Customers

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Governments	7,578	-5.2	12.6	15.8
Financial institutions	5,095	42.5	8.5	7.1
Loans for production purposes	36,175	25.4	60.4	57.0
- non-financial companies	32,209	27.2	53.7	50.0
- family-owned businesses	3,967	11.8	6.6	7.0
- artisans	881	11.0	1.5	1.6
- other family-owned businesses	3,086	12.1	5.1	5.4
Retail loans	10,713	8.4	17.9	19.5
Other	366	22.5	0.6	0.6
Total	59,927	18.4	100.0	100.0

- *Geographical Distribution of Loans and Distribution of Loans to Support Production*

As shown in the table below, loans disbursed to customers in the northern regions of the country were some 3.5 percentage points higher in 2000, accounting for 29.3 percent of the total.

Loans to Ordinary Resident Customers by Italian Branches

Distribution by Customer Residence – in ITL bn

	31.12.2000	% of 2000 Total	% of 1999 Total
Northwestern Italy	13,809	23.0	20.0
Northeastern Italy	3,754	6.3	5.7
Central Italy	26,994	45.0	48.8
Southern Italy	10,441	17.4	16.3
Islands	4,929	8.2	9.2
Total	59,927	100.0	100.0

Loans to support productive activity rose by 25.4 percent in 2000 to end the year at ITL 36,175 billion. The table below highlights the traditional, broad-based diversification of the Bank's loan portfolio.

Loans for Production by Sector of Economic Activity

Italian Branches

in ITL bn

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Farming, forestry and fishing	1,227	12.9	3.4	3.8
Energy products	1,224	139.5	3.4	1.8
Ferrous and non-ferrous minerals and metals	441	-15.3	1.2	1.8
Non-metal minerals and products	705	30.9	1.9	1.9
Chemical products	496	35.4	1.4	1.3
Metal products	995	15.5	2.7	1.3
Agricultural and industrial machinery	725	9.6	2.0	2.3
Office equipment	1,212	117.3	3.3	1.9
Electrical materials and supplies	722	13.6	2.0	2.2
Transportation equipment and vehicles	373	24.1	1.0	1.0
Food, beverage and tobacco products	1,689	19.3	4.7	4.9
Textiles, leather, footwear and apparel	1,885	12.7	5.2	5.8
Paper, printed products and publishing	1,687	153.3	4.7	2.3
Plastic and rubber products	524	16.3	1.4	1.6
Other industrial products	913	18.3	2.5	2.7
Building and public works	4,825	5.1	13.3	15.9
Commercial services, recoveries and repairs	6,289	17.3	17.4	18.6
Hotels and public establishments	1,011	13.3	2.8	3.1
Inland transport services	635	13.9	1.8	1.9
Sea and air transport services	579	73.6	1.6	1.2
Transport-related services	425	31.3	1.2	1.1
Communications services	678	168.9	1.9	0.9
Other marketable services	6,915	25.1	19.1	19.2
Total	36,175	25.4	100.0	100.0

The sectors with the highest outstandings – building and commercial services – contain broad-based portfolios, with the top ten customers in each segment accounting for aggregate exposure of 10 percent and 3 percent, respectively.

- Concentration

Validating the Bank's focus on medium- and small-sized firms, some 54 percent of the loans outstanding are for amounts of ITL 5 billion. The concentration of risk continues to be relatively limited.

Loans Outstanding by Average Amount

Total Exposure

Outstanding Amount	% of Total as of 31.12.2000	% of Total as of 31.12.1999
0 – ITL 100 million	13.9	16.2
ITL 100 million – ITL 500 million	18.0	19.1
ITL 500 million – ITL 1,000 million	6.6	7.2
ITL 1,000 million – ITL 5,000 million	15.5	15.8
ITL 5,000 million – ITL 100,000 million	18.9	19.8
More than ITL 100,000 million	27.1	21.9
Total	100.0	100.0

Concentration of Risk (*)

Total Exposure

Customers	% of Total as of 31.12.2000	% of Total as of 31.12.1999

Top 10 customers	12.2	15.2
Top 20 customers	18.6	18.9
Top 50 customers	24.9	22.8

(*) Excluding loans to Group companies and companies over which the Bank exerts significant influence

- *Secured Lending*

The following table rounds out the information on customer loans and advances, providing a breakdown of loans backed by secured and unsecured guarantees:

Secured Loans

in ITL bn

	31.12.2000	% of 2000 Total	% of 1999 Total
Loans secured by mortgages	13,868	48.4	48.2
Loans secured by pledge of collateral	1,806	6.3	4.3
Other guaranteed loans	12,965	45.3	47.5
Total	28,639	100.0	100.0

• *Short-Term Lending*

The 23.1 percent increase for 2000 was largely driven by the transfer of Banca 121's corporate portfolio in the amount of ITL 2,150 billion; net of the transferred loans, the short-term portfolio rose by 14.2 percent. The most dynamic components of the portfolio were advances through current accounts (+19 percent in terms of average liquid balances) and factoring (+53 percent).

As shown by the distribution of loans by sector of economic activity, some 80 percent of the short-term loan portfolio is represented by outstandings for production purposes:

Short-Term Loans by Sector of Economic Activity

in ITL bn

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Governments	65	-26.9	0.2	0.4
Financial institutions	3,964	26.7	13.3	12.9
Loans for production purposes	23,970	23.4	80.3	80.1
- non-financial companies	21,959	24.7	73.6	72.7
- family-owned businesses	2,012	11.1	6.7	7.5
- artisans	390	12.2	1.3	1.4
- other family-owned businesses	1,621	10.9	5.4	6.0
Retail loans	1,659	12.5	5.6	6.1
Other	178	42.2	0.6	0.5
Total	29,836	23.1	100.0	100.0

- *Factoring*

In 2000, additional efforts went into promoting the factoring service as a tool for servicing and managing customer receivables. Turnover for the year climbed to ITL 3,918 billion, rising by more than 50 percent, for a rate of growth that was twice the industry average. A review of the flows by market of origin shows a 46.8 percent rise in the factoring of domestic receivables, whereas export- and import-related business advanced by 237.2 percent and 117.9 percent, respectively. The figures attest to the growing specialization of the Bank's network in providing corporate customers with more complex services from a technical perspective.

Rising by 47.1 percent to ITL 3,493 billion at 31 December 2000, the portfolio of receivables with recourse (pro-solvendo) continued to account for the bulk of the factoring turnover. In maturity factoring, new business amounted to ITL 146 billion, while in factoring receivables without recourse (pro-soluto), another ITL 425 billion of turnover was generated, partly due to the implementation of new information systems.

- ***Agricultural Credit***

Direct funding of farm loans rose by 6.1 percent in 2000 to a total of ITL 1,047 billion; most of these loans are short-term. Total disbursements of agricultural credit were instead 1.6 percent higher at ITL 1,298 billion.

Key initiatives realized during the year included a specific campaign designed to attract new customers, principally through the offer of credits with advantageous pricing. This campaign was organized in light of the ongoing elimination of farm subsidies, and the resulting need for borrowers to shift from subsidized loans to loans at market conditions.

• ***Medium- and Long-Term Loans***

The 14.1 percent growth of the portfolio of medium- and long-term loans basically stems from the continuing growth of residential mortgage lending, flanked by a greater presence in the market for industrial credit to businesses. The development of the Small/Medium Enterprise Project ("SME Project") provided additional impetus to the growth of the portfolio. The overall change in the portfolio balance includes the prepayment of more than ITL 1,500 billion of the financing of public works which took place at the outset of the year. Net of the prepayment, the increase in the portfolio rises to around 20 percent.

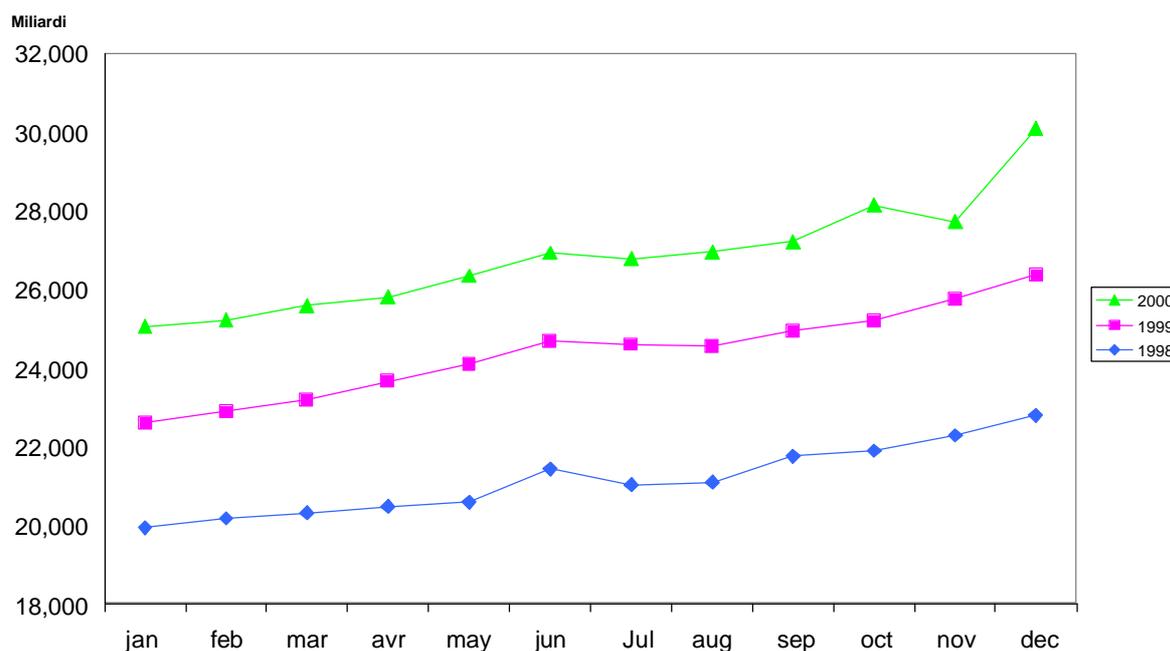
Medium- and Long-Term Loans by Sector of Economic Activity

in ITL bn

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Governments	7,513	-4.9	25.0	30.0
Financial institutions	1,131	153.2	3.8	1.7
Loans for production purposes	12,205	29.3	40.6	35.8
- non-financial companies	10,250	33.1	34.1	29.2
- family-owned businesses	1,955	12.6	6.5	6.6
- artisans	491	10.1	1.6	1.7
- other family-owned businesses	1,464	13.4	4.9	4.9
Retail loans	9,054	7.7	30.1	31.9
Other	188	8.4	0.6	0.7
Total	30,091	14.1	100.0	100.0

The following chart plots the trend of the medium-/long-term loan portfolio over the 1998-2000 three-year period:

Trend of the Portfolio of Medium- and Long-Term Loans to Ordinary Resident Customers Italian branches



- *Mortgage Lending*

The construction lending activity in 2000 took place within the very buoyant market framework that developed in 1999 as a result of new housing projects and building renovation favoured by tax incentives. The construction of office, industrial and commercial complexes was also very dynamic, partly due to changes in zoning laws.

Against this backdrop, the Bank surpassed the high levels of production achieved in 1999; new disbursements rose by 19.8 percent, going from ITL 3,628 billion to ITL 4,345 billion:

Construction and Mortgage Lending

in ITL bn

	Number		Amount		% Change	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999	Number	Amount
Applications	16,961	22,064	5,805	5,277	-23.1	10.0
Definitive Contracts	14,999	18,907	3,768	3,330	-20.7	13.2
Disbursements	16,424	20,145	4,345	3,628	-18.5	19.8

Business development has been concentrated on enhancing the product portfolio. In this regard, the Bank launched a new "modular" mortgage known as "Paschi Tandem", while other products were fine-tuned to better meet the specific needs of the clientele. Research was also carried out to allow customers more efficient and rapid access to a mortgage, including through new multimedia channels.

In subscribing to an online mortgage service, MutuiOnLine, the Bank has increased its visibility through the Internet, with the possibility of capitalizing on a distribution channel with significant growth possibilities. The market for mortgages continues to offer promising potential for 2001, partly due to the renewal of certain fiscal incentives.

Disbursements were higher across the entire nation, as shown by the regional distribution in the table below:

Construction and Mortgage Lending Disbursements

in ITL bn

	2000		% Change	
	Number	Amount	Number	Amount
Northern Italy	4,265	804	26.0	18.5
Northern Tuscany	2,936	700	17.9	16.1
Southern Tuscany and Umbria	2,159	440	13.1	10.1
Central Italy and Sardinia	2,693	1,548	16.4	35.6
Southern Italy and Sicily	3,982	782	24.2	18.0
Other regions	389	71	2.4	1.6
Total	16,424	4,345	100.0	100.0

- *Financing of Public Works*

Though competition in this market segment has significantly intensified, the Bank achieved impressive results, thereby confirming its position as a leader at a national level:

Financing of Public Works

in ITL bn

	Number		Amount		% Change	
	31.12.2000	31.12.1999	31.12.2000	31.12.1999	Number	Amount
Definitive Contracts	198	85	1,976	930	132.9	112.5
Disbursements	296	97	2,785	947	205.2	194.1

- *Leasing*

The value of assets under lease climbed 27.4 percent in 2000 to ITL 962 billion, incorporating a 30.3 percent increase of business through the branches and a 22.5 percent increase through the agent network. The loan value of the leases reached ITL 1,728 billion, rising by 22.7 percent. The strongest growth came from the leasing of real estate properties (+50.5 percent), while substantial gains were also registered for capital equipment (+27.3 percent), and aircraft and ships (+92.7 percent).

Various initiatives realized from a commercial and organizational perspective included: the launch of an auto leasing program marketed to self-employed professionals, the development of new leasing procedures for the branches flanked by an intense training effort, and the creation of a specialist unit in Milan for the purpose of development working relationships with some of the most important suppliers in northern Italy.

- *Industrial Credit*

The Bank's direct involvement in industrial credit embraces loans of relatively limited amounts which are used for financing routine investments, updating technology for production processes, restructuring working capital accounts, and consolidating liabilities. Some ITL 1,255 billion of new disbursements were made in 2000, with year-end balance of the portfolio rising by 37.5 percent to ITL 2,318 billion.

Specialized lending, which is mainly concerned with corporate capital spending programs, was again handled in 2000 by the subsidiary Mediocredito Toscano. Requests for this type of financing totaled ITL 1,629 billion, rising 15 percent over the 1999 figure. Instead, demand for funding relative to special EU-subsidized funding (the so-called "territorial pacts" and "area contracts") totaled roughly ITL 2,669 billion, thereby reinforcing the bank's leading position in this market.

- ***Agricultural Credit***

New medium- and long-term agricultural loans rose by 5 percent to around ITL 422 billion, with virtually the entire amount funded by the subsidiary Istituto Nazionale di Credito Agrario (INCA).

- ***Consumer Credit***

New disbursements of personal loans came to ITL 646 billion against the ITL 802 billion registered for 1999; as of year end the balance of personal loans outstanding was ITL 1,458 billion, for an annual decrease of 2.1 percent. An additional ITL 457 billion of personal loans were funded by the subsidiary, Consum.It, whose 1999 volume amounted to ITL 175 billion. As of the end of 2000, the consumer credit company was operating through a network of more than 1,400 dealers.

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• ***Endorsement Credits***

The balance rose by a significant 33.3 percent to ITL 10,861 billion as of 31 December 2000, with large corporate customers accounting for much of the volume:

Endorsement Credits

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total
Commercial credits	5,118	31.7	47.1
including: guarantees and sureties	3,297	16.9	3.8
Financial credits	5,742	34.7	52.9
Total	10,861	33.3	100.0

• ***Securitization Transactions***

In working toward the maximization of the ratio between capital for regulatory purposes and the absorption of capital, the Bank completed two securitization transactions involving the sale of portfolios of performing loans. The transactions, which were completed in the second half of the year, are described in detail in the notes to the financial statements. Following is general information on the portfolios sold:

- ITL 1,292 billion of floating-rate and modular first-home mortgages with maturities no later than 1 February 2015. The company acquiring the loans funded the purchase through the issue of securities rated by Standard & Poor's, Moody's, and Fitch IBCA; the securities, which are listed on the Luxembourg Exchange, were sold exclusively to institutional investors.

- ITL 676 billion of personal loans collateralized by the pledge of securities; the loans were made to prime borrowers in connection with a long-term savings plan ("Visione Europa"); the transaction was closed as of the end of December 2000.

- ***Structured Finance and Merchant Banking***

Several changes were made to the structured finance and merchant banking activity in 2000 in order to design an organization whose size is more appropriate to the needs of the market. An innovative finance and merchant banking unit was established as part of the lending area and subdivided into two areas: corporate and project finance and private equity.

- *Corporate and Project money*

In 2000, the unit was very active in project financing, extraordinary financing and advising on debt restructuring. Mainly servicing entities operating in public utilities (water and energy), the environment, the Bank arranged several transactions which proved significant in terms of both quality and size.

Among the more important transactions were the involvement in programs for improving the environment ("ATO"), such as a project for water service in Arezzo, a summary agreement with the utility company, ACEA, for the development of future projects, and an investment in regional financing of Valle d'Aosta for the energy business (for total funding of ITL 800 billion).

- *Private Equity*

The Bank was also more active in buying, selling, and managing investments in companies requiring support for growth of their enterprise value, many of which are small- and medium-sized businesses. During the year, the main private-equity investments concerned companies active in clinical/hospital engineering and in information technology, with the aggregate outlays coming to more than ITL 26 billion. Additional investments are currently under review in industries offering high growth potential.

The mergers and acquisitions unit secured mandates for advising on company valuations, for the acquisition and sale of unlisted companies, and for the role as advisor in the privatization of several municipal companies. The closed-end mutual investment fund, "Ducato Venture", realized its first divestiture, with a high internal rate of return realized by the investors.

- ***International Banking Activity***

The international banking activity was mainly focused on two areas:

- the implementation of programs designed to enhance operations and size;
- the development of operating standards within the MPS Group, including initiatives to achieve unified management of risk relative to the Group's activity on international markets (as further reviewed in the section, "Integrated Risk Management").

As part of the European expansion program, the Bank purchased a 4.76 percent interest in the capital of Alpha Bank Romania, the leading bank in Romania, where two new Italian desks have been activated. A representative office was opened in Turkey to act as the Bank's first point of contact with correspondents in the country, with a particular emphasis on trade activity.

Of growing interest for the Italian market, the Maghreb area is an important point of reference for the Bank's activity. In 2000, a representative office was inaugurated in Tunisia, and the opening of new offices in other countries in the area is under review.

Business at the foreign branches in 2000 was managed with an orientation toward selectivity, containment of risk, and the reduction of capital employed, with gradual development of innovative instruments such as credit derivatives at the London branch (additional comments are provided in the section, "Integrated Risk Management").

In Asia the start-up of the activity of the Hong Kong branch in September represents a support for Italian companies operating in China and the Asian market in general.

The Bank realized a significant increase in its international banking activity in 2000, with a gain in market share as a result. The volumes of trade transactions flowing through the Italian branch network rose by 19.4 percent to ITL 39,770 billion, while the value of residual international transactions advanced 19.9 percent to ITL 14,812 billion.

As of 31 December 2000, the Bank was handling euro-clearing services for 34 national and foreign banks and had some 2,386 correspondent relationships with institutions established in 173 countries.

- ***Market Position***

The table below summarizes the trend of market share for key balance-sheet aggregates. As indicated, the Bank achieved significant improvement in 2000 in its share of market for direct funding.

Market Share

Based on Ordinary Customers of Italian Branches

	31.12.2000	31.12.1999	% Change
Direct funding (including repurchase agreements)	4.56	4.18	0.38
- including: deposits	4.76	4.56	0.20
- including: euro-denominated bonds	3.46	2.65	0.80
Loans (including repurchase agreements)	3.98	3.91	0.07
- including: short-term loans (including repurchase agreements)	3.94	3.95	-0.01
- including: medium- and long-term loans	4.03	3.88	0.15

The growth of the Bank's share of the loan market was more modest, and entirely concentrated in the medium-/long-term segment. The share of construction and mortgage loans rose from 5.57 percent to 5.65 percent, while that in public works remained a high 15 percent.

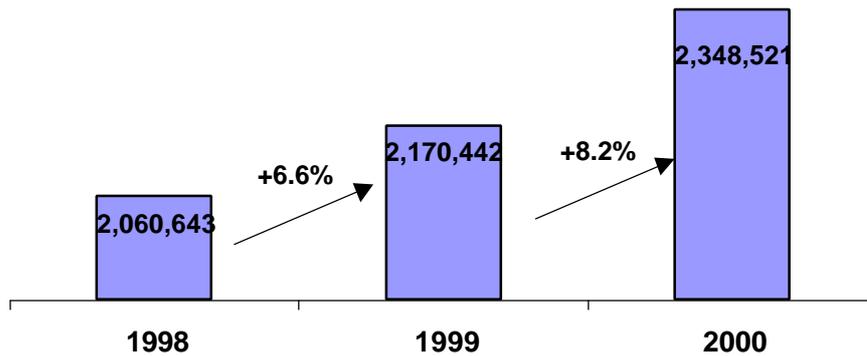
In the funds management market, the Bank's position (estimated for certain components) rose from 3.3 percent share as of December 1999 to 3.5 percent. A breakdown of the aggregate position shows growth in the funds segment (from 2.6 percent to 2.7 percent), virtual stability in individual portfolio

management (4.2 percent) and a slight reduction in the bancassurance area, though the MPS Group continues to be the market leader with a roughly 8 percent share.

- **Customer Portfolio**

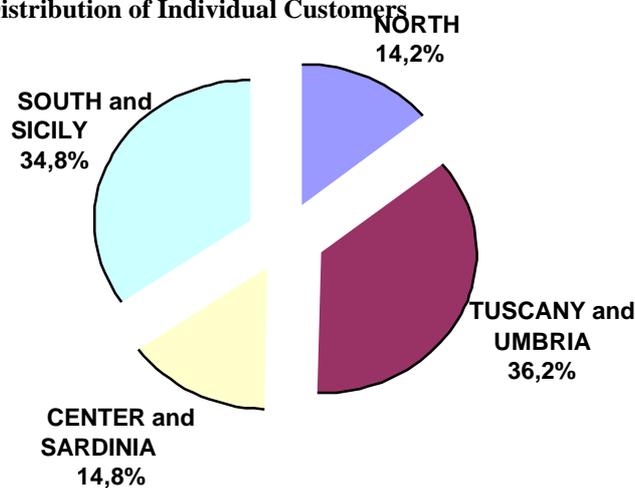
As of 31 December 1999, the Bank had a portfolio of 2,348,521 customers, thus reflecting an annual increase of 8.2 percent. The growth of the portfolio is illustrated in the following graph:

Bank Customers

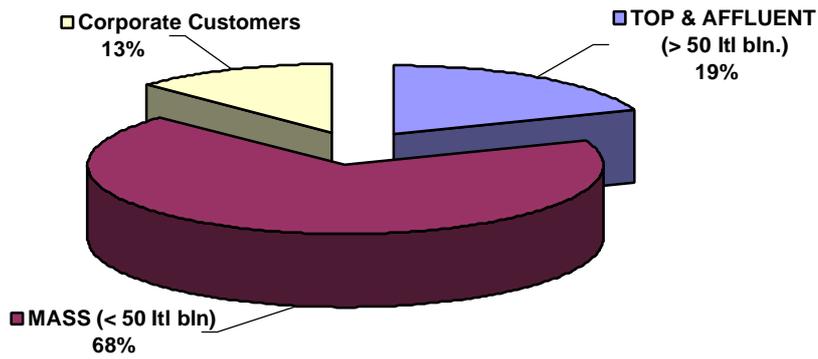


As shown by the geographic distribution of customers, the Bank continues to have the concentration of its business in the central and southern regions of the country, despite increases in the northern regions.

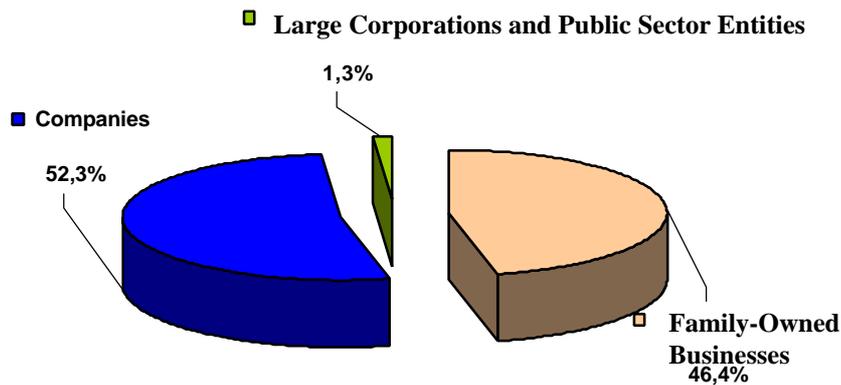
Geographic Distribution of Individual Customers



The segmentation of customers in accordance with the Paschi Valore project is provided in the graph below (additional information on the project is provided in the section " Commercial Activity, Research and Development").



As shown in the graph below, the subdivision of the corporate category highlights the limited weight of large corporations and public sector entities:

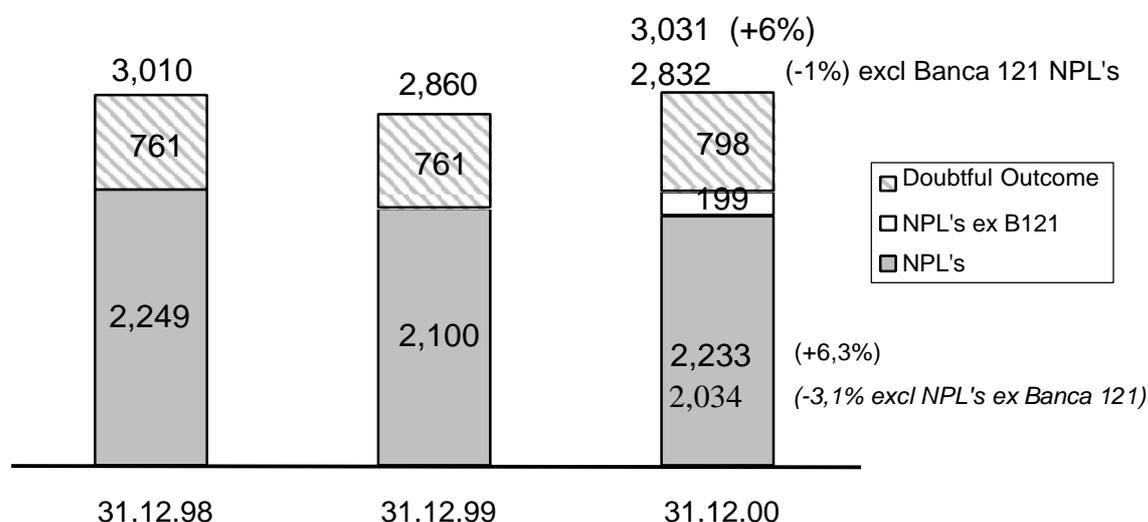


Doubtful Loans

Additional improvements were achieved in credit quality in 2000. As of year end, the principal balance of the Bank's net, non-performing loans had fallen by 3.1 percent compared with the end of 1999. The carrying value of such loans was nonetheless 6 percent higher due to the inclusion of ITL 199 billion of non-performing loans of Banca 121 booked in December as part of the acquisition of Banca 121's corporate business unit.

Trend of Non-Performing Loans: Gross Amount, Net amount and Doubtful Outcome

Figures as of the end of the period in ITL bn



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

Trend of Non-Performing Customer Loans

(in ITL bn, including loan value of financial leases and excluding past-due interest)

Category	Gross Value	Doubtful Outcome	Net Value
Opening balance at 31.12.1999	2,860	761	2,100
Increases:	630	404	226
Provisions for performing loans	253		
Transfers from other categories and other increases	377		
Decreases	659	367	292
Transfer to performing loans	3		
Cancellations	304		
Collections	323		
Amounts realized on transfer of loans	7		
Transfers to other categories and other decreases	22		
Sub-Total	2,832	798	2,034
Non-performing loans of Banca 121	199	199	
Closing balance at 31.12.2000	3,031	798	2,233

The table below provides a breakdown of non-performing loans by type of credit. As shown, the largest decreases in 1999 were realized in the leasing segment (9.1 percent) and in the factoring segment (9.3 percent):

Trend of Non-Performing Customer Loans by Type of Credit

(in ITL bn, including loan value of financial leases)

Category	31.12.2000	31.12.1999	% Change
Ordinary credit	1,796	1,825	-1.6
Construction loans and mortgages	890	880	1.2
Leasing (*)	67	74	-9.1
Factoring	32	35	-9.3
Loans of foreign branches	47	46	2.2

Total gross value	2,832	2,860	-1.0
Doubtful outcome	798	761	5.0
Sub-Total	2,034	2,100	-3.1
Non-performing loans of Banca 121	199		
Total net value	2,233	2,100	6.4

(*) includes the loan value of financial leases in the amount of ITL 32 billion (adjusted by ITL 15 billion) as of the end of 2000, and ITL 30 billion (adjusted by ITL 12 billion) as of the end of 1999.

The classification of gross non-performing loans by amount shows appreciable improvement in the category of loans in excess of ITL 5 billion, whereas the increase in the smaller sized categories is mainly due to the addition of the non-performing loans of Banca 121:

Non-Performing Customer Loans by Amount Outstanding

Gross amounts (including the loan value of financial leases) – in ITL bn

Loan Amount (in ITL mn)	No. Positions 31.12.2000	% Change vs 1999	Amount as of 31.12.2000	% Change vs 1999	% of Total Non- Performing Loans
0-20	27,790	7.9	263	35.5	8.68
20-100	18,034	3.7	817	1.6	26.95
100-500	4,796	9.8	922	7.7	30.41
500-1,000	397	10.0	268	8.0	8.84
1,000-5,000	257	8.4	528	9.0	17.43
5,000-10,000	24	-17.2	159	-15.4	5.25
Greater than 10,000	6	-14.3	74	-13.0	2.44
Total	51,304	6.6	3,031	6.0	100.00

The following breakdown of non-performing loans by economic sector of activity highlights the broad-based distribution of the portfolio:

Non-Performing Customer Loans by Economic Sector of Activity

Gross amounts (including the loan value of financial leases) – in ITL bn

Sector of Activity	31.12.2000	31.12.1999	% Change	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Governments	1	1	0.0	0.0	0.0
Financial institutions	31	41	-24.3	1.0	1.4
Private-sector social institutions	14	12	16.7	0.5	0.4
Retail loans	616	559	10.2	20.4	19.6
Loans of Italian branches to foreign counterparties	1	10	-90.0	0.0	0.3
Farming, forestry and fishing	144	134	7.5	4.7	4.7
Industry	561	533	5.2	18.6	18.7
Building and public works	635	602	5.5	20.9	21.1
Services	980	922	6.3	32.3	32.2
Total Italian branches	2,983	2,814	6.0	98.4	98.4
Loans of foreign branches	48	46	4.3	1.6	1.6
Total	3,031	2,860	6.0	100.0	100.0

The geographical distribution of non-performing loans is summarized in the following table:

Geographical Distribution of Non-Performing Loans

Gross amounts (including the loan value of financial leases) – in ITL bn

	31.12.2000	31.12.1999	% Change	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Piedmont	65	64	1.6	2.1	2.2
Lombardy	216	240	-10.0	7.1	8.4
Liguria	62	35	7.7	2.1	1.3

Veneto	50	43	16.3	1.6	1.5
Emilia Romagna	65	59	10.2	2.2	2.0
Northern Italy	458	441	3.8	15.1	15.4
Tuscany	593	605	-2.0	19.6	21.2
Marches	30	30	0.0	1.0	1.0
Umbria	87	83	4.8	2.9	2.9
Latium	384	385	-0.2	12.6	13.5
Central Italy	1,094	1,103	-0.8	36.1	38.6
Abruzzi	68	62	9.7	2.3	2.2
Basilicata	25	24	4.1	0.8	0.8
Campania	430	434	-0.9	14.2	15.2
Apulia	431	260	65.7	14.2	9.1
Calabria	129	132	-2.3	4.3	4.6
Sicily	328	333	-1.5	10.7	11.6
Sardinia	20	25	-20.0	0.7	0.9
Southern Italy and Islands	1,431	1,270	12.7	47.2	44.4
Total Italian branches	2,983	2,814	6.0	98.4	98.4
Total foreign branches	48	46	4.3	1.6	1.6
Total	3,031	2,860	6.0	100.0	100.0

Given the rigorous posture and the conservative criteria adopted in valuing problem loans, the principal balance is stated net of direct writeoffs of ITL 2,775 billion in 2000 and the preceding years. As a result, even considering the amounts classified as a "doubtful outcome", the aggregate adjustments to gross non-performing loans outstanding cover 61.6 percent of the original value; this coverage ratio climbs to 71 percent if mortgages are excluded.

Loans classified as watchlist credits and loans on which payments are past due also decreased in 2000. Such credits, which are outstanding to borrowers facing temporary difficulties, declined by 20.8 percent over the year to ITL 1,350 billion; on a net basis, the balance fell by 24.0 percent to ITL 1,014 billion. The table below summarizes the changes during the period:

Trend of Watchlist Credits and Past-Due Loans

(in ITL bn, including loan value of financial leases and excluding past-due interest)

Category	Gross Value	Doubtful Outcome	Net Value
Opening balance at 31.12.1990	1,705	371	1,334
Increases:	577	155	423
Provisions for performing loans	431		
Transfers from other categories and other increases	146		
Decreases	932	190	742
Transfer to performing loans	169		
Cancellations	67		
Collections	474		
Transfers to other categories and other decreases	323		
Closing balance at 31.12.2000	1,350	336	1,014

The table below summarizes the distribution of the loan portfolio according to risk category:

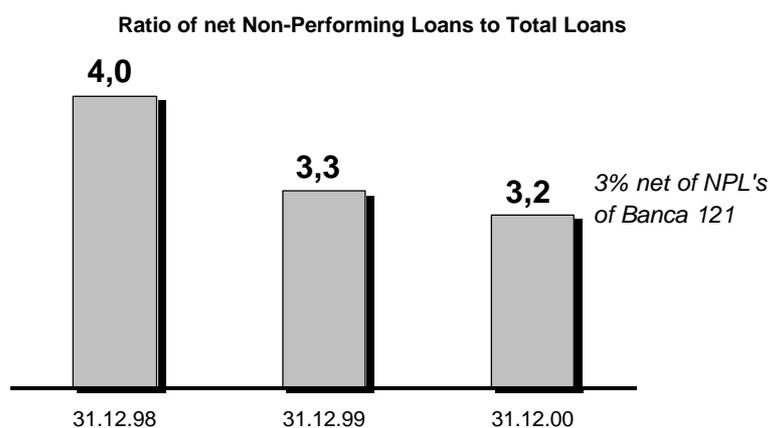
Distribution of Loan Portfolio by Risk Category

in ITL bn

	31.12.2000	31.12.1999	% Change	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Non-performing loans	2,034	2,100	-3.1		
Non-performing loans of Banca 121	199				
Non-performing loans	2,233	2,100	6.4	3.2	3.3
Watchlist credits	1,014	1,334	-24.0	1.4	2.1
Loans in the process of restructuring	-	-	-	-	-

Restructured loans	81	71	14.4	0.1	0.1
Unsecured loans to high-risk nations	77	121	-36.9	0.1	0.2
Total doubtful loans	3,404	3,625	6.1	4.8	5.8
Performing loans	66,847	59,069	13.2	95.2	94.2
Total customer loans and advances	70,251	62,695	12.1	100.0	100.0

The ratio of net non-performing loans to total loans decreased to 3.2 percent (3.0 percent when excluding the non-performing loans of Banca 121). Further improvement is expected in the ratio as a result of certain transactions occurring after year end involving the securitization of non-performing loans (further information on these transactions is provided in the section, "Material Events Subsequent to Year End").



The organization of the Bad Debt department was modified during the year with the addition of an asset liquidation unit and a special unit for out-of-court settlement. These units are charged with recovering and selling non-fixed assets financed through leases that have been classified as bad debt and recoveries through credit collection agencies without court intervention.

Securities Portfolios and Treasury

The financial markets, and the equity markets in particular, were extremely volatile in 2000. Part of this volatility is the by-product of increasing integration of the economies around the world and the ongoing development of trading circuits which have allowed a growing number of individuals to access and operate in the markets on a direct basis.

Considering the market framework together with the Bank's fundamental objectives, the Bank's operational thrust in 2000 was centered on reducing exposure to risks. From an organizational perspective, efforts were focused on the implementation and perfection of the new procedures introduced at the end of 1999.

Priority projects included the creation of MPS Finance, which officially started up operations in 2001, and the design and construction of dealing rooms and office space for the new Finance and Markets Office.

Securities Portfolio

As of 31 December 2000, the Bank's securities portfolio had an aggregate value of ITL 17,356 billion, thus reflecting a decline of ITL 1,678 billion with respect to the balance as of the end of 1999 :

Owned Securities

in ITL bn

	31.12.2000	31.12.1999	Change	% Change
Total securities	17,356	19,034	-1,678	-8.8
- Investment portfolio	6,247	6,166	81	1.3
- Trading portfolio	11,109	12,868	-1,759	-13.7

The trading activity was concentrated in part on developing "curve spread" strategies without the assumption of any significant directional risk. Other efforts went to the realization of operational capacity compatible with the Bank's leading role in the market for listed government securities (MTS and EuroMTS).

- Investment Portfolio

The value of the investment portfolio remained virtually unchanged with respect to the balance as of 31 December 1999. Roughly 98 percent of the portfolio is represented by the holdings of the foreign branches which provide a stable contribution to revenues and involve a low degree of issuer risk. The remaining portion of the portfolio consists of roughly ITL 98 billion in Banca Agricola Mantovana bonds, which were converted into shares in early 2001.

- Trading Portfolio

The balance of the trading portfolio stood at ITL 11,109 billion at year end, decreasing by ITL 1,759 billion or 13.7 percent. As highlighted in the section on risk management, the portfolio's average duration and the risk profile both decreased in 2000.

The following table provides a breakdown of the holdings of the trading portfolio by the percentage of each aggregate; at 8.8 percent, the weighting of equity securities is substantially in line with the values as of the end of 1999.

Components of Trading Securities Portfolio

in ITL bn

	%
Treasury bills	6.7
Treasury bonds	13.8
Treasury certificates	8.9
Treasury zero-coupon certificates	9.3
Other government securities	1.3
Italian bonds	28.7
Foreign bonds	22.9
Italian equities	5.8
Foreign equities	3.0
Total	100.0

Treasury Activity

In 2000, the management of liquidity and interest-rate risk was focused on services to maximize the synergies within the Group so as to come up with an integrated treasury and limitations on activity absorbing a large amount of capital.

Short-term derivatives were used in the management of interest-rate risk, especially with reference to FRA and OIS transactions. Trading of Eonia Swaps on the MID platform (E-MIDER) was also inaugurated, with the Bank positioning itself as a principal dealer alongside its rank as a leader in the cash market (MID).

The activity was mainly concentrated over shorter term maturities (up to six months) and was optimized through the use of cash swaps (the euro/dollar, especially), thereby arbitraging the liquidity gap of the various markets. Instead, the Bank scaled back its participation in the refinancing auctions conducted by the European Central Bank.

Given a high level of market volatility and the weakness of the euro against the U.S. dollar, the yen and the British pound throughout the entire year, operations in the foreign-exchange market were concentrated on the use of options and spot intraday positions with the dual objective of maintaining a constant presence in the market and securing better control over risk.

The table below provides a summary of the changes in the interbank accounts over the year:

Interbank Relationships

in ITL bn

	31.12.2000	31.12.1999	Change	% Change
Due from banks	32,881	27,398	5,483	20.0
Due to banks	31,168	29,655	1,512	5.1
Net credit (borrowing) position	1,713	(2,257)		

Capital Market, Sales & Distribution

Bond Funding

The Bank tapped the bond market for funding in 2000 as part of its overall business plan. Domestic market issues raised around ITL 2,600 billion, with subordinated debt accounting for ITL 600 billion of the total. International issues yielded the equivalent of ITL 4,300 billion, including subordinated debt of ITL 700 billion.

The funding through the domestic market was almost exclusively euro-denominated, with maturities generally fixed at three, five or seven years. Traditional issues were flanked by ITL 765 billion of innovative structures linking coupon payments to the performance of baskets of equities, equity indices or funds. Reverse floaters were also included among the issues.

The Bank's presence in the international markets took the form of four public issues, with part of the funding (ITL 1,065 billion) raised in relation to Monte Paschi Vita index-linked policies. These transactions also served for building a base of foreign institutional investors to round out the distribution network through branches in the domestic market.

Primary Market Activity – Equities

In 2000, the Bank participated in 40 syndicates relative to the public subscription and public sale of equities, in some cases acting as the lead manager. Principal transactions included: E.Biscom, Finmeccanica, Caltagirone Editore, AEM Torino, Saeco Intl, Luxottica, ACSM Como, and

Meliorbanca. Altogether, the Bank's underwriting commitments for such transactions amounted to around EUR 306 million for the year.

The Bank was also a participant in the syndicates managing five rights issues, including those for Unipol, Gemina and Banca Intesa.

Primary Market Activity – Syndications

The Bank's activity in the primary bond market included participation in 70 consortiums for the underwriting and placement of eurobonds as well as domestic and international issues. Volumes underwritten came to roughly EUR 620 million, with part of the paper placed with institutional investors and branch customers and a part of it held in the Bank's strategic portfolio.

Relationships with major national issuers such as Interbanca S.p.A., Meliorbanca S.p.A., Centrobanca S.p.A., and Efibanca S.p.A. were also expanded in 2000. In addition, the Bank worked with other units of the MPS Group to develop various products designed to take advantage of the opportunities in the market. Such products included, for example, reverse convertibles on equities traded in the Italian market and in markets abroad.

The Bank handled five municipal debt issues (B.O.C.), including one for the City of Siena. The Bank also subscribed to Eurobonds issued by the Republic of Italy, the European Investment Bank and ENEL.

Sales & Distribution

Securities trading and derivatives activity expanded by a significant 34 percent, with much of the volume relative to corporate bonds. The Bank also handled a higher number of foreign currency trades for the account of customers.

Aside from ordinary operations, the Bank carried out its first extendible swap; the transaction, which amounted to around EUR 90 million, was part of the partial hedging of a financing for the privatization of Aeroporti di Roma. Other extraordinary transactions included the structuring of financing for consumer cooperatives, and structured securities indexed to MPS shares and to the Eurostoxx 50 that were originated and placed for corporate customers.

INTEGRATED RISK MANAGEMENT

Risk Management Process at MPS Group

Objectives and Scope of Activity

The Board of Directors and Senior Management have concentrated much effort on developing and refining the methodologies used in managing risk. This effort is designed not only to provide for the efficient measurement and management of the sources of risk inherent in the Bank's activity, but also to facilitate the creation of value, the optimization of the risk-return profile and the adoption of decisions strategic to the Bank's and Group's development.

The activity of risk management has rapidly developed since a major policy revision in 1999. The principal objectives of this activity are summarized as follows:

to identify and measure all of the various factors of risk inherent to the activity carried out in the various markets in which the Bank and the Group operate;
to support the management of such risks, with the aim of containing the volatility of expected earnings and of keeping economic value within certain specific limits;

to promote risk awareness at all levels of the organization;

to favour an integrated view of risks from the perspective of the overall contribution of each area of operations to the absorption of capital, and to provide the consequent support to capital allocation and capital management initiatives.

Organization

Risk management is organized as follows:

The Board of Directors defines acceptable levels for the various risk factors and establishes operating limits in relation thereto.

The Board of Statutory Auditors assesses the degree of efficiency and of reliability of the internal controls system, with particular regard to the control of risks.

Senior management guarantees compliance with the policies and procedures relative to risks, ensuring the effective operational management thereof and defining the responsibilities of the organizational units dedicated to the control activity.

The market risks management committee, which meets on a monthly basis, or more frequently, if warranted, is charged with periodically evaluating the Bank's risk-return profile, with reference to specific transactions executed by the finance area and to the transformation of maturities within the context of traditional lending and deposit-taking activity. The committee thus has operational responsibility for the banking book, intervening and proposing appropriate corrective action through macro hedging aimed at modifying the degree of risk assumed. The committee also verifies compliance with operational limits, decides on funding and capital management strategies and evaluates the adequacy of capital both at the Bank and Group level. The committee's activity is regularly documented through reports provided to the Board of Directors.

The Group's audit department defines the standards for the internal controls system, verifying the correct application thereof.

The risk management unit is responsible for defining integrated methods for analyzing and measuring risks at the Group level. The unit plans and implements the most appropriate systems for measuring, monitoring and controlling all risks which impact the capital of the Bank and of the Group. Such systems are developed based on the best practices in the international marketplace and in accordance with in-house and external regulations. As the secretary for the market risks management committee, the unit prepares reports supporting the actions of the Board of Directors and of senior management with regard to the risk profile. The unit is also responsible for measuring capital absorption, while also supporting capital management initiatives.

Operating in line with the policies set forth in the business plan and in consideration of current market trends, the credit policy unit establishes the lending criteria and guidelines for the MPS Group, with the objective of providing a balanced mix of loans in terms of geographic distribution and distribution by economic sector.

The controls departments within each of the major operating areas of the Bank are responsible for quantifying risks within each individual front-office portfolio, for verifying compliance with the operating limits set by the Board of Directors as well as any sub-limits set by the operating areas.

Type of Risks Measured

The main priority of the risk management activity is the measuring, management and monitoring of the different types of risk originating from banking activity. At present, such risks may be categorized as follows:

Market risk: risk related to trading activity which is defined in terms of the maximum potential loss consequent to adverse movements of interest rates, exchange rates and prices of debt and equity securities.

Interest-rate risk: risk related to the transformation of maturities within the context of traditional lending and deposit-taking activity (banking book) which is defined in terms of the impact of the volatility of interest rates on current earnings and economic value.

Liquidity risk: risk related to the mismatching of funds inflows and outflows, and thus the potential difficulty of the Bank to meet its payment obligations on a timely and economic basis.

Counterparty risk: risk inherent to transactions in over-the-counter derivatives;

Issuer risk: risk present in trading portfolios.

The Bank is currently in the process of implementing a new system for the measuring and monitoring of credit risk. Accordingly, as of 2001, it will be possible to measure the maximum possible loss from the deterioration of the counterparty's creditworthiness or from a counterparty default. In this regard, country risk is counted as part of credit risk.

Another significant project is addressed to operating risk. Launched in early 2001, this project will result in a system designed to quantify operating risk as the maximum potential direct or indirect loss stemming from internal inefficiencies, human errors, technical errors, embezzlement, inadequate controls and external events.

Realization of New Integrated Risk Management System of the Group

The Bank has undertaken a series of activities aimed at creating an integrated system for measuring and managing risks. Part of the overall internal controls framework, the system is being developed to ensure timely and effective risk management at the Bank and Group level. The new system will also serve as a support to decisions affecting the management of the overall risk profile and the optimization of capital.

In early 2000, the risk management unit embarked on the design and construction of a complex system for measuring and monitoring financial risks in line with the most advanced international benchmarks. This system is aimed at quantifying:

the interest-rate risk relative to the banking book (asset and liability management);
the market risk (interest rates, foreign exchange rates and prices) relative to the trading portfolio (considering both the trading and strategic components thereof);
liquidity risk;
counterparty risk and issuer risk relative to derivatives, debt securities and equity securities in the Bank's portfolio.

After a final phase of testing, the system will be activated in early 2001. With an extremely flexible structure, the system will be capable of calculating the value at risk for the Bank and Group portfolios, with regard to the trading portfolio. In accordance with the standard formula, the VaR is an estimate of the maximum potential loss that could be sustained over a specific period and with a given probability. Simulations on the basis of the historic trends of prices, interest rates, exchange rates and market indices are used to estimate future market trends and to quantify the maximum realizable loss over a given confidence interval. Once the testing is completed, the internal system will be presented to the regulatory authorities for final validation, including with respect to the calculation of capital absorption.

The objective of integration is expected to be met in the near term with the development and implementation of adequate systems for measuring, managing and monitoring credit and operational risks, the latter of which is being realized in strict collaboration with the audit department.

Credit Risk

Banca Monte dei Paschi di Siena places particular emphasis on the management of credit risk, especially in light of the recent changes proposed by the Basel Committee for measuring and determining the capital adequacy of banks.

In 2000, the Bank's lending practices were reviewed and revised, while the practices at the Group level were standardized. These efforts are aimed at improving the management of customer relationships and the profitability of the same. As planned, the entire lending process will function on an intranet-based architecture and through an integrated system.

Information flows to account managers and analysts have been enhanced through the realization of a single information processing routine ("Electronic Credit File") which allows for minimizing the cost of information procurement and increasing the significance and applicability of the information with respect to the type of clientele examined. This processing, which is in the operational testing phase at the parent company and at other banks of the Group, will provide the user with updated information at any time. The Bank is also preparing procedures containing guidelines for evaluating credit risk at the time of loan approval (initial disbursement or increase) and at the time of the periodic internal reviews.

The Group's credit-risk rating project began in early 2000 and contemplates the development of an internal rating system for each bank of the Group, with the objective of guaranteeing standard classification of all customers. The project involves the use of set valuation methods for each customer segment and thus, the adoption of a single rating scale. The initial phase of the project has resulted in the realization of a rating model, the quantification of the probability of default of the individual borrowers in the middle-market segment (with testing in process at the Bank in order to

fine tune the system prior to its definitive release), and the identification of the action needed to strengthen the scoring activity already in place for the retail and small business segments.

Although the assessment of credit risk for large corporate customers is currently still the responsibility of analyst, the Group has adopted an integrated approach to the management of borrowings on the part of the top industrial customers (about 120 positions constituting "Materials Risks"). This approach has yielded significant improvement in information flows within the Group and a more analytical method for monitoring roughly 14.54 percent of the Bank's total loans (15.46 percent of loans at a Group level):

	Material Risks (loans in ITL bn)	% of Total Loans
Banca MPS	15,000	14.54
MPS Group	23,000	15.46

The support planned for the monitoring phase consists of an early warning system which is almost complete (testing planned for early 2001). This system, together with the scoring systems, will allow for focusing analysis and corrective action on the relationships which show the most significant signs of deterioration.

The initiatives contemplated for 2001 include:

the conclusion of all testing in process and the realization of all enhancements already planned;
the completion of the scoring models for each customer segment and the determination of the probability of default for all customers;
the integration of all phases of the project into a single information program to be available to the entire Group, without prejudice to the specific requirements and independent decision-making authority of the individual operating units.

In accordance with the approach adopted in 2000, all of the activities described are to be realized first at the parent company and then gradually extended to the other banks of the Group.

In addition to these activities, the future plans include the review and start-up of the first applications of the rating system.

As part of the other Group projects planned for 2001, the organizational units involved in loan approval and management will be equipped with new, sophisticated instruments for improving the effectiveness of pricing and selection of customers. The planned implementation of a credit portfolio model will allow for more timely measurement, management and monitoring of credit risk. This model, similar to that already realized for market risk, will permit the calculation of expected losses and of the capital absorbed in all of the lending activity.

Credit Derivatives

The credit derivatives activity handled by the London branch is an important part of managing and mitigating credit risk. Though such activity is currently limited in scope, it will be increasingly addressed to minimizing the credit risk on portfolio positions and to optimizing the employment of capital.

Country Risk

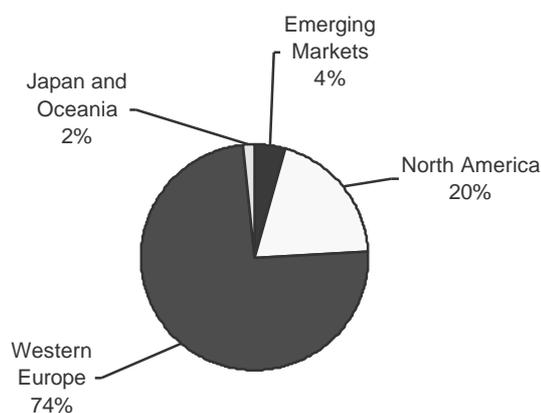
The Bank has actively analyzed country risk since 1993, preparing an annual report of country classifications and determining operating limits for industrialized countries and leading emerging markets. Considering the expansion of the MPS Group and the Bank's role in coordinating the activity of the Group's other units, a new approach to the analysis of risk and the determination of credit limits was adopted in 2000 in order to take into account the changes within the Group as well as the developments occurring in the external context.

The internal rating of country risk is thus based on four groups of elements: economic and financial variables, political factors, market developments and short-term prospects. The methodology adopted by the Bank involves a significant number of variables, including information relative to positioning within the macro areas and short-term prospects.

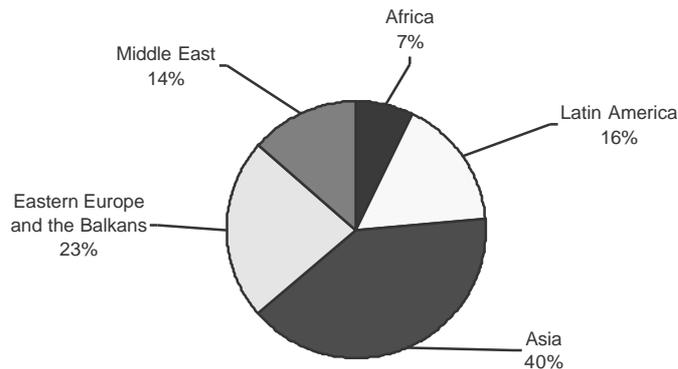
As of the end of 2000, the aggregate credit facilities of the Group extended to foreign counterparties amounted to around USD 84 billion net of guarantees; roughly USD 54 billion of this amount regards the parent company. Usage of such facilities respectively amounted to 10 percent and 25 percent of the commercial and financial commitments made. The geographic distribution of credit facilities to foreign counterparties is set forth in the charts below illustrating the actual risk assumed.

Roughly 96 percent of the commitments regard developed economies, with Western Europe accounting for 74 percent. In accordance with the Group's decision to distribute risk across the various macro areas, credit extended to emerging markets remains modest in terms of value and in line with the maximum operating limits defined on an annual basis.

Aggregate Credit Facilities to Non-Residents



Credit Facilities to Emerging Markets



Roughly 98 percent of the aggregate credit has been extended to banks, the majority of which are top-tier institutions. Such commitments have been made with the technical support of an internal scoring system of counterparty risk.

Interest-Rate and Liquidity Risks on Banking Book

Interest-Rate Risk

As part of the management of the banking book, the interest margin expected in the short term and aggregate economic value are regularly analyzed for their sensitivity to a sudden variation in interest rates. This measurement is made by integrating two methods ("current earnings" and "economic value") with a view toward looking at the total return of the portfolios, in accordance with the best practices in the international market. The primary objective is to minimize the volatility of the total return on the banking book, by actively managing residual mismatched positions through macro hedging transactions (typically, interest-rate swaps). Over the medium/long term, such mismatching may be managed through specific directives relative to the operations of the commercial network, or through the implementation of funding policies aimed at covering the mismatched positions by maturity.

The asset and liability management system bases the measurement of the banking book's interest-rate risk on the trend of known and estimated future cash flows relative to outstanding transactions and with the maturity equal to the date on which the valuation is made (cut-off) or the final day of the month. This measurement is effected with the use of simulations. As of early 2001, this analysis will be possible on a more frequent basis, including as of the end of a given business day.

The impact on the expected interest margin is calculated starting from the gap analysis of a period of 12 months; the impact is measured by considering:

- a sudden parallel shift of the rate curve by ± 25 basis points across all maturities;
- a shift of a similar magnitude equal to the average historic volatility of the most recent 12 months, as updated from month to month.

Analyzing the variation of the value of the assets and liabilities within the banking book in response to unexpected changes in risk factors is done through shift-sensitivity techniques, by determining the changes in the present value of future cash flows as a result of a variation of interest rates. The same techniques also provide an indication of the corresponding risk of a decline in the Bank's net equity. Pursuant to the recommendations made in the Basel Committee's new proposal relative to the quantification of interest-rate risk on the banking book, the interest-rate shock considered is equal to 200 basis points and is calculated with reference to both Tier 1 capital as well as total capital computed for regulatory purposes. The table below shows the risk indicators as of year end and mid-year for a shift of 200 basis points across all maturities.

Risk Indicators for Shift of 200 basis points

	31.12.2000	30.06.2000	31.12.1999	30.06.2000
Interest margin at risk / Interest margin	8.25%	7.60%	7.84%	7.76%
Economic value at risk / Tier 1 capital	4.08%	5.12%	9.40%	17.44%
Economic value at risk / Capital computed for regulatory purposes	2.90%	3.84%	7.38%	12.16%

The data confirm the ongoing containment of the amount of capital at risk as from 1999. Specifically, the indicators are well below the outlier level set by the Basel Committee, namely, interest-rate risk above 20 percent of capital computed for regulatory purposes.¹

As part of the design and construction of a new integrated measurement system by the risk management unit, the analysis of economic value is soon to be integrated with the calculation of a measure of value at risk. In other words, the system will compute the economic capital used as the basis for determining the risk-return profile of the banking book.

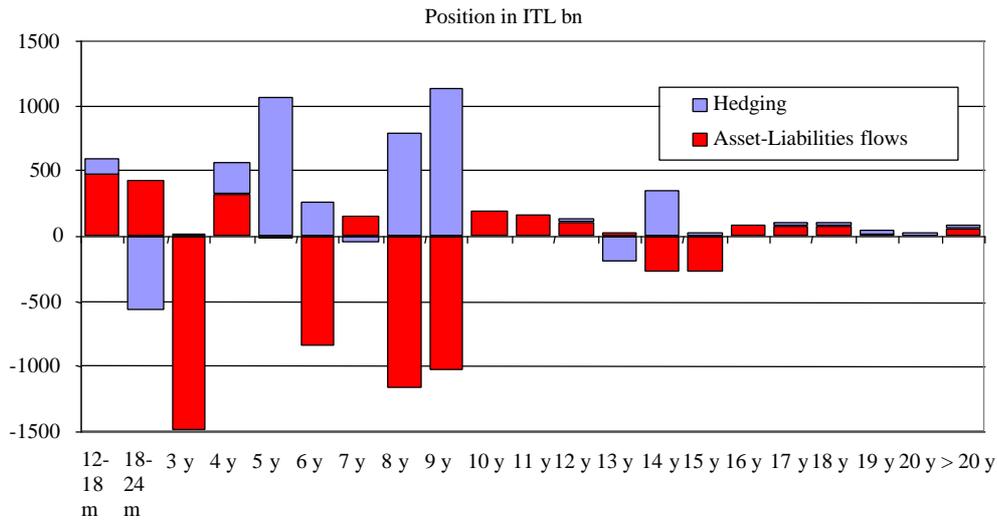
The risk on the banking book remained very limited during 2000. The market risks management committee worked with determination to make the mismatched positions as neutral as possible with respect to sudden changes in interest rates. The committee looked specifically at risk by maturity with the aim of immunizing the Bank's capital against the risk of loss resulting from changes in interest rates at different points in the rate curve, in other words, non-parallel shifts.

A particularly intense effort was made to maintain a neutral profile in terms of interest-rate risk at the time of the placement of new medium-term bond issues in 2000.

The table below reports the net mismatched position of fixed-rate, euro-denominated assets and liabilities with respect to maturities beyond one year and the hedging effected in relation thereto. As shown the strategy adopted for the hedging of risk is more pronounced with respect to the maturities showing the greatest degree of mismatching.

¹ Even with the adoption of the weighting coefficients by range as proposed by the Basel Committee, the measure of risk of the banking book remains below 4.85 percent of capital computed for regulatory purposes as of 31 December 2000.

ALM flows and hedging via IRS



The mismatching of the commercial portfolio as of the end of 2000 includes a long position over medium- / long-term maturities partly as a consequence of the reclassification of some USD 1,154 million of U.S.-dollar-denominated securities as investments as of 30 June 1999 and the transfer of such assets to the investment portfolios of the foreign branches.

Time Gaps

as of 31 December 2000

	0-3 months	3-6 months	6-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets	71,875	18,186	2,997	7,153	2,476	2,110	104,796
Liabilities	-83,019	-7,666	-2,805	-5,740	-4,255	-1,312	-104,796
Gap base	-11,144	10,520	192	1,413	-1,779	798	0
Derivatives for hedging purposes	-1,611	-4,261	391	2,194	2,858	430	0
Total gap	-12,755	6,258	583	3,606	1,079	1,228	0
Cumulative gap	-12,755	-6,497	-5,914	-2,307	-1,228	0	0
Gap ratio (assets/liabilities)	0.87	2.37	1.07	1.25	0.58	1.61	

Measurement and Management of Liquidity Risk

Liquidity risk is measured by quantifying the imbalances in cash inflows and outflows by settlement date, with a particular emphasis on maturities of less than one month.

In order to ensure timely payment of its obligations, the Bank has opted to hold as part of its strategic portfolio certain highly liquid securities with short-term maturities which are issued by borrowers with an investment-grade rating. Such securities are held not only for their contribution to the financial margin, but also as a source of liquidity during any periods of market tension. As of the end of 2000, this portfolio amounted to around ITL 3,300 billion.

Market Risks on Trading Portfolio

Structure of Trading Portfolio

In accordance with a resolution passed by the Board of Directors on 29 July 1999, the Bank's trading portfolio has been sub-divided into a strategic portfolio and a trading portfolio. The operational objectives, limit and management of two portfolios are separate.

The strategic portfolio responds to investment and positioning needs in relation to specific views about the trend of the financial markets over the medium term. This portfolio embraces three types of investments: 1) securities issued by the various companies of the MPS Group; 2) variable- and fixed-rate securities with residual maturities of less than 18 months held for the purpose of liquidity and the contribution to the financial margin; and 3) equities, derivatives and fixed-rate securities with medium- and long-term maturities which are held for strategic purposes. During 2000, the market risks management committee identified a fourth type of investment – private-equity funds – which has been authorized by the Board of Directors on the basis of specific limits.

The pure trading portfolio holds assets which facilitate short-term and overnight transactions designed to take advantage of favorable conditions in the market; the portfolio is managed independently by the international banking division and the finance division within the limits of the authorizations granted. As of the start of 2001, the responsibility for this portfolio was shifted to MPS Finance BM, the new Group company specialized in trading, market-making, capital markets, origination and the structuring of specific products for the network. The transfer of the relative positions was effected as of February 2001.

Operating Limits and Instruments for Monitoring Market Risks

The limits for transactions involving the strategic portfolio are defined with regard to the aggregate amount of the investment authorized and the relative issuer risk. A maximum nominal weighted value is thus computed for the overall portfolio as well as for the component held for strategic purposes. In the case of the strategic component, a maximum level of exposure to market risk is also established and expressed in terms of shift sensitivity (which is to be transformed into VaR). The market risks management committee has the responsibility of monitoring the trend of risk within this component and deciding on any corrective action needed.

The limits for transactions involving the trading portfolio have been set in terms of maximum nominal weighted value (in order to take into account issuer risk), the maximum potential loss (defined as shift sensitivity, transformed thereafter into VaR) and the maximum loss admissible with a stop loss to take into account the actual earnings/losses and/or the potential earnings/losses (capital gains and capital losses) on a monthly and annual basis. The international banking and finance divisions then sub-divide the aforementioned limits between various dealers who are subject to a series of sub-limits.

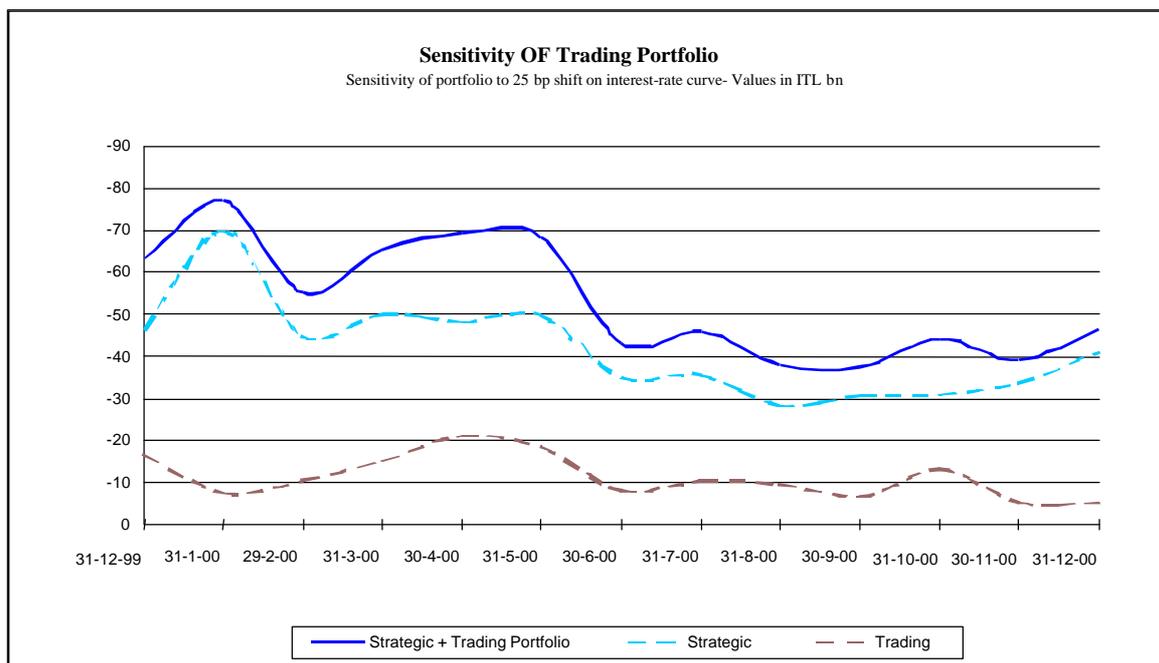
The front- and back-office operations for transactions in the spot and derivatives markets are handled by the Murex system installed in 1999. This system provides support to the traders through integrated positioning and pricing, while it also is utilized for controls within the finance area. Instead, the new integrated risk management system is used for the measurement and monitoring of risks and limits on the part of the risk management unit.

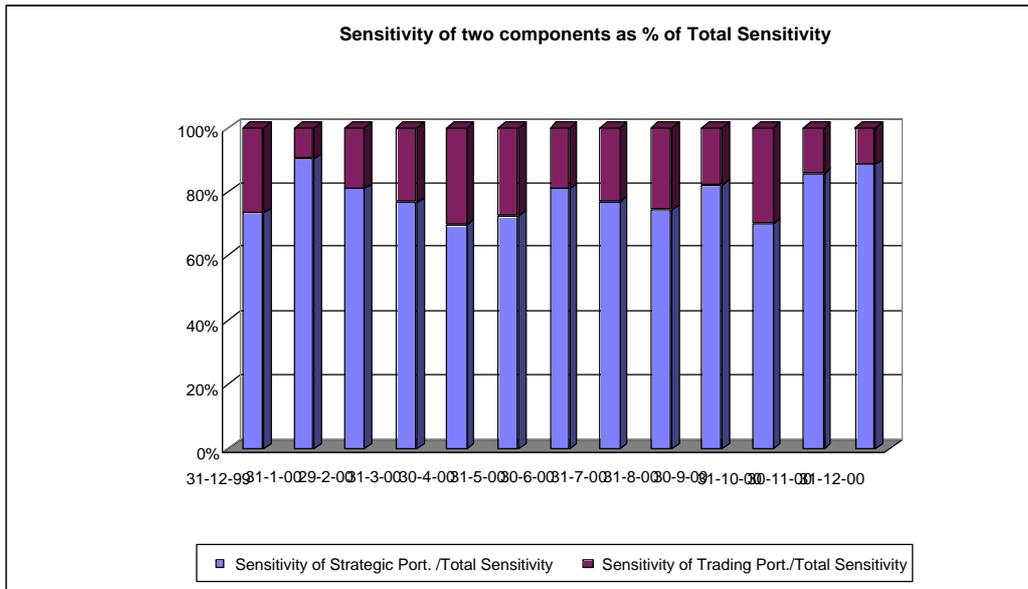
Operating Strategies and Risk Profile

During 2000, the market risk on the trading portfolio declined significantly. The average sensitivity of the portfolio to a parallel shift of the rate curve in the amount of 25 basis points went from a potential loss of ITL 63 billion for the first half of 2000 to a potential loss of ITL 42 billion in the second half of 2000, falling by more than ITL 21 billion.

As of 31 December 2000, the overall VaR on the trading portfolio amounted to ITL 46.35 billion.

During the year, the risk was concentrated within the strategic portfolio, which accounted for around 80 percent on average of the sensitivity of the entire trading portfolio. In the last six months of 2000, this situation was even more pronounced because of limits set on trading volumes with the planned transfer of the portfolio to MPS Finance BM in early 2001:



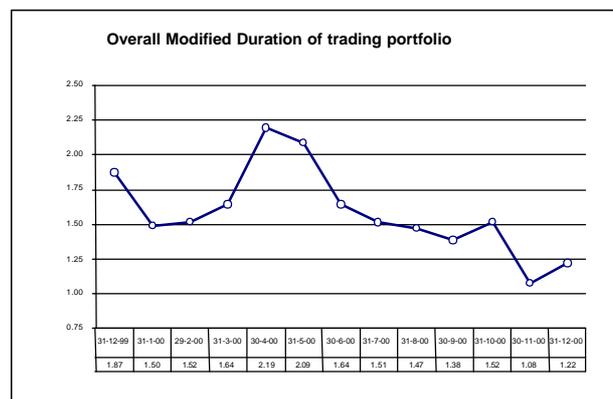


Starting in May, a sizeable reduction was seen in the average duration for the entire trading portfolio of bonds. After falling to a minimum of 1.08 years as of the end of November, the aggregate value rose slightly to end 2000 at 1.22 years.

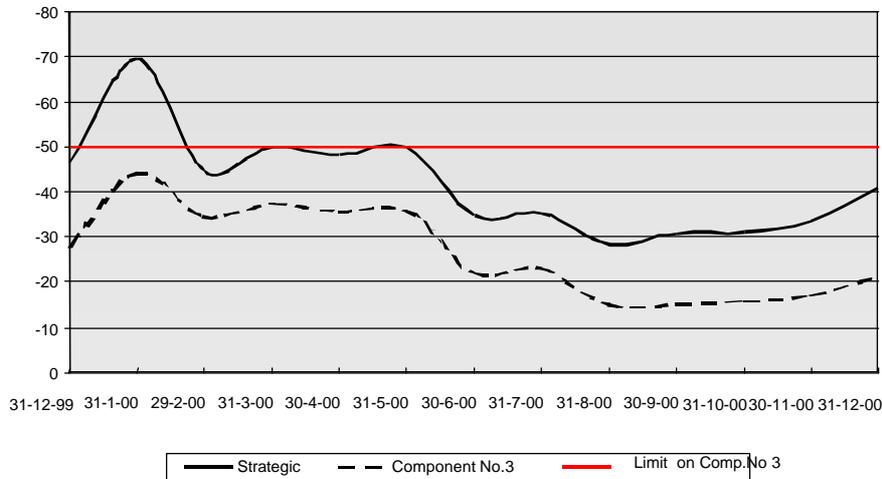
Strategic Portfolio

The risk on the strategic portfolio tended to decline over the year. In specific terms, the VaR on the portfolio averaged ITL 33 billion in the second half of the year versus ITL 49 billion in the first half.

The sensitivity of the entire portfolio tended to mirror the trend of sensitivity on the strategic-directional component:

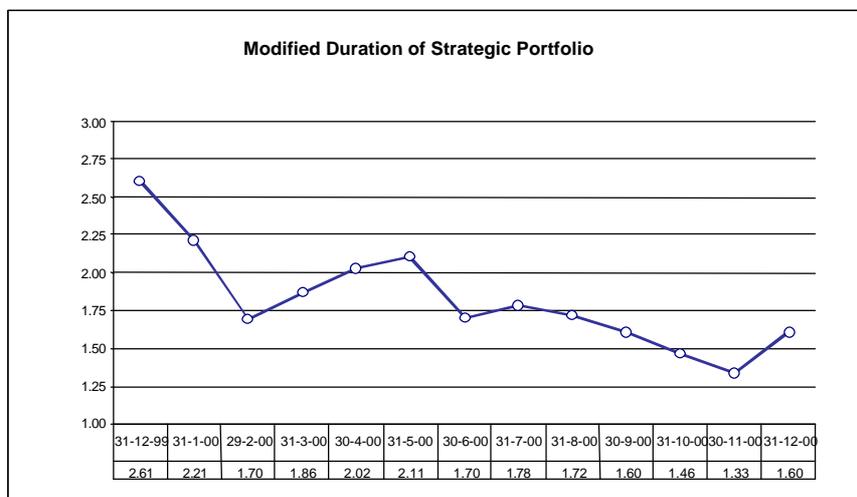


**Trend of Total Sensitivity of Strategic Portfolio
And Sensitivity of Component No. 3 Subject to Limit**
(Values in ITL bn - shift of 25 bp -)



In the early months of the year, strategic-directional investments mostly regarded equities, with the purpose of capitalizing on the strong performance of certain industrial shares. In addition, the Board of Directors approved investments in private-equity funds in 2000, with actual investment in such funds totalling only about 40 percent of the amount allocated.

Longer term maturities of U.S. dollar- and euro-denominated bonds were liquidated in the final months of the year, thereby prompting a reduction in duration and a decrease in aggregate sensitivity. New positions in euro-denominated issues were opened at year end in order to capitalize on falling interest rates, especially with respect to short- and medium-term maturities. As indicated by the graph below, the transactions effected in the month of December had the effect of increasing both the overall risk and the duration of the strategic portfolio.



Trading Portfolio

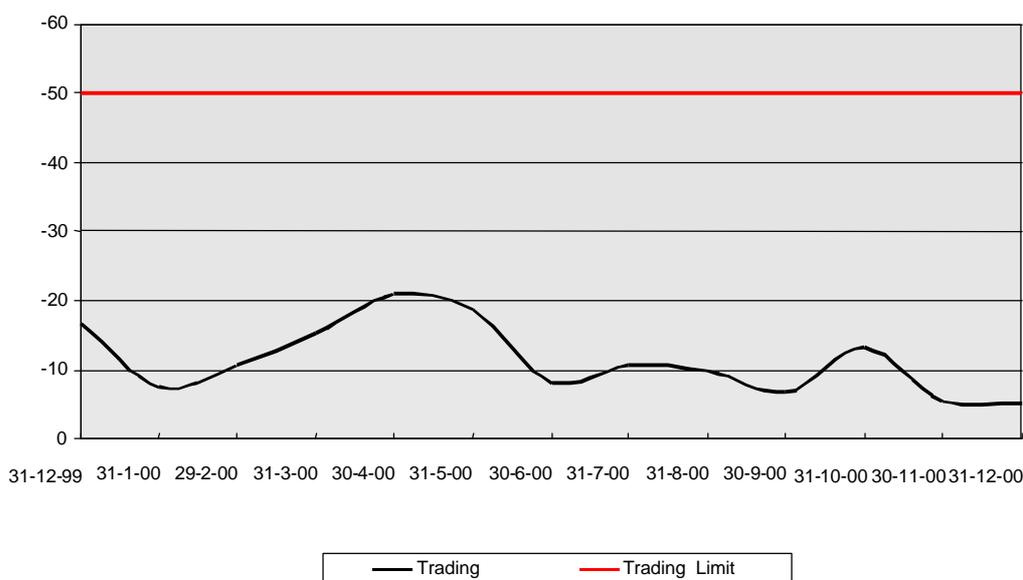
The 2000 budget objective for the trading portfolio provided for a risk profile equal to roughly one-half of the operating limits set by the resolution of the Board of Directors. Averaging ITL 11 billion for the full year, the sensitivity of the portfolio was maintained at a level below the budget objective. As of year end, the VaR due to rate movements had fallen to ITL 5.34 billion.

The trading activity was mainly concentrated in euro-denominated bonds, with the Bank traditionally a leading intermediary in this market. The risks were nonetheless limited by virtue of the fact that most positions were short- or very short-term.

Trading activity slowed at year end in order to provide for a flat risk profile to facilitate the transfer of operations to the new MPS Finance BM. The rapid changes in position prompted fluctuation in the average duration, which amounted to a rather neutral 0.40 years as of 31 December 2000.

Trend of Sensitivity of Total Strategic Portfolio

(Itl. bn - shift 25 bp)



Market Risk Situation as of 31 December 2000

The risks on the trading portfolio are summarized in the following table which indicates market values for the various components of the portfolio, the respective sensitivity to a shift of 25 basis points in interest rates (and on the basis of the volatilities of each risk factor for the equity portfolio) and the average duration for the bond portfolio.

Market Risks as of 31 December 2000

in ITL bn

Type of Portfolio	Market Value	Sensitivity to 25 bp Rate Shift	Average Duration
Trading portfolio	3,323.68	-5.34	0.43
1. Bond portfolio	3,262.52	-3.52	
2. Equity portfolio	127.41	-3.56	
3. Trading derivatives	-66.24	1.74	
Strategic portfolio	7,487.92	-41.01	1.60

1. Bonds and equities issued by MPS Group companies	1,660.12	-11.75	
2. Bonds held for purposes of financial margin	3,326.65	-5.77	
3. Principal directional portfolio (cash and derivatives)	2,343.78	-21.36	
4. Closed-end funds	157.38	-2.13	
Total	10,811.61	-46.35	1.22

The table below provides a summary of VaR on the trading portfolio as of 31 December 2000, inclusive of spot and derivatives positions, equities and bonds.

BMPS Value at risk

as of 31 December 2000

(in ITL bn)	VaR 99% (one day)	VaR 99% (10 days)
Trading portfolio		
Non-correlated total	48.4	153.0
Strategic portfolio	42.3	133.7
Trading portfolio	6.1	19.3

The VaR of the entire trading portfolio (99-percent confidence interval and one-day holding period) was ITL 48.4 billion as of the end of 2000, thereby reflecting a decrease against the comparable value of ITL 51.04 billion as of the end of the previous year.

Operating Risks

Group Project

The "Operating Risks" project is a particularly important initiative for the MPS Group since:

it is instrumental to reinforcing and standardizing the organizational and controls culture of the Group and more in general, to the improvement of corporate governance;

it is part of the development of controls (inaugurated with the "Group Control Procedures"), with the possibility of realizing strong information and cost synergies upon the examination and review of operations;

it is consistent with the configuration of the business of a financial services conglomerate, which is increasingly concentrated on activity such as retail banking (through various distribution channels), asset management and bancassurance, all of which involve a high degree of operating risk

it is functional to more intelligent and efficient management of operating risks, with positive repercussions on the measurement of performance of the various lines of business, on the choices effected for the allocation of capital and on the cost of insurance coverage.

Assumptions for Implementation

The project embraces a bottom-up model which is the current market standard. The implementation of the model involves a first phase of risk mapping, qualitative evaluation of risks and controls, and the re-engineering of processes and a second phase in which a database is created that is functional to the measurement of the quantifiable operating risks.

The two phases are distinguished from one another more from a standpoint of logic rather than timing. Accordingly, the activity of tracking processes and probing for risk is functional to the procurement of information useful to the construction of the database on operating risks while it also favours the identification of quantitative indicators. The objectives of the first phase are stated as follows:

- to increase the degree of awareness of operating risk at all levels of the organization and to contribute to the streamlining of control activities from the standpoint of optimizing the trade-off between effectiveness and efficiency;
- to make work processes objective so as to make it easier to audit them (to date, some of the work processes are the by-product of the overlap of non-standard practices) and to reinforce the principles of taking responsibility over the management of risks;
- to mitigate operating risks through the re-engineering of processes and points of control.

Capital, Capital Required for Regulatory Purposes and Capital Management

The risk management unit is charged with constantly monitoring the capital position of the Bank and the capital position of the Group, as defined for regulatory purposes. Periodic reports are regularly analyzed and discussed at the meetings of the market risks management committee and a summary of the reports is submitted to the Bank's Board of Directors. As of the end of 2000, the Bank's Tier I capital amounted to around ITL 8,183 billion, rising by 10.03 percent over the balance as of the end of the preceding year. The increase stems from the retention of earnings and from a share capital increase carried out in accordance with a shareholder resolution of 7 June 2000 for the purpose of funding the acquisition of 93.98 percent of Banca 121.

Tier II capital amounted to ITL 4,987 billion as of the end of 2000, with an increase of ITL 2,807 billion or 128.77 percent in comparison with the balance as of the end of 1999. The change is attributable to:

- the allocation of ITL 1,621 billion to a specific shareholders' equity reserve pursuant to Law No. 342 of 2000; this reserve was created as a result of the revaluation of real estate assets in the amount of ITL 207 billion (net of substitution tax) and the revaluation of the Bank's investment in SanPaolo-IMI in the amount of ITL 1,414 billion (net of substitution tax).

As indicated in the notes to the financial statements, the real estate assets were revalued for a total of ITL 256 billion in order to align the value to market, in accordance with the provisions of Article 11 of Law 342 of 2000. The holding in the publicly traded SanPaolo-IMI was revalued for a total of ITL 1,664 billion, to bring the value into line with the closing market value as of year end; such valuation falls within the limits set by Paragraph 2 of Article 11 of Law 342 of 2000.

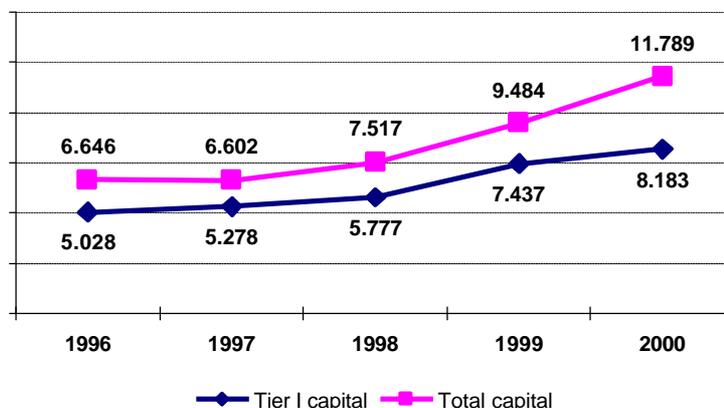
the placement of new subordinated debt for roughly 1,268 billion; taking into account the residual life of outstanding borrowings, a total of ITL 3,094 billion of subordinated debt was classified as capital as of the end of 2000; this represents an increase of ITL 1,169 billion over the comparable figure as of 31 December 1999.

(in ITL bn)	Weighted Value as of	
	31.12.2000	31.12.1999
Tier I capital	8,182.7	7,436.7
Tier II capital	4,986.8	2,179.8

	13,169.6	9,616.5
Deductions	1,380.4	132.8
Total capital as calculated for regulatory purposes	11,789.1	9,483.7

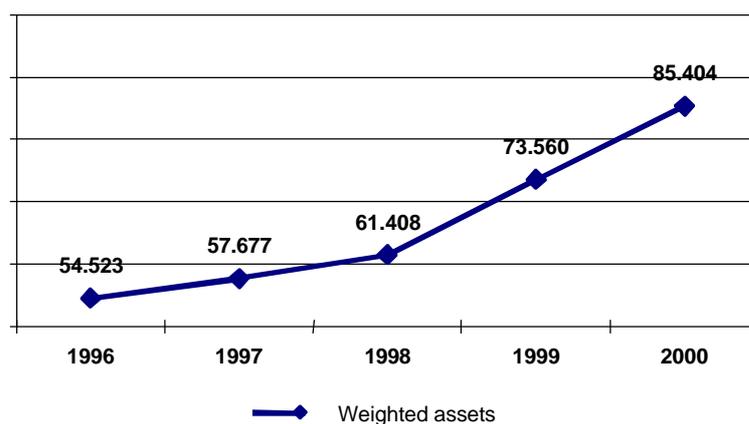
Total capital for regulatory purposes thus came to ITL 11,789 billion, increasing by 24.31 percent with respect to the end of 1999.

Risk assets totalled ITL 85,404 billion at the end of 2000. The balance reflects an increase of 16.10 percent for the year which mainly stemmed from the growth of loans, a part of which came from the acquisition of Banca 121's corporate business unit.



	Weighted Value in ITL bn as of	
	31.12.2000	31.12.1999
Risks assets		
Balance sheet assets:		
Collateralized risk assets in cash	13.6	
Loans to governments, central banks and multilateral banks	1,088.0	851.4
Due from banks	4,932.4	5,502.1
Loans to property companies	57.6	
Loans to private sector:		
Residential mortgages – private sector	3,856.3	3,630.8
Transactions on non-residential property	216.9	
Other loans to the private sector	56,804.3	49,636.9
Equity investments weighted at 200%	7.3	13.7
Equities, equity investments and subordinated assets	7,747.3	5,953.1
Fixed assets	1,999.8	1,359.9
Negotiable instruments for collection, accrued income and other assets	1,768.3	1,843.8
	78,491.9	68,791.7
Off-balance-sheet assets:		
Guarantees released, commitments and derivatives contracts	9,547.8	7,304.7
Less: loan amounts classified as "doubtful outcomes" and capital losses	2,662.5	2,536.6
Total risk weighted assets	85,404.3	73,559.8

The aggregate balance was partially influenced by certain capital management transactions in the amount of ITL 1,938 billion which are detailed in the section of this report covering credit risk.

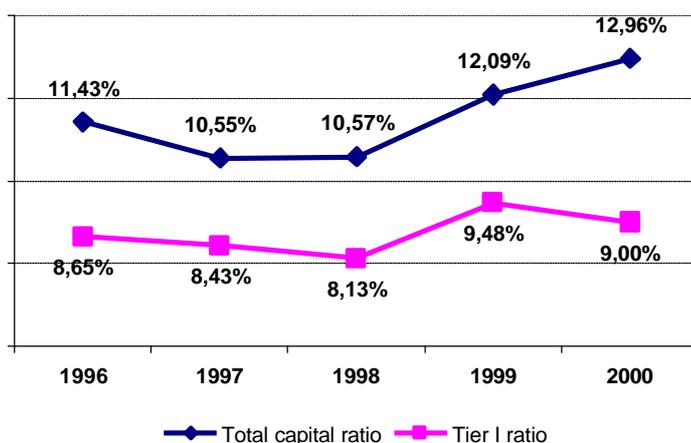


The ratio of total capital computed for regulatory purposes to risk-weighted assets amounted to 13.80 percent at year end. This solvency coefficient falls to 9.58 percent when considering Tier I capital only.

	31.12.2000	31.12.1999
Tier I capital ratio	9.58%	10.11%
Total capital ratio	13.80%	12.89%

When incorporating the capital requirements established to cover market risks on the trading portfolio, the Tier I ratio stands at 9.00 percent and the total capital ratio at 12.96 percent.

As of the end of 2000, the Bank's capital computed for regulatory purposes was some ITL 5,422 billion greater than the capital required to cover credit and market risks; this surplus is roughly ITL 1,430 billion higher than the surplus as of the end of 1999.



Position (in ITL bn)	31.12.2000	31.12.1999
Credit risk		
- on balance sheet assets	5,494.4	4,815.4
- on off-balance-sheet assets	670.2	511.3
Less: doubtful loans	186.4	177.6
	5,978.3	5,149.2
Market risks		
- on investment securities portfolio	338.7	337.4
including:		
- generic risk on debt securities	151.3	136.6
- specific risk on debt securities	121.0	88.1
- generic risk on equity securities	49.6	55.0
- specific risk on equity securities	40.9	27.0
- delta-plus options: gamma factor	0.0	
- delta-plus options: beta factor	5.3	
- risk on quotas in mutual funds	0.0	1.1
- settlement risk	0.1	0.1
- counterparty risk	20.4	29.6
- on foreign currency	0.0	5.1

	388.7	342.6
Total capital required	6,367.0	5,491.7
Total capital available	11,789.1	9,483.7
Surplus capital	5,422.1	3,991.9

Profitability

Overview

Although the market scenario in 2000 was complex and included several unfavourable periods (sluggishness of the stock market and a slowdown of investment in mutual funds), the Bank managed to achieve very positive earnings results by concentrating on the more stable sources of income as identified in the business plan. Accordingly, the emphasis was placed on ensuring continuity of the growth of structural components.

The following developments are considered significant from a strategic perspective.

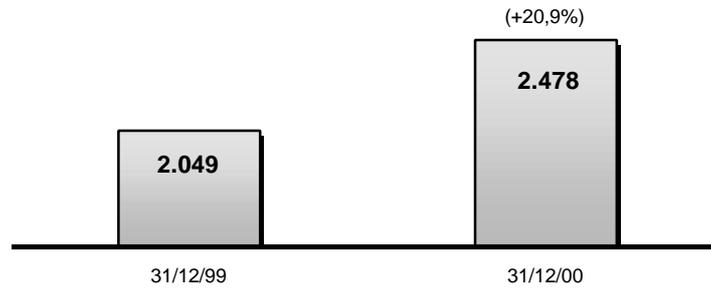
the strong expansion of banking commissions: The growth was strong with regard to both traditional income (fees on basic banking services, international banking transactions and securities) and innovative services (asset management, payment systems, and brokerage services); the increase in banking commissions is reflective of the operating policies and initiatives implemented in order to enlarge the operational base and to enhance the value of customer relationships (cross-selling and customer retention). Such policies and initiatives contemplate growing segmentation and personalization of services.

the reduction of the cost/income ratio: The positive trend of the ratio is partially attributable to the containment of overhead and administrative expenses, and was realized despite the significant investments made for implementing programs to fortify and innovate the front and back offices (development of multiple distribution channels, products and the branch network).

Such structural changes were accompanied by a moderate recovery of the interest margin, a recovery of profits from financial transactions (achieved despite the Bank's focus on controlling and reducing its exposure to market risks) and a significant contribution of dividends from equity investments which was mainly correlated to the results of the product companies of the Group.

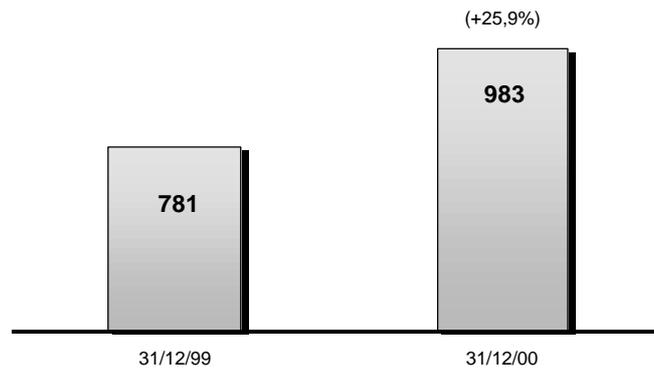
Gross operating profit rose to ITL 2,478 billion, advancing by ITL 429 billion or 20.9 percent over the comparable figure for 1999:

Trend of GoP
- in ITL bn-



After discounting the usual provisions and adjustments for asset valuation and risks, the net earnings came to ITL 983 billion, rising by 25.9 percent or ITL 202 billion over the previous year.

Trend of Net Profit
- in ITL bn -

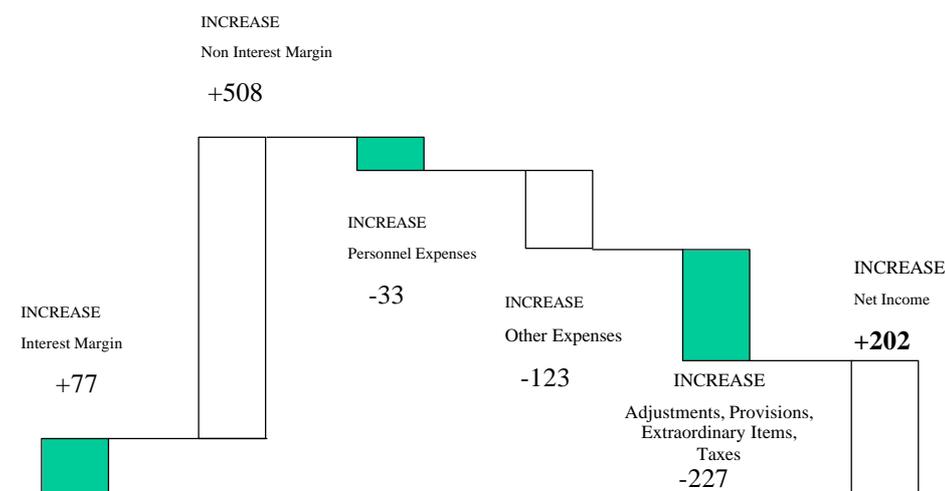


RECLASSIFIED PROFIT AND LOSS STATEMENT (banking and tax collection activity)
(in ITL bn)

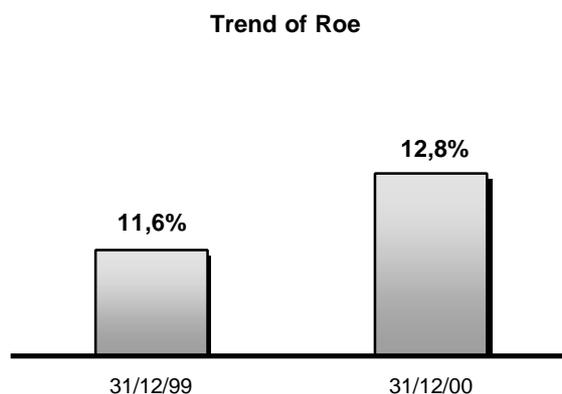
	31.12.2000	31.12.1999	Change	% Change
Interest margin	2,243	2,166	77	3.6
Service margin	2,817	2,310	508	22.0

Total banking income	5,061	4,476	585	13.1
Administrative expenses	-2,583	-2,427	156	6.4
- personnel expense	-1,509	-1,476	33	.23
- other expenses	-1,074	-952	123	12.9
Gross operating profit	2,478	2,049	429	20.9
Profit for the year	983	781	202	25.9

The principal determinants of the increase in net profit are summarized below (changes between 1999 and 2000).

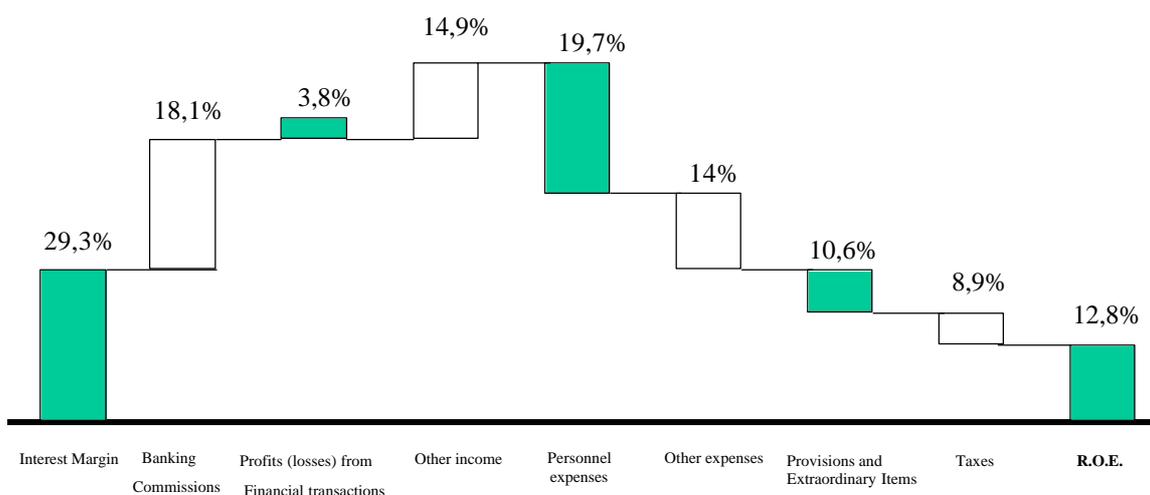


The return on equity (ROE) also improved significantly on the basis of data reclassified to provide the same basis for comparison (shareholders equity as of 31 December 1999 restated by ITL 300 billion in relation to the provision for deferred tax assets allocated to the reserve for general banking risks).



The following graph shows the contribution the principal profit-and-loss aggregates to ROE. As in the past, a separate analysis of profitability is provided for banking activity and direct tax collection activity.

Analysis of contribution to R.O.E.



Banking Activity

RECLASSIFIED PROFIT AND LOSS STATEMENT – BANKING ACTIVITY

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	2,277	2,201	76	3.4
Service margin	2,576	2,066	511	24.7
Total banking income	4,583	4,267	587	13.7
Administrative expenses	-2,375	-2,208	166	7.5
- personnel expense	-1,361	-1,317	44	3.3
- other expenses	-1,013	-891	-122	13.7
Gross operating profit	2,479	2,058	420	20.4

Interest margin

The interest margin climbed by ITL 76 billion or 3.4 percent. The increase comes mainly from a 25 percent rise in net interest earned on customer loans which, in turn, was generated by an expansion of lending and deposit-taking volumes and a roughly one-percent improvement in the mark down rate. Following the industry trend, the Bank's average spread was moderately higher given the adjustment of short-term lending rates to increases in the market.

The trend of average lending rates and funding costs is summarized in the following table and is correlated to average liquid balances.

Trend of Average Lending Rates and Funding Costs for Italian Branches

	31.12.2000	31.12.1999	Change
Short-term rates			
Lending rate	6.46	5.99	0.47
Funding cost	2.54	2.25	0.29

Short-term rate spread	3.93	3.75	0.18
Long-term rates			
Lending rate	6.33	6.33	0.00
Funding cost	5.08	5.09	-0.01
Long-term rate spread	1.25	1.24	0.01
Overall spread	3.16	3.13	0.03

As anticipated in forecasts, the contribution of the finance area decreased in 2000, mainly due to the reduction in the investment in securities as part of the policy to contain market risks. Interest earned on free capital was also lower due to a decline in the average free capital base caused by long-term equity investments made in 1999.

The following table shows the average balance-sheet aggregates that influence the trend of the interest margin.

Average Balance-Sheet Aggregates for Italian Branches

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Customer funding (*)	42,503	38,132	4,371	11.5
Bonds	16,506	14,805	1,701	11.5
Total customer funding	59,009	52,937	6,072	11.5
Short-term loans and advances to customers	29,417	24,142	5,275	21.8
Medium- and long-term loans to customers	26,842	24,266	2,576	10.6
Total customer loans	56,260	48,408	7,851	16.2
Net non-performing loans	1,944	2,097	-152	-7.3
Securities portfolio	8,290	14,615	-6,325	-43.3

(*) Including current account, savings deposits, certificates of deposits and excluding repurchase agreements

Service margin

Rising by 24.7 percent to a total of ITL 511 billion, the service margin again served as the prime lever for boosting the Bank's earnings in 2000.

Service Margin

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Profits (losses) from financial transactions	287	54	233	430.4
Funds management commissions	394	341	53	15.6
Other commissions	992	798	194	24.3
Other operating income	277	204	73	35.9
Dividends and tax credits	626	669	-43	-6.4
Total service margin	2,576	2,066	511	24.7

The growth of the service margin was driven by banking commissions which rose by 21.7 percent to ITL 248 billion. While such commissions rose for all areas of activity, the most dynamic growth was reported by the securities areas where commissions were 58.3 percent higher mainly as a result of a very strong order flow in the early months of the year.

Banking Commissions

(in ITL bn)

	31.12.1999	Change	% Change
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Funds management commissions	394	341	53	15.6
including:				
- mutual funds	191	142	49	34.2
- individual portfolios under management	130	125	5	3.9
- life insurance policies	72	73	-1	-1.5
- other	1.8	0.8	1.0	n.m.
Other commissions	992	798	194	24.3
including:				
- commissions of securities trading	272	172	100	58.3
- loan fees	188	155	33	21.6
- commissions and recovery of expenses	409	370	39	10.7
- international banking commissions	123	101	21	20.9
Total banking commissions	1,387	1,139	248	21.7

Profits from financial transactions surged by 54 percent to ITL 287 billion against 54 billion in 1999, whereas dividends from subsidiaries and affiliates (inclusive of related tax credits) came to ITL 626 billion, rising by ITL 43 billion over a prior-year balance that had been partially boosted by an extraordinary dividend from BAM.

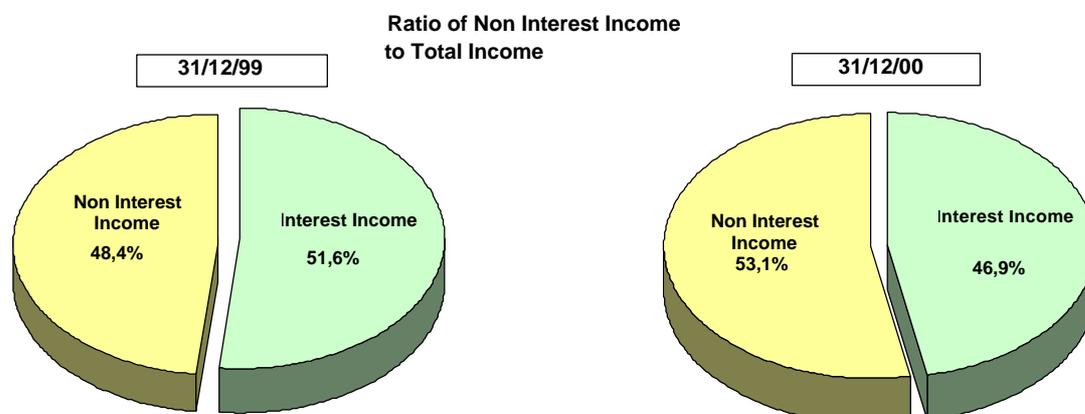
Dividends and Tax Credits

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Dividends and tax credits relative to Group companies	403	524	-121	-23.2
- ordinary income	403	328		
- extraordinary income		196		
Dividends and tax credits relative to other equity investments	131	115	16	14.0
- IMI-San Paolo	111	100	11	11.1
Dividends from shares, quotas and other equity securities	92	29	63	212.4
Total	626	669	-43	-6.4

Total banking income

Total banking income thus climbed to ITL 4,853 billion, rising by 13.7 percent or ITL 587 billion over the prior year. The increase was accompanied by a change in the mix of revenues with growth of the ratio of the service margin to total banking income.

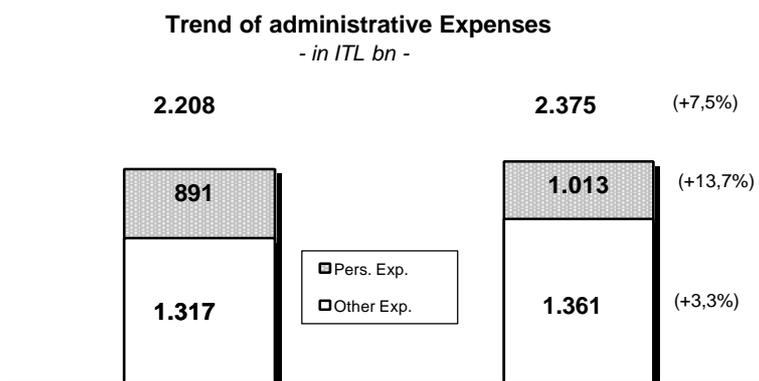


Administrative expenses

As of 2000, administrative expenses include a fee paid to the Group's Operations Center; the fee covers the cost of personnel, other expenses and a portion of depreciation, and is reported as a part of "other administrative expenses". In 1999, the comparable fee was sub-divided, with accruals made to the various accounts of the Bank's profit and loss statement. With the reclassification of the profit and loss statements, the values relative to 2000 and 1999 were restated to provide for the same basis of comparison.

On the basis of the reclassified data, administrative expenses rose by 7.5 percent in 2000, and include:

a 3.3 percent increase in personnel expense mainly due to additional staff assigned to network units (call center and branches) and to the recruitment of highly specialized professionals; the effects of such changes in the work force were mostly mitigated by the benefits of staff terminations and other initiatives realized during recent years which have been designed to lower expenditures for personnel while also increasing operating flexibility.



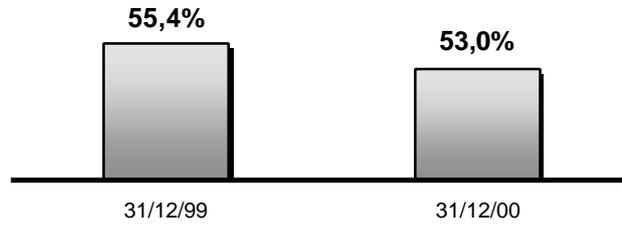
Other expenses rose by 13.7 percent, with much of the increase correlated to investments in operations and marketing that were mainly aimed at product/distribution innovation. Instead, expenditures for existing operations showed little change year on year.

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Other expenses	1,013	891	122	13.7
including:				
- expenses relative to current operations	811	788	23	2.9
- expenses relative to investments	192	102	91	n.m.
- non-recurring expenses	10	1	8	n.m.

The cost/income ratio (administrative expenses to total banking income, inclusive of depreciation) descended further in 2000.

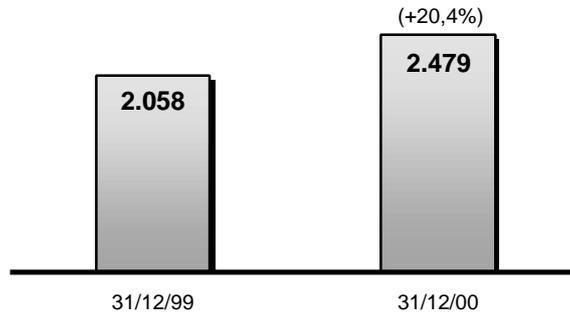
Ratio of Administrative Expenses to Total Banking Income



Gross profit

The gross operating profit on banking activity stood at ITL 2,479 billion, rising by 20.4 percent or ITL 420 billion for the year.

Trend of Gross Profit from Banking Activity (in ITL bn)



The contribution of the various areas of operation to gross profit summarized in the following table serves to highlight the Bank's strong commercial orientation:

Contribution of Principal Areas of Operation to Operating Profit

(in ITL bn)

	2000	
	Amount	%
Direct funding	450	18.1
Indirect funding (*)	257	10.4
Loans	645	26.0
Other services and payment systems	393	15.8
Total activity with ordinary customers	1,745	70.4
Finance department	375	15.1
Equity investments	231	9.3
Other activity	128	5.2
Total	2,479	100.0

(*) Funds under Management and under Administration

From a geographical perspective, the main contribution to gross profit comes from the branches located in the Bank's traditional market area. Following is a map showing the contribution of each region to the operating earnings of the banking network:



- Tax Collection Activity (Direct Management)

This business was impacted by the introduction of new reforms in September 1998. Such reforms not only overhauled previous legislation, but they also took into account the delays experienced in the issuance of ministerial orders, especially with regard to the magnitude and the conditions for the disbursement of compensation, reimbursement of expenses and advances, the criteria for court proceedings and the use of the capital surplus in the Special Reserve.

When considered together with the difficulties of major software producers in developing new applications, the aforementioned delays resulted in the postponement of the preparation of payment

notices for the final months of the year. The first notices were made in November, with the first proceedings delayed until early 2001. In the meantime, a databank for consultation will be available for use in 2001.

The activity in 2000 was thus concentrated on the settlement of amounts relative to previous years, with the objective of zeroing out the receivables relative to tax collection for the 1990-1997 period and significantly reducing the amounts relative to 1998 and 1999. Taking into account the sums collected during the year and the automatic settlement of amounts relative to previous years (as a result of the reforms), the Bank substantially reduced the net amounts advanced to the tax authorities.

Advances to Tax Authorities

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Advances to tax authorities covering taxes due and uncollected	812.1	1,473.6	-664	-45.0

In addition, the Bank realized a sizeable reduction in accounts receivable relative to the tax collection activity (with respect to the registers for which the Bank is obligated to pay the taxes and the registers for which there is no such obligation).

Liquidation of Accounts Receivable – Tax Collection Activity

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Accounts receivable relative to the years from 1990 to 1999				
- Total receivables to be collected	4,338	8,337	-3,999	-48.0
- Total receivables with proceedings settled	6,948	3,496	3,452	98.7
- Suspensions	1,252	846	407	48.1
- Bankruptcy proceedings	2,829	3,413	-584	-17.1
Total receivables related to the years 1990 through 1997	15,367	16,092	-725	-4.5

Evidencing further recovery of margins, the direct tax collection activity was operated at a breakeven in terms of gross profit, compared with a loss of ITL 10 billion in 1999. The business generated an after-tax loss of around ITL 6 billion, remaining almost level with the prior year (which was affected, however, by the extraordinary collection of past-due interest).

RECLASSIFIED PROFIT AND LOSS STATEMENT – TAX COLLECTION ACTIVITY

(in ITL bn)

Direct concessions	31.12.2000	31.12.1999	Change	% Change
Interest margin	-33	-35	1	-4.2
Service margin	241	244	-3	-1.3
Total income	208	209	-2	-0.8
Administrative expenses	-208	-219	-10	-4.7
- personnel expense	-148	-158	-11	-6.8
- other expenses	-61	-61	0	0.8
Gross operating profit	-1	-10	9	90.1
Adjustments, provisions and recoveries (*)	0	9	-9	-100.0
Operating margin	-1	-1	0	44.8
Valuation adjustments to fixed and intangible assets	-3	-2	-1	81.2
Extraordinary income and expense (°)	-6	-7	-1	-9.8
Profit (loss) before taxes	-6	-5	-1	-12.1

(*) Interest in arrears recovered

(°) Mainly includes charges relative to early retirement incentive plans

The results of the tax collection activity were influenced by the following developments:

a slight improvement of the interest margin (ITL 1 billion); this increase is a reflection of the benefits

of lower sums advanced to tax authorities, which are almost completely offset by the negative effects of higher interest rates;

minimum reduction of revenues from services; though the commissions on current collections (taxes and other amounts) decreased by ITL 12 billion due to delayed billing on the part of the entities making the assessments, the shortfall was mostly counterbalanced by higher fees on the collection of sums carried over from prior years;

a significant decrease in operating expenses, mostly in the area of wages, salaries and other costs for personnel; this is the result of early retirement plans introduced in previous years and the further downsizing of the work force.

	1995	1996	1997	1998	1999	2000
Tax collection staff	1,445	1,382	1,260	1,212	1,163 (*)	1,137

(*) *The figure has already taken into account a total of 29 employees leaving as of 31 December 1999 on early retirement plans*

In 2000, the Bank rolled out a plan to re-shape the tax collection activity. In accordance with this plan, the activity will be spun off from the Bank and placed into a service company focused on the core business of compulsory collection and related activity, with a strong increase in automation, the revision of operating procedures and the development of the quality of services rendered to the taxation entities and the taxpayers.

Important initiatives within this framework include the use of a third-party information system (unified at the Group level) which will allow for standardizing and streamlining the collection activity; this will also permit the Bank to move beyond the year of 2000 and to incorporate the procedures recommended by the reform on a timely and correct basis. An Internet project has also been developed for the purpose of offering innovative services both to taxpayers and to the taxation entities (payment, file consultation, etc.). This project also contemplates the creation of a portal aimed at satisfying the needs – and not only the fiscal needs – of the numerous taxpayer households.

At the peripheral units, the revision of the productive process continued, with the introduction of elements for user segmentation that will improve the effectiveness of the collection activity. At the same time, the Bank has attempted to combine the offer of tax collection and banking services through the branch and concessionaire networks. Responding to this logic is an agreement signed with the Lega delle Autonomie, providing for an integrated supply of banking services (treasury, mortgages, BOC, etc.) and services which are typical of the concessionaire. This range of services will gradually be expanded in order to respond to the specific needs of the users.

Adjustments and Provisions

Adjustments and Provisions

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Gross operating profit	2,478	2,049	429	20.9
Valuation adjustments to fixed and intangible assets	-201	-157	44	28.2
Provisions for risks and charges	-128	-79	49	n.m.
Other operating expenses	-18	-10	8	82.8
Valuation adjustments to loans and provisions to risk reserves, net of recoveries	-381	-423	-42	-10.0
Provisions to loan loss reserve	-20			n.m.
Valuation adjustments to non-current financial assets, net of recoveries	-135	-217	82	37.6
Extraordinary income (charges)	69	482	-413	-85.7
Change in reserve for general banking risks		-300		n.m.
Net profit for the year	983	781	202	25.9

The accounts having the most significant impact on net earnings are reviewed as follows:

The valuation adjustments to fixed and intangible assets in the amount of ITL 201 billion; as of 2000, the adjustments include the amortization of goodwill booked upon the purchase of the Banca 121 business unit (ITL 6 billion), the depreciation of properties re-acquired from the Foundation (ITL 10 billion), and the effects of the revaluation of buildings (ITL 8 billion).

Provisions to the reserves for risks and future charges in the aggregate amount of ITL 128 billion; such provisions include ITL 50 billion to cover charges which could arise in relation to the "renegotiation of subsidized mortgages" – an issue concerning the entire Italian banking industry.

Valuation adjustments to loans in the amount of 381 billion, which put the ratio of reserve coverage to original value of non-performing loans at 62 percent: the aggregate also includes ITL 50 billion of lump-sum writedowns relative to performing loans, with the relative reserve climbing to a total of ITL 300 billion.

Provision to the loan loss reserve in the amount of ITL 20 billion, which raises the balance to ITL 300 billion.

Valuation adjustments to non-current financial assets in the amount of ITL 135 billion, most of which is linked to the ITL 101 billion loss incurred by Monte Paschi Serit in 2000.

Net extraordinary income of ITL 69 billion, most of which comes from capital gains of ITL 59 billion realized on the sale of holdings in various companies outside of the Group (Olivetti, Autostrada Torino-Milano).

Equity investments

The portfolio of equity investments as of year end was valued at ITL 9,020 billion, thereby reflecting an increase of ITL 3,104 billion over the total as of the end of 1999:

Equity Investments

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Investments in Group companies	6,077	4,721	1,355	28.7
Other investments	2,943	1,194	1,749	146.5
Total	9,020	5,915	3,104	52.5

Following is a summary of the principal transactions taking place during the year:

Investments in Group companies:

Purchase of 93.98 percent of Banca 121 for a book value of ITL 1,158 billion;

Capital increase in the amount of ITL 65 billion for Monte Paschi Finance Banca Mobiliare (previously known as Monte Paschi Mercato SIM);

Increase amounting to ITL 125 billion in the quota held in the Monte Paschi Group Operations Consortium (69.9 percent), for the effect of the contribution of various business units;

Share capital increase in Consum.it S.p.A. in the amount of ITL 13 billion and subsequent recovery of the ITL 3 billion set aside in the 1999 financial statements to cover operating losses for the same;

Capital subscriptions to newly incorporated companies: Italcrossioni S.p.A. (ITL 6 billion), Paschi Gestioni Immobiliari S.p.A. (ITL 4 billion), E-Idea (ITL 1 billion);

Sale of 4.5 million shares in Gruppo Monte Paschi Asset Management S.p.A. SGR generating proceeds amounting to ITL 9 billion (capita gain of ITL 5 billion) as a result of the investment of other Group companies.

Other investments:

revaluation of the holding in San Paolo IMI in the amount of ITL 1,664 billion pursuant to Law 342 of 2000; as a result, the book value of the investment was increased to ITL 2,344 billion, a value in line with market as of the close of the year;

Acquisition of 18.7 percent of Fincasa 44 S.p.A. di Roma for ITL 32 billion;

Acquisition of 15 percent of the capital of the Milan-based Auriga Immobiliare S.p.A. in the amount of ITL 9 billion and 12 percent of another Milan-based company, Iniziative Immobiliari S.r.l., in the amount of ITL 1 billion;

Acquisition of 4.76 percent of the capital of the Romanian bank, Alpha Bank Romania S.A., with an outlay of ITL 6 billion;

Additional acquisitions and incorporations of new companies for an aggregate investment of ITL 3 billion, including interests in: Nomisma S.p.A., Elsag Back Office Services S.p.A., Siena Mortgages 001-S.p.A., Ulisse S.p.A., and Tiziano Finance S.r.l.;

Sale of a part of the interest held in Olivetti S.p.A. which generated proceeds of ITL 49 billion (capital gain of ITL 9 billion) and revaluation of the investment in the amount of ITL 12 billion in order to bring the book value in line with market; subscription to share capital increase in Bell S.A., Luxembourg, with an outlay of 49 billion;

Sale of a part of the interest held in Autostrada Torino Milano S.p.A. which generated proceeds of ITL 46 billion (capital gain of roughly ITL 32 billion);

Subscription to share capital increase in Fidi Toscana S.p.A., Florence, for a total outlay of ITL 4 billion, and the simultaneous increase in the holding in the company from 11.21 percent to 13.39 percent;

Sale of non-strategic holdings generating total proceeds of ITL 4 billion.

In addition, as part of its merchant banking activity, the Bank purchased 2 percent of the capital of the Padua-based Engineering–Ingegneria Informatica S.p.A., with an outlay of 21 billion and 10 percent of ITAL TBS S.p.A., for an investment of ITL 4 billion.

Other information

Transactions with related parties

The following disclosure is provided pursuant to the requirements of CONSOB Memorandum n. 97001574 of 20 February 1997 and Memorandum n. 98015375 of 27 February 1998 and regards:

- the information indicated herein on the management of equity investments in the section entitled "The Banking Group" and the information indicated in the "Report of the Board of Directors" attached to the consolidated financial statements of the Group Monte dei Paschi di Siena Group;
- the data included in the notes to the financial statements regarding the relationships existing as of the date of the financial statements between the Bank and the other Group companies;

It is noted that:

- The directors have complied with the provisions of Article 136 of Law Decree n. 385 of 1993 (Banking Consolidation Act) relative to the obligations of the banks and of companies belonging to bank groups.
- Concessions of any type or degree granted to employees are in accordance with the internal and standard regulations illustrated in special documents, and fall within the normal operations of the Bank and are effected in the interest of the Bank.
- The transactions with companies in which investments are held are considered as part of the normal operations of the Bank, in whose interest, as parent of the banking group, the transactions

have been effected. All transactions with related parties are settled on the basis of market conditions.

* * * * *

Investments Held by Board Directors, Statutory Auditors and Chief Executive Officers

Name	Company	No. of Shares Held as of 31.12.1999	No. of Shares Acquired	No. of Shares Sold	No. of Shares Held as of 31.12.2000
ANDRIANI, Antonio Silvano	Monte Paschi Banque	1	----	-----	1 (°)
CARPINELLI, Francesco Saverio	Monte Paschi Banque	1	----	-----	1 (°)
GRONCHI, Divo	Banca Monte dei Paschi di Siena	3,000	330 (°°)	-----	3,330 (*)
	Banca Toscana	2,458	----	-----	2,458 (*)
SCLAVI, Antonio	Banca Monte dei Paschi di Siena	---	3,000	-----	3,000 (*)
	Banca Toscana	816	----	-----	816 (*)
	Banca Monte Paschi Suisse S.A.	1	----	-----	1 (°)
SEMERARO, Giovanni	Banca Monte dei Paschi di Siena	-----	43,693,849	19,626,347	24,067,502
	Banca Monte dei Paschi di Siena	-----	(Δ)	-----	(*)
	Banca del Salento	8,903	13,527	272,650	13,527 (**)
	Banca del Salento	4,156	463,747	4,156	200,000 (*)
			----		----- (**)
VITTIMBERGA, Giuseppe	Banca Monte dei Paschi di Siena	1,000	----	-----	1,000 (**)
FABRETTI, Pietro	Banca Monte dei Paschi di Siena	1,000	5,000	1,000	5,000 (*)
TURCHI, Carlo Luigi	Banca Toscana	----	5,888	----	5,888 (**)
DE BUSTIS, Vincenzo	Banca Monte dei Paschi di Siena	----	1,770,152	----	1,770,152
	Banca del Salento	543,750	(Δ)	543,750	(*)
			----		-----

(°)Shares registered in relation to the position covered; (°°) Assignment as bonus shares; (*) Directly owned; (Δ) Acquired as a result of the BMPS' acquisition of the controlling interest in Banca del Salento; (**) Owned by spouse

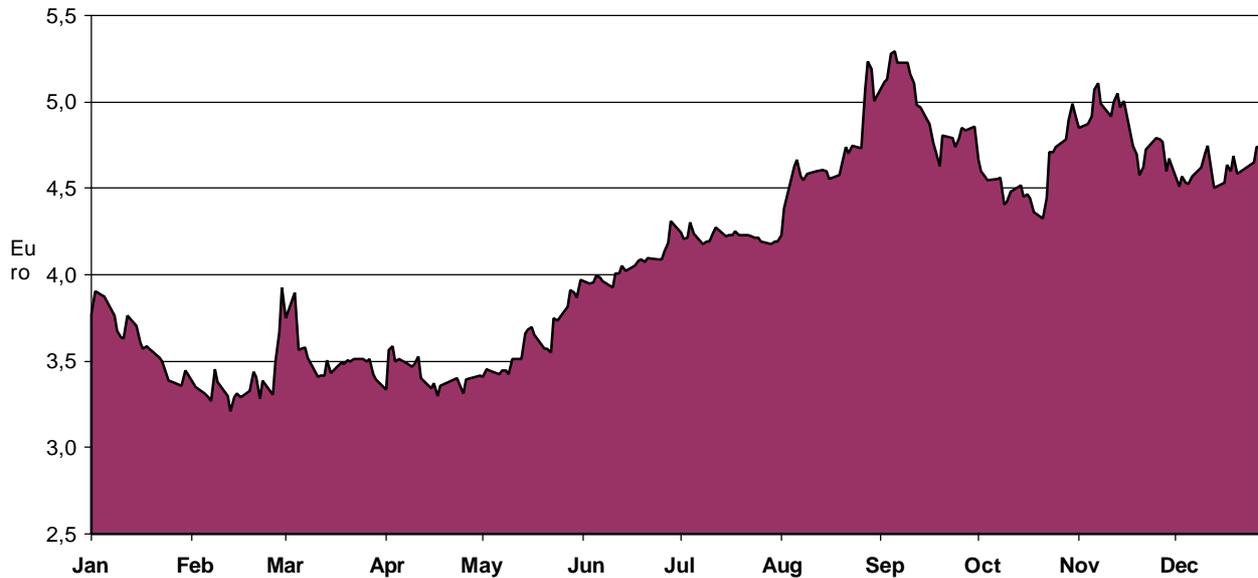
Trend of BMPS Shares and Review of Shareholder Base

- *Prices and Capitalization*

In terms of market value, the BMPS share rose by 22 percent in 2000. After falling to an historic low of EUR 3.20 around mid-February, investors bid the price higher upon the release of preliminary results for 2000; the price accordingly rebounded, practically without interruption, to reach its record high of EUR 5.36 in mid-September. Thereafter, with the investment community awaiting details of the 2001-2004 business plan, the price settled at around EUR 5.00. As of year end, the shares were trading at EUR 4.74, thus reflecting a 10 percent increase over the price as of the end of June.

BMPS share price- year 2000

Daily quotations - source: Bloomberg



Summary of Share Performance for 2000 (2 January to 29 December 2000)

	EUR
Annual high	5.36
Annual low	3.20
Average price	4.12

The growth of market capitalization was much greater. Taking into account two capital increases relative to the Banca 121 acquisition which were realized between July and November (issue of a total of 200.3 million ordinary shares), and the aforementioned appreciation of the market value per share, the Group's aggregate capitalization rose by more than 33 percent, reaching EUR 11.1 billion. Thus, in comparison with the beginning of the year, the aggregate increase in value was more than EUR 3 billion. The ratio of the Group's market capitalization to total market capitalization stood at around 1.4 percent.

Summary Data on Shares Outstanding and Capitalization

	31.12.2000	31.12.1999
Price (EUR)	4.74	3.87
No. ordinary shares	2,351,895,107	2,151,583,000
No. savings shares	8,574,700	8,574,700
Capitalization (EUR billion)	11.14	8.32

Following the capital increases mentioned above, the ownership of the MPS Foundation, the main shareholder of the Bank, decreased from more than 72 percent to 66 percent:

Significant Shareholders as of February 2001

(disclosure required under Article 120 of Law Decree No. 58 of 1998)

MPS Foundation	66.03%
Montedison S.p.A.	2.01%

- Volumes

Trading volumes also gradually rose in 2000, going from around 3-4 million shares per day during the month of May to an average of roughly 10 million per day in the summer months, with peaks as high as 20 million. Later in the year, the daily average settled at around 5 million. At just under 6 million, the daily average for the second half of the year was almost double the amount for the same period of 1999. The ratio of BMPS volumes to total market values rose as well, going from 0.5 percent-0.6 percent in 1999 to around 1 percent in the second half of 2000. A total of about 51 percent of the Bank's ordinary capital changed hands in 2000, with the turnover of the market float amounting to around 150 percent.

Trading Volumes

(number of shares traded in mn)

Month	
January	70.2
February	74.5
March	87.4
April	45.7
May	87.9
June	126.7
July	95.2
August	191.4
September	139.3
October	105.4
November	109.9
December	69.8

- Main Market Indicators

During the first half of 2000, the shareholders adopted a resolution approving the distribution of ordinary dividends in the amount of ITL 60 per share and savings dividends in the amount of ITL 180 per share. Accordingly, the dividend payout (over Group earnings) amounted to 39.6 percent.

(consolidated data)	2000	1999
Shareholders' equity (in ITL bn)	10,790	8,627
Net profit (in ITL bn)	1,095	871
Dividends (in ITL bn)(*)	472	345
R.O.E.	14,0%	12.7%
Payout Ratio (*)	43.1%	39.6%

(*): In the case of 2000, with reference to proposed allocation of earnings submitted to the ordinary shareholders' meeting on 30 April 2001.

Even though the number of shares outstanding rose in 2000 as a result of the capital increases effected during the year, the earnings per share climbed by more than 15 percent due to

improvements in consolidated profitability. By contrast, the elimination of a portion of the capital against the goodwill booked on the acquisition of Banca 121 caused a modest decrease in the book value per share.

(consolidated data)	2000	1999
Earnings per share (ITL)	464	403
Book value per share (ITL)	4,571	3.994
Ordinary dividend (*) (ITL)	200	160
Savings dividend (*) (ITL)	220	180
Price/earnings per share	19.8	18.6
Price/book value per share	2.08	1.87
Dividend yield on ordinary shares (based on year end price)	2.2%	2.1%

(*): In the case of 2000, with reference to proposed allocation of earnings submitted to the ordinary shareholders' meeting on 30 April 2001.

Debt Ratings

In 2000, Moody's, Fitch IBCA and Standard and Poor's confirmed the ratings assigned to the Bank in 1999. Changes in 1999 included Standard and Poor's upgrade of the short-term rating to A-1, and a changeover in Moody's outlook from negative to stable.

The following table provides a summary of current ratings:

Agency	Short-Term Debt Rating as of 31.12.2000	Long-Term Debt Rating as of 31.12.2000
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch IBCA Ltd.	F-1	A+

BANK ORGANIZATION STRUCTURE

Organizational Development

- Changes in Branch Organization and in Lending Processes

The activities involved in the implementation of the Paschi Valore Project represented the main theme of organizational development in 2000, and included: the construction of a new branch organization based on the segmentation of the customer base; an increased emphasis on marketing, including through a revision of operational processes; the transfer and outsourcing of low-impact operations; an increase in automated processing and the redeployment of human resources to sales activity; and the adjustment of staffing levels to service a more efficient organization.

In addition to the implementation of Paschi Valore, the Bank moved ahead with the re-definition of lending processes in 2000. As part of this program, the various phases of credit approval have been concentrated within specialized units at the head office, while other initiatives have been undertaken

to streamline reporting between the head office and the branches relative to the analysis of corporate customers and the placement of products.

The planned activity for 2001 includes the ongoing implementation of the Paschi Valore Project, and the re-engineering of the lending processes:

the start-up of the "Electronic Credit File" (the testing of which began at several branches in 2000);

the extension of scoring techniques to loans to small businesses and consumers, and the introduction of a new rating procedure that will allow for accelerating the activity of assessing and renewing risk positions.

The re-engineering of the lending activity embraces the following:

the introduction of a "notification system" as an instrument that will allow for real-time interaction with the branch network; in the case of recurring irregularities, the system will permit the automatic screening of the various phases in the risk assessment in process in order to come up with a hierarchy of relationships of a different type;

the implementation of an early warning system for the timely reporting of material events relative to the management of risk positions and the focus of resources on any deterioration of risk positions (*additional details in this regard are provided in the section on "Integrated Risk Management"*).

- ***Construction of Knowledge Management System***

Another priority has been the realization of a knowledge management system that will allow executives and other staff to adapt quickly and effectively to changes affecting the Bank. Various phases of this project took shape in 2000 and will be fully operational in 2001, including:

the intercompany portal available to all Bank personnel, with the relative database embracing information spanning from economic-financial analyses to training and more in general, to internal communications;

the creation of a centralized data warehouse, that will be operated in connection with the central processing unit; the warehouse is to be used for streamlining the management of information, concentrating the data in a single source available to the various areas of the head office, with positive repercussions also expected in terms of reduced costs.

In addition, the Bank has made portable personal computers available to all employees in order to facilitate a steady, focused and updated flow of information to personnel working off-site and to promote a basic information technology culture.

- ***Information Systems***

The Group Operations Center dedicated much of its effort in 2000 to the continuing development of the peripheral information system, with the objective of improving the operational aspects thereof and making new functions available. The most significant progress was seen in the area of services and products routed through the various distribution channels, in other words, services and products available indiscriminately through all channels of access to the banks of the Group: traditional

branches, ATMs, POS terminals, Internet, Call Center and mobile telephones with SMS and WAP protocols. The key initiatives of this project included:

the Group-wide standardization of back-office procedures for the securities department and the reorganization of the sales desk through the creation of three separate units which will respectively serve financial intermediaries, institutional investors, and corporations;

enhancements to the electronic banking structures and to the credit-card payments unit linked to the national and international circuits; a "Web Call Center" project launched as part of an effort to round out the telephone banking service, with the analysis of the technological platform to be adopted; a program for soliciting loan payments inaugurated through the Call Center, with tests already completed experimentally;

a program designed to facilitate the development of the Group's internal controls system so as to address the more articulate and complex aspects of the operating activity; during the year, the roles and responsibilities of the various control units were clarified, with a clear separation between the controls over the Bank and those over the Group and a further separation between internal controls relative to production and external controls (risk management, management control and auditing).

Introduction of Euro

An ad-hoc unit was created in 2000 to assist the banks and companies of the MPS Group with their preparation for the definitive changeover to the euro (the so-called "Phase 2" of the Euro Project). The unit embraces steering committees consisting of representatives of the various Group companies and the Group Operations Center, and work groups assigned to handle the development of activities relative to a range of specific issues. The unit has thus been charged with managing a series of projects aimed at:

evaluating the extent to which each Group company complies with the requirements for the changeover to the euro (impact on information systems, ATMs, etc.);

managing the dual-currency circulation during the changeover period (security, transportation, insurance, treasury management, etc.);

identifying personnel training needed;

defining the timing, content and manner for disseminating information to be supplied to customers;

promoting any marketing initiatives in relation to the changeover.

DISTRIBUTION CHANNELS

In developing the distribution network, the Bank has emphasized the strategic objective of finding the best "customer-channel-product" combination. In pursuing this objective, the accent has gone to improving the flexibility and quality of the service offered, while also reducing its cost. The effectiveness of the production-distribution chain increasingly represents one of the more critical elements in ensuring customer retention.

Significant progress was made during the year in the development of a multi-channel distribution network. With the accent placed on increasing synergies between the traditional sales network and the new electronic channels, the new distribution system is an acknowledgement of technological innovation and of customers' increasing knowledge of information technology and the financial markets.

Domestic Network

In 2000, some 59 units (including nine facilities acquired from Banca 121) were added to the domestic network. The expansion included three new branches in northern Italy, 24 in the central regions (including seven in Tuscany) and 32 in southern Italy, Sicily and Sardinia.

Accordingly, the domestic network included a total of 927 facilities at year end, with distribution over the various areas of the national market as follows: northern regions – 179 (19.31 percent); central regions – 465 (50.16 percent); and southern regions, Sicily and Sardinia – 283 (30.53 percent). The domestic network is rounded out by seven foreign branches and nine representative offices abroad. As of 31 December 2000, the Bank had a presence in 95 of a total of 103 provinces in Italy.

The restructuring of the branch network completed as part of the Paschi Valore Project prompted a reduction in the number of branch groups from 34 to 24 (additional details on the project are provided in the section on "Commercial Activity, Research and Development"). The objective of the restructuring is to achieve greater coordination of policies and strategies in terms of products, pricing and risks. This means developing a network of branch facilities which are more responsive to the market, and an organization which, although growing, is capable of capitalizing on greater economies of scale and cost.

The regional/multi-regional nature of the groups of branches is expected to facilitate to the Bank's defense of its markets. This approach is also expected to yield new commercial opportunities linked to the growing economic and political role of the regional administrations.

Furthermore, within the framework of the PaschiInsieme Project, the Bank opened an automated branch in the province of Ferrara which is equipped with an ATM and interactive kiosk flanked by the services of a financial consultant. New, automated banking facilities were also inaugurated in a commercial shopping area "Le Porte di Napoli" at Afragola near Naples and in the main railway station in Rome.

The number of automated teller machines operated by the Bank rose by 107 units to end 2000 at a total of 987.

The number of point-of-sale terminals serviced by the Bank also increased in 2000 by a substantial 20.4 percent, with the total covering the units installed in independently owned commercial establishments and those of third-party distribution networks for which the Bank handles cash concentration.

BMPS Branches in Italy



Italian distribution network as of 31 December 2000:

No. of Branches: 927
No. of ATM Bancomat: 987
No. of POS: 26,303

Northern Italy : 179 branches 19,31 % of overall

Central Italy : 465 branches 50,16 % of overall

Southern Italy (incl. Sicily and Sardinia) :
283 branches 30,53 % of overall branches

The domestic expansion plan for 2001 contemplates a limited number of new branches in select locations. Instead, more intense effort will be focused on the business development of specific geographic areas that appear to be more receptive to the multi-channel distribution network; in this regard, the physical branch represents an essential lever for increasing the reach of the new types of distribution channels. An increase in the number of private banking facilities is also part of this effort (additional details on this subject are provided in the section on "Commercial Activity, Research and Development").

Foreign Network

As of the end of 2000, the Bank's international network embraced 13 facilities, including three branches and one representative office in Europe and three branches and six representative offices outside of the European market.

Changes in the network in 2000 included the addition of a branch in Hong Kong, and representative offices in Istanbul and Tunis. As part of an ongoing rationalization of the network in northern Europe, the operations of the Frankfurt branch were expanded while the representative offices in Budapest and Copenhagen were closed.

A working agreement with the Spanish institution, Bancaja, became fully operational in 2000 and is concentrated on the development of synergies in marketing and in payment systems. The exchange of staff between the Bank and Bancaja is expected to be formalized in the near term, thereby giving greater significance to the agreement.

Financial Consultants

As of year end, the Bank had a network of 283 financial consultants. Key projects for the year were aimed at the qualitative improvement and restructuring of the network, and included training of a technical nature as well as instruction on tracking the markets and the approach to customers. As a result of the restructuring, the consultants now operate with personalized budgets, a suitable incentive compensation system and a software package to aid in tailoring the allocation of customer assets according to risk propensity and individual expectations.

Innovative Distribution Channels

Significant progress was made with regard to both the operations and the growth of the customer base for the electronic banking channels (Internet and Mobile Banking, Phone Banking, TV

Banking). As of year end, more than 240,000 customers were doing business through these channels.

PaschiHome (Internet Banking)

As of 31 December 2000, the Bank was servicing roughly 110,000 PaschiHome contracts, or about four times the number of contracts in effect as of the beginning of the year. The online trading effect through this service accounts for about 54 percent of total equity trades handled by the Bank in 2000.

The service was continuously enhanced in 2000. Rounding out the previous services of online trading, current-account and securities-portfolio management, and online payments (account transfers, bills of exchange, etc.), the Bank introduced new functions allowing customers to purchase certain types of MontepaschiVita insurance policies, to prepay mobile telephone calls, and to manage various aspects of credit card accounts (PaschiInCard).

In December, PaschiHome offered customers the possibility of an electronic subscription to a new contract, PaschiAvvisa, covering an innovative service in which the customer can submit enquiries on current account entries and receive a rapid response via e-mail or an SMS message.

PaschiInTel (Telephone Banking)

The service, which was activated as part of the Customer Care Center, was handling 92,000 customers at the end of 2000, and showed significant potential for further development, not only at the level of the technology used but also in relation to the professional calibre of the human resources employed in the operation.

The service has pre-recorded information and operator assistance for dealing with incoming calls from customers. The center also effects outgoing calls as part of the Bank's sales and marketing effort.

The call service has proven to be increasingly important to the Bank's marketing campaigns, both in support of services offered by both the traditional and the innovative distribution channels, and the management of securities offerings (such as the offers for the full-time employees of ENEL and Finmeccanica). In 2000, the call center made a total of 211,851 outgoing calls, with the effort yielding 92,363 contacts through a total of 14 campaigns.

Instead, in the area of customer support, the service was expanded in 2000 to incorporate a help desk for both the Internet banking (PaschiHome) and mobile banking (PaschiInRete). As part of this enhancement, the Bank offers customers access to a toll-free number (800 001472) as well as e-mail service (paschihome@banca.mps.it and paschiinrete@banca.mps.it).

In December, the center inaugurated a "welcome" service for new customers of PaschiHome and PaschiInRete. After signing up for either package, the customer is contacted by the center to ensure smooth activation of the service and assistance, if needed.

PaschiInRete (Mobile Banking)

The service was designed and launched in June 2000 with the collaboration of Telecom Italia Mobile, and is based on GSM-WAP technology and SMS messages.

The principal focus of the many functions offered to the customer is online trading; in addition, the customer can review his/her securities portfolio and current account data (balances, entries, interest rates and pricing). The service also allows for effecting account transfers and for managing specific aspects of the PaschiInCard. Several query functions may also be effected through SMS and are thus available to holders of traditional GSM telephones.

Banca MPS was the first bank in Italy to have worked with Telecom Italia Mobile in supplying this WAP-based service, and as of December, the Bank had the highest volume of all banks offering WAP services through Telecom Italia Mobile.

The Bank is currently developing additional functions in order to make the service available to customers of other mobile telecommunications service providers.

PaschiInAzienda (Remote Banking)

The remote banking services available to corporate customers include PaschiVideo, a Windows-based version of which was launched in 2000. In addition, in 2001, the Bank is planning to unveil PaschiInAzienda, an Internet service for corporate customers.

New Internet Site (www.mps.it)

The Bank launched its new Internet site in May 2000. Configured as a real virtual distribution channel, the site will serve in marketing and promotion as an instrument for procuring new customers, cross-selling services and enhancing the value of the customer portfolio overall.

The site has been structured to include three logical areas: free access site (*surfer*); MPSClub (*free membership*), space offering access to information and interaction; and Paschihome (*client*), space for accessing operational features.

With a business model aimed at developing online services, instruments and advisory services, the site has a wide array of services available and is taking on an increasingly important role in bringing together the multi-channel strategy. The site has seen increasingly numbers of users, requests for information and orders for actual transactions; in the second half of 2000, the "mps.it" site ended up as one of the top Internet sites for Italian financial institutions when measured by traffic and usage.

During 2000, the number of customers utilizing the electronic distribution channels increased significantly:

Distribution of Banking Services through Automated Channels

Number of customers

	31.12.2000	31.12.1999	% Change	% of Total as of 31.12.2000	% of Total as of 31.12.1999
PaschiHome	109,521	20,610	431.4	45.3	44.3
PaschiIntel	92,734	-		38.3	
PaschiInrete	7,541	-		3.1	35.4
Paschi Video (active) *	17,127	12,540	36.6	7.1	27.0
Paschi Linea	6,269	6,235	0.5	2.6	13.4
Other	8,669	7,091	22.3	3.6	15.3

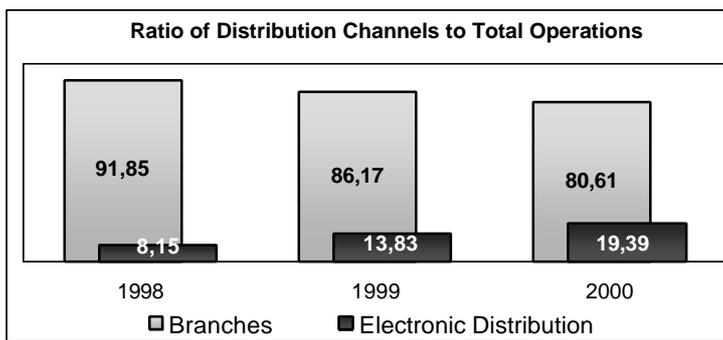
Total **241,861** **46,476** **420.4** **100.0** **100.0**

* As of 31 December 2000, there were 15,875 passive Paschi Video customers (i.e. those who transmit flows through equipment provided by other banks or through Paschi Video equipment used by customers of other banks).

As of 28 February 2001, the customers using PaschiHome totalled 124,000; while those using PaschiIntel and PaschiInRete respectively amounted to 100,000 and 9,000.

Electronic Banking Channels

During 2000, the amount of transactions flowing through the electronic distribution channels increased substantially as a percentage of total transactions executed through the Bank:



The chart below provides figures relative transaction volumes through electronic distribution channels in 2000, and serves to highlight the surge in growth of business handled through these channels. Volumes indicated cover both actual banking transactions effected electronically as well as requests for information.

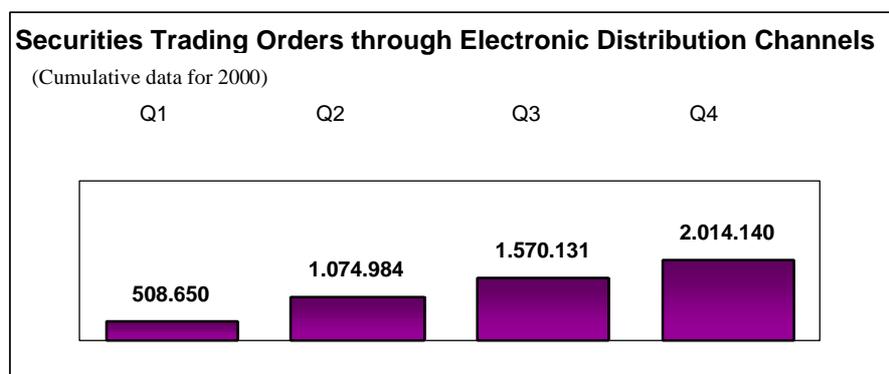
Transaction Volumes through Electronic Distribution Channels

Number of Transactions	31.12.2000	31.12.1999	% Change	% of Total	% of Total
				as of	as of
				31.12.2000	31.12.1999
Transactions via electronic distribution channels					
including:					
POS	21,715,447	17,183,762	26.4	14.4	39.8
Retail: Paschi Home	97,872,414	9,133,294	971.6	65.1	21.2
Retail: Call Center	54,967				
Corporate: Remote Banking	13,942,836	8,075,802	72.6	9.3	18.7
Corporate: Paschi Linea	10,242,039	5,185,304	97.5	6.8	12.0
Other	6,480,943	3,543,512	82.9	4.3	8.2
Total	150,308,64	43,121,674	248.6	100.0	100.0

6

Transactions effected through the electronic banking channels were up by 66.8 percent for the year, with the flows through PaschiHome, for example, rising from around 138,000 in 1999 to more than 2.0 million in 2000.

The following table illustrates the trend of the growth of online trading² in relation to all securities trading transactions effected for the account of customers.



Human Resources

Staffing

The Bank's personnel policy in 2000 was again focused on the recruitment of young people with strong academic backgrounds.

A total of 169 employees, including 24 senior managers and 46 officers, left the bank under retirement incentive programs. After considering these terminations and ordinary turnover, the Bank hired 815 employees in order to staff the start-up of full-scale operations at the Customer Care Center and the significant number of new branches opened across Italy

As of the end of 2000, the Bank had a work force of 12,661 employees, for an increase of 492 over the comparable figure as of 31 December 1999. The expansion of the total staff includes the addition of 232 Banca 121 employees on 11 December, as part of the acquisition of nine branches and a corporate business unit. A total of 776 people held part-time positions with the Bank as of the end of 2000; this figure compares with 608 part-time staff as of the end of 1999.

As a result of the Bank's ongoing commitment to build up the sales and marketing force and the front-office activity, the personnel assigned to the commercial network accounted for 80 percent of total personnel at the end of 2000. Meanwhile, with the opening of new branches, the average number of employees per branch (excluding the parent-company facilities) fell to 7.95 from 8.24 as of the end of 1999.

The distribution of the banking personnel on the basis of job title, seniority and age is provided in various charts hereunder.

Breakdown of Staff by Job Category

	31.12.2000		31.12.1999		Change
	Italian Contract	Foreign Contract	Italian Contract	Foreign Contract	
Senior managers	142	-	165	-	-23
Officers	1,706	38	1,625	36	83
Middle managers	879	-	743	-	136

² PaschiVideo, PaschiHome and Call Center

Office employees	9,393	98	9,054	97	340
Other	541	8	582	8	-41
Total	12,661	144	12,169	141	495
including part-time employees:	776		608		168

Breakdown of Staff by Seniority

Years of Service	31.12.2000	31.12.1999	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Up to 10 years	4,258	2,858	33.6	23.5
11-20 years	3,716	4,296	29.3	35.3
21-30 years	4,049	4,394	32.0	36.1
Over 30 years	638	621	5.0	5.1
Total	12,661	12,169	100.0	100.0

Breakdown of Staff by Age

Age	31.12.2000	31.12.1999	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Less than 30 years old	1,713	1,454	13.5	11.9
31-40 years old	4,269	4,200	33.7	34.5
41-50 years old	4,661	4,753	36.8	39.1
More than 50 years old	2,018	1,762	15.9	14.5
Total	12,661	12,169	100.0	100.0

The number of women employed by the Bank went from 35.84 percent as of the end of 1999 to 36.98 percent as of the end of 2000.

In terms of academic credentials, a total of 18.61 percent of Bank employees has a university degree, with the majority of such employees having concentrated their studies in the areas of economics and banking or law. In the case of management personnel, the percentage of university graduates holding a university degree is almost double (35.99 percent).

Compensation and Regulatory Issues

Important agreements were reached in the second half of the year that will have a significant impact on the salaries and benefits paid to middle managers and executives.

In December, an accord was finalized with the unions to provide the framework for the introduction of the "middle management" employment category, which also allows for the assignment of such managers to "key roles" and compensation above the standard level.

On 1 December 2000, the Bank signed a draft of an agreement to renew the national labour contract for executives. The draft contemplates changes in the compensation schedule and the enlargement of the category to include a limited number of middle management positions to be reclassified as senior managers in relation to job responsibilities and the structure and organization of the Bank.

In both instances, the variable component of compensation has been further emphasized and is linked to the achievement of results (in the case of senior managers, the variable compensation already accounts for more than 18 percent of annual compensation before taxes). The focus on the variable component is designed to increase staff involvement and motivation in working toward Bank objectives.

A project has also been developed to make bonus compensation available to clerical staff through an awards system linked to the achievement of individual and team objectives.

Training Activity

Numerous training initiatives covering a broad base of subjects were undertaken in 2000 with the objective of insuring professional growth opportunities to the staff. The training mainly focused on the Bank's relationships with the market and in particular, the commercial profile of the front-office personnel. Additional emphasis went to specialist positions (advisory services and personalized financial assistance).

The more significant initiatives for the year included the start-up of training linked to the branch network restructuring as part of the Paschi Valore Project, and seminars for employees assigned to handle loan application processing and those managing relationships with small- and medium-sized businesses. The training of newly hired employees for various areas of the Bank and for the Customer Care Center also involved a significant effort in terms of teaching, follow-up and organization. Activity in the linguistic area was also intense, with courses completed at schools and foreign institutes.

As part of the overall program to gain better control over risks, special courses were conducted in order to illustrate the Bank's initiatives in terms of fine-tuning internal controls and measuring and tracking risk. Such courses were presented as a follow-up to new regulations instituted in response to recommendations from the Basel Committee.

Altogether, more than 37,000 staff days were dedicated to training at the head office and at the branches, with the involvement of some 13,000 participants. The table below provides a breakdown of the staff days and participants for some of the key areas of training.

<i>Principal Themes of Training</i>	<i>Staff Days</i>	<i>Participants</i>
Sales and marketing	8,700	2,700
Lending	2,700	1,300
Finance	2,400	3,000
Products and procedures	3,500	3,000

The number of staff days dedicated to employee orientation rose in 2000 as a result of personnel being recruited for the Customer Care Center in addition to ordinary positions within the Bank.

<i>Employee Orientation</i>	<i>Staff Days</i>	<i>Participants</i>
New employee orientation	17,000	550
<i>The number of staff days covers time in seminars and periods of training carried out in offices or departments to which the employees may be assigned.</i>		

Toward the end of the year, the Bank embarked on another training project addressed to the employees who were transferred as a result of the acquisition of the Banca 121 corporate business

unit; the program continued into 2001 with courses specifically tailored to job grade and responsibility.

Future initiatives include the implementation of the Pegasus project (especially in terms of the planning and realization of new information processing routines); this project involves the review and reporting of employee attitudes, skills and leadership abilities and should be fully operational in 2001.

COMMERCIAL ACTIVITY, RESEARCH AND DEVELOPMENT

In accordance with the strategies set forth in the business plan, the commercial activity in 2000 was focused on several objectives: a significant expansion of overall funding; policies aimed at the improvement of the quality of customer relationships, through a growing degree of personalization; product innovation, especially in online services; and the ongoing development of strategy to carve out a role as the "bank of reference" for households and small- and medium-sized firms.

As summarized below, various projects initiated in 2000 will take full effect in 2001. The product innovation realized or in process in the various areas of business is designed to firm up the Bank's position in the midst of a market in which competitive pressure is intensifying in all areas.

Commercial Programs

- Paschi Valore Project

As indicated in the section of this report entitled "Organizational Development", the Bank has reshaped the branch network to address changes in the competitive framework. The restructuring, which has been carried out as part of the broad-based Paschi Valore Project, is aimed at the achievement of higher standards in terms of operating efficiency and efficacy. The branch model developed alongside the creation of head-office divisions is focused on the segmentation of customers and the enhancement of advisory and assistance services in line with the best practices in customer relationship management (CRM).

Following the testing and diagnostic phases, the Paschi Valore Project was made fully operational at certain facilities of the Bank. The project involves changes in operational and marketing procedures of the branches and in the organization of the network. The key aspects of the project are summarized as follows:

the sub-division of customers into retail and corporate segments, with retail customers further divided into the mass market and affluent - VIP/top categories; flanking this segmentation at the branches, the head office established a special unit dedicated to private banking;

the reinforcement of efforts to safeguard strategic market position and the reorganization of marketing and sales activity, with a greater accent on financial advisory services; accordingly, changes have been made in job responsibilities and in the size of the work force; special training initiatives have also been carried out in order to upgrade the managerial profile of the personnel involved in the changes;

the recovery of resources allocated to the front office and to marketing activity, with the reduction of commitments of an operational nature due to the outsourcing of processes not strictly linked to the core business.

- **Customer Relationship Management (CRM)**

The success of the marketing effort is manifested through the improvement of two fundamental indicators: customer retention and cross selling. These indicators are key variables in customer value management.

In pursuing its commercial objectives, the Bank has had to define and classify its marketing procedures, adopting new theories such as those for customer relationship management and marketing intelligence. In addition, the Bank's marketing campaigns have been increasingly focused; a portion of the effort has been carried out on-line, with the feedback studied for future initiatives. This logic has been applied by various areas of the Bank in an effort to build customer relationships and enhance the value of the same.

During 2000, the activity was concentrated on the production of analyses to support projects and various initiatives under way. Such activity specifically involved: preliminary studies, operational segmentation and production of information supports for the branches implementing the Paschi Valore Project; the analysis of customers to support various in-house programs, such as the preparation of the business plan and the definition of the budget; studies to determine the profitability of the retail segments; and the development and monitoring of products.

- **Customer Care Center**

The activity carried out by the new structure, which incorporates the Call Center (see section on "Electronic distribution channels" for additional information), was more and more focused on "outbound" communications to support distribution policies. Thus, the unit has played a key role in the management of telemarketing, while also handling the reporting and analysis of the needs and demands of customers.

The effectiveness of the marketing effort has gradually improved with the introduction of the "Branch Agenda" which is an official schedule of customer calls. In another initiative, the Bank began the testing of a program for calling on customers to solicit past-due loan payments; once the testing is complete, the calling will take place on a regular schedule.

With growing integration of business at a Group level, in the final months of 2000, several of the Bank's subsidiaries began using the Customer Care Center in order to streamline their activity and make it more effective.

The plans for 2001 include the start-up of new specialized units (with personal financial services leading the list); the procurement of Web technology needed to modify the current platform to provide for interactive services with customers (e-commerce assistance) and the development of the connected customer relationship management. The Customer Care Center will also expand the range of services handled for the Group companies (Web-SIM, E-Idea, Inca, etc.).

Product Innovation

Retail Segment

Retail customers, including small family-owned businesses, represent the largest portion of the customer base, with some 2.2 million relationships. These customers play a key role in the Bank's development of new products and services.

Direct Funding

Product innovation in this area has been mainly addressed to reinforcing the medium- and long-term funding components, with the issue of medium- and long-term certificates of deposit with innovative characteristics and the floatation of structured bonds.

The "PaschiInFiore" project covering a new current account package was finalized during the year, with a successful market launch thereafter. The package includes banking and insurance services, as well as offers for leisure activity and discounts on goods and services available from commercial establishments in the various market areas served. Available for a fixed monthly fee, the account differentiates itself from other, similar products for its flexibility – namely, the customer may create a personalized package, choosing from the range of services available.

The new package, which has been marketed to specific customer segments, responds to the objectives of building stronger customer relationships and enhancing cross-selling.

Funds Under Management and Funds Under Administration

Mutual Investment Funds

In September, nine new Ducato funds were put on the market, including one money-market fund, two bond funds and six specialized equity funds. At the time of their launch, Ducato published a new Single Information Prospectus for all of its funds, while also introducing several innovations to make investment in the Ducato funds more efficient and convenient. Among these is a highly flexible "Ducato Savings and Investment Plan: Objective ..." which allows the customer to invest in one or more Ducato funds based on his specific needs and propensity to risk. The aim of this plan is to expand the relationship with the customer and to increase the value of that relationship.

As of year end, the product portfolio included 28 open funds and the closed-end Ducato Venture fund.

As indicated in the section entitled "Innovative Distribution Channels", customers of the Bank have been able to access an Internet site since the beginning of 2000 for directly investing in the Ducato funds.

The launch of the following Ducato funds is planned for 2001: Ducato Portfolio (umbrella fund with various managers) Ducato Protected Capital (umbrella fund), Ducato Index Fund (passive management fund), Ducato Ambiente, Ducato Civita (ethical fund) and Ducato Balance Europe.

During the year, applications were filed with the regulatory authorities to allow for the marketing of quotas in Montescav, an investment vehicle which is already part of the individual portfolio service and which embraces 14 different investment strategies (ten for equities, one for bonds and three for short-term instruments). The relative authorization is imminent.

Individual Portfolios Under Management

The service provides for nine different types of mandates which, in turn, are sub-divided into 19 different investment strategies. Given the migration of the management activity of Monte Paschi Asset Management SGR, the Bank is re-styling the individual portfolio management service with the incorporation of the existing strategies into three main classes. Carefully developed in order to avoid overlap with other funds management products currently available and those planned for the future, the new classes provide greater operating flexibility.

Bancassurance

A new single-premium policy, Bussola Millennium, launched in 2000 is essentially a product combining the features of Monte Paschi Vita's most successful policies in the past. Given expectations of changes in the tax treatment of insurance policies underwritten after 1 January 2001, the Bank embarked on a special marketing program in the final quarter of 2000 in order to boost the placement of policies with recurring premiums; this program generated very encouraging results.

In 2001, the bancassurance business will focus on the supply of new types of products that will not only respond to the customers' needs for insurance coverage, diversification of financial investments and pension benefits, but will also incorporate the benefits of fiscal incentives provided by new legislation.

Pension Funds

The Bank has two pension products: the "Paschi Previdenza" open pension fund which incorporates four distinct and flexible investment strategies, and the defined-contribution, guaranteed-yield "Diadema-Acquamarina" fund marketed by Monte Paschi Vita.

New fiscal incentives for investment in pension funds and the enlargement of the target customer base to include any wage earners and their dependents will allow for further development of the pension fund business.

Funds Under Administration

The funds administration business of the Bank was upgraded in 2000 with the introduction of a completely automated system to accept orders for transactions in the international markets. The system, which handles order transmission, outcome and settlement, is accessible through the branch network, the call center and the Internet-based PaschiHome service.

Innovative Finance

Aiming to create original and innovative financial products that can immediately meet the needs of a continuously changing market, the Bank unveiled a personalized financial plan in 2000 that will assist customers in capitalizing on opportunities in the equity markets. The plan, known as Visione Europa, consists of a bullet loan and an investment channelled toward the subscription of pre-determined quotas of bonds and mutual funds.

Given the overwhelming success of Visione Europa, a new product ("4YOU") was developed for launch in early 2001. Unlike Visione Europa, the 4YOU product offers the customer a choice of two terms, a range of risk and investment profiles and an insurance policy covering the financing in the event of the customer's death or disability (more than 60 percent).

In 2001, the Bank is launching three new lines of innovative-finance products developed and monitored by MPS Finance: green line (low propensity to risk), yellow (medium propensity), and red (high propensity).

Consumer Credit

In early 2000, the Bank launched "Paschitandem", a combination fixed- and variable-rate mortgage. A secured construction loan was also introduced which provides for the disbursement of funding in relation to the state of completion of the work, without any notary deed, with the possibility of also using the credit facility on a revolving basis.

The efforts in the growing market for consumer credit mainly consisted of the search of new dealers for the subsidiary, Consum.it, with positive returns also in terms of new customers.

Significant changes are planned for the home mortgage business in 2001, with the introduction of three new products: a "home package" offered to any person who is employed full-time with a fixed income (monthly wage payments and mortgage installments flow through a current account, with the offer of other features and benefits); a "light mortgage" having flexible terms in order to respond to specific needs of various consumers; and "Pronto Mutuo", a mortgage which is available through streamlined processing.

Private Banking

The 2000-2002 business plan for private banking calls for the optimization of the special units at the head office and in three other locations (Rome, Milan and Naples). The organizational model is laid out on a matrix, oriented toward the promotion of various marketing and relational aspects.

The relationship-based orientation tends to increase the customer retention ratio and the value of the accounts. Aside from a series of personalized investment services, the special units provide other services which are typically requested by this high-profile clientele.

The product range, for example, includes advisory services in the area of international tax planning, wills, trusts and fiduciary relationships, and the management of art portfolios. Additional services being developed include new individual portfolio strategies, financial planning, advisory services for property investments and the financing of investments in art work.

Another seven private-banking units are to be opened in 2001, in the following market areas: Bari, Turin, Verona, Bologna, Palermo, Salerno and Siena.

Corporate Segment

Efforts continued toward the enhancement of relationships with small- and medium-sized companies. In particular, the Small/Medium Enterprise Project ("SME Project") is designed to improve corporate relationships by making Banca Monte dei Paschi di Siena the reference bank for companies with high strategic potential, namely, companies with expanding operations and profits doing business in high-growth industries.

The Bank also continued to focus on assisting the branch network and companies in taking advantage of various EU-sponsored funding programs. During the year, Bank branches qualified as the "promoter" for some 24 new EU subsidy programs known as "territorial pacts", 11 of which were environmental programs. As of year end, the total number of such transactions had risen to 101. During the year, the Bank became a party to an agreement covering the "re-industrialization of the Valle del Basento", whereas it also worked with the affiliates, INCA and Mediocredito Toscano, in providing assistance on investment programs linked to the Filiera Bufalina di Caserta, a project involving around 1,000 companies.

In supporting the corporate clientele's export activity and international expansion, the Bank signed a working agreement with Simest for the joint realization of corporate services. New progress was also made in the relationship with the Italian government's export insurance firm, SACE, with a prevailing agreement rendered more flexible and applicable medium- and long-term credits. Given the modification to the agreement, insurance coverage is now available on certain transactions with a term of up to three years.

The Bank also remained firmly committed to providing customers access to the EU-sponsored JEV subsidy program, with the Bank assuming the role of the intermediary, including in the case of the Group itself. The Bank also continued to manage applications for the EU-sponsored JOP (Joint Venture Programme) and ECIP (European Community Investment Partners).

Two new instruments were debuted which are aimed at satisfying the financial needs of small- and medium-sized firms and facilitating the recapitalization of such firms. In marketing these new products, the Bank aims to gain a better understanding of the customer's business and to install a more solid relationship.

The "investment loan" is a form of financing that allows the corporate customer to make a financial plan whose cost varies partly in relation to earnings results (and not only in relation to variations in interest rates caused by factors outside of the business). This is an instrument particularly suited for the needs of companies intending to diversify their sources of funding, proceeding to a gradual recapitalization without cutting into operational autonomy (as would occur with the entry of new shareholders).

"Investo" is a product covering one or more loans made respectively to one or more shareholders who intend to underwrite capital increases for amounts equal to the amount of the loans.

New products planned for introduction in 2001 include:

"Tax Saving", which is basically an advance of a tax credit in favour of companies making investments in depressed areas outlined by Objective 1 of Italy's 2001 Budget Law;

Advances against future factoring flows, an instrument to enhance the line of corporate loans and to allow for the prompt cash payment of supplies;

a new corporate current account providing a series of services at a monthly fee, and modelled along the lines of the PaschiInFiore product available for the retail market;

"Plus Assets", a financing package tailored to small- and medium-sized firms which covers the substitution tax imposed with the revaluation of real estate assets under Law 342 of 2000.

Public Sector

The Italian legislature has continued to introduce changes in the management of the public administration, with regions and local entities (provinces, municipalities, government agencies and their consortiums) gaining increasing autonomy in the area of taxation, accounting and operational organization. Accordingly, much of the work handled by the central government until only a short time ago has now been decentralized.

The new scenario is thus substantially modifying the relationships between banks and the public administration, offering opportunities for business development, albeit in a highly competitive framework.

Against this backdrop, the Bank managed to assume new services in areas where its presence has only recently been established or in areas where it became apparent that new instruments would be needed for increasing asset values. The coordination of the various Bank departments involved has been intensified so as to capitalize on as many opportunities as possible in the collection of local taxes. This effort was flanked by the continuous monitoring of existing business so as to capitalize fully on the workload generated by over 1,500 customer relationships.

Programs for the new year contemplate further development of the Bank's role in providing innovative finance services to public-sector entities. By participating in the privatization and financing of local entities (including water, natural gas and energy utility companies), the Bank aims to secure a sizeable portion of the national market for a highly attractive and profitable business that has been dominated to date by foreign institutions with a strong international presence.

Electronic Bank and Payments System

The Bank worked in 2000 toward the ongoing development of the electronic banking service, with the objective of making a range of mortgage and funds management products available through the Internet.

With reference to payment instruments, the activity in 2000 was centered on enhancing the value of the more profitable product lines, including the PaschiInCard and revolving credit cards. PaschiInCard is the first card managed directly by the Bank through a license with Mastercard procured during the year; it is a product dedicated mainly to e-commerce, and has exclusive security features. Two revolving credit cards were also introduced in 2000: Mondo Card Plus Formula Credito and Carta Mps Formula Credito. The products were developed for two distinct customer segments which are differentiated on the basis of creditworthiness.

As a result of this series of initiatives, the total number of cards issued by the Bank rose by 7.9 percent to 992,000. This growth includes a 16 percent increase in credit cards which was achieved mainly through the results produced from an accord with ACI Diners; the Carta MPS performed in line with the system's Servizi Interbancari, with the number of cards outstanding climbing by 7 percent.

Co-branding initiatives were undertaken during the year with certain trade associations, including the Consorzio Asmez (a group of municipalities and communities in the southern regions of the country) and FENAPI, the national federation for small businesses. A separate agreement with the office supply company, Buffetti S.p.A., covered the introduction of a credit card for customers of the Buffetti affiliates, with dedicated services, specific advantages and the possibility of participation in a frequent-buyer program with incentives for purchasing specific brands.

At the start of 2001, the Bank teamed up with Diners to launch a UNICEF Kids card which combines the normal features of a credit card with various social and ethical initiatives.

During the first half of 2000, the Bank began marketing a new Internet-based payment system, PaschiInCommerce. The system, which was completely designed and developed within the Bank, provides the user with the highest standards of security available on the market and a diversified choice of the means for payments via credit card. Future plans include the addition of direct debit for customers using the PaschiHome service. As of year end, the Bank had signed up some 250 vendors who will be involved in the direct debit service.

As part of the development of new payment services, the Bank set up a product company, E-Idea, to operate in on-line sales of tickets to entertainment and sporting events. In addition, the company will offer other value-added services available as a result of new distribution channels and new technologies.

The plans for 2001 provide for the start-up of three equally significant initiatives: participation in the national testing of the Microcircuit Project (promoted and managed by the Italian Banking Association), the "Digital Signature" program and the realization of the "Virtual Card", a sort of advance-payment card to be used exclusively for making purchases through the Internet.

Meetings and Trade Events

In 2000, the Bank organized and conducted numerous meetings with local business leaders in communities across the nation. The themes of the various meetings – which often involved other companies of the Group – were generally geared to instruments and opportunities for small and medium-sized companies. In particular, these conferences covered innovations in corporate finance, international expansion, ordinary and subsidized financing available under Italian Law 488 regarding industry and tourism, territorial pacts and area contracts, agricultural lending, pension funds and funds management instruments.

The Bank also staged various international conferences at its head office in Siena, including "Reshaping the Architecture of the International Financial System" in May and "Capital Adequacy Requirements: Impact and Evolution" in December. Both events were planned and presented with the collaboration of the staff of the "Economic Notes" publication.

Cultural Initiatives

The activity of organizing art exhibitions and concerts continued in 2000, with the Bank sponsoring more than 850 cultural and scientific initiatives overall. The principal sponsorships included: Accademia Musicale Chigiana; the Maggio Musicale Fiorentino; the Istituto del Dramma Popolare of San Miniato; the Teatro Biondo Stabile in Palermo; the Teatro Stabile del Veneto Carlo Goldoni; the Teatro Regio in Parma; the Accademia Nazionale di Santa Cecilia and the Festival dei due Mondi 2000 in Spoleto.

The publishing activity for the year was mainly dedicated to a volume entitled "Life in the Sienese Villa: Dwellings, Gardens and Rural Estates". The 35,000 copies printed were reserved for senior managers and marketing staff who distributed the publication to key clients at year end.

Other initiatives included the English-language publication of guides to the Bank's art collections and a guide to the Chigi Saracini Palazzo. In light of the Duccio di Buonisegna exhibition being deferred to 2002, the major publication for 2001 has been dedicated to "The Image of the Palio of Siena: History and Design Strategies of a Festival".

As to economic publications, the Bank has continued to work with Banca Toscana in the production of the quarterly editions of "Economic Studies and Notes", and the English-language publication "Economic Notes", which is printed and distributed under an agreement with the publishing company, Blackwell of Oxford, England. The scientific committee for the latter publication was expanded in 2000 to include two well-known economists from abroad: Mr. Torous, a professor at the University of California, and Mr. Cooper, the director of the finance department of the London Business School. Mr. Brennan, a professor at UCLA and Mr. Stapleton, a professor at Strathclyde-Glasgow University, became part of the publication's advisory board.

Bank's Commitment to the Environment

In 2000, Bank and the MPS Group further intensified their commitment to support the environment and especially, eco-compatible development. Monte dei Paschi di Siena has thus become a forerunner in this important area, which has commanded increasing attention from political and economic leaders and banking and finance executives both at the national and international levels.

The Bank was the first Italian intermediary to participate in the UN-sponsored UNEP program for safeguarding the environment. In signing up for this initiative in 1998, the Bank and its affiliate INCA committed to the promotion of financial instruments that will support eco-compatible development and improvements to the environment.

The Bank's interest in the environment embraces various initiatives and programs, the most important of which are summarized below:

An agreement with the European Investment Fund through which the Bank qualified as an authorized intermediary of the Fund for the "Growth and Environment Program"; in the year since the agreement went into effect, more than ITL 25 billion of financing has been made available for productive investment in environmental improvement projects.

Direct participation in the Alto Valdarno area of Tuscany, as the first application of the Galli Law covering the management of water resources (ATO no.4);

A ITL 16 billion financing in the investment realized by a company, Siena Ambiente, relative to a composting plant;

The launch of a new financial package, "Focus Ambiente", available to small- and medium-sized firms to favour environmental certification pursuant to ISO 14001 and EMAS regulations;

An working accord signed with ACEA, a municipal utility based in Rome, for the planning and realization of projects of common interest in Tuscany with regard to integrated management of water resources (conduits, distribution, recovery, recycling, and re-use of water resources);

The establishment of a specific interdisciplinary work group consisting of head-office personnel having the greatest involvement in the environmental-related matters, with the specific mission of defining a permanent business unit dedicated to the environment to serve as the planning and strategy-making body for the entire MPS Group in relation to such themes. The operating priorities of the business unit include the publication of the Bank's first environmental report and the realization of a Web site entirely dedicated to the environment and the activity of the MPS Group in this area.

The technical units of the head office have dedicated significant efforts to ensuring the Bank's facilities are environmentally sound, with specific programs implemented to reduce energy consumption and to prevent the waste of paper and other materials. In addition, the Bank embraced a plan during the year to prohibit smoking in all areas of the workplace.

Material Events Subsequent to Year End

Following is a summary of the more significant events occurring in the first few months of 2001.

On 2 January 2001, the Bank inaugurated the operations of MPS Finance – Banca Mobiliare, an investing banking unit for the MPS Group which is charged with developing innovative finance products for retail, corporate and institutional customers. The unit concentrated its initial effort on coming up with a portfolio of products diversified by risk and customer segment which were marketed successfully by the banks of the MPS Group.

Toward the end of January, the Bank of Italy approved the Bank's application to set up a company specialized in the management of speculative funds to be controlled by the Group's main funds management company. The new venture will be dedicated to high value-added products such as hedge funds, private-equity funds and funds of funds, areas which are expected to grow significantly in the next few years. The products will mainly be targeted to private-banking and institutional clients.

In early February, the Board of Directors approved the creation of a permanent unit dedicated to environmental-related matters which will be charged with the entire Group's planning and strategy relative to environmental issues.

Given the previously approved strategy to streamline alliances in the area of bancassurance, on 15 February, the Board of Directors approved a project which contemplates a production and marketing relationship with the insurer Unipol. Like the MPS Group, Unipol enjoys a strong national image, a solid base in the market, a well-defined network and a firm orientation toward service.

The relationship which is to unfold over time aims at a banking-insurance alliance that will boost the overall competitive position of the two partners in the domestic market. This will occur through the sharing of expertise and through cross-selling initiatives addressed to a base of around nine million customers. The project is to be implemented through commercial agreements in the areas of insurance, retirement planning, asset management, securities brokerage, factoring, leasing and other financial services.

As part of this alliance, Unipol Assicurazioni S.p.A. will increase its stake in Banca Monte dei Paschi di Siena to 1.99 percent, while the MPS Group will raise its holding in Finsoe S.p.A, from 5.6 percent to 25.6 percent. The latter transaction will involve an investment of up to ITL 306 billion; on 22 March 2001, the Bank's Board of Directors approved the acquisition by signing a preliminary contract whose perfection is subject to the necessary approvals of the regulatory authorities.

On 15 February 2001, the Board of Directors also approved the plans and guidelines to create a special unit dedicated to the offer of innovative financing and specialized medium-term loans to small- and mid-sized firms. Catering to these firms, the project aims on the one hand to maximize the value of traditional corporate finance, while on the other hand, it is designed to introduce such firms to new types of financing. For this purpose, the Group's specialized lending unit, Mediocredito Toscano, will become an investment bank for small and mid-sized companies, with other parts of the MPS Group contributing expertise and staffing.

The bank, whose name is to be changed to MPS Merchant, will operate in medium- and long-term lending (ordinary and subsidized credits), construction lending, project financing, M&A, private equity, the arranging and advising on public offerings, services related to public-sector incentives and other advisory activity.

On 13 March 2001, Banca Monte dei Paschi di Siena signed an agreement to purchase 4.75 percent of the ordinary capital in Banca Nazionale del Lavoro from the Banca Popolare di Vicenza. The sale-and-purchase agreement was flanked by shareholder agreements covering consultation and voting pacts on certain matters relative to BMPS' and BPV's holdings in BNL.

The perfection of the sale-and-purchase agreement is based on a price of EUR 4.85 per share (total outlay of ITL 942 billion) and is subject to the appointment of a BMPS representative to the BNL Board of Directors. Upon the actual appointment of the representative to the BNL Board of Directors, another EUR 0.35 per share will be payable to the seller. The agreement also governs the mechanisms for safeguarding the interest of BMPS in purchasing another 3.45 percent of BNL owned by BPV, subject to the approval of the regulatory authorities.

The transaction falls within the Group's expansion plans and strategies which have placed the priority on the development of a tactical alliance with a large financial institution and the acquisition of other smaller banks thereafter. Considering BNL is Italy's sixth largest banking group with over 670 branches, the investment will facilitate the Bank's playing an active role in the consolidation of the Italian banking system. In this regard, the Bank plans to work with BNL management and other BNL shareholders to develop a new business plan involving both institutions. In essence, the initiative will reinforce BMPS' competitive position in lending, deposit-taking and new areas of business, and is an important step toward positioning BMPS as a major Italian institution with a European reach.

On 22 March 2001, the Board of Directors of Banca Monte dei Paschi di Siena and Banca Agricola Mantovana reviewed the master agreement which the banks signed at the end of 1998, and determined that numerous objectives spelled out in the accord had been reached. Such objectives include: the positive conclusion of the public tender offer by BMPS for BAM, the transformation of BAM into a joint-stock company with a new corporate statute, the incorporation of various BAM subsidiaries into the new joint-stock company and the creation of a BAM foundation charged with the pursuit of philanthropic, social, cultural and artistic projects which will benefit the Mantua community.

In aiming to reach the objectives of the master agreement, the Boards of Directors of BMPS and BAM also concluded that they would not pursue the plan to merge BAM and Banca Toscana and the creation of a holding company for the same. This plan has been dismissed due to external and internal changes taking place since the master agreement was signed – specifically, developments in the overall banking system with the consequent prospect of other acquisition/partnership transactions and the expansion of the MPS Group through the acquisition of a controlling interest in Banca 121 and significant minority interests in other banks which have very strong operational relationships with BMPS as a result of commercial agreements and limitations on investments, even though they are not formally part of the MPS Group.

All other provisions of the master agreement remain unchanged, including BMPS' commitment to allow BAM shareholders who participated in the tender offer to sell 50 percent of the ordinary BAM shares which, upon the settlement of the tender offer, might have been returned to the shareholders as shares exceeding the quantity covered by the tender offer (put option).

The Bank also approved the purchase of all shares in Banca Steinhauslin, which had previously been held by BAM. Consistent with the Group's new organizational structure defined in the business plan, the Florentine bank will become the Group's main unit for private banking, with the objective of becoming one of the national leaders in this area. The price of the purchase was set at ITL 160 billion, subject to adjustments following the due diligence activity planned and agreed between the parties.

As part of the capital management initiatives planned for 2001, the Bank perfected a securitization transaction covering a portfolio of non-performing mortgages with a net book value of around ITL 600 billion.

Outlook for 2001

Budget

The year of 2001 is highly significant to the growth delineated in the MPS Group's business plan. The outlook for the period embraces gains in terms of the quality of operations (completeness and calibre of customer services), operating efficiency, profitability and creation of value.

This year, EVA objectives will be applied at a company level and by business unit in order to ensure that capital will be efficiently allocated to the operations yielding the highest returns. The guidelines for the annual planning start from the principle of the customer representing the Bank's main asset, with a priority placed on achieving a client orientation in all processes. This means personalized service, advanced technological solutions and uniform distribution formulas within a framework integrating traditional and innovation distribution channels.

Such conditions are considered imperative at a time when globalization, new technology and changes in demand have intensified competition across all areas of activity.

Using BMPS as the principal point of reference for planning and initiatives in the areas of marketing, administration and operations, the commercial banks of the MPS Group will be charged with boosting their qualitative performance and profitability with regard to customer relationships, with the main emphasis on existing business. In taking a segment approach to customer needs, product lines and distribution, the banks will focus on achieving the best customer-channel-product combinations. The realization of these objectives will be driven by: the creation of an organization which is specialized by customer segments; the development of a multi-channel distribution network; the changeover to Internet processing for certain operations; and the reorganization of head office units with a greater emphasis on marketing.

Operating policies revolve around certain fundamental aggregates: total funding, and the planned shift to instruments with a better profitability profile; innovative finance products (to be marketed in close collaboration with MPS Finance); loans to individuals and to small- and mid-sized firms (strategy to develop as a "bank of reference", with selective criteria and a high degree of integration with the Group); services and payment systems.

In the lending area, operations will be oriented to an efficient change in the mix of loan portfolios, with the objectives of decreasing the weight of high-risk segments, reducing capital absorption and growing the profitability of individual relationships (in particular, relationships with small- and medium-sized companies). These changes are to be accomplished with the offer of a broad range of traditional, specialized and innovative services, and in consideration of precise policies in terms of exposure to sectors and geographic areas. As previously indicated, the re-engineering of the lending processes currently under way incorporates the use of new analytical and rating instruments and is designed to produce a more streamlined operation as well as more effective marketing of the loan products.

Efforts in the finance area will be directed to optimizing the risk-return profile of the strategic portfolio, improvements in the management of funding (single treasury) and in the structure of the banking book (ALM and position), and the maximization of synergies with the production units (with MPS Finance leading the list). The principal objectives are higher quality services, expanded customer relationships and customer retention.

A special commitment also goes to maximizing the value of human resources, with the relative policies aimed at further developing managerial and technical skills in order to ensure excellent professional capabilities within the framework of innovative operations. A planned revision of recruitment and training procedures will be flanked by other specific quality-oriented programs and the introduction of new mechanisms for performance evaluation and incentive plans, with the consequent re-definition of performance-based compensation.

The quantitative objectives for the year are in line with those set out in the business plan, with the focus on customer relationships (in particular, with individuals and small- and mid-sized firms) being the pivotal element for the growth of profitability in terms of cross selling, customer retention, product placement, risk management and a shift toward a business mix that will produce higher returns.

The key volume objectives include:

growth and a shift in the mix of funding, with the launch of innovative finance products and long-term savings plans (the new "4YOU" account, which is offered to the mass market clientele); expansion of the base of funds under management, part of which is to be realized through enhancements to the product line (new investment strategies with a higher earnings content developed for the service of individual portfolio management, new mutual funds to be introduced in May 2001, new life policies to be marketed as retirement products in accordance with changes in tax legislation in Italy as of 1 January and new SICAVs);

a loan portfolio which is efficiently expanded (at a rate in line with the industry and with specific objectives in terms of geographic area and economic sector), with the maximum attention to credit quality, the risk-return relationship and the optimization of capital requirements as the base element for the determination of pricing;

a further reduction of net, non-performing loans (with a portion of the reduction coming from the aforementioned securitization transaction) and a ratio of net, non-performing loans to total loans moving toward the minimums for the industry;

expansion of the electronic banking business, with a doubling of the customer base for "PaschiHome" (Internet banking) and significant growth in the number of customers using banking via mobile telephone ("PaschiInRete") and telephone banking ("PaschiInTel"); a sizeable increase in the payment systems business (credit and debit cards), with the specific impulse of the new revolving facilities.

From a profitability perspective, the principal goal of higher operating earnings is to be achieved through:

a strong increase in banking commissions resulting from the growth of the more profitable components of indirect funding, improvements in the rate of customer retention and cross selling, and the expansion of the portfolio of customer services, with innovative lines focused on customer needs;

a recovery of the financial margin through the planned change in the mix of key aggregates (a reduction of the weight of the less profitable components of the funding and loan portfolios) and the efficient management of pricing (mark up and mark down) at the individual customer level;

a moderate growth of general expenses (the forecast includes charges for implementing new projects and initiatives and a minimum increase in expenses relative to current operations), with the consequent further reduction of the cost-income ratio.

Given the projection of a reduced impact of valuation adjustments, net profit should rise significantly in line with the objectives set out in the business plan.

BANCA
MONTE
DEI PASCHI
DI SIENA
S.p.A.

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2000

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2000

The financial statements as of 31 December 2000 have been prepared in accordance with laws and regulations in effect in Italy, and include the following:

- **Balance Sheet**
- **Profit and Loss Statement**
- **Note to the Financial Statements**

The notes to the financial statements include the following:

Introduction - General Information

Part A – Valuation Criteria

Part B - Information on the Balance Sheet

Part C - Information on the Profit and Loss Statement

Part D – Other Information

The following supplemental information is also provided and constitutes an integral part of the notes to the financial statements:

- **Statement of Changes in Financial Position**
- **Statement of Changes in Shareholders' Equity**
- **List of Equity Investments**
- **Schedule of the Revaluation of Fixed Assets (pursuant to Laws 576 of 1975, 72 of 1983, 218 of 1990, 413 of 1991 and 342 of 2000)**
- **Proforma Financial Statements as of 31 December 2000 and 31 December 1999**
- **Statement of Pension Fund as of 31 December 2000**

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2000**

Balance Sheet, Guarantees and Commitments, Profit and Loss Statement

Balance Sheet, Guarantees and Commitments, Profit and Loss Statement expressed in Euros
(using the exchange-rate established as of 31/12/1998 of 1 EUR = ITL 1,936.27)

BALANCE SHEET

(in ITL)

Assets	31 December 2000
10 Cash and cash on deposit with central banks and post offices	427,314,520,372
20 Italian government securities and similar instruments eligible for refinancing with central banks	1,826,038,101,298
30 Amounts due from banks	32,880,915,367,405
<i>a) sight</i>	3,501,134,982,916
<i>b) other</i>	29,379,780,384,489
40 Customer loans and advances	68,503,177,935,308
<i>including:</i>	
- <i>loans with third-party funds under administration</i>	27,871,360,408
50 Bonds and other fixed-income securities	14,576,785,030,538
<i>a) of public issuers</i>	7,257,561,948,033
<i>b) of banks</i>	4,573,929,659,124
- <i>including: own securities</i>	896,820,445,538
<i>c) of financial institutions</i>	1,668,887,295,410
- <i>including: own securities</i>	-
<i>d) of other issuers</i>	1,076,406,127,971
60 Shares, quotas and other equity securities	952,905,502,407
70 Equity investments	2,943,033,831,550
80 Equity investments in Group companies	6,076,792,721,875
<i>a) valued with net equity method</i>	-
<i>b) other</i>	6,076,792,721,875
90 Intangible assets	169,501,993,571
<i>including:</i>	
- <i>start-up costs</i>	15,332,159,016
- <i>goodwill</i>	56,700,000,000
100 Fixed assets	3,697,185,129,144
<i>including: assets under financial lease</i>	1,868,427,749,981
110 Unpaid subscribed capital	-
120 Own shares or quotas (nominal value 1,520,722,000)	11,336,434,290
130 Other assets	9,858,144,676,993
140 Accrued income and prepayments	2,219,749,074,223
<i>a) accrued income</i>	2,170,828,940,455
<i>b) prepayments</i>	48,920,133,768
<i>including:</i>	
- <i>issuing discounts</i>	13,136,795,002
Total Assets	144,142,880,318,974

BALANCE SHEET

(in ITL)

Liabilities and Shareholders' Equity		31 December 2000
10	Due to banks	31,167,700,429,373
	<i>a) sight</i>	1,400,367,181,193
	<i>b) time or requiring advance notice of withdrawal</i>	29,767,333,248,180
20	Customer deposits	53,209,421,835,963
	<i>a) sight</i>	39,405,150,884,260
	<i>b) time or requiring advance notice of withdrawal</i>	13,804,270,951,703
30	Other borrowed funds backed by negotiable instruments	32,392,899,533,072
	<i>a) bonds</i>	18,398,222,144,590
	<i>b) certificates of deposit</i>	12,975,289,090,519
	<i>c) other instruments</i>	1,019,388,297,963
40	Third-party funds under administration	98,649,456,936
50	Other liabilities	8,627,276,038,380
60	Accrued liabilities and deferred income	2,277,090,509,610
	<i>a) accrued liabilities</i>	2,071,273,125,819
	<i>b) deferred income</i>	205,817,383,791
70	Staff severance indemnity reserve	471,731,382,597
80	Reserves for risks and other charges	1,957,215,080,025
	<i>a) pension fund and similar obligations</i>	167,956,448,314
	<i>b) reserve for taxes</i>	1,187,818,999,819
	<i>c) other reserves</i>	601,439,631,892
90	Reserve for loan losses	300,000,000,000
100	Reserve for general banking risks	813,000,000,000
110	Subordinated debt	3,183,930,886,485
120	Share capital	2,360,469,807,000
130	Paid-in capital	1,012,524,094,456
140	Reserves	3,882,750,571,847
	<i>a) legal reserve</i>	432,031,540,000
	<i>b) reserve for own shares or quotas</i>	11,336,434,290
	<i>c) statutory reserves</i>	1,037,500,000,000
	<i>d) other reserves</i>	2,401,882,597,557
150	Revaluation reserves	1,621,439,769,476
160	Retained earnings	97,731,060
170	Profit (loss) for the year	766,683,192,694
Total Liabilities and Shareholders' Equity		144,142,880,318,974

GUARANTEES AND COMMITMENTS

(in ITL)

Account		31 December 2000
10	Guarantees released	10,886,064,142,066
	<i>including:</i>	
	- <i>acceptances</i>	179,652,540,697
	- <i>other guarantees</i>	10,706,411,601,369
20	Commitments	16,584,208,506,192
	<i>including:</i>	
	<i>for sales with obligation to repurchase</i>	-
30	Commitments relative to credit derivatives	793,832,057,108

PROFIT AND LOSS STATEMENT

(in ITL)

Account	31 December 2000
10 Interest and similar income	6,332,156,774,902
<i>including:</i>	
- on customer loans and advances	4,113,847,433,982
- on debt securities	704,646,871,466
20 Interest expense and other expense on borrowed funds	4,288,246,158,362
<i>including:</i>	
- on customer deposits	1,516,504,146,190
- on other borrowed funds backed by negotiable instruments	1,331,568,564,959
30 Dividends and other income	626,093,225,291
a) on shares, quotas and other equity securities	91,950,869,884
b) on equity investments	131,497,368,928
c) on equity investments in Group companies	402,644,986,479
40 Commissions earned	1,531,693,596,765
50 Commissions expense	131,193,213,880
60 Profits/losses on financial transactions	166,395,902,945
65 Earnings on investment of pension funds and similar funds	332,673,639
70 Other operating income	1,343,450,863,477
80 Administrative expenses	2,747,884,870,451
a) personnel expense	1,634,149,042,995
<i>including:</i>	
- salaries and wages	1,149,331,206,588
- social-welfare charges	333,742,653,330
- staff severance indemnity reserve	82,940,414,700
- pension fund and similar obligations	28,892,443,333
b) other administrative expenses	1,113,735,827,456
85 Allocation of earnings on investments of pension and similar funds	332,673,639
90 Valuation adjustments to fixed and intangible assets	772,758,545,159
100 Provisions for risks and charges	128,329,672,428
110 Other operating expenses	18,071,444,741
120 Valuation adjustments to loans and provisions for guarantees and commitments	679,683,869,009
130 Recoveries on loans and on provisions for guarantees and commitments	299,092,606,372
140 Provisions to loan loss reserve	20,000,000,000
150 Valuation adjustments to non-current financial assets	148,655,068,610
160 Recoveries on non-current financial assets	13,206,532,649
170 Profit (loss) from ordinary operations	1,377,266,659,761
180 Extraordinary income	344,355,608,704
190 Extraordinary charges	58,877,599,665
200 Extraordinary profit (loss)	285,478,009,039
210 Change in reserve for general banking risks	-
220 Income taxes	(680,031,796,019)
230 Profit for the year	982,712,872,781
240 Reserve provisions under Law Decree No. 153 of 1999	216,029,680,087
250 Net profit for the year	766,683,192,694

BALANCE SHEET

(in EUR)

Assets	31/12/00
10 Cash and cash on deposit with central banks and post offices	220,689,532
20 Italian government securities and similar instruments eligible for refinancing with central banks	943,069,975
30 Amounts due from banks	16,981,575,590
<i>a) sight</i>	1,808,185,317
<i>b) other</i>	15,173,390,273
40 Customer loans and advances	35,378,938,854
<i>including:</i>	
- <i>loans with third-party funds under administration</i>	14,394,356
50 Bonds and other fixed-income securities	7,528,281,196
<i>a) of public issuers</i>	3,748,217,939
<i>b) of banks</i>	2,362,237,528
- <i>including: own securities</i>	463,169,106
<i>c) of financial institutions</i>	861,908,358
- <i>including: own securities</i>	
<i>d) of other issuers</i>	555,917,371
60 Shares, quotas and other equity securities	492,134,621
70 Equity investments	1,519,950,127
80 Equity investments in Group companies	3,138,401,526
<i>a) valued with net equity method</i>	-
<i>b) other</i>	3,138,401,526
90 Intangible assets	87,540,474
<i>including:</i>	
- <i>start-up costs</i>	7,918,399
- <i>goodwill</i>	29,283,106
100 Fixed assets	1,909,436,767
<i>including: assets under financial lease</i>	964,962,402
110 Unpaid subscribed capital	-
120 Own shares or quotas	5,854,780
<i>(nominal value 785.387,36)</i>	
130 Other assets	5,091,306,829
140 Accrued income and prepayments	1,146,404,724
<i>a) accrued income</i>	1,121,139,583
<i>b) prepayments</i>	25,265,141
<i>including:</i>	
- <i>issuing discounts</i>	6,784,588
Total Assets	74,443,584,995

BALANCE SHEET

(in EUR)

Liabilities and Shareholders' Equity		31 December 2000
10	Due to banks	16,096,773,916
	<i>a) sight</i>	723,229,292
	<i>b) time or requiring advance notice of withdrawal</i>	15,373,544,624
20	Customer deposits	27,480,373,004
	<i>a) sight</i>	20,351,062,034
	<i>b) time or requiring advance notice of withdrawal</i>	7,129,310,970
30	Other borrowed funds backed by negotiable instruments	16,729,536,445
	<i>a) bonds</i>	9,501,888,758
	<i>b) certificates of deposit</i>	6,701,177,568
	<i>c) other instruments</i>	526,470,119
40	Third-party funds under administration	50,948,193
50	Other liabilities	4,455,616,230
60	Accrued liabilities and deferred income	1,176,019,104
	<i>a) accrued liabilities</i>	1,069,723,296
	<i>b) deferred income</i>	106,295,808
70	Staff severance indemnity reserve	243,628,927
80	Reserves for risks and other charges	1,010,817,230
	<i>a) pension fund and similar obligations</i>	86,742,266
	<i>b) reserve for taxes</i>	613,457,317
	<i>c) other reserves</i>	310,617,647
90	Reserve for loan losses	154,937,070
100	Reserve for general banking risks	419,879,459
110	Subordinated debt	1,644,363,073
120	Share capital	1,219,080,917
130	Paid-in capital	522,925,054
140	Reserves	2,005,273,320
	<i>a) legal reserve</i>	223,125,669
	<i>b) reserve for own shares or quotas</i>	5,854,780
	<i>c) statutory reserves</i>	535,824,033
	<i>d) other reserves</i>	1,240,468,838
150	Revaluation reserves	837,403,755
160	Retained earnings	50,474
170	Profit (loss) for the year	395,958,824
Total Liabilities and Shareholders' Equity		74,443,584,995

GUARANTEES AND COMMITMENTS

(in EUR)

Account		31 December 2000
10	Guarantees released	5,622,182,930
	<i>including:</i>	
	- <i>acceptances</i>	92,782,794
	- <i>other guarantees</i>	5,529,400,136
20	Commitments	8,565,028,899
	<i>including:</i>	
	<i>for sales with obligation to repurchase</i>	-
30	Commitments relative to credit derivatives	409,980,043

PROFIT AND LOSS STATEMENT

(in EUR)

Account	31 December 2000
10 Interest and similar income	3,270,286,053
<i>including:</i>	
- on customer loans and advances	2,124,624,889
- on debt securities	363,919,738
20 Interest expense and other expense on borrowed funds	2,214,694,313
<i>including:</i>	
- on customer deposits	783,209,029
- on other borrowed funds backed by negotiable instruments	687,697,772
30 Dividends and other income	323,350,165
a) on shares, quotas and other equity securities	47,488,661
b) on equity investments	67,912,723
c) on equity investments in Group companies	207,948,781
40 Commissions earned	791,053,725
50 Commissions expense	67,755,640
60 Profits/losses on financial transactions	85,936,312
65 Earnings on investment of pension funds and similar funds	171,812
70 Other operating income	693,834,467
80 Administrative expenses	1,419,164,099
a) personnel expense	843,967,547
<i>including:</i>	
- salaries and wages	593,580,031
- social-welfare charges	172,363,696
- staff severance indemnity reserve	42,835,149
- pension fund and similar obligations	14,921,702
b) other administrative expenses	575,196,552
85 Allocation of earnings on investments of pension and similar funds	171,812
90 Valuation adjustments to fixed and intangible assets	399,096,482
100 Provisions for risks and charges	66,276,745
110 Other operating expenses	9,333,122
120 Valuation adjustments to loans and provisions for guarantees and commitments	351,027,423
130 Recoveries on loans and on provisions for guarantees and commitments	154,468,440
140 Provisions to loan loss reserve	10,329,138
150 Valuation adjustments to non-current financial assets	76,773,936
160 Recoveries on non-current financial assets	6,820,605
170 Profit (loss) from ordinary operations	711,298,869
180 Extraordinary income	177,844,830
190 Extraordinary charges	30,407,743
200 Extraordinary profit (loss)	147,437,087
210 Change in reserve for general banking risks	-
220 Income taxes	(351,207,113)
230 Profit for the year	507,528,843
240 Reserve provisions under Law Decree No. 153 of 1999	111,570,019
250 Net profit for the year	395,958,824

FINANCIAL STATEMENTS WITH COMPARATIVE DATA FROM PRIOR YEAR

The data used in the comparative statements relative to the year of 1999 are those indicated in the published financial statements, with the exception of the addition of the complementary defined contribution pension plan for staff employed by the Bank as from 1 January 1991.

BALANCE SHEET

(in ITL
mn)

Assets		31/12/00	31/12/99	Absolute and % Changes	
10	Cash and cash on deposit with central banks and post offices	427,314	346,781	80,533	23.22
20	Italian government securities and similar instruments eligible for refinancing with central banks	1,826,038	2,592,230	(766,192)	(29.56)
30	Amounts due from banks	32,880,915	27,398,368	5,482,547	20.01
	<i>a) sight</i>	3,501,135	6,091,798	(2,590,663)	(42.53)
	<i>b) other</i>	29,379,780	21,306,570	8,073,210	37.89
40	Customer loans and advances	68,503,178	61,280,642	7,222,536	11.79
	<i>including:</i>				
	<i>- loans with third-party funds under administration</i>	27,871	19,067	8,804	46.17
50	Bonds and other fixed-income securities	14,576,785	15,680,397	(1,103,612)	(7.04)
	<i>a) of public issuers</i>	7,257,562	10,007,095	(2,749,533)	(27.48)
	<i>b) of banks</i>	4,573,930	3,248,074	1,325,856	40.82
	<i>- including: own securities</i>	896,820	372,492	524,328	140.76
	<i>c) of financial institutions</i>	1,668,887	1,423,466	245,421	17.24
	<i>- including: own securities</i>	-	-	-	
	<i>d) of other issuers</i>	1,076,406	1,001,762	74,644	7.45
60	Shares, quotas and other equity securities	952,906	761,196	191,710	25.19
70	Equity investments	2,943,034	1,193,975	1,749,059	146.49
80	Equity investments in Group companies	6,076,793	4,721,420	1,355,373	28.71
	<i>a) valued with net equity method</i>	-	-	-	
	<i>b) other</i>	6,076,793	4,721,420	1,355,373	28.71
90	Intangible assets	169,502	162,383	7,119	4.38
	<i>including:</i>				
	<i>- start-up costs</i>	15,332	15,736	(404)	(2.57)
	<i>- goodwill</i>	56,700	-	56,700	
100	Fixed assets	3,697,185	2,751,438	945,747	34.37
	<i>including: assets under financial lease</i>	1,868,428	1,498,523	369,905	24.68
110	Unpaid subscribed capital	-	-	-	
	<i>including: called-up capital</i>				
120	Own shares or quotas	11,336	57,255	(45,919)	(80.20)
130	Other assets	9,858,145	11,167,828	(1,309,683)	(11.73)
140	Accrued income and prepayments	2,219,749	2,146,238	73,511	3.43
	<i>a) accrued income</i>	2,170,829	2,101,173	69,656	3.32
	<i>b) prepayments</i>	48,920	45,065	3,855	8.55
	<i>including:</i>				
	<i>- issuing discounts</i>	13,137	217	12,920	5.953.92
	Total Assets	144,142,880	130,260,151	13,882,729	10.66

BALANCE SHEET

(in ITL
mn)

Liabilities and Shareholders' Equity		31/12/00	31/12/99	Absolute and % Changes	
10	Due to banks	31,167,700	29,655,258	1.512.442	5.10
	<i>a) sight</i>	1,400,367	6,543,534	(5,143,167)	(78.60)
	<i>b) time or requiring advance notice of withdrawal</i>	29,767,333	23,111,724	6,655,609	28.80
20	Customer deposits	53,209,422	46,708,238	6.501.184	13.92
	<i>a) sight</i>	39,405,151	35,312,669	4,092,482	11.59
	<i>b) time or requiring advance notice of withdrawal</i>	13,804,271	11,395,569	2,408,702	21.14
30	Other borrowed funds backed by negotiable instruments	32,392,899	30,517,889	1.875.010	6.14
	<i>a) bonds</i>	18,398,222	13,183,395	5,214,827	39.56
	<i>b) certificates of deposit</i>	12,975,289	16,609,563	(3,634,274)	(21.88)
	<i>c) other instruments</i>	1,019,388	724,931	294,457	40.62
40	Third-party funds under administration	98,649	113,565	(14.916)	(13.13)
50	Other liabilities	8,627,276	8,584,189	43.087	0.50
60	Accrued liabilities and deferred income	2,277,091	2,460,855	(183.764)	(7.47)
	<i>a) accrued liabilities</i>	2,071,273	2,349,764	(278,491)	(11.85)
	<i>b) deferred income</i>	205,818	111,091	94,727	85.27
70	Staff severance indemnity reserve	471,731	472,958	(1.227)	(0.26)
80	Reserves for risks and other charges	1,957,215	1,463,847	493.368	33.70
	<i>a) pension fund and similar obligations</i>	167,956	141,063	26,893	19.06
	<i>b) reserve for taxes</i>	1,187,819	809,363	378,456	46.76
	<i>c) other reserves</i>	601,440	513,421	88,019	17.14
90	Reserve for loan losses	300,000	280,000	20,000	7.14
100	Reserve for general banking risks	813,000	813,000	-	0.00
110	Subordinated debt	3,183,931	2,001,246	1.182.685	59.10
120	Share capital	2,360,470	2,160,158	200.312	9.27
130	Paid-in capital	1,012,524	978,414	34.110	3.49
140	Reserves	3,882,751	3,468,131	414.620	11.96
	<i>a) legal reserve</i>	432,032	401,715	30,317	7.55
	<i>b) reserve for own shares or quotas</i>	11,336	57,255	(45,919)	(80.20)
	<i>c) statutory reserves</i>	1,037,500	832,700	204,800	24.59
	<i>d) other reserves</i>	2,401,883	2,176,461	225,422	10.36
150	Revaluation reserves	1,621,440	-	1.621.440	
160	Retained earnings	98	168	(70)	(41.67)
170	Profit (loss) for the year	766,683	582,235	184.448	31.68
	Total Liabilities and Shareholders' Equity	144,142,880	130,260,151	13.882.729	10.66

GUARANTEES AND COMMITMENTS

(in ITL
mn)

Account		31/12/00	31/12/99	Absolute and % Changes	
10	Guarantees released	10,886,064	8,166,107	2,719.957	33.31
	<i>including:</i>				
	- <i>acceptances</i>	179,653	74,989	104,664	139.57
	- <i>other guarantees</i>	10,706,411	8,091,118	2,615,293	32.32
20	Commitments	16,584,209	12,543,996	4,040.213	32.21
	<i>including:</i>				
	<i>for sales with obligation to repurchase</i>	-	-	-	
30	Commitments relative to credit derivatives	793,832	315,554	478.278	151.57

PROFIT AND LOSS STATEMENT

(in ITL
mn)

Account	31/12/00	31/12/99	Absolute and % Changes	
10 Interest and similar income	6,332,157	5,557,410	774,747	13.94
<i>including:</i>				
- on customer loans and advances	4,113,847	3,387,637	726,210	21.44
- on debt securities	704,647	963,772	(259,125)	(26.89)
20 Interest expense and other expense on borrowed funds	4,288,246	3,522,582	765,664	21.74
<i>including:</i>				
- on customer deposits	1,516,504	855,276	661,228	77.31
- on other borrowed funds backed by negotiable instruments	1,331,569	1,385,410	(53,841)	(3.89)
30 Dividends and other income	626,093	668,760	(42,667)	(6.38)
<i>a) on shares, quotas and other equity securities</i>	91,951	29,430	62,521	212.44
<i>b) on equity investments</i>	131,497	115,349	16,148	14.00
<i>c) on equity investments in Group companies</i>	402,645	523,981	(121,336)	(23.16)
40 Commissions earned	1,531,694	1,328,809	202,885	15.27
50 Commissions expense	131,193	99,874	31,319	31.36
60 Profit (loss) from financial transactions	166,396	54,160	112,236	207.23
65 Earnings on investment of pensions Funds and similar funds	333	(1,508)	1,841	
70 Other operating income	1,343,451	1,021,008	322,443	31.58
80 Administrative expenses	2,747,885	2,463,281	284,604	11.55
<i>a) personnel expense</i>	1,634,149	1,597,838	36,311	2.27
<i>including:</i>				
- salaries and wages	1,149,331	1,124,957	24,374	2.17
- social-welfare charges	333,743	326,627	7,116	2.18
- staff severance indemnity reserve	82,940	84,552	(1,612)	(1.91)
- pension fund and similar obligations	28,892	20,902	7,990	38.23
<i>b) other administrative expenses</i>	1,113,736	865,443	248,293	28.69
85 Allocation of earnings on investments of pension and similar funds	333	(1,508)	1,841	
90 Valuation adjustments to fixed and intangible assets	772,759	703,508	69,251	9.84
100 Provisions for risks and charges	128,330	79,198	49,132	62.04
110 Other operating expenses	18,071	9,884	8,187	82.83
120 Valuation adjustments to loans and provisions for guarantees and commitments	679,684	780,288	(100,604)	(12.89)
130 Recoveries on loans and on provisions for guarantees and commitments	299,093	357,324	(58,231)	(16.30)
140 Provisions to loan loss reserve	20,000	-	20,000	
150 Valuation adjustments to non-current financial assets	148,655	218,038	(69,383)	(31.82)
160 Recoveries on non-current financial assets	13,206	1,064	12,142	1.141.17
170 Profit (loss) from ordinary operations	1,377,267	1,111,882	265,385	23.87
180 Extraordinary income	344,356	619,043	(274,687)	(44.37)
190 Extraordinary charges	58,878	86,013	(27,135)	(31.55)
200 Extraordinary profit (loss)	285,478	533,030	(247,552)	(46.44)
210 Change in reserve for general banking risks	-	(300,075)	300,075	
220 Income taxes	(680,032)	(564,293)	(115,739)	20.51
230 Profit for the year	982,713	780,544	202,169	25.90
240 Provisions to reserves pursuant to Law 218 of 1990 and Law Decree 153 of 1999	216,030	198,309	17,721	8.94

250	Net profit for the year	766,683	582,235	184,448	31.68
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NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements include the following:

Part A - Valuation criteria

- Section 1 - Description of valuation criteria
- Section 2 - Fiscal adjustments and provisions
- Section 3 - Other information

Part B - Information on the Balance Sheet

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

Part C - Information on the Profit and Loss Statement

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

Part D - Other information

- Section 1 – Directors and Statutory Auditors
- Section 2 – Parent company or EU-based controlling entity

PART A
VALUATION CRITERIA

SECTION 1 - DESCRIPTION OF VALUATION CRITERIA

The valuation criteria adopted are those provided by prevailing Italian laws. With the exceptions as indicated hereunder, such criteria conform with the criteria used in the preparation of the 1999 financial statements.

As of 2000, a change was made in the method for valuing quoted securities, derivatives contracts and unlisted securities economically connected to derivatives within the trading portfolio. Accordingly the three categories of assets are no longer valued at the lower of cost and market, but instead at market value. The change was made for the purpose of:

providing the most representative value of the operating assets of the finance area;

eliminating possible valuation uncertainties with regard to complex financial transactions;

aligning operating and accounting results.

The change produced incremental, after-tax earnings in the aggregate amount of ITL 113,922 million in 2000. The figure includes the following:

earnings applicable to the year of 2000: ITL 44,318 million;

retrospective losses attributable to 1999: ITL 203,104 million;

retrospective earnings attributable to years prior to 1999: ITL 272,708 million.

Given the high turnover of the securities and derivatives portfolio, it is not possible to re-allocate the amounts between the "valuation" and "other profits/losses" components in Schedule 3.1 of the notes to the profit and loss statement relative to Account 60 – Profits (losses) from financial transactions.

The supplemental information to these financial statements includes proforma financial statements as of 31 December 2000 and 1999, prepared as if the valuation criteria used in 2000 were to have been applied on a constant basis in prior years.

In addition, the supplemental information includes a statement of the defined contribution pension fund for employees. The accounts in this statement have been included in the balance sheet and in the profit and loss statement of Banca Monte dei Paschi di Siena S.p.A. pursuant to the provisions of the Bank of Italy Memorandum No. 3815 of 14 August 2000.

1. LOANS, GUARANTEES AND COMMITMENTS

1.1 LOANS

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

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

Non-performing loans (i.e. loans made to borrowers who are insolvent or in a comparable situation) and watchlist credits (i.e. loans made to borrowers in temporary difficulties) are analyzed by taking into account the financial condition of each borrower and the existence of any collateral or guarantees;

Loans to countries at risk and loans to residents in countries having difficulties in servicing debt are valued in accordance with the directives of the Bank of Italy and the Italian Bankers Association with respect to the country of the counterparty;

Provisions for performing loans are estimated on the Bank's ordinary risk;

Past-due interest is written off completely.

The estimate of the realizable value of loans also takes into account the hedging of loan risk through credit derivatives in which the Bank is a "buyer of protection".

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

1.2 GUARANTEES AND COMMITMENTS

Guarantees and commitments are valued as follows:

Agreements covering loans and deposits to be funded: at the value of the underlying contract;

Irrevocable credit lines: at the value of the residual amount that may be used;

Other guarantees and commitments: at the value of the Bank's contractual commitment.

Specific credit risks inherent to the guarantees and commitments are valued in accordance with the criteria adopted for valuing loans. Any estimated losses are recorded in the account "Provisions for contingencies and other charges – other provisions". Capital losses on credit derivatives which are part of the banking book and for which the Bank is the seller of protection are also booked to the aforementioned reserve.

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

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

The cost of securities is determined according to the LIFO annual-layer method, with any issuing premiums and discounts recognized in accordance with prevailing laws.

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

2.1 INVESTMENT SECURITIES

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

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

The value of investment securities is written down to reflect permanent impairment of value as a result of the solvency of the issuer and / or the debt-servicing capacity of the issuer's country of residence. Any writedown provisions taken may later be reversed should the reasons therefore no longer apply.

2.2 TRADING ACCOUNT SECURITIES

Securities held for trading and treasury management are valued as follows.

Securities quoted on the Italian Stock Exchange or on foreign stock exchanges are valued at market value which is represented by the arithmetic average of official prices for the last month of the year.

Unlisted securities are valued as follows:

debt securities: at the lower of cost and the present value of future cash flows relative to the securities as determined on the basis of current yields as of the date of the financial statements for securities with similar maturities;

equity securities: at cost, which is to be decreased to reflect any significant decrease in value;

debt or equity securities economically connected to derivatives contracts: at a value which is consistent with the valuation criterion adopted for derivatives contracts.

Any gains or losses recognized on the valuation of the trading portfolio are booked to Account 60 - Profits/losses from financial transactions.

Any writedowns to the value of trading securities may later be reversed should the reasons for the writedown no longer apply.

2.3 OWN SHARES

Shares of the Bank have been purchased to meet commitments for the issue of bonus shares and are valued at cost. Such assets are offset entirely by a reserve established pursuant to Article 2357 ter of the Italian Civil Code.

2.4 OFF-BALANCE-SHEET TRANSACTIONS (other than those denominated in foreign currency)

2.4.1 Commitments for transactions to be settled

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

purchase commitments: on the basis of the difference between purchase cost and market value, following the criteria established for the portfolio to which the purchased security will be credited;

sales commitments: on the basis of the difference between the settlement price and the book value of the security.

2.4.2 Derivatives contracts (relative to securities, interest rates, indices and other assets, with the exception of foreign-exchange derivatives)

The valuation of derivatives depends on the purpose of the contracts.

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

contracts quoted in regulated markets: at market value as of the date of the financial statements;

contracts not quoted in regulated markets: at the financial value, determined in accordance with the quotation as of the year end of certain parameters of reference (prices, quotations or indices which are reported on news circuits used at an international level or which may be objectively determined by other means).

other contracts: at a value which takes into account other elements as determined in an objective and uniform manner.

Derivatives contracts for hedging assets and liabilities on the balance sheet as well as off-balance-sheet assets and liabilities are valued in a manner that is consistent with the valuation of the hedged assets and liabilities, as indicated hereunder:

at market value, if used for hedging securities in the trading portfolio;

at cost, if used for hedging interest-bearing assets or liabilities other than securities in the trading portfolio, in accordance with the valuation of the assets or liabilities hedged.

The differentials or margins on contracts for hedging interest-bearing assets/liabilities, other than securities in the trading portfolio, are treated as part of interest income or expense. Such differentials are accrued over the life of the hedged assets/liabilities if the hedging is specific, or over the term of the derivatives contract in the case of generic hedging.

Gains or losses recognized on the valuation of derivatives contracts are booked to Account 60 – Profits/losses on financial transactions. Such results are offset by entries to the Account 130 – Other assets or Account 50 – Other liabilities, without any offsetting between the accounts.

The existence of any master netting agreements affects the determination of the absorption of capital as computed for regulatory purposes, whereas the assets and liabilities covered by such agreements are reported in accordance with the criteria described above.

Derivatives contracts which may involve the purchase of securities to be classified as investments are valued with the criteria used for valuing investment securities

2.5 REPURCHASE AGREEMENTS

Repurchase agreements are reported as funding or lending transactions, with the relative income and expense respectively recorded as accrued as "interest and similar income" and "interest expense and other expense on borrowed funds".

3. EQUITY INVESTMENTS

Investments in Group companies are valued at cost, adjusted for provisions to reflect any permanent impairment of value.

Investments in publicly traded companies are valued on the basis of market prices for the six months preceding the date of the financial statements. In the case of investments in unlisted companies, the value has been decreased to reflect the Bank's share of permanent losses as indicated in the most recent financial statements. Any writedown provisions taken may later be reversed should the reasons therefore no longer apply.

In the second half of 2000, the Bank finalized the acquisition of Banca 121, which was settled partly in cash and partly through the exchange of Banca 121 shares and BMPS shares. The aggregate value of the BMPS shares issued was determined with reference to the consolidated shareholders' equity of Banca 121 as of 31 December 1999, inclusive of earnings ascribed to reserves upon the allocation of the 1999 earnings.

The difference between the carrying value of the shares of Banca Agricola Mantovana and of Banca 121 acquired for cash and the corresponding values of shareholders' equity as indicated in the most recent financial statements is explained by the reasonable expectation of higher future earnings of the two banks and of synergies and strategic opportunities to be realized with the acquired institutions.

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

4. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY (including off-balance-sheet transactions)

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

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

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

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

in the case of trading transactions, at the forward rate as of year end for corresponding maturities;

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

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

5. FIXED ASSETS

5.1 FIXED ASSETS USED BY THE BANK IN NORMAL OPERATIONS

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

The values disclosed are net of accumulated depreciation determined on the basis of maximum rates allowed by law, and reflect the residual value of the assets in relation to the estimated useful life of the same. The estimated useful life of the assets is computed by taking into account the nature of the Bank's business and the rapid degree of obsolescence in the case of assets having a high technology content.

Expenses and charges for maintenance and repair which do not increase the value of the assets are charged to the profit and loss statement as incurred.

5.2 FIXED ASSETS LEASED TO THIRD PARTIES UNDER FINANCIAL LEASES

Fixed assets leased to third parties under financial leases are stated at purchase cost, net of accumulated depreciation.

Income from financial leases is accrued to the profit and loss statement in accordance with the contract term.

Assets leased under contracts executed before 1 January 1995 are depreciated on a straight-line basis. Depreciation charges are computed with reference to the contract term and the cost of the asset. Cost, which may be adjusted for revaluation required under Law 413 of 1991, is decreased by the price agreed upon the transfer of the assets at the termination of the contract.

Assets leased under contracts executed after 1 January 1995 are depreciated as provided in the relative financial amortization plan; depreciation is computed with reference to the cost of the asset, which is decreased by the price agreed upon the transfer of the assets at the termination of the contract.

5.3 ASSETS TO BE LEASED TO THIRD PARTIES UNDER FINANCIAL ASSETS

Buildings under construction to be leased to third parties under financial leases and capital equipment acquired but not yet delivered in relation with financial leases are valued at cost, without any charges for depreciation.

6. INTANGIBLE ASSETS

Intangible assets are recorded at purchase or production cost, which is increased by an ancillary charges. The assets are amortized with reference to the residual possibilities for the use of the assets as further specified hereunder.

Costs sustained for capital increases and for the quotation of the Bank's shares on the Italian Stock Exchange and other deferred charges are amortized on a straight-line basis over a period of five years.

Deferred charges relative to commissions paid on bonds issued are amortized over a period corresponding to the life of the bonds.

Costs incurred for purchasing software are amortized on a straight-line basis over five years.

Other deferred charges are amortized over a maximum period of five years, with the exception of the goodwill relative to the business unit acquired from Banca 121 which is being amortized on a straight-line basis of a period of ten years.

7. ACCRUALS AND DEFERRALS

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

8. OTHER INFORMATION

8.1 DUE TO BANKS AND CUSTOMER DEPOSITS

Savings deposits, certificates of deposit and current-account deposits of customers and banks are stated at nominal value, including interest paid as of 31 December 2000. Interest accrued on certificates of deposit and time deposits maturing after 31 December 2000 has been recorded as interest expense, with the offsetting entry to accrued liabilities.

8.2 STAFF SEVERANCE INDEMNITY RESERVE

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

8.3 RESERVES FOR RISKS AND OTHER CHARGES

8.3.1 Pension fund and similar obligations

The reserve includes a pension fund to supplement the government pensions for personnel in the tax collection department, a complementary defined-contribution pension fund set up for staff employed by the Bank as from 1 January 1991 and annual provisions for pensions to be paid to the Bank's present and past chief executives as calculated in relation to the terms and conditions of individual contracts.

8.3.2 Reserve for taxes

The reserve represents a realistic estimate of tax liabilities to be paid, in accordance with prevailing tax regulations and fiscal practices.

8.3.3 Deferred taxes

Deferred taxes have been accrued in accordance with the directive of the Bank of Italy of 3 August 1999, the memorandum of CONSOB of 30 July 1999 and the Italian Accounting Principal No. 25 of the Italian Association of Professional Accountants ("Dottori Commercialisti e Ragionieri").

Pursuant to the new principle, deferred tax assets and deferred tax liabilities are recorded, respectively, in the balance sheet accounts, "other assets" and "reserve for taxes". In respect of the general principle of prudence, deferred tax assets are recognized only to the extent that there is reasonable certainty of sufficient taxable income being realized in future years so as to allow for full utilization of the assets in the specific years in which the amounts prepaid due to timing differences become deductible for tax purposes. This determination must be made every year in order to ensure the condition of recoverability.

8.3.4 Other reserves

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

8.4 RESERVE FOR LOAN LOSSES

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

8.5 RESERVE FOR GENERAL BANKING RISKS

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

8.6 PROFIT AND LOSS STATEMENT

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

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

8.7 CURRENCY OF ACCOUNT

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

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

SECTION 2 - ADJUSTMENTS AND FISCAL PROVISIONS

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

No adjustments were made.

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

As a result of the "non-structural merger" as defined by Italian law that was realized with the acquisition of the Banca Agricola Mantovana Group in 1999 and of Banca 121 in 2000, the Bank took advantage of certain provisions granted under Article 23 of Law Decree No. 153 of 17 May 1999 relative to non-structural merger transactions. Accordingly, the Bank established a provision and allocated it to a special reserve in the shareholders' equity accounts; this provision, which is subject to tax at a reduced rate, is temporarily exempt from taxes.

SECTION 3 – OTHER INFORMATION

3.1 Pursuant to Article 114, Paragraph 3 of Law Decree No. 58 of 24 February 1998, CONSOB transmitted a letter on 15 February 2001 requiring banks with securities quoted on regulated markets to disclose material information needed for a correct valuation of the securities issued by such banks.

Specific reference is made to the following events of a general nature affecting the banking industry in 2000, with comments relative to the Bank provided thereafter:

the preliminary findings of the European Commission relative to the tax benefits provided by Law Decree No. 153 of 17 May 1999;

the provisions dictated by Law No. 133 of 13 May 1999 and by the 2001 government budget relative to subsidized long-term construction loans;

the provisions dictated by Law Decree No. 394 of 29 December 2000, regarding non-subsidized fixed-rate mortgages;

the Ruling No. 425 of 9 October 2000 in which the Constitutional Court of Italy declared as illegal Article 25, Paragraph 3 of Law Decree No. 342 of 4 August 1999, n. 342, relative to clauses concerning the production of interest on interest due.

With reference to:

point a: In recognition of the suspension of the benefits, the Bank arranged to neutralize the relative fiscal benefit in both 1999 and 2000 by setting aside a provision to the reserve for taxes equal to the amount of taxes due on the same. The criteria used and effects over the period involved are disclosed in the notes to the financial statements in the section covering the reserve for taxes.

point b: In computing provisions to the reserves for risks and future charges, the Bank considered the risk arising from Article 29 of Law No. 133 of 13 May 1999 and from Article 145, Paragraph 62 of the 2001 government budget, and the probability that the current interest rates in effect on such construction loans will be renegotiated. The methodology followed and the effect thereof are indicated in the notes to the financial statements in the section covering the reserve for risks and future charges.

point c: The balance of non-subsidized, fixed-rate mortgages outstanding as of year end was around ITL 127 billion in terms of principal. The relative effect is indicated in the comments on the specific balance-sheet account.

point d: The Constitutional Court's ruling regards the issue of the capitalization of interest with reference to current accounts. In this regard, the Bank has supported the specific indications and reasoning as provided by the Italian Banking Association which re-affirm the legitimacy of the past practice.

The Constitutional Court's ruling is actually limited to declaring Paragraph 3 of Article 25 of Law Decree No. 342 of 4 August 1999 as unconstitutional from the standpoint of the excess of delegation, without however criticizing the decree itself. The Bank has received a very limited number of complaints requesting the re-calculation and reimbursement of capitalized interest. Such requests have been rejected and the Bank has simultaneously re-affirmed the full legitimacy of this business practice and deemed it unnecessary to set aside any specific provisions in relation thereto.

3.2 In December 2000, the Bank finalized the acquisition of the corporate business unit from Banca 121. This acquisition was contemplated as part of the acquisition of Banca 121, as indicated in the information prospectus covering the public tender offer for Banca 121. The unit consisted of:

roughly 16,000 customers;

nine branches located in Apulia, with the relative property assets, which handle roughly 36,000 business relationships, excluding individual portfolio management accounts and deposits sourced through independent financial consultants;

loans classified as watchlist credits and non-performing loans, including any actions for revocation and passive judgments;

230 employees assigned to the operation of the unit.

The amount paid came to ITL 63 billion, which was recorded as goodwill. The unit had total assets of ITL 2,865 billion and total liabilities of ITL 2,879 billion. The effect of such assets and liabilities on the principal accounts of the Bank is detailed in the notes hereunder.

3.3 In the final two months of 2000, the Bank perfected two sales of loans which were carried out for the purpose of the resulting securitization of performing loans pursuant to Italian Law No. 130 of 30 April 1999. The transactions are detailed in Section 1.3 of Part D – Other information in the notes to the financial statements.

The aggregate amount of the credits sold was ITL 1,968 billion, including:

ITL 1,292 billion of floating-rate or modular first-home mortgages;

ITL 676 billion of loans generated from the placement of the "Visione Europa" product.

The price of selling these loans was determined by the sum of two components:

the book value as of the date of the sale;

a deferred value linked to the actual trend of collections by the companies purchasing the credits (the excess spread net of transaction costs).

The excess spread is based on the future expected cash flows from the securitized portfolios. The companies purchasing the credits carried out interest-rate swaps in order to hedge interest-rate risk. As required by the Bank of Italy (Letter No. 75 of 5 January 2001), the deferred values were computed with the use of a profit-extraction mechanism.

This component was determined as follows:

calculation of the excess spread, taking into account the hedging effected by the companies purchasing the credits;

reduction of such spread in order to take into account the costs of the transaction;

analysis of the risk of the credits sold;

computation of the present value of the component as of 31 December 2000, using the swap curve in relation to the term of the transaction (15 years)

The amount of the deferred value, ITL 138,809 million, has been credited to the profit and loss statement, Account 70 – Other operating income, and is offset by a receivable from the companies purchasing the credits, Account 40 – Customer loans and advances. This receivable is to be valued by the Bank at the end of each reporting period.

The report on operating performance contains comments on material events occurring subsequent to year end, relationships between the Bank and Group companies, and the expected trend of operations in 2001.

PART B
INFORMATION ON THE BALANCE SHEET

Section 1 - LOANS

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

1.1 Detail of Account 30 - Amounts due from banks

	31/12/2000	31/12/1999
A) Amounts due from central banks:	1,039,151	877,619
Amounts due from Bank of Italy		
- mandatory reserves	1,009,698	876,597
- repurchase agreements	-	-
- other credits	-	-
Amounts due from other central banks	29,453	1,022
B) Bills eligible for refinancing with central banks	-	-
C) Repurchase agreements	9,640,354	1,711,907
D) Securities lending	-	-

The balance of the account in relation to the economic nature of the counterparty and type of transaction is indicated in the following table.

	31/12/2000	31/12/1999
Sight	3,501,135	6,091,798
- Current accounts	1,118,060	722,041
- Demand deposit	2,184,191	5,211,980
- Other	198,884	157,777
Other	29,379,780	21,306,570
- Bank of Italy and other central banks	1,039,151	877,619
- Time deposits	10,994,467	13,083,702
- Repurchase agreements	9,640,354	1,711,907
- Loans and subsidies	7,533,405	5,592,594
- Other	172,403	40,748
Total	32,880,915	27,398,368

Valuation of amounts due from banks (excluding past-due interest)

Following is detail on the adjustments to principal amounts.

31/12/2000

	<i>Nominal Value</i>	<i>Doubtful Amounts</i>	<i>Net Amounts</i>
Non-performing loans	12,506	10,123	2,383
Watchlist credits	18,181	10,419	7,762
Country risk	285,778	54,496	231,282
<i>including:</i>	-	-	-
<i>central banks</i>	-	-	-
<i>banks</i>	285,778	54,496	231,282
Total	316,465	75,038	241,427

31/12/1999

	<i>Nominal Value</i>	<i>Doubtful Amounts</i>	<i>Net Amounts</i>
Non-performing loans	10,461	6,422	4,039
Watchlist credits	20,651	8,866	11,785
Country risk	312,207	47,702	264,505
<i>including:</i>	-	-	-
<i>central banks</i>	-	-	-
<i>banks</i>	312,207	47,702	264,505
Total	343,319	62,990	280,329

Amounts due from banks (including past-due interest)

31/12/2000

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	273,542	75,338	198,204
A.1 Non-performing loans	12,806	10,423	2,383
A.2 Watchlist credits	18,181	10,419	7,762
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	242,555	54,496	188,059
B. Performing loans	32,682,711	-	32,682,711

31/12/1999

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	222,190	63,132	159,058
A.1 Non-performing loans	10,603	6,564	4,039
A.2 Watchlist credits	20,651	8,866	11,785
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	190,936	47,702	143,234
B. Performing loans	27,239,310	-	27,239,310

1.2 Detail of Account 40 - Customer loans and advances

	31/12/2000	31/12/1999
a) Bills eligible for refinancing with central banks	-	-
b) Repurchase agreements	2,122,787	3,617,840
c) Securities lending	-	-

Customer loans amount to ITL 68,503,178 million, net of writedowns of ITL 2,632,403 million. The distribution of loans by category is provided in the following table:

	31/12/2000	31/12/1999
Current accounts	14,378,023	13,200,722
Discounted bills	271,479	416,231
Repurchase agreements	2,122,787	3,617,840
Advances	5,991,751	6,786,964
Advances and subsidies	14,982,097	9,399,048
Personal loans	1,432,777	1,490,184
Non-performing loans	2,215,629	2,081,964
Mortgages and advances toward mortgages	25,759,482	22,982,333
Other	1,349,153	1,305,356
Total	68,503,178	61,280,642

The total includes ITL 2,807 billion of loans booked as a result of the transfer of the business unit from Banca 121.

The loan value of financial leases is provided in the following table:

	31/12/2000	31/12/1999
Loan value of lease contracts executed after 1 January 1995	1,702,055	1,361,251
Loan value of lease contracts executed before 1 January 1995	22,510	37,366
Total	1,724,565	1,398,617

1.3 Secured customer loans and advances

The table below summarizes secured loans. The table includes amounts for partially secured loans and excludes loans to governments and public-sector entities.

	31/12/2000	31/12/1999
a) Mortgages	13,868,075	11,936,997
b) Loans collateralized by:		
1- Cash deposits	381,447	404,431
2- Securities	1,398,254	646,672
3- Other negotiable instruments	26,359	20,069
c) Loans backed by guarantees from:		
1 - Governments	35	35
2 - Other public-sector entities	6,874	3,827
3 - Banks	195,948	159,300
4 - Others	12,761,719	11,589,960
Total	28,638,711	24,761,291

1.4 Non-performing loans (including past-due interest and loan values of financial leases)

Non-performing loans, which include ITL 1,092,228 million of past-due interest (all of which has been written off) can be summarized as follows:

	31/12/2000	31/12/1999
Nominal value	4,123,129	3,930,615
less: valuation adjustments	1,890,261	1,830,758
Book value	2,232,868	2,099,857

1.5 Past-due interest

The table below provides a breakdown of the nominal amount of past-due interest

	31/12/2000	31/12/1999
a) Non-performing loans	1,092,228	1,070,370
b) Other credits	83,380	75,554
c) Amounts due from taxpayers	2,452,098	2,452,098
Total	3,627,706	3,598,022

Past-due interest has been written off completely.

1.6 Valuation adjustments to customer loans (excluding past-due interest and loan values of financial leases)

Following is detail on the adjustments to principal amounts.

31/12/2000

	<i>Original Value</i>	<i>Amount Written Off</i>	<i>Book Value as at 31/12/2000</i>	<i>Doubtful Amount</i>	<i>Book Value</i>
Non-performing loans	5,774,539	2,775,490	2,999,049	783,420	2,215,629
<i>including: mortgages</i>	1,080,880	131,780	949,100	101,112	847,988
<i>other</i>	4,693,659	2,643,710	2,049,949	682,308	1,367,641
Watchlist credits and in arrears (*)	1,425,628		1,425,628	359,943	1,065,685
Country risk	362,093		362,093	13,732	348,361
Total			4,786,770	1,157,095	3,629,675
Lump-sum adjustment on performing loans				300,000	
				1,457,095	

(*) including: current maturities of ITL 264.6 billion on mortgages

Valuation adjustments to non-performing loans amount to 61.63% percent of the original loan value, or 70.86 percent excluding mortgages.

31/12/1999

	<i>Original Value</i>	<i>Amount Written Off</i>	<i>Book Value as at 31/12/1999</i>	<i>Doubtful Amount</i>	<i>Book Value</i>
Non-performing loans	5,434,654	2,604,098	2,830,556	748,592	2,081,964
<i>including: mortgages</i>	975,558	95,773	879,785	89,434	790,351
<i>other</i>	4,459,096	2,508,325	1,950,771	659,158	1,291,613
Watchlist credits and in arrears (*)	1,767,274		1,767,274	391,877	1,375,397
Country risk	434,829		434,829	24,200	410,629
Total			5,032,659	1,164,669	3,867,990
Lump-sum adjustment on performing loans				250,000	
				1,414,669	

(*) including: current maturities of ITL 529.7 billion on mortgages

Valuation adjustments to non-performing loans amount to 61.69 percent of the original loan value, or 71.03 percent excluding mortgages.

Customer loans (including past-due interest and the loan value of financial leases)

31/12/2000

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	5,751,688	2,347,494	3,404,194
A.1 Non-performing loans	4,123,129	1,890,261	2,232,868
A.2 Doubtful loans	1,433,434	419,369	1,014,065
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	104,818	24,132	80,686
A.5 Unsecured loans to countries at risk	90,307	13,732	76,575
B. Performing loans	67,147,136	300,000	66,847,136

Cash credits include: past-due interest, the loan value of non-performing financial leases amounting to ITL 32,152 million (written down by ITL 14,913 million), ITL 29,244 million of watchlist credits (written down by ITL 178 million), and ITL 1,701,847 million of performing loans.

31/12/1999

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	5,947,339	2,321,688	3,625,651
A.1 Non-performing loans	3,930,615	1,830,758	2,099,857
A.2 Doubtful loans	1,780,799	446,884	1,333,915
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	90,353	19,846	70,507
A.5 Unsecured loans to countries at risk	145,572	24,200	121,372
B. Performing loans	59,319,413	250,000	59,069,413

Cash credits include: past-due interest, the loan value of non-performing financial leases amounting to ITL 29,831 million (written down by ITL 11,938 million), ITL 28,324 million of watchlist credits (written down by ITL 701 million), and ITL 1,367,505 million of performing loans.

Trend of doubtful loans to customers (including loan value of financial leases)

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/99	3,930,615	1,780,796		90,353	145,572
A.1 including: past-due interest	1,070,228	75,554			
B. Increases					
B.1 new performing loans	253,234	431,209		8,021	9,438
B.2 past-due interest	122,128	30,020			
B.3 transfer from other categories	210,964	11,502		6,466	
B.4 other increases	365,040	134,530		34,427	5,667
C. Decreases					
C.1 reclassified as performing	2,985	168,581			1,676
C.2 cancellations	387,179	74,571		378	
C.3 recoveries	339,393	488,418		22,873	17,709
C.4 sales	7,136				
C.5 transfer to other categories	4,812	212,921		11,198	2
C.6 other decreases	17,347	10,132			50,983
D. Total outstanding as of 31/12/00	4,123,129	1,433,434		104,818	90,307
D.1 including: past-due interest	1,091,928	83,380			

Trend of total valuation adjustments (including the loan value of financial leases)

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/99	1,830,758	446,884		19,846	24,200	250,000
A.1 including: past-due interest	1,070,228	75,554				
B. Increases						
B.1 valuation adjustments	311,059	153,743		6,782	2,902	113,798
B.1.1 including: past-due interest	122,128	30,020				
B.2 use of loan loss reserves						
B.3 transfers from other categories	54,668	6,230		5,886		20,557
B.4 other increases	160,778	24,745		40		575
C. Decreases						
C.1 reversal of valuation adjustments	35,791	22,697		1,539	12,292	58,939
C.1.1 including: past-due interest	-	-				
C.2 cash recoveries	38,868	36,993		1,158	884	22,087
C.2.1 including: past-due interest	16,689	14,209				
C.3 cancellations	387,179	74,571		378		376
C.4 transfer to other categories	1,511	76,761		5,347	194	3,528
C.5 other decreases	3,653	1,211				
D. Total as of 31/12/00	1,890,261	419,369		24,132	13,732	300,000
D.1 including: past-due interest	1,091,928	83,380				

Trend of doubtful loans to banks

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/99	10,603	20,651			190,936
A.1 including: past-due interest	142				
B. Increases					
B.1 new performing loans		1,326			
B.2 past-due interest	158				
B.3 transfer from other categories					
B.4 other increases	3,631	1,215			65,571
C. Decreases					
C.1 reclassified as performing					
C.2 cancellations					13,952
C.3 recoveries	1,586	5,011			
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases					
D. Total as of 31/12/00	12,806	18,181			242,555
D.1 including: past-due interest	300				

Trend of total valuation adjustments

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/99	6,564	8,866			47,702	
A.1 including: past-due interest	142					
B. Increases						
B.1 valuation adjustments	1,285	3,480			29,879	
B.1.1 including: past-due interest	158					
B.2 use of loan loss reserves	-					
B.3 transfers from other categories						
B.4 other increases	2,574					
C. Decreases						
C.1 reversal of valuation adjustments		1,927			23,085	
C.1.1 including: past-due interest						
C.2 cash recoveries						
C.2.1 including: past-due interest						
C.3 cancellations						
C.4 transfer to other categories						
C.5 other decreases					-	
D. Total as of 31/12/00	10,423	10,419			54,496	
D.1 including: past-due interest	300					

1.7 Effects of the use of the financial method for financial lease transactions

The table below summarizes the effects on equity and earnings that would materialize as a result of the full-scale application of the financial method for accounting for financial lease transactions.

	Shareholders' Equity	Net Profit
Aggregate excess of accumulated depreciation according to the Italian Civil Code and tax regulations and deferred income at 31.12.98	8,460	
2. Aggregate net excess (deficit) of income components according to the Italian Civil Code and tax regulations for the year	1,566	1,566
3. Aggregate excess (deficit) of accumulated depreciation according to the Italian Civil Code and tax regulations and deferred income at 31.12.99	10,026	(1,566)
4. Writedown of the loan value of financial leases	(10,026)	1,566
5. Excess	-	-

The aforementioned differences exclusively regard financial leases executed through 31 December 1994 since the accounting treatment of assets leased as from 1 January 1995 has essentially been in accordance with the financial method.

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

	31/12/2000	31/12/1999
Notes and coins	347,893	263,813
Money orders and bank drafts	38,023	29,171
Cash on deposit with Bank of Italy and central banks	30,122	31,649
Cash on deposit with post offices	11,237	21,585
Other	39	563
Total	427,314	346,781

Section 2 - SECURITIES

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

31/12/2000

Account/Transactions	Investment Securities	Trading Securities	Total
20 – Treasury bonds and similar instruments eligible for refinancing	812,584	1,013,454	1,826,038
50 – Bonds, debentures and other loan securities	5,433,935	9,142,850	14,576,785
60 – Shares and other equity securities	-	952,906	952,906
Total	6,246,519	11,109,210	17,355,729

31/12/1999

Account/Transactions	Investment Securities	Trading Securities	Total
20 – Treasury bonds and similar instruments eligible for refinancing	1,092,508	1,499,722	2,592,230
50 – Bonds, debentures and other loan securities	5,073,228	10,607,169	15,680,397
60 – Shares and other equity securities	-	761,196	761,196
Total	6,165,736	12,868,087	19,033,823

2.1 Investment securities

The table below summarizes the holdings in the investment securities portfolio:

	Book Value 31/12/00	Market Value 31/12/00	Book Value 31/12/99	Market Value 31/12/99
1 Debt securities				
1.1 Government securities				
- listed	502,553	504,856	735,815	749,729
- unlisted	115,012	115,129	63,647	63,970
1.2 Other securities				
- listed	5,001,093	4,842,098	4,571,682	4,374,164
- unlisted	627,861	620,463	794,592	790,140
2 Equity securities				
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	6,246,519	6,082,546	6,165,736	5,978,003

Based on market prices in the final six months of 2000, the investment portfolio included unrealized losses of ITL 186,896 million and unrealized gains of ITL 22,923 million.

Were the securities to have been considered as trading securities, the portfolio would have evidenced, based on the average prices for the month of December, capital losses of ITL 107,090 and capital gains of ITL 25,810 million.

2.2 Annual changes in investment securities

Annual changes in investment securities are as follows:

	31/12/2000	31/12/1999
A. Opening balance	6,165,736	3,388,907
B. Increases	1,382,868	4,559,740
B.1. purchases	1,037,724	1,572,732
B.2. recoveries in value	-	-
B.3. transfers from trading securities portfolio	-	2,520,924
B.4 other changes	345,144	466,084
C. Decreases	1,302,085	1,782,911
C.1. sales	-	-
C.2. redemptions	1,096,900	1,537,792
C.3. valuation adjustments	-	-
Including:		
- permanent writedowns	-	-
C.4. transfers to trading securities portfolio	-	-
C.5. other changes	205,185	245,119
D. Closing balance	6,246,519	6,165,736

Point B.1 includes purchases made with respect to Policies and Procedures and purchases made to substitute securities redeemed. Point B.4 includes the accrual of issuing and trading discounts in the amount of ITL 13,109 million and exchange differences in the amount of ITL 332,035 million.

Point C.5 includes the accrual of issuing and trading discounts in the amount of ITL 138,795 million and exchange differences in the amount of ITL 66,390 million.

2.3 Trading account securities

The table below summarizes the holdings in the trading securities portfolio:

	Book Value 31/12/00	Market Value 31/12/00	Book Value 31/12/99	Market Value 31/12/99
1 Debt securities				
1.1 Government securities				
- listed	4,482,101	4,482,101	7,218,110	7,379,810
- unlisted	5,660	5,685	1,456,887	1,467,519
1.2 Other securities				
- listed	2,712,399	2,712,399	2,576,816	2,604,752
- unlisted	2,956,144	2,969,187	855,078	859,115
2 Equity securities				
- listed	641,785	641,785	617,328	702,213
- unlisted	311,121	319,054	143,868	148,328
Total	11,109,210	11,130,211	12,868,087	13,161,737

As illustrated in the "Valuation Criteria" of these notes, listed trading account securities and unlisted trading account securities economically connected to derivatives contracts have been valued at market value as of the 2000 financial

statements. Instead, unlisted trading account securities and securities having no connection to derivatives contracts continue to be valued at cost which is adjusted in accordance with financial market trends and the solvency of the issuers.

As a result of the adoption of the new valuation criterion, the book value of trading account securities is ITL 95,748 million higher as of 31 December 2000 than it would have been had the previous criterion been used.

In using the new valuation criterion, the trading portfolio balance was adjusted for revaluations and recoveries in the amount of ITL 130,088 million and for valuation adjustments in the amount of ITL 128,028 million, with both sums booked to the profit and loss statement.

The positive difference of ITL 21,001 million between market value and book value consists of unrealized capital gains on unlisted securities not covered by derivatives contracts.

The trading portfolio includes securities relative to the complementary defined-contribution pension funds for staff employed by the Bank as from 1 January 1991; such securities came to ITL 64,564 million as of 31 December 2000 (including government securities in the amount of ITL 46,756 million and equity securities in the amount of ITL 17,808 million) and ITL 53,931 million as of the end of 1999 (all of which were government securities).

2.4 Annual changes in trading account securities

	31/12/2000	31/12/1999
A. Opening balance	12,868,087	18,859,102
B. Increases	467,774,614	470,883,057
B1. Purchases		
Debt securities		
- government securities	384,266,303	378,497,129
- other securities	76,878,797	86,310,339
Equity securities	5,525,633	5,278,318
B2. Recoveries and revaluations	130,088	88,527
B3. Transfers from investment securities portfolio	-	-
B4. Other changes	973,793	708,744
C. Decreases	469,533,491	476,874,072
C1. Sales and redemptions		
Debt securities		
- government securities	387,542,281	380,496,336
- other securities	76,252,135	87,879,378
Equity securities	5,609,563	5,712,762
C2. Valuation adjustments	128,028	218,614
C3. Transfers to investment securities portfolio	-	2,520,924
C4. Other changes	1,484	46,058
D. Closing balance	11,109,210	12,868,087

Point B.4 includes trading income in the amount of ITL 395,826 million, technical overdrafts in the amount of ITL 392,251 million, exchanges differences in the amount of ITL 115,013 million and accrued issuing discounts in the amount of ITL 63,501 million.

Section 3 - EQUITY INVESTMENTS

Investments are reported as follows:

	31/12/2000	31/12/1999
Equity investments in Group companies	6,076,793	4,721,420
Equity investments - other	2,943,034	1,193,975
including:		
- significant equity investments	12,701	15,403
Total	9,019,827	5,915,395

3.1 Equity investments

The following table provides information relative to subsidiaries and affiliates and to companies over which the Bank has significant influence.

Group companies:

Name	Head Office	Net Equity	Profit/Loss	% Held	Book Value
Amministrazioni Immobiliari S.p.A.	Siena	112,217	2,872	100.00	102,974
Banca 121 S.p.A.	Lecce	625,816	120,037	93.98	1,158,502
Banca Agricola Mantovana S.p.A.	Mantua	1,711,286	136,375	51.49	1,991,037
Banca Monte Parma S.p.A.	Parma	255,674	15,008	41.00	259,325
Banca Monte Paschi Belgio S.A.	Brussels	117,168	579	64.48	71,205
Banca Monte Paschi (Suisse) S.A.	Geneva	39,012	4,068	100.00	23,684
Banca MPS (Channel Islands) Ltd.	London	20,649	630	100.00	15,831
Banca Popolare di Spoleto S.p.A.	Spoleto	178,634	14,141	20.00	68,000
Banca Toscana S.p.A.	Florence	2,208,995	130,320	57.28	1,106,635
CARIPRATO S.p.A.	Prato	431,436	28,905	79.00	256,355
Cassa Risparmio San Miniato S.p.A.	San Miniato	299,659	9,571	25.00	110,000
Cons. Operativo Gruppo MPS	Siena	183,754	-	69.96	128,547
Consum.it	Florence	56,158	(6,842)	70.00	44,100
Ducato Gestioni S.p.A.	Milan	125,306	83,347	100.00	29,704
E - Idea S.p.A.	Siena	4,594	(247)	70.00	1,017
GERIT S.p.A.	L' Aquila	1,472	(2,593)	95.57	1,596
Grow Life	Dublin	45,839	27,133	40.00	3,934
Gruppo MPS Asset Management	Milan	86,986	53,710	69.00	20,040
Istituto Nazionale Credito Agrario	Florence	204,784	13,022	63.50	116,410
Italcrossioni S.p.A.	Rome	20,304	(27)	100.00	6,099
M.P. US Commercial Paper Corp.	New York	537	52	100.00	1
Mediocredito Toscano S.p.A.	Florence	482,458	34,126	80.46	249,959
Monte Paschi Banque	Paris	157,279	16,297	70.18	123,376
Monte Paschi Fiduciaria S.p.A.	Siena	2,505	176	86.00	2,139
Monte Paschi SERIT S.p.A.	Palermo	(31,145)	(101,756)	100.00	-
Monte Paschi Vita S.p.A.	Rome	336,962	60,959	51.00	67,754
MP Finance Banca Mobiliare S.p.A.	Siena	291,672	17,484	90.00	78,842
Paschi Gestioni Immobiliari S.p.A.	Siena	9,895	214	40.00	3,873
Saped S.p.A.	Siena	3,343	298	47.40	968
Tein Plc (in liquidazione)	London			100.00	8,327
Ticino Assicurazioni S.p.A. (*)	Rome	44,265	(3,422)	60.00	26,559
(*)1999 values					6,076,793

Net equity includes profit (loss) for the year.

Companies over which the Bank has significant influence:

Name	Head Office	Net Equity	Profit/Loss	% Held	Book Value
Dipras S.p.A.	Rome	2,187	1,209	50.00	100
I.B.A. A.G.	Vienna	22,248	664	35.01	11,623
S.ES.I.T. Puglia SpA	Bari	(5,443)	(6,389)	35.00	331
SO.RI.T S.p.A.	Foligno	(1,600)	(5,458)	46.66	647
					12,701

Net equity includes profit (loss) for the year.

In certain cases, the carrying value of an investment is in excess of the Bank's share of the net equity in the company in which the investment is held. This is attributable to a book value which takes into account specific provisions to 80 c) – Reserve for risks and other charges.

3.2 Assets and liabilities with respect to Group companies

Asset and liability balances with respect to Group companies at year end are summarized in the following table:

	31/12/2000	31/12/1999
a) Assets:	12,545,569	8,333,983
1. Due from banks	8,593,266	4,989,805
including: subordinated amounts	19,025	18,862
2. Due from financial institutions	1,301,698	821,252
including: subordinated amounts	-	-
3. Due from other customers	1,722,645	1,822,006
including: subordinated amounts	-	-
4. Bonds and other debt securities	927,960	700,920
including: subordinated amounts	99,662	210,870
b) Liabilities:	3,738,225	3,496,085
1. Due to banks	1,636,255	374,772
2. Due to financial institutions	1,871,649	2,746,297
3. Due to other customers	98,791	241,894
4. Liabilities backed by securities	-	-
5. Subordinated liabilities	131,530	133,122
c) Guarantees and commitments:	1,617,145	806,310
1. Guarantees released	878,606	700,720
2. Commitments	738,539	105,590

3.3 Assets and liabilities with respect to companies in which investments are held (other than Group companies)

	31/12/2000	31/12/1999
a) Assets:	1,698,169	2,115,533
1. Due from banks	74,586	1,717,600
including: subordinated amounts	-	-
2. Due from financial institutions	460,935	227,048
including: subordinated amounts	138,810	
3. Due from other customers	1,073,364	170,885
including: subordinated amounts		
4. Bonds and other debt securities	89,284	-
including: subordinated amounts	12,384	-
b) Liabilities:	2,234,291	1,372,511
1. Due to banks	312,489	524,499
2. Due to financial institutions	74,030	212,094
3. Due to other customers	1,748,022	528,668
4. Liabilities backed by securities	-	-
5. Subordinated liabilities	99,750	107,250
c) Guarantees and commitments:	876,847	232,559
1. Guarantees released	90,220	87,080
2. Commitments	786,627	145,479

3.4 Composition of Account 70- Equity investments

Investments are detailed as follows:

	31/12/2000	31/12/1999
a) In banks	2,450,306	779,389
1. listed	2,370,331	706,507
2. unlisted	79,975	72,882
b) In financial institutions	60,609	27,494
1. listed	29,796	-
2. unlisted	30,813	27,494
c) Other	432,119	387,092
1. listed	101,005	118,397
2. unlisted	331,114	268,695
Total	2,943,034	1,193,975

3.5 Composition of Account 80- Equity investments in Group companies

Investments in Group companies, analyzed by business sectors, are as follows:

	31/12/2000	31/12/1999
a) In banks	5,558,647	4,414,655
1. listed	3,165,672	3,097,672
2. unlisted	2,392,975	1,316,983
b) In financial institutions	172,687	100,300
1. listed	-	-
2. unlisted	172,687	100,300
c) Other	345,459	206,465
1. listed	-	-
2. unlisted	345,459	206,465
Total	6,076,793	4,721,420

3.6 Annual changes in equity investments

Annual changes in equity investments are summarized in the following two tables.

3.6.1 Equity investments in Group companies

	31/12/2000	31/12/1999
A. Opening balance	4,721,420	2,451,164
B. Increases:	1,454,212	2,576,208
B1. purchases	1,362,918	2,565,039
B2. recoveries	695	491
B3. revaluations	-	-
B4. other changes	90,599	10,678
C. Decreases:	98,839	305,952
C1. sales	8,713	-
C2. valuation adjustments including: permanent writedowns	23,746	192,271
C3. other changes	66,380	113,681
D. Closing balance	6,076,793	4,721,420
E. Total revaluations	-	-
F. Total adjustments	-	-

Annual changes in the value of other equity investments

	31/12/2000	31/12/1999
A. Opening balance	1,193,975	1,176,388
B. Increases:	1,820,320	633,229
B1. purchases	133,084	379,305
B2. recoveries	12,511	572
B3. revaluations	1,663,823	-
B4. other changes	10,902	253,352
C. Decreases:	71,261	615,642
C1. sales	46,205	76,080
C2. valuation adjustments including: permanent writedowns	4,547	25,766
C3. other changes	20,509	513,796
D. Closing balance	2,943,034	1,193,975
E. Total revaluations	-	-
F. Total adjustments	-	-

Detail on the changes is provided in the following tables.

Changes in the values of the individual investments

Changes in the values of the individual investments in Group companies

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustment	Sales	Other Increases	Other Decreases	Book Value
Banca 121 S.p.A.	-	1,000,040	-	-	-	-	9,600	-	1,009,640 1)
Banca 121 S.p.A. pref.	-	148,862	-	-	-	-	-	-	148,862 1)
Cons. Operativo Gruppo MPS	3,500	-	125,047	-	-	-	-	-	128,547
E -Idea	-	-	1,017	-	-	-	-	-	1,017
Consum.it	27,670	-	13,300	-	-	-	3,130	-	44,100
Gerit	-	-	-	-	(1,729)	-	3,325	-	1,596
Grow Life	-	-	-	-	-	-	3,934	-	3,934
Gruppo MPS Asset Management	28,754	-	-	-	-	(8,713)	-	-	20,041
Italiscossioni	-	61	6,038	-	-	-	-	-	6,099
Mediocredito Toscano	249,948	11	-	-	-	-	-	-	249,959
Monte Paschi Fiduciaria	2,085	-	-	54	-	-	-	-	2,139
MP Finance Banca Mobiliare	14,173	-	64,669	-	-	-	-	-	78,842
Monte Paschi Serit	-	-	-	-	(20,000)	-	70,610	(50,610)	- 2)
Paschi Gestioni Immobiliari	-	-	3,873	-	-	-	-	-	3,873
Saped Servizi	608	-	-	-	-	-	-	(608)	-
MP Channel Islands Lt.	15,190	-	-	641	-	-	-	-	15,831
Tein Plc	23,489	-	-	-	-	-	-	(15,162)	8,327
Ticino Assicurazioni	28,576	-	-	-	(2,017)	-	-	-	26,559
		1,148,974	213,944	695	(23,746)	(8,713)	90,599	(66,380)	

1) With reference to the purchase of Banca 121, as of the termination of all transactions described hereinabove, the overall price of the purchase was ITL 2,360 billion. The book value is the result of the following transactions which led to the acquisition of Banca 121.

	<i>in ITL bn</i>
- A total of 21,731,987 Banca 121 shares coming from the merger of the Holdings of Banca 121 booked at the historic cost on the books of the incorporated companies, which were exchanged for 112,173,558 BMPS shares with a market value of €3.65 each.	127,811
- A total of 16,197,905 shares purchased in cash by shareholders who are party to a shareholder agreement controlling Banca 121	596,278
- A total of 5,519,496 Banca 121 shares valued at the corresponding value of Banca 121 net equity transferred to BMPS in exchange for 28,749,509 BMPS shares with a market value of €3.65 each.	33,743
- A total of 33,230,976 shares acquired from minority shareholders in Banca 121 following the public offer, booked at the corresponding value of Banca 121 net equity and settled partly in cash for ITL 256,646 million, and partly through the transfer of 59,389,040 BMPS shares with a market value of €4.36 each.	391,070
- Capitalized costs of third-party services relative to the public tender offer.	9,600
	<u>1,158,502</u>

In accordance with the disclosure required under Article 2343 of the Italian Civil Code, the Bank hereby affirms that the carrying value of the investment in Banca 121 does not exceed the value established by an appraisal expert appointed by the Court of Siena.

2) Use of share capital for partial coverage of losses and the relative recapitalization

Changes in the values of significant investments

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustments	Sales	Other Increases	Other Decreases	Book Value
I.B.A. A.G.	11,020	-	-	603	-	-	-	-	11,623
Grow Life	3,934	-	-	-	-	-	-	(3,934)	-
S.ES.I.T. Puglia	350	-	-	-	(19)	-	-	-	331
SO.R.I.T. ord.	-	-	-	-	-	-	642	(312)	330
SO.R.I.T. pref.	-	-	-	-	-	-	629	(312)	317
		-	-	603	(19)	-	1,271	(4,558)	

Changes in the values of the individual investments in other companies

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustments	Sales	Other Increases	Other Decreases	Book Value
Agenzia Sviluppo Lazio	-	-	1,204	-	-	-	-	-	1,204
Alpha Bank Romania	-	6,490	-	-	-	-	-	-	6,490
Auriga Immobiliare	-	9,217	-	-	-	-	54	-	9,271
Autocamionabile della Cisa	2,345	-	812	-	-	-	-	-	3,157
Autostrada Torino-Milan	22,971	-	-	-	-	(12,604)	-	-	10,367
Bassilichi	629	-	-	14	-	-	-	-	643
Bell S.A. Cl. A	113,758	-	24,250	-	(113)	-	-	-	137,895
Bell S.A. Cl. B	113,754	-	24,257	-	(113)	-	-	-	137,898
Bic Umbria	23	-	-	2	-	-	-	-	25
Cassa Compensazione e Garanzia	2,500	-	-	-	-	(2,500)	-	-	-
Cefris	-	-	-	-	-	-	-	-	-
Centro Agro Alimentare Bologna	813	-	-	-	(238)	-	-	-	575
Centro Agro Alimentare Napoli	866	-	280	-	-	-	-	-	1,146
Confidi Coop. Marche	-	50	-	-	-	-	-	-	50
Cons. Agr. Prov.le Siena	-	-	71	-	-	-	-	-	71

Consorzio Intesa Aretina	194	-	-	-	-	112	-	306
E-MID	427	-	-	(8)	-	-	-	419
Elsacom N.V.	8,695	-	-	(16)	-	-	-	8,679
Elsag Back Office Services	-	-	380	-	(152)	-	-	228
Engineering	-	20,500	-	-	-	-	(4,787)	15,713
Esse SpA	72	-	-	(22)	-	-	-	50
Etruria Innovazione	28	-	-	1	-	-	-	29
Eurochianti	5	-	-	(1)	-	-	-	4
Euros	68	-	-	-	-	-	-	68
Evoluzione 94	4,382	-	-	-	-	-	(945)	3,437
Fidi Toscana	8,989	-	4,414	-	-	-	-	13,403
Finanziaria Laziale Sviluppo	1,364	-	-	-	-	-	(1,364)	-
Fincasa 44	-	31,802	-	(2,006)	-	-	-	29,796
Finlombarda	11	-	-	(2)	-	-	-	9
Finpuglia	139	-	-	(21)	-	-	-	118
Firenze Mostre	100	-	-	(18)	-	-	-	82
Horti Sallustiani Expò	24	-	-	-	(24)	-	-	-
Immobiliare Lombarda	4,362	-	-	(1,931)	-	-	-	2,431
Infoser	876	-	767	-	-	-	-	1,643
Iniziative Immobiliari	-	1,035	-	-	-	-	-	1,035
Ist. Encicl. Banca and Borsa	34	-	-	(6)	-	-	-	28
Ital Tbs	-	3,500	955	-	-	-	-	4,455
Lucandocks	-	50	-	-	-	-	-	50
Mercato Government securities	818	-	192	-	-	-	-	1,010
Mediocredito Centrale	-	-	-	-	-	8,855	-	8,855
Mediocredito di Roma	8,855	-	-	-	-	-	(8,855)	-
Mercato Mobiliare Italia	15	-	-	-	(15)	-	-	-
Centrale	-	-	-	-	-	-	-	-
Nomisma	-	162	-	-	-	2	-	164
Olivetti SpA	70,280	-	11,891	-	(30,461)	-	-	51,710
Parco Scientifico and Tecn.co	-	25	-	-	-	-	-	25
Patto della Piana	-	2	-	-	-	-	-	2
Patto Territoriale Area Metr. Bari	-	-	1	-	-	-	-	1
Patto Territoriale Polis	-	4	-	-	-	-	-	4
Polo Universitario Aretino	-	10	-	-	-	-	-	10
San Paolo IMI (1)	680,452	-	-	-	-	1,663,823	-	2,344,275
Saped Servizi	-	-	-	-	(429)	608	-	179
S.T.A.	-	675	1,575	-	-	-	-	2,250
Siena Mortgages	-	-	14	-	-	-	-	14
Siena Parcheggi	628	-	130	-	-	-	-	758
So.Fin.Ind.	-	-	30	-	-	-	-	30
Soc. Gest. Patto Terr. Sarnese	100	-	-	(30)	-	-	-	70
Soc. It. Organismo Att.ne	-	110	-	-	-	-	-	110
Soc. Sviluppo Materano	-	-	3	-	-	-	-	3
Soc. Prom. Area Sud Basilicata	3	-	7	(1)	-	-	-	9
Soc. Aeroporto Cuneo Levaldigi	1	-	-	-	(1)	-	-	-
Sogg. Interm. Appennino Centrale	4	-	4	(2)	-	-	-	6
Sudbroker	19	-	-	-	(19)	-	-	-
Sviluppo Sele Tanagro	30	-	70	-	-	-	-	100
Tiziano Finance	-	2	-	-	-	-	-	2
Ulisse	-	-	4	-	-	-	-	4
Valdarno Sviluppo	49	-	30	-	-	-	-	79
		73,634	59,450	11,908	(4,528)	(46,205)	1,673,454	(15,951)

(1) San Paolo IMI: the amount of ITL 1,663,823 million represents revaluation of the investment pursuant to Article 2359 of the Italian Civil Code, in accordance with Law 342 of 2000. The revaluation aligns the investment with the

market value reported as of the close of the year, inasmuch as said value is compatible with the limits established by Article 11, Paragraph 2 of the aforementioned Law 342 of 2000.

Section 4 – FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets

Fixed assets consist of the following:

	31/12/2000	31/12/1999
Buildings	1,724,577	1,146,154
Furniture and equipment	104,180	106,761
Assets under financial leases	1,868,428	1,498,523
Total	3,697,185	2,751,438

4.1 Annual changes in balances of fixed assets

The annual changes in the fixed asset accounts are summarized in the table below:

Account/Amount	31/12/2000			31/12/1999		
	Buildings	Furniture and Equipment	Assets Under Financial Leases	Buildings	Furniture and Equipment	Assets Under Financial Leases
A. Opening balance	1,146,154	106,761	1,498,523	1,441,754	102,757	1,310,825
B. Increases:	648,557	71,261	1,002,667	24,647	75,022	771,186
B1. purchases and improvements	391,662	70,922	1,002,667	22,485	73,744	771,186
B2. recoveries	-	-	-	-	-	-
B3. revaluations	255,791	-	-	-	-	-
B4. other changes	1,104	339	-	2,162	1,278	-
C. Decreases:	70,134	73,842	632,762	320,247	71,018	583,488
C1. sales	124	1,003	22,008	16,793	2,878	37,125
C2. valuation adjustments:						
a. depreciation	67,043	59,196	610,754	47,809	66,862	546,363
b. permanent writedowns	-	-	-	-	-	-
C3. other changes	2,967	13,643	-	255,645	1,278	-
D. Closing balance	1,724,577	104,180	1,868,428	1,146,154	106,761	1,498,523
E. Total revaluations	1,129,630	-	-	874,073	-	-
F. Total adjustments:	519,313	595,927	1,581,163	452,209	605,185	1,264,863
a. depreciation	519,313	595,927	1,581,163	452,209	605,185	1,264,863
b. permanent writedowns	-	-	-	-	-	-

In accordance with prevailing regulations in Italy, assets have been revalued pursuant to Law No. 576 of 2 December 1975, Law No. 72 of 19 March 1983, Law No. 413 of 30 December 1991 and Law No. 218 of 1990.

Buildings were also revalued in 2000 pursuant to Law 342. Such revaluation, in the amount of ITL 255,791 million, reflects the adjustment of cost to market value as estimated by the subsidiary company, Paschi Gestioni Immobiliari S.p.A.; the consistency of the valuation was also verified by an independent company specialized in property investments.

Asset purchases and improvements include ITL 338,860 million of assets associated with banking activity which were acquired from the MPS Foundation under a purchase option established in 1995. The Bank previously leased such assets from the MPS Foundation.

Advances toward the purchase of assets and amounts to be booked definitively to fixed assets came to ITL 1,607 million in the case of buildings and ITL 146,245 million for assets under lease.
The value of the assets used by the Bank in the normal course of business amounted to ITL 1,718,924 million as of 31 December 2000.

Intangible assets

Intangible assets consist of the following:

	31/12/2000	31/12/1999
Goodwill on purchase of Banca 121 business unit	56,700	
Purchases of software and start-up costs	49,282	99,155
Commissions for placement of debentures	15,457	13,719
Costs for BAM tender offer, BMPS market listing, purchase of Banca 121 and other	48,063	49,509
Total	169,502	162,383

4.2 Annual changes in balances of intangible assets

The annual changes in the intangible asset accounts are summarized in the table below:

	31/12/2000		31/12/1999	
	Goodwill	Other	Goodwill	Other
A. Opening balance	-	162,383	-	29,839
B. Increases:	63,000	54,331	-	175,105
B1. purchases	63,000	54,008	-	174,472
B2. recoveries	-	-	-	-
B3. revaluations	-	-	-	-
B4. other changes	-	323	-	633
C. Decreases:	6,300	103,912	-	42,561
C1. sales	-	-	-	-
C2. valuation adjustments:				
a. amortization	6,300	29,466	-	42,474
b. permanent writedowns	-	-	-	-
C3. other changes	-	74,446	-	87
D. Closing balance	56,700	112,802	-	162,383
E. Total revaluations	-	-	-	-
F. Total adjustments:	6,300	75,904	-	68,585
a. amortization	6,300	75,904	-	68,585
b. permanent writedowns	-	-	-	-

Section 5 – OTHER ASSETS

5.1 Composition of Account 130- Other assets

The account includes the following:

	31/12/2000	31/12/1999
Amounts due from taxpayers – tax collection service	2,906,206	2,801,094
Advance payments of taxes and tax credits	512,399	585,690
Third-party checks held for collection	581,779	642,667
MPS checks held for collection	284,032	37,439
Clearing balances with branches	247,965	40,514
Amounts due on foreign-currency transactions	329,961	78,571
Revaluations of off-balance-sheet transactions	760,787	412,433
Option premiums paid	400,563	168,953
Security deposits	27,773	17,759
Deferred tax assets*	329,327	362,961
Other	3,477,353	6,019,747
Total	9,858,145	11,167,828

* See note in Section 7.4 "Reserve for taxes"

The revaluations of off-balance-sheet items includes the revaluation of forward foreign exchange transactions and derivatives as indicated in criteria described in Part A, Section 1 of these notes.

5.2 Composition of Account 140 - Accrued income and prepayments

The account consists of the following:

	31/12/2000	31/12/1999
Accrued income:		
Interest on customer loans and advances	173,331	121,134
Owned securities	282,635	325,700
Differentials on hedging transactions	961,335	1,353,253
Interest on loans and advances to banks	377,098	192,422
Tax-collection commissions	22,017	7,806
Other	354,413	100,858
	2,170,829	2,101,173
Prepayments:		
Differentials on hedging transactions	15,687	25,100
Other	33,233	19,965
	48,920	45,065
Total	2,219,749	2,146,238

5.3 Adjustments to accrued income and prepayments

No adjustments have been made directly to the accounts.

5.4 Subordinated loans receivable

The Bank holds the following assets whose repayment is subordinated to the respective borrowers' repayment of other obligations.

	31/12/2000	31/12/1999
a) Due from banks	19,025	18,862
b) Customer loans and advances (*)	159,461	-
c) Bonds and other fixed-income securities	279,719	272,921
Total	458,205	291,783

(*) The balance includes ITL 20,651 million relative to a subordinate loan made to Siena Mortgages 00-1.

5.5 Composition of Account 120 – Own shares and quotas

	31/12/2000	31/12/1999
Own Shares	11,336	57,255

The account balance represents shares of the Bank purchased to meet commitments for the issue of bonus shares during the year. The shares are valued at cost, with the value of the asset offset by a reserve of the same amount in accordance with Article 2357 ter of the Italian Civil Code.

Section 6 - LIABILITIES

Detail of Account 10 – Due to banks

	31/12/2000	31/12/1999
a) repurchase agreements	5,457,515	4,440,309
b) securities lending	-	-

Funding from banks consists of the following amounts:

	31/12/2000	31/12/1999
Sight:		
Current accounts	597,459	373,862
Demand deposits	697,600	5,822,156
Other	105,308	347,516
	1,400,367	6,543,534
Time or requiring advance notice of withdrawal:		
Borrowings from Bank of Italy	189,126	220,822
Borrowings from international institutions	864,411	848,613
Borrowings from other central banks	630,581	347,092
Restricted deposits and borrowings	22,619,214	17,244,840
Mortgage loans	24	71
Refinancing from Artigiancassa	6,462	9,977
Repurchase agreements	5,457,515	4,440,309
Other	-	-
	29,767,333	23,111,724
Total	31,167,700	29,655,258

6.2 Detail of Account 20- Customer deposits

	31/12/2000	31/12/1999
a) repurchase agreements	9,493,709	7,686,070
b) securities lending	-	-

Customer deposits consist of the following amounts:

	31/12/2000	31/12/1999
Sight:		
Savings deposits	3,870,283	4,027,982
Current accounts	34,501,639	30,822,367
Other	1,033,229	462,320
	39,405,151	35,312,669
Time or requiring advance notice of withdrawal:		
Savings deposits	194,480	409,281
Restricted deposits and current accounts	3,528,466	2,426,499
Repurchase agreements	9,493,709	7,686,070
Funding from international entities	76,712	73,757
Other liabilities	510,904	799,962
	13,804,271	11,395,569
Total	53,209,422	46,708,238

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

Other borrowed funds backed by negotiable instruments consist of the following amounts:

	31/12/2000	31/12/1999
Bonds (*)	18,398,222	13,183,395
Certificates of deposit	12,975,289	16,609,563
Other securities	1,019,388	724,931
Total	32,392,899	30,517,889

(*) The balance includes ITL 255 billion of liabilities acquired as a result of the transfer of the Banca 121 business unit.

Total customer deposits	85,602,321	77,226,127
Change	10.85%	

Section 7 – RESERVES

This section summarizes the liabilities in Accounts 70, 80, and 90.

7.1 Composition of Account 90 - Reserve for loan losses

The reserve for loan losses has been calculated in accordance with Article 20, Paragraph 6 of Law Decree No. 87 of 1992. The reserve does not represent an adjustment to any specific asset and is designed to cover credit risks only.

7.2 Changes in Account 90 – Reserve for loan losses

	30 12 2000	31/12/1999
A. Opening balance	280,000	280,000
B. Increases		
B1. provisions	20,000	-
B2. other changes	-	-
C. Decreases		
C1. use of reserve	-	-
C2. other changes	-	-
D. Closing balance	300,000	280,000

7.3 Composition of Sub-Account 80 c) - Reserves for risks and other charges: other reserves

	31/12/2000	31/12/1999
Provisions for guarantees and commitments	33,899	21,917
Provisions for contingencies and other charges	567,541	491,504
Total	601,440	513,421

Changes in the sub-account are summarized in the following table:

Guarantees and commitments

	31/12/2000	31/12/1999
Opening balance	21,917	21,312
Usage	-	-
Provisions	11,982	605
Total	33,899	21,917

The provisions relate to losses with respect to guarantees given and commitments undertaken, and have been calculated pursuant to Article 20, Paragraph 7 of Law Decree 87 of 1992.

Provisions for contingencies and other charges

Provisions for contingencies and other charges include estimates relative to the following:

	31/12/2000	31/12/1999
Pending litigation	177,444	147,223
Provisions for misappropriations	16,863	11,983
Risks of restitution of payments received from insolvent borrowers	133,100	127,400
Credit risks on loan value of financial leases	5,065	2,777
Tax collection activities	85,000	70,000
Provisions for losses of companies in which investments are held	9,415	15,778
Securities issued by high-risk nations	20,449	14,812
Other	120,205	101,531
Total	567,541	491,504

The allocation of sums to the various accounts is adjusted during the year to reflect the changes in the underlying risks.

The "other" account includes a ITL 50 billion provision to cover probable risk relative to the renegotiation of interest rates on subsidized mortgages. This provision was computed by applying a substitution rate of 9% to mortgage payments coming due between 1 July 1999 and 31 December 2000. In the case of the installments due thereafter, from 2001 to 2008, the charge was ITL 105 billion.

In relation to the so-called "usurious" loans, the substitution interest rate takes effect with installments subsequent to 2 January 2001 and thus no provision was made to the profit and loss statement for 2000. At the end of 2000, the Italian Senate voted into law a decree calling for a substitution interest rate of 9.96 percent, with a discount to 8.0 percent in the case of amounts of less than ITL 150 million for loans relative to the purchase of non-luxury homes. The estimated charge is equal to ITL 16 billion and regards installments due from 2001 to 2008.

In the case of non-subsidized, fixed-rate mortgages, the outstanding principal is equal to ITL 127 billion and the relative estimated charge amounts to ITL 10 billion with regard to installments falling due between 2001 and 2005.

Changes in the provisions for contingencies and other charges are summarized in the following table:

	31/12/2000	31/12/1999
Opening balance	491,504	416,325
Usage	(55,000)	(4,051)
Provision	128,330	79,198
Other changes	2,707	32
Total	567,541	491,504

The usage of the reserve reflects the reclassification of ITL 55 billion to the reserve for taxes (reference is made to Section 7.4 – Reserve for taxes).

7.4 Composition of Sub-account 80 b) - Reserve for taxes

	31/12/2000	31/12/1999
Direct taxes	948,078	573,648
Deferred taxes	33,072	43,950
Indirect and foreign taxes	18,169	21,265
Other	188,500	170,500
Total	1,187,819	809,363

The reserve for taxes includes provisions relative to:
current corporate income taxes ("IRPEG") and current taxes on productive activity ("IRAP");
deferred tax liabilities;
taxes paid by foreign branches;
estimated taxes on litigation in process and possible future litigation as valued in accordance with the principle of prudence.

In the second year of applying the provisions issued by the Bank of Italy regarding deferred taxation (Order of the Governor of the Bank of Italy of 3 August 1999, published in the Official Gazette of the Republic of Italy, General Series, First Part, No. 188 of 12 August 1999), the reporting of deferred taxes was effected in accordance with the cited regulations and pursuant to the method adopted in 1999, namely, the balance-sheet liability method. In particular, the conditions for reporting deferred tax assets and deferred tax liabilities were verified in the case of amounts previously booked as well as with reference to the amounts booked in 2000.

The time horizon considered of the reporting of deferred tax assets and liabilities coincides with the 2001-2003 period covered by the Bank's strategic plan.

Deferred tax assets were booked principally as a result of timing differences:
direct writedowns of loans deductible over seven years in accordance with Article 71, Paragraph 3 of the Fiscal Consolidation Act;
writedowns of loans deductible over nine years pursuant to Article 3, Paragraph 107 of Law 549 of 1995;
repair and maintenance expenses in excess of five percent of the aggregate cost of all depreciable assets as of the beginning of the year deductible over five years pursuant to Article 67, Paragraph 7 of the Fiscal Consolidation Act;
expenses relative to two or more years deductible over five years, pursuant to Article 74, Paragraphs 1 and 2 of the Fiscal Consolidation Act;

the portion of the provision to the reserve for future charges which is deductible in 2001.

Deferred tax liabilities mainly relate to the recognition of capital gains over a five-year period, pursuant to Article 54, Paragraph 4 of the Fiscal Consolidation Act.

Provisions for taxes have not been made relative to reserves totaling ITL 4,451,499 million, since the payment of taxes on such amounts is not considered probable. Such amounts are held in the following reserves: monetary revaluation reserves which are part of share capital; the reserve maintained pursuant to Article 13 of Law No. 124 of 1993; the reserve maintained pursuant to Article 21 of Law Decree No. 213 of 1998, the special reserve set up in accordance with Law 218 of 1990, the revaluation reserve pursuant to Law 342 of 2000 and other tax-exempt reserves. Changes occurring with respect to the reserve balances as of 31 December 1999 are the result of the following:

- revaluation of buildings and equity investments pursuant to Law 342 of 2000: ITL 1,621,440 million;
- provisions made to the reserve maintained under Law No. 124 of 1993 upon the allocation of 1999 earnings: ITL 1,393 million;
- annual provision made to the special reserve maintained under Law Decree 153 of 1999: ITL 216,030 million.

Deferred taxes were calculated separately for corporate income taxes and taxes on productive activity, applying in the former case a rate of 36 percent to the years 2001 and 2002 and 35 percent to 2003; and applying in the latter case a rate of 5.0 percent for 2001, 4.75 percent for 2002 and 4.25 percent for 2003.

Adjustments were also made to the deferred taxes recorded in 1999 in order to incorporate new corporate tax rates as from 2001.

No deferred tax assets were calculated relative to certain reserves (reserves for risks and other charges and loan loss reserves) since there is a high degree of uncertainty that the assets would be realized over the time horizon considered. In addition, there are no deferred taxes ascribed to any account other than Account 80 b), "Reserve for taxes", since there are no premises for the same.

Changes in the reserve for taxes over 1999 are summarized in the following table:

	31/12/2000	31/12/1999
A) Opening balance	809,363	762,049
B) Increases		
B.1 Annual tax provision	616,414	591,197
B.2 Deferred taxes booked during the year	6,253	18,018
B.3 Other changes (1)	435,595	1,136
C) Decreases		
C.1 Usage for payments on account	581,299	538,642
C.2 Deferred taxes used during the year	17,131	20,354
C.3 Other changes (2)	81,376	4,041
D) Closing balance	1,187,819	809,363

(1) Exchange-rate differences of foreign branches and adjustment in relation to Law Decree 153 of 1999 and substitute taxes pursuant to Law 342 of 2000

(2) Includes ITL 80 billion as an adjustment in relation to estimated taxes on litigation in process and possible future litigation.

Tax litigation in process mainly regards direct taxes and is the result of objections to tax assessments made by both the Bank and by subsidiaries of the Bank. The assessments generally concern aspects which are common to the banking system; the main issues include: proportional recovery of expenses which may be directly taken by banks; interest on tax credits; potential capital gains on owned securities; and the absence of the recognition of tax exemption on interest realized on traded Italian Treasury Bills ("BOTs"). The disputes for the years settled to date have repeatedly been in favour of the Bank, in various jurisdictions, up to the Central Tax Commission.

The principal disputes in which the Bank was involved in 2000 include:

- a partial assessment of corporate income tax and tax on productive activity relative to 1998. The dispute, which regards the effects of the incorporation of the Cassa di Risparmio di Prato, was settled through an agreed assessment, with the same terms and conditions as applied to the years of 1996 and 1997 which were settled in 1999 and involve the same type of dispute.
- the audit of the Frankfurt Branch regarding the shareholders' equity tax and income tax for the years from 1993 to 1997. In this case, too, the dispute was settled with an agreement with the German fiscal authorities.

In calculating annual taxes, the Bank took into account fiscal benefits provided under Law 153 of 1999 (the so-called "Ciampi Law") with regard to certain concentration transactions which took place in 1999 and 2000. Such benefits allowed for provisions to special reserves to be taxed at a reduced rate of 12.5 percent. Acknowledging, however, that

such benefits, which were suspended in 2000, have been the subject of a formal investigation by the European Union (as published in the Official Gazette of the European Union n. C44/02 of 10 February 2001), the cumulative provision of ITL 98 billion was adjusted so as to provide for taxation on the full amount of the reserve at a rate of 37 percent; the specific provision of ITL 55 billion made in 1999 to the reserve for risks and other charges was accordingly reclassified.

In the opinion of management, the Bank has made sufficient provisions to cover any liabilities arising from pending tax litigation as well as from possible future litigation of the same nature.

Changes in the balances of deferred tax assets and deferred tax liabilities are presented in the following tables:

Changes in the balance of deferred tax assets

Opening balance		362,961
Increases		105,055
- deferred tax assets booked during the year	24,670	
- other increases	80,385	
Decreases		138,689
- deferred tax assets cancelled during the year	129,239	
- other decreases	9,450	
Closing balance		329,327

Changes in the balance of deferred tax liabilities

Opening balance		43,950
Increases		6,253
deferred tax liabilities booked during the year	579	
other increases	5,674	
Decreases		17,131
deferred tax liabilities cancelled during the year	15,089	
other decreases	2,042	
Closing balance		33,072

7.5 Sub-account 80 a) - pension fund and similar obligations

The changes in the account balance over 2000 are summarized below:

	31/12/2000	31/12/1999
Opening balance	141,063	133,948
Usage	(5,721)	(11,400)
Provisions and Bank contributions	12,365	5,980
Employee contributions	19,495	15,073
Adjustment of balance for investment income	333	(1,508)
Transfers from another fund	653	-
Other	(232)	(1,030)
Total	167,956	141,063

The balance consists of the following amounts:

- a) ITL 33,766 million of defined benefit pension funds for the Bank's tax collection staff;
- b) ITL 10,228 million of pension funds for the Bank's chief executives;
- c) ITL 46,059 million of complementary defined contribution pension funds for the Bank's tax collection staff;

d) ITL 77,903 million of complementary defined contribution pension funds for the staff employed by the Bank as from 1 January 1991.

7.6 Composition of Account 70 - Staff severance indemnity reserve

The changes in the account balance over 2000 are summarized below:

	31/12/2000	31/12/1999
Opening balance	472,958	714,350
Indemnities paid	(16,432)	(28,059)
Advances under Law 297 of 1982	(16,300)	(12,098)
Other advances	(653)	-
Transfer to the supplemental pension fund	(52,811)	(46,420)
Provisions	85,214	84,552
Acquisition of Banca 121 business unit	11,407	-
Other changes	(11,652)	(239,367)
Total	471,731	472,958

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

Section 8 - CAPITAL, RESERVES, RESERVE FOR GENERAL BANKING RISKS

8.1 Composition of Account 100 – Reserve for general banking risks

	31/12/2000	31/12/1999
Total	813,000	813,000

8.2 Composition of Account 110 - Subordinated debt

Currency	Issue Date	Expiry Date	Interest Rate	Book Value
ITL	01/01/1996	01/01/2001	Floating	100,000
ITL	01/12/1998	01/12/2005	Floating	299,901
ITL	01/12/1998	01/12/2005	Fixed	299,881
EUR	12/03/1999	12/03/2009	Floating	809,275
EUR	30/09/1999	30/09/2006	Floating	406,617
EUR	15/05/2000	15/05/2007	Fixed	290,440
EUR	15/05/2000	15/05/2007	Floating	290,441
EUR	07/07/2000	07/07/2015	Floating	58,088
EUR	20/07/2000	20/07/2015	Floating	48,407
EUR	21/12/2000	21/12/2010	Floating	580,881
				3,183,931

The subordinated debt agreements do not include any provisions for prepayment or for the conversion into equity or into other types of liabilities. The subordinated debt issues have been structured and placed in accordance with the Bank of Italy requirements, and may be included as supplemental net equity for the computation of capital-adequacy ratios. The following conditions are expressly provided:

Should the Bank be placed in liquidation, the debt would be reimbursed only after the payment to debts with a higher claim have been satisfied;

The term of the loans is no less than five years;

The prepayment of the debt may only take place upon the Bank's initiative and must be approved by the Bank of Italy.

8.3 Composition of Account 120 - Share capital

	Par Value	Number of Shares	31/12/2000
Ordinary shares	1,000	2,351,895,107	2,351,895
Savings shares	1,000	8,574,700	8,575
			2,360,470

	Par Value	Number of Shares	31/12/1999
Ordinary shares	1,000	2,151,583,000	2,151,583
Savings shares	1,000	8,574,700	8,575
			2,160,158

A share capital increase was effected in 2000 in accordance with the resolutions approved at an extraordinary shareholders' meeting of 7 June 2000 following the acquisition of 93.98 percent of Banca 121; the various transactions involved in the increase are set forth as follows:

- share capital increase from ITL 2,160,157,700,000 to ITL 2,272,331,258,000 to service the merger by incorporation of Holdings of Banca 121;
- share capital increase from ITL 2,272,331,258,000 to ITL 2,301,080,767,000 to be used for the issue of new ordinary shares to be exchanged for Banca 121 ordinary shares;
- share capital increase from ITL 2,301,080,767,000 to ITL 2,360,469,807,000 to be used for the issue of new shares to be issued to Banca 121 shareholders tendering their ordinary and preferred shares at the time of the BMPS public offer for Banca 121.

8.4 Composition of Account 130 - Paid-in capital

	31/12/2000	31/12/1999
Total	1,012,524	978,414

The change in the account balance results from the increase in share capital and the payment of an aggregate amount of ITL 80,029 million in excess of par value and a decrease of ITL 45,919 million resulting from the assignment of bonus shares.

8.5 Composition of Account 140 - Reserves

	31/12/2000	31/12/1999
Legal reserve	432,032	401,715
Statutory reserves	1,037,500	832,700
Extraordinary reserve	531,346	524,635
Reserve per Law 218 of 1990	317,149	317,149
Reserve per Law Decree 153 of 1999	400,941	184,912
Reserve per Law Decree 213 of 1998	35,091	35,090
Reserve per Law 124 of 1993 (Article13)	2,660	1,267
Reserve for own shares	11,336	57,255
Merger surplus	1,288	-
Other tax-exempt reserves	1,113,408	1,113,408
Total	3,882,751	3,468,131

The extraordinary reserve decreased by ITL 39,207 million as a result of a substitution tax of 15% booked in accordance with Law 342 of 2000. The payment of this tax will allow for eliminating the residual difference between (i) the book value of buildings transferred to the Bank upon its incorporation and (ii) the value of the same for tax purposes.

The reserve for own shares decreased as a result of the assignment of bonus shares.

The special reserve provided by Law Decree 153 of 1999 was increased in order to take advantage of tax benefits available as a result of the acquisition of Banca 121 and Banca Agricola Mantovana.

The reserve maintained under Article 21 of Law Decree 213 of 1998 covers any increases in non-current financial assets resulting from the alignment of the fixed parities for currencies in the Eurozone.

The reserve maintained under Article 13 of Law Decree 124 of 1993 includes provisions set aside to cover contributions to supplemental pension funds for Bank personnel.

The change in other reserves is the result of resolutions of the ordinary meeting of shareholders of 20 April 2000, as indicated in greater detail in the changes in shareholders' equity.

The shareholders' equity accounts were reviewed so as to verify the existence of any deferred tax liabilities in accordance with the directives issued by the Bank of Italy. In particular, the tax-exempt reserves did not give rise to any deferred taxes since they are "under the control" of the Bank, and since the Bank has not effected any transactions that would establish the premises for the recognition of such liabilities. In addition, management does not believe that there is any basis for the calculation of deferred tax liabilities in light of the time horizon of reference.

8.6 Composition of Account 150 - Revaluation reserves

	31/12/2000	31/12/1999
Total	1,621,440	-

The reserve was established pursuant to Law No. 342 of 2000 in order to cover the revaluation of buildings and equity investments in the amount of ITL 1,919,613 million, net of substitution tax of ITL 298,173 million.

Shareholders' equity

The Statement of Changes in Shareholders' Equity is provided as a supplement to these notes.

8.7 Capitalization and capital adequacy

	31/12/2000	31/12/1999
A. Calculation of capital for regulatory purposes		
A.1 Total Tier 1 capital	8,182,726	7,436,671
A.2 Total Tier 2 capital	4,986,828	2,179,798
A.3 Deductions	(1,380,425)	(132,783)
A.4 Capital for regulatory purposes	11,789,129	9,483,686
B. Capital required for regulatory purposes		
B.1 Credit risks	5,978,300	5,149,186
B.2 Market risks	388,697	342,552
- including:		
- risks on trading securities portfolio	388,697	337,410
- exchange-rate risks	-	5,142
B.3 Other	-	-
B.4 Total capital required for regulatory purposes	6,366,997	5,491,738
<i>Excess capital</i>	5,422,132	3,991,948
C. Risk-weighted assets and capital adequacy ratios		
C.1 Total risk-weighted assets	90,957,095	78,453,395
<i>credit risks</i>	85,404,281	73,559,795
<i>market risks *</i>	5,552,814	4,893,600
C.2 Tier 1 capital/risk-weighted assets	9.00	9.48
C.3 Capital for regulatory purposes/risk-weighted assets	12.96	12.09

* Capital required for regulatory purposes multiplied by the reciprocal of the minimum obligatory ratio for credit risk

The solvency ratio for credit risk was 13.8 percent as of 31 December 2000 and 12.89 percent as of 31 December 1999)

Section 9 – OTHER LIABILITIES

9.1 Composition of Account 50 - Other liabilities

Following are the principal amounts in the account:

	31/12/2000	31/12/1999
Sums available to customers	270,990	482,268
Liabilities relative to tax collection activity	1,267,502	825,186
Clearing balances with branches	218,835	356,513
Items related to foreign currency transactions	803,547	160,515
Valuation adjustments of off-balance-sheet transactions	1,162,420	344,660
Taxes withheld for account of third parties	84,924	77,754
Sums of third parties for security deposits	25,491	9,630
Premiums received for options sold	276,386	155,942
Other	4,517,181	6,171,721
Total	8,627,276	8,584,189

The balance in the account "Valuation adjustments to off-balance-sheet transactions" is offset by the revaluations effective on forward foreign-currency transactions and derivatives contracts outstanding as of year end in accordance with the criteria described in Part A, Section 1 of these notes.

9.2 Composition of Account 60 - Accrued liabilities and deferred income

Following is a breakdown of the account:

	31/12/2000	31/12/1999
Accrued liabilities:		
- interest on customer deposits	141,332	154,369
- interest on debt securities	328,427	265,868
- interest on certificates of deposit	349,344	669,645
- interest on amounts due to banks	293,459	212,850
- differentials on hedging transactions	676,546	743,856
- administrative expenses	268,207	99,077
- other	13,958	204,099
	2,071,273	2,349,764
Deferred income:		
- on discount portfolio	10,963	11,131
- on commissions receivable on guarantees	9,321	9,305
- on differentials on hedging transactions	96,838	67,034
- on rents and lease payments	74,782	9,014
- other	13,914	14,607
	205,818	111,091
Total	2,277,091	2,460,855

Section 10 – GUARANTEES AND COMMITMENTS

10.1 Composition of Account 10- Guarantees released

	31/12/2000	31/12/1999
a) Endorsement credits of a commercial nature:		
- documentary credits	434,729	350,823
- bankers' acceptance	179,653	51,568
- guarantees	3,297,125	2,820,546
- other	1,206,968	663,189
	5,118,475	3,886,126
b) Endorsement credits of a financial nature:		
- guarantees (*)	5,107,448	3,128,897
- other	634,761	1,132,612
	5,742,209	4,261,509
c) Assets pledged under guarantees:		
- third-party bonds	25,380	18,472
Total	10,886,064	8,166,107

(*) The amount includes ITL 176,327 million of fiscal allowances pursuant to Article 43 ter of Presidential Decree 602 of 1973 which were transferred within the Group and used; the allowances transferred and not yet used amount to ITL 137,905 million.

10.2 Composition of Account 20 - Commitments and Account 30 - Commitments relative to credit derivatives

	31/12/2000	31/12/1999
a) Commitments to disburse funds for which usage is certain:		
- loans to customers	69,204	33,210
- loans and deposits to be funded to banks	371,761	410,859
- commitments to purchase securities	4,441,986	475,967
- other commitments and risks (*)	1,592,940	2,551,061
	6,475,891	3,471,097
b) Commitments to disburse funds for which usage is not certain:		
- margins available on lines of credit to banks	568,497	309,076
- margins available on lines of credit to customers	8,126,422	7,151,055
- Interbank Deposit Guarantee Fund	84,213	87,763
- commitments against future advances on tax payments not yet due	67,030	109,083
- put options issued (*)	1,527,166	1,474,154
- other commitments	528,822	257,322
	10,902,150	9,388,453
Total	17,378,041	12,859,550

(*) The amount includes ITL 793,832 million relative to credit derivatives

(**) Includes the put options issued in relation to the public tender offer for BAM

Credit risk on guarantees and commitments is estimated using the criteria adopted for loans; such risk has been quantified at ITL 33,899 million and is covered by provisions made to the reserve for risks and other charges.

10.3 Assets pledged to guarantee Bank's own liabilities

Fixed-income securities have been pledged as follows:

	31/12/2000	31/12/1999
	<i>Nominal Value</i>	<i>Nominal Value</i>
Guarantees for advances from Bank of Italy	475,734	475,734
Guarantees for issuance of cashier checks	124,391	102,790
Guarantees for repurchase agreements	14,952,514	12,020,632
Total	15,552,639	12,599,156

10.4 Margins available on lines of credit

The Bank had the following availability under credit lines in effect as of year end:

	31/12/2000	31/12/1999
Central banks	1,009,698	876,597
Banks	-	-
Total	1,009,698	876,597

10.5 Forward transactions

Forward transactions at the end of the year are summarized in the following table:

Type of Transaction	Hedging	Trading	Other
1 Transactions:			
1.1 Securities:			
- purchases		4,441,986	
- sales		3,098,354	
1.2 Foreign exchange:			
- currency against currency	680,775	156,536	
- purchases against Euro	7,378,775	451,530	
- sales against Euro	1,728,899	582,614	
2 Deposits and loans:			
- to be disbursed			440,965
- to be received			1,470,439
3 Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
- purchases (*)		3,482,852	1,617,744
- sales		3,357,059	
b) Foreign exchange:			
- currency against currency	149,301	1,016,737	
- purchases against Euro	6,280	1,574,815	
- sales against Euro	17,118	989,560	
c) Other negotiable instruments:			
- purchases			
- sales			
3.2 Without exchange of principal:			

a) Foreign exchange:			
- currency against currency			
- purchases against Euro	288,182		
- sales against Euro	82,572		
b) Other negotiable instruments:			
- purchases	31,048,923	56,195,588	
- sales (**)	22,457,838	63,986,014	

(*) A total of ITL 1,617,744 million of the amounts classified under other transactions refers to an option for the purchase of securities in relation to the acquisition of Banca Agricola Mantovana; should such options be exercised, the securities will be recorded as an increase in the investment in Banca Agricola Mantovana.

(**) Trading transactions include contracts for hedging the trading portfolio in the amount of ITL 141,806 million.

Net capital losses on contracts used for hedging interest-bearing assets and liabilities other than trading account securities amount to ITL 288,780 million; such capital losses have not been booked to the profit and loss statement since the balance-sheet accounts covered by the hedging are not subject to valuation.

10.6 Credit derivatives

Type of Transaction	Trading	Other
1 Purchase of protection		
1.1 With exchange of principal		
1.1.1 Credit default swaps		491,858
1.2 Without exchange of principal		
2 Sale of protection		
2.1 With exchange of principal		
2.1.1 Credit default swaps	215,717	515,648
2.1.2 Credit spread options		62,466
2.2 Without exchange of principal		

Section 11 – DISTRIBUTION AND CONCENTRATION OF ASSETS AND LIABILITIES

11.1 Material risks

	31/12/2000	31/12/1999
Amount	1,194,029	1,039,075
Number	1	1

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

11.2 Distribution of customer loans by principal categories of borrowers

The following table provides a summary of loans by principal categories of borrowers:

	31/12/2000	31/12/1999
a) Governments	3,829,304	4,919,586
b) Other public-sector entities	4,333,613	3,504,493
c) Non-financial companies	35,384,497	27,093,715
d) Financial institutions	7,398,072	9,789,446
e) Family-owned businesses	5,285,267	3,942,027
f) Other	12,272,425	12,031,375
Total	68,503,178	61,280,642

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

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

	31/12/2000	31/12/1999
a) Other marketable services	4,987,823	5,540,783
b) Commercial services, recoveries and repairs	6,487,255	5,595,817
c) Construction and public works	5,241,099	5,099,353
d) Textiles, leather, footwear, and apparel	1,866,030	1,670,162
e) Food and beverage products	1,717,925	1,445,451
f) Other	13,635,145	10,194,645
Total	33,935,277	29,546,211

11.4 Distribution of guarantees released by principal categories of counterparties

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

	31/12/2000	31/12/1999
a) Governments	9,480	20,234
b) Public-sector entities	261,117	144,820
c) Banks	1,055,112	419,065
d) Non-financial companies	8,504,314	6,123,816
e) Financial institutions	476,414	788,964
f) Family-owned businesses	155,451	147,162
g) Other	424,176	522,046
Total	10,886,064	8,166,107

11.5 Geographic distribution of assets and liabilities

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

Account/Countries	Italy	Other EU Countries	Other Countries	Total
1. Assets	86,343,745	21,296,118	11,099,959	118,739,822
1.1 Amounts due from banks	15,156,948	14,282,341	3,441,626	32,880,915
1.2 Customer loans and advances	61,774,683	4,184,334	2,544,161	68,503,178
1.3 Securities	9,412,114	2,829,443	5,114,172	17,355,729

2. Liabilities	81,830,440	22,658,794	15,563,367	120,052,601
2.1 Due to banks	5,784,522	12,307,122	13,076,056	31,167,700
2.2 Customer deposits	48,672,899	3,600,151	936,372	53,209,422
2.3 Other borrowed funds backed by negotiable instruments	24,931,708	5,922,526	1,538,665	32,392,899
2.4 Other liabilities	2,441,311	828,995	12,274	3,282,580
3. Guarantees and commitments	23,414,944	3,065,706	1,783,455	28,264,105

11.6 Distribution of maturities of assets and liabilities

The maturity distribution of the balances of the principal asset and liability accounts is shown in the following tables:

11.6.1 Distribution of maturities of assets

Account	Residual maturity							Total	
	Sight	To and including 3 months	Up to 12 months	Up to 5 years		Over 5 years			Unspecified maturity
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
Assets:									
1.1 Government bonds eligible for refinancing	-	437,689	583,786	173,286	410,915	21,487	16,010	182,865	1,826,038
1.2 Amounts due from banks	5,107,329	14,869,152	5,324,301	2,640,863	143,639	3,406,300	37,392	1,351,939	32,880,915
1.3 Customer loans and advances	19,236,276	12,308,845	8,172,299	6,409,831	6,461,392	3,962,785	8,042,397	3,909,353	68,503,178
1.4 Bonds and other fixed-income securities	95,905	655,149	1,502,413	3,611,662	2,326,370	1,688,198	942,482	3,754,606	14,576,785
1.5 Off-balance-sheet transactions	18,787,267	41,899,789	35,818,966	22,826,054	8,384,120	21,637,408	168,056	14,971,134	164,492,794
Total Assets	43,226,777	70,170,624	51,401,765	35,661,696	17,726,436	30,716,178	9,206,337	24,169,897	282,279,710

11.6.2 Distribution of maturities of liabilities

Account	Residual maturity								Total
	Sight	To and including 3 months	Up to 12 months	Up to 5 years		Over 5 years		Unspecified maturity	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
Liabilities:									
2.1 Due to banks	5,809,727	19,106,185	5,477,973	380,859		392,956		-	31,167,700
2.2 Customer deposits	40,470,364	12,074,606	581,765	39,249	326	43,012	100		53,209,422
2.3 Other borrowed funds backed by negotiable instruments: including:	1,485,236	5,172,369	4,919,806	8,076,564	4,996,631	4,920,060	2,665,046	157,187	32,392,899
- Bonds	138,138	200,341	1,221,301	4,643,805	4,839,050	4,533,447	2,664,953	157,187	18,398,222
- Certificates of deposit	327,710	4,972,028	3,698,505	3,432,759	157,581	386,613	93		12,975,289
- Other securities	1,019,388								1,019,388
2.4 Subordinated debt	189,502	24	39,800	205,828	1,192,142	116,176	1,440,459		3,183,931
2.5 Off-balance-sheet transactions	12,233,935	43,732,220	30,391,713	19,757,767	3,368,453	19,631,891	488,819	35,051,203	164,656,001
Total Liabilities	60,188,764	80,085,404	41,411,057	28,460,267	9,557,552	25,104,095	4,594,424	35,208,390	284,609,953

11.7 Foreign-currency-denominated assets and liabilities

The Bank's balance sheet includes the following assets and liabilities denominated in foreign currencies:

	31/12/2000	31/12/1999
a) Assets:	21,320,856	23,153,950
1. Amounts due from banks	9,805,097	10,474,814
2. Customer loans and advances	5,605,690	5,747,808
3. Securities	5,821,533	6,827,690
4. Equity investments	73,282	88,700
5. Other	15,254	14,938
b) Liabilities:	26,178,104	26,860,893
1. Due to banks	16,472,067	16,929,261
2. Customer deposits	4,083,501	4,959,129
3. Other borrowed funds backed by negotiable instruments	5,622,536	4,972,503
4. Other	-	-

11.8 Distribution of credit derivatives by principal category of counterparty

	31/12/2000	31/12/1999
a) Banks	186,736	89,014
b) Financial companies	305,122	145,447
c) Other	-	-
Total	491,858	234,461

Section 12 – FUNDS MANAGEMENT AND OTHER TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

12.1 Portfolio management

Assets of third parties under the Bank's management totaled ITL 17,371,755 million as of 31 December 2000 on the basis of market values. The aggregate includes investments in securities managed by the open-end pension fund "Paschi Previdenza" which was set up pursuant to Article 9 of Law Decree 124 of 1993, and the funds included in the defined-contribution pension plan for staff employed by the Bank as from 1 January 1991. The balance also includes ITL 229,012 million of cash and cash equivalents.

	31/12/2000	31/12/1999
a) Securities	17,142,743	17,696,365
1. securities issued by the Bank	421,756	533,597
2. other instruments	16,720,987	17,162,768
b) Other assets	-	-
Total	17,142,743	17,696,365

12.2 Administration and safekeeping of securities

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

	31/12/2000	31/12/1999
a) Securities of third parties held in custody (excluding portfolio management)	125,338,159	116,971,996
1. Securities issued by the Bank	18,981,664	14,911,830
2. Other	106,356,495	102,060,166
b) Securities of third parties held by others	96,921,422	91,300,617
c) Own securities in third-party custody	21,542,225	20,933,989

The amounts reflected above are stated at nominal value.

Own securities on deposit with third parties include securities to be purchased upon the maturity of repurchase agreements.

12.3 Collections for the account of third parties: debit and credit adjustments

	31/12/2000	31/12/1999
a) Debit adjustments	13,506,468	10,879,321
1. Current accounts	90,844	100,182
2. Head office portfolio	13,112,993	10,518,561
3. Cash	-	-
4. Other accounts	302,631	260,578
b) Credit adjustments	12,958,634	10,482,197
1. Current accounts	302,631	260,578
2. Notes and other documents	12,565,159	10,121,437
3. Other accounts	90,844	100,182

12.4 Other transactions

	31/12/2000
a) Third-party portfolio accepted for collection	3,801,897
b) Tax collection activity	6,208,474
Taxpayers amounts due for collection	
- amounts coming due	-
- amounts overdue and advanced to the tax authorities	6,208,474
- amounts overdue and not yet advanced to the tax authorities	-

Temporary relief and allowances for ITL 4,911,776 million are available in respect of overdue amounts already advanced to the tax authorities.

Pursuant to Law Decree No. 37 of 1999, the obligation of non-collection for collection has been abolished. The tax collection agent therefore is no longer obliged to advance the amounts due by taxpayers to the tax authorities. As a result, the amount of advances decreased further in 2000 as a result of collection of the relative amounts and / or the discharge of the relative obligations.

The underlying risk relative to the collection of tax payments due over the next three years cannot currently be quantified exactly but has been defined by the aforementioned decree relative to the taxpayer rolls for which the tax collector has no obligation to advance the payments. The Bank has made a provision for this risk in the "reserve for risks and other charges" as shown in Section 7 - Reserves.

	31/12/1999
a) Third-party portfolio accepted for collection	2,319,048
b) Tax-collection activity	6,615,790
Taxpayers' amounts due for collection	
- amounts due to expire	-
- amounts overdue and advanced to the tax authorities	6,615,790
- amounts overdue and not yet advanced to the tax Authorities	-

Temporary relief and allowances for ITL 5,221,005 million are available in respect of overdue amounts already advanced to the tax authorities.

PART C

INFORMATION ON THE PROFIT AND LOSS STATEMENT

Section 1 – INTEREST INCOME AND INTEREST EXPENSE

1.1 Composition of Account 10- Interest and similar income

Interest and similar income consist of the following amounts:

	31/12/2000	31/12/1999
a) Amounts due from banks including:	1,499,199	968,408
- amounts related to central-bank financing	46,415	28,061
b) Customer loans and advances including:	4,113,847	3,387,637
- loans using third-party funds under administration	14,567	18,564
c) Debt securities	704,647	963,772
d) Other interest income	4,425	5,848
e) Positive balance of differentials on hedging transactions	10,039	231,745
Total	6,332,157	5,557,410

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

Interest and other expense on borrowed funds consist of the following amounts:

	31/12/2000	31/12/1999
a) Amounts due to banks	1,332,963	1,210,583
b) Amounts due to customers	1,492,191	828,544
c) Other borrowed funds backed by negotiable instruments including:	1,331,569	1,385,410
- certificates of deposit	546,530	661,135
d) Third-party funds under administration	24,313	26,731
e) Subordinated debt	107,210	71,314
f) Negative balance of differentials on hedging transactions	-	-
Total	4,288,246	3,522,582

1.3 Detail of Account 10 - Interest and similar income

	31/12/2000	31/12/1999
Interest and similar income on foreign-currency-denominated assets	1,606,092	1,550,578

1.4 Detail of Account 20- Interest expense and other expense on borrowed funds

	31/12/2000	31/12/1999
Interest and other expense on liabilities denominated in foreign currency	1,585,627	1,086,337

Section 2 – COMMISSIONS

2.1 Composition of Account 40- Commissions earned

Commissions earned consist of the following amounts:

	31/12/2000	31/12/1999
a) Guarantees released	42,739	36,282
b) Collection and payments services	80,575	70,298
c) Trading, management and advisory services	682,138	549,754
- securities trading	42,713	13,533
- foreign-exchange trading	82,185	64,620
- asset management	74,095	80,662
- securities safekeeping and administration	19,539	13,469
- securities placement	21,481	71,353
- order taking	139,887	77,022
- management of mutual funds and securities placement	302,238	229,095
d) Tax collection services	241,071	243,447
e) Other services:	485,171	429,028
- commissions on loans to customers	72,848	58,502
- recoveries, expenses and other profits on customer loans	162,441	155,674
- penalties on interbank transactions	11,217	7,503
- sundry commissions	2,993	2,431
- safe-deposit boxes	2,174	1,809
- commissions for services to third parties	129,109	110,697
- insurance products	72,464	73,677
- other	31,925	18,735
Total	1,531,694	1,328,809

2.2 Composition of Account 50- Commission expense

Commission expense consists of the following amounts:

	31/12/2000	31/12/1999
a) Collection and payment services	10,595	11,097
b) Trading and intermediation:	45,967	21,634
- securities trading	30,060	8,598
- foreign-exchange trading	-	-
- asset management	-	-
- securities safekeeping and administration	15,490	10,488
- securities placement	417	2,548
c) Other services:	74,631	67,143
- endorsement credits	241	188
- commissions paid to brokers	17,259	20,071
- commissions on services to third parties	26,760	23,070
- commissions paid to banks	6,780	7,016
- penalties on interbank transactions	10,595	7,448
- leasing commissions	3,626	3,431
- commissions on tax-collection activity	-	-
- other	9,370	5,919
Total	131,193	99,874

Section 3 – PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

3.1 Composition of Account 60- Profits (losses) on financial transactions

Account/Transaction	31/12/2000		
	Securities	Foreign Currency	Other
A.1 Revaluations	270,129 a)	xxx	633,979 h)
A.2 Writedowns	(188,746) b)	xxx	(794,566) i)
B. Other profits/losses	277,738 c)	53,917 g)	(86,055) l)
Total	359,121	53,917	(246,642)
1. Government securities	84,692 d)		
2. Other debt securities	3,898 e)		
3. Equity securities	205,203 f)		
4. Securities-related derivatives	65,328		

As detailed in the "Valuation criteria" section of these notes, the criterion for valuing the trading portfolio was changed during 2000.

As a result of this change, pre-tax profit in 2000 was ITL 197,784 million higher than it would have been had the previous criterion been applied. The incremental earnings include ITL 120,841 million applicable to prior years (retroactive quota), ITL 76,941 million imputable to 2000 (current quota). In accordance with the directives of the Bank of Italy, the retrospective quota has been accrued to Account 180 - Extraordinary income.

Notes

Securities transactions:

- revaluations of securities in the amount of ITL 130,088 million, revaluations of securities to be received and delivered in the amount of ITL 6,591 million and revaluations of securities-related derivatives in the amount of ITL 133,450 million.
- writedowns of securities in the amount of ITL 128,028 million, writedowns of securities to be received and delivered in the amount of ITL 1,302 million and writedowns of securities-related derivatives in the amount of ITL 59,416 million.
- other profits on securities in the amount of ITL 286,444 million and losses on securities-related derivatives in the amount of ITL 8,706 million; such amounts exclude the retroactive pre-tax quota of the positive effect on earnings due to the change in the valuation criterion; such effect has been credited to extraordinary income and is quantified as ITL 107,815 million in the case of securities, and ITL 13,026 million in the case of securities-related derivatives.
- revaluations in the amount of ITL 21,423 million, writedowns in the amount of ITL 9,546 million, other profits and losses in the amount of ITL 72,815 million (the last figure excludes the retroactive pre-tax quota of the positive effect on earnings due to the change in the valuation criterion in the amount of ITL 20,570 million); in addition, the area generated underlying capital gains on unlisted securities in the amount of ITL 26 million.
- revaluations in the amount of ITL 54,036 million, writedowns in the amount of ITL 75,859 million, other profits and losses in the amount of ITL 25,721 million (the last figure excludes the retroactive pre-tax quota of the positive effect on earnings due to the change in the valuation criterion in the amount of ITL 2,359 million); in addition, the area generated underlying capital gains on unlisted securities in the amount of ITL 13,047 million.
- revaluations in the amount of ITL 61,220 million, writedowns in the amount of ITL 43,925 million, other profits and losses in the amount of ITL 187,908 million (the last figure excludes the retroactive pre-tax quota of the positive effect on earnings due to the change in the valuation criterion in the amount of ITL 84,886 million); in addition, the area generated underlying capital gains on unlisted securities in the amount of ITL 7,934 million.

Foreign-currency transactions:

- net earnings on currency options in the amount of ITL 6,626 million, revaluation of the endowment funds of the foreign branches in the amount of ITL 7,740 million, other profits/losses on foreign-exchange trading in the amount of ITL 39,551 million.

Other transactions:

- revaluations of interest-rate derivatives and other assets used for trading purposes in the amount of ITL million 632,585 and of contracts of the same nature for hedging of trading account securities in the amount of ITL 1,394 million.
- writedowns of interest-rate derivatives and other assets used for trading purposes in the amount of ITL million (788,381) and of contracts of the same nature for hedging of trading account securities in the amount of ITL million (6,185);

D) trading losses on interest-rate derivatives for trading purposes and other assets in the amount of ITL 86,055 million.

Account/Transaction	31/12/1999		
	Securities	Foreign Currency	Other
A.1 Revaluations	100,864	xxx	192,411
A.2 Writedowns	(228,719)	xxx	(212,470)
B. Other profits/losses	87,798	42,778	71,498
Total	(40,057)	42,778	51,439
1. Government securities	(77,092)		
2. Other debt securities	(196,049)		
3. Equity securities	148,937		
4. Securities-related derivatives	84,147		

Section 4 – OPERATING EXPENSES

4.1 Average number of employees by category

	Bank 31/12/2000	Bank 31/12/1999	Tax 31/12/2000	Tax 31/12/1999	Total 31/12/2000	Total 31/12/1999
a) Executives	154	158	6	7	160	165
b) Officers	1,703	1,667	136	145	1,839	1,812
c) Remaining personnel	10,702	10,463	1,023	1,050	11,725	11,513
Total	12,559	12,288	1,165	1,202	13,724	13,490

Actual employment at year end is summarized in the following table:

	Bank 31/12/2000	Bank 31/12/1999	Tax 31/12/2000	Tax 31/12/1999	Total 31/12/2000	Total 31/12/1999
Total	12,805	12,310	1,137	1,192	13,942	13,502

4.2 Composition of Account 80- Administrative expenses

	31/12/2000	31/12/1999
a) Personnel expense:	1,634,149	1,597,838
- salaries and wages	1,149,331	1,124,957
- social-welfare charges	333,743	326,627
- staff severance indemnity reserve	82,940	84,552
- pension fund and similar obligations	28,892	20,902
- other	39,243	40,800
b) Other administrative expense	1,113,736	865,443
Total	2,747,885	2,463,281

Detail of b) Other administrative expenses

The principal administrative expenses are summarized in the following table:

	31/12/2000	31/12/1999
Stamp duties	149,514	128,388
Rental costs of Bank premises	93,686	86,926
Cost of professional services	86,475	85,513
Maintenance of personal and real property	68,386	59,606
Postage	52,210	48,627
Telephone and telex	24,551	30,251
Advertising	68,707	41,897
Other rentals	42,005	64,452
Information and surveys	25,667	39,763
Transportation	40,647	31,825
Electricity, heating and water	25,469	25,615
Security	27,728	25,850
Employee vehicles and travel expenses	22,004	21,561
Cleaning	21,246	19,093
Local property tax	14,942	14,470
Cable rental for data transfer	5,272	19,348
Indirect taxes and rates	1,844	15,273
Expenses for personnel of other Group companies	9,719	4,726
Stationery and printing	11,894	11,744
Insurance	17,794	14,981
Data processing carried out by third parties	7,178	16,553
Membership fees	13,680	9,487
Entertainment expenses	9,252	7,597
Condominium fees and amounts paid for release of buildings	5,270	4,483
Subscription and purchase of publications	2,654	2,432
Equipment leases	10,355	3,024
Services for services provided by MPS Group companies	217,776	-
Other	37,716	29,451
Total	1,113,641	862,936
Contribution to Interbank Deposit Protection Fund	-	-
Contribution to Interbank Guarantee Fund	95	2,507
Total other administrative expenses	1,113,736	865,443

Section 5 – VALUATION ADJUSTMENTS, RECOVERIES AND PROVISIONS

5.1 Composition of Account 120 - Valuation adjustments to loans and provisions for guarantees and commitments

	31/12/2000	31/12/1999
a) Valuation adjustments to loans to customers and central banks	633,216	738,726
including: adjustments for country risk	2,828	16,516
other lump-sum adjustments	50,000	46,616
a.1) Valuation adjustments to loans to banks	34,486	40,957
including: adjustments for country risk	29,879	26,529
b) Provisions for guarantees and commitments	11,982	605
including: adjustments for country risk	-	-
other lump-sum adjustments	11,982	605
Total	679,684	780,288

5.2 Composition of Account 90 - Valuation adjustments to fixed and intangible assets

	31/12/2000	31/12/1999
a) Intangible assets:	35,766	42,474
- goodwill	6,300	-
- other (start-up costs and software)	11,202	23,191
- commissions paid on securities placement	3,154	6,906
- costs for public tender offer for BAM, public listing, Banca 121 acquisition and other	15,110	12,377
b) Fixed assets:	736,993	661,034
- buildings	67,043	47,809
- furniture and equipment	59,196	66,862
- assets under financial leas	610,754	546,363
Total	772,759	703,508

Intangible assets are amortized on a straight-line basis over five years, excluding commissions paid on securities placement which are amortized over the life of the securities and the goodwill relative to the Banca 121 acquisition which is being amortized over ten years.

Ordinary depreciation of fixed assets, computed at the maximum rates allowed by the law, resulted in charges of ITL 34,259 million for furniture and equipment and ITL 51,707 million for buildings. In addition, accelerated depreciation as allowed by law was taken in the amount of ITL 24,937 million for furniture and equipment and in the amount of ITL 5,301 million for buildings. Another ITL 10,035 million of depreciation which was not deductible for tax purposes, was taken on buildings at the time of the transfer of buildings from the Foundation to the Bank and the consequent revaluation of the buildings.

Depreciation rates are deemed representative of the useful life of the assets, taking into consideration obsolescence and the type of activity carried out by the Bank.

Following is a schedule of ordinary depreciation rates:

Buildings	3%
Office fixtures and equipment	12%
Computer equipment	20%
Motor vehicles	25%
Cabinets	10%
Various equipment	15%
Furniture	15%
Alarm systems	30%
Communications and remote signaling systems	25%
Bullet-proof counters and glass	20%
Fork lifts	7.5%
Heavy vehicles and internal transport	20%

Assets under financial leases are depreciated on the basis of the contractual agreements.

5.3 Composition of Account 150- Valuation adjustments to non-current financial assets

	31/12/2000	31/12/1999
Capital losses on equity investments	148,655	218,038
Capital losses on investment securities	-	-
Total	148,655	218,038

The detail on the losses on equity investments is provided in the comments on the relative balance-sheet account.

Section 6 - OTHER PROFIT AND LOSS ACCOUNTS

6.1 Composition of Account 70- Other operating income

	31/12/2000	31/12/1999
Income from assets under financial leases	720,007	632,477
Rental and similar income	16,807	16,774
Expense recovery and other income: deposits and current accounts	135,160	124,136
Expense recovery: personnel working off-site	125,173	36,135
Recovery of duties and other expenses	132,691	117,899
Premiums received	6,532	11,083
Recovery of expenses on mortgage loans	12,891	11,632
Revenues from the transfer of loans	138,809	-
Other	55,381	70,872
Total	1,343,451	1,021,008

6.2 Composition of Account 110 - Other operating expenses

	31/12/2000	31/12/1999
Capital losses on disposal of assets under financial lease and additional charges on leasing contracts	4,503	6,623
Options to be settled	5,492	1,767
Other	8,076	1,494
Total	18,071	9,884

6.3 Composition of Account 180 - Extraordinary income

	31/12/2000	31/12/1999
Gains on disposal of equity investments	59,161	75,778
Profit on disposal of investment securities	-	-
Profit on disposal of fixed assets	584	5,776
Capital gains from transfer of business units	47,818	-
Deferred tax assets regarding previous years	-	485,305
Retroactive quota of effects of change of valuation criterion	120,841	-
Merger differences	53	-
Other (*)	115,899	52,184
Total	344,356	619,043

(*) The account includes the adjustment of the reserve for taxes to reflect outstanding and future tax litigation.

The capital gains from the transfer of business units regard the fixed and intangible assets transferred to the Group's Operations Center.

6.4 Composition of Account 190- Extraordinary charges

	31/12/2000	31/12/1999
Losses on disposal of fixed assets	938	907
Losses on robberies	3,958	5,652
Losses on tax-collection activity	474	838
Losses on disposal of equity investments	177	32,310
Early-retirement incentives	27,928	21,485
Prior year taxes	-	3,315
Merger differences	15	1,000
Capital losses on transfer of business unit	10,562	-
Other	14,826	20,506
Total	58,878	86,013

The capital losses from the transfer of business units regard the fixed and intangible assets transferred to the Group's Operations Center.

6.5 Composition of Account 220 - Income taxes

	31/12/2000	31/12/1999
Current taxes (*)	(657,276)	(444,285)
Change in deferred tax assets	(33,634)	(122,344)
Change in deferred tax liabilities	10,878	2,336
Income taxes	(680,032)	(564,293)

(*) Including ITL 11,603 million of current taxes relative to the foreign branches.

Section 7 – ADDITIONAL NOTES TO THE PROFIT AND LOSS STATEMENT

7.1 Geographical distribution of income

	ITALY	EU COUNTRIES	OTHER COUNTRIES	31/12/2000 TOTAL
Interest and similar income	5,143,996	800,519	387,642	6,332,157
Dividends and other income	626,093	-	-	626,093
Commissions earned	1,497,360	10,181	24,153	1,531,694
Profits from other financial transactions	175,350	(12,230)	3,276	166,396
Other operating income	1,342,710	552	189	1,343,451
Total	8,785,509	799,022	415,260	9,999,791

	ITALY	EU COUNTRIES	OTHER COUNTRIES	31/12/1999 TOTAL
Interest and similar income	4,524,100	732,270	301,040	5,557,410
Dividends and other income	668,760	-	-	668,760
Commissions earned	1,302,264	12,167	14,378	1,328,809
Profits from other financial transactions	50,836	426	2,898	54,160
Other operating income	1,019,944	797	267	1,021,008
Total	7,565,904	745,660	318,583	8,630,147

PART D

OTHER INFORMATION

Section 1 – DIRECTORS AND STATUTORY AUDITORS

1.1 Compensation

	31/12/2000	31/12/1999
a) Directors	2,063	1,494
b) Statutory Auditors	588	548

The disclosure required under Article 78 of the CONSOB Resolution n. 11971 of 14 May 1999 is provided in a separate table hereunder.

1.2 Loans receivable from directors and statutory auditors and guarantees released to the same

	31/12/2000	31/12/1999
a) Directors	17,081	185
b) Statutory Auditors	-	249

1.3 Securitization Transactions

Securitization of performing mortgages

During the second half of 2000, a securitization of mortgages in accordance with Italian Law 130 of 1999 was effected by BMPS through Siena Mortgages 00-1 S.p.A., a new company which is 7% owned by BMPS and which was incorporated especially for the transaction. The securitization covered the sale without recourse of a portfolio of BMPS mortgage loans selected in accordance with a broad base of criteria.

The sale, which took place on 22 November 2000, included 12,672 performing mortgages with an aggregate outstanding principal balance of ITL 1,291,918 million. The loans, which are both floating-rate and "modular", were funded between 1 January 1993 and 31 December 1999, and are backed by a first mortgage against residential properties. The loans mature at various dates, with the final maturity of 1 February 2015. The transaction excluded subsidized mortgages as well as mortgages granted to employees of the Bank and mortgages with four or more past-due semi-annual payments (January and July).

The price for the transfer of the credits was established as the sum of two components:

- a market value of ITL 1,291,918 million equal to the book value upon transfer;
- a deferred value of ITL 77,825 million, which is linked to actual collections by Siena Mortgages 00-1 S.p.A., and which is the excess spread net of transaction costs (reference is made to Section 3.3, Part A, Valuation Criteria of these notes).

In funding the purchase of the mortgages, Siena Mortgages 00-1 S.p.A. issued securities in the aggregate amount of ITL 1,291,918 million (EUR 667.220,000) which were rated by Standard & Poor's, Moody's, and Fitch IBCA. The securities, which are listed on the Luxembourg Exchange, were purchased by institutional investors.

BMPS funded a subordinated loan to Siena Mortgages 00-1 S.p.A. in the amount of ITL 20,651 billion which is to be paid in one installment in 2025. The proceeds of the loan were used to set up a liquidity reserve which will be dissolved once all of the rights of the other creditors of the transaction have been satisfied.

BMPS will maintain the customer relationships through a servicing contract in which the Bank will carry out the administration and collection of the loans for the account of Siena Mortgages 00-1 S.p.A. Therefore, with the Bank making no changes to collection procedures, the securitization should have no effect on the mortgagees.

As servicer, the Banca must make available periodic internal audits of the activity carried out, drawing up special reports for Siena Mortgages 00-1 S.p.A., for the cash manager (Chase Manhattan Bank which is also trustee) and for other involved parties (e.g. rating agencies).

BMPS has also commissioned KPMG, the independent audit firm responsible for the certification of the BMPS financial statements, to prepare and supply to the aforementioned persons a certification of the Bank's activity as services and an opinion on the fairness of the accounting treatment of the transaction no later than 25 March of each year.

With the liquidity generated from the transaction being redeployed into new loans, the securitization will allow for improving the profitability of invested capital.

VISIONE EUROPA Securitization

In December 2000, a securitization in accordance with Italian Law 130 of 1999 was effected by BMPS through Tiziano Finance S.r.l., a company which is 10% owned by BMPS. The securitization covered the sale without recourse of a portfolio of performing personal loans which are collateralized by securities.

The sale, which was closed on 29 December 2000, included 5,124 loans with an aggregate outstanding principal balance of ITL 675,703 million and with a maximum maturity of 15 years.

The price for the transfer of the credits was established as the sum of two components:

- a market value of ITL 675,703 million as of the valuation date;
- a deferred value of ITL 60,984 million, which is linked to actual collections by Tiziano Finance S.r.l., and which is the excess spread net of transaction costs (reference is made to Section 3.3, Part A, Valuation Criteria of these notes).

As part of the funding of the transaction, Tiziano Finance S.r.l. will issue a series of rated securities. By virtue of a servicing contract, BMPS will maintain the relationships with the customers and will be responsible for period reporting relative to the portfolio of the loans sold. As structured, the transaction will allow for fully refinancing the product, thus diversifying funding sources.

PARENT COMPANY

2.1 Name

BANCA MONTE DEI PASCHI DI SIENA S.p.A.

2.2 Head Office

Piazza Salimbeni, 3 – Siena, Italy

Registered with the Court of Siena under n. 9782 on 23 August 1995

Registered on the Register of Banks under n. 325 Code n. 1030.6

Participant in the Interbank Fund for the Protection of Deposits

CONTROLLER

F. Spampani

CHIEF EXECUTIVE OFFICER

V. De Bustis

CHAIRMAN OF THE BOARD OF DIRECTORS

P.L. Fabrizi

STATUTORY AUDITORS

G. Vittimberga, P. Fabretti, L. Granai De Robertis

SUPPLEMENTAL INFORMATION

Statement of Changes in Financial Position

Statement of Changes in Shareholders' Equity

Schedule of Equity Investments

Schedule of Properties (excluding assets under financial lease)

List of Significant Equity Investments in Unlisted Companies

Proforma Financial Statements as of 31 December 2000 and 1999

Statement as of 31 December 2000 of "Defined Contribution Pension Fund for Staff Employed by Banca Monte dei Paschi di Siena S.p.A. as from 1 January 1991"

STATEMENT OF CHANGES IN FINANCIAL POSITION

	31/12/2000	31/12/1999
Sources of funds:		
Net profit to be allocated	766,683	582,235
Provision to loan loss reserve	20,000	-
Provision for general banking risks	-	300,075
Provisions to other reserves	217,317	198,309
Provision to revaluation reserves	1,621,440	-
Share capital increase	246,232	151,583
Paid-in capital	34,110	978,414
Provision for staff severance indemnity reserve	85,214	84,552
Provision for pension fund	32,614	6,448
Funds generated from operations	3,023,610	2,301,616
Increases:		
Customer deposits	6,501,184	6,774,453
Due to banks	1,512,442	(1,924,095)
Other borrowed funds backed by negotiable instruments	1,875,010	2,241,489
Other liabilities	43,087	1,125,231
Subordinated debt	1,182,685	1,126,246
Accrued liabilities and deferred income	-	613,804
Reserve for taxes	378,456	47,314
Other reserves	88,019	75,784
Decreases:		
Other assets	1,309,683	(2,877,563)
Own shares	45,919	(57,255)
Total sources of funds	15,960,095	9,447,024
Uses of funds:		
Payment of dividends	345,796	150,815
Use of reserves for payment of substitution tax under Law 342 of 2000	39,207	-
Use of reserve for own shares	45,919	-
Use of staff severance indemnity reserve	86,441	325,944
Use of pension funds	5,721	2,796
Payment of pension benefits		58,608
Use of reserves for spin-off of real estate properties		306,626
In-kind distribution of reserves		822,206
Increases:		
Cash and cash equivalents	80,533	64,197
Equity investments	3,104,432	2,287,843
Non-current assets	952,866	28,646
Accrued income and prepayments	73,511	312,207
Decreases:		
Accrued liabilities and deferred income	183,764	-
Third-party funds under administration	14,916	14,550
Total uses of funds	4,933,106	4,374,438
Difference	11,026,989	5,072,586
Changes in interest-bearing uses of funds		
Customer loans and advances	7,222,536	6,784,661
Amounts due from banks	5,482,547	1,556,042
Securities and certificates of deposit	(1,678,094)	(3,268,117)
	11,026,989	5,072,586

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Paid-In Capital	Legal Reserve	Statutory Reserve	Reserve for Own Shares	Other Reserves	Other Tax-Exempt Reserves	Reserve for General Banking Risks	Retained Earnings	Net Profit to be Allocated	Total Shareholders' Equity
Balances as of 31/12/1998	2,008,575	-	401,715	393,800	-	2,050,580	1,113,408	512,925	49	590,085	7,071,137
Allocation of 1997 net profit:											
- residual earnings of prior year									(49)	49	-
- to the statutory reserves				438,900						(438,900)	-
- to the reserve established under Art. 13 Law 134/93						251				(251)	-
- payment of dividends										(150,815)	(150,815)
- retained earnings									168	(168)	-
Extraordinary in-kind distribution of reserves and fiscal charge						(822,206)					(822,206)
Spin-off of real-estate properties						(306,626)					(306,626)
Purchase of own shares and establishment of reserve for own shares					57,255	(57,255)					-
Capital increase	151,583	978,414									1,129,997
Provision to reserve established under Law 218/90						13,397					13,397
Provision to reserve established under Art. 23 of Law 153/99						184,912					184,912
Provision to reserve for general banking risks								300,075			300,075
Net profit to be allocated										582,235	582,235
Balances as of 31/12/1999	2,160,158	978,414	401,715	832,700	57,255	1,063,053	1,113,408	813,000	168	582,235	8,002,106
Allocation of 1999 net profit:											
- residual earnings of prior year									(168)	168	-
- to the legal reserve			30,317							(30,317)	-
- to the statutory reserves				204,800						(204,800)	-
- to the reserve established under Art. 13 Law 134/93						1,392				(1,392)	-
- payment of dividends										(345,796)	(345,796)
- retained earnings									98	(98)	-
Assignment of bonus shares		(45,919)			(45,919)	45,919					(45,919)
Incorporations		4,993				1,288					6,281
Share capital increase relative to Banca 121 acquisition	140,923										140,923
Share capital increase relative to purchase shares from minority shareholders in Banca 121	59,389	75,036									134,425
Provision to reserve established under Art. 23 of Law 153/99						216,030		-			216,030
Revaluation reserve pursuant to Law 342/2000						1,919,613					1,919,613
Use of revaluation reserve pursuant to Law 342/2000						(298,173)					(298,173)
Use of extraordinary reserves for substitution tax						(39,207)					(39,207)
Net profit to be allocated										766,683	766,683
Balances as of 31/12/2000	2,360,470	1,012,524	432,032	1,037,500	11,336	2,909,915	1,113,408	813,000	98	766,683	10,456,966

PROFORMA FINANCIAL STATEMENTS

As of 31 December 2000 and 1999

In accordance with regulations issued by the Bank of Italy, proforma statements have been prepared with the retroactive simulation of the new criterion used for the valuation of the investment securities portfolio, thus providing the same basis for comparison of the data from year to year.

Assets		31/12/00	31/12/99	Absolute and Percentage Changes		
10	Cash and cash on deposit with banks and post offices		427,314	346,781	80,533	23.22
20	Italian government securities and similar instruments eligible for refinancing at central banks		1,826,038	2,675,824	(849,786)	(31.76)
30	Amounts due from banks		32,880,915	27,398,368	5,482,547	20.01
	<i>a) sight</i>	3,501,135		6,091,798		(42.53)
	<i>b) other</i>	29,379,780		21,306,570	(2,590,663)	37.89
					8,073,210	
40	Customer loans and advances		68,503,178	61,280,642	7,222,536	11.79
	<i>including:</i>					
	<i>- loans with third-party funds under administration</i>	27,871		19,067	8,804	46.17
50	Bonds and other fixed-income securities		14,576,785	15,840,370	(1,263,585)	(7.98)
	<i>a) of public issuers</i>	7,257,562		10,160,312		(28.57)
	<i>b) of banks</i>	4,573,930		3,248,074	(2,902,750)	40.82
	<i>- including: own securities</i>	896,820		372,492	1,325,856	140.76
	<i>c) of financial institutions</i>	1,668,887		1,423,466	245,421	17.24
	<i>- including: own securities</i>	-		-	-	
	<i>d) of other issuers</i>	1,076,406		1,008,518	67,888	6.73
60	Shares, quotas and other equity securities		952,906	846,082	106,824	12.63
70	Equity investments		2,943,034	1,193,975	1,749,059	146.49
80	Equity investments in Group companies		6,076,793	4,721,420	1,355,373	28.71
	<i>a) valued with net equity method</i>	-		-	-	
	<i>b) other</i>	6,076,793		4,721,420	1,355,373	28.71
90	Intangible assets		169,502	162,383	7,119	4.38
	<i>including:</i>					
	<i>- start-up costs</i>	15,332		15,736	(404)	(2.57)
	<i>- goodwill</i>	56,700		-	56,700	
100	Fixed assets		3,697,185	2,751,439	945,746	34.37
	<i>including: assets under financial lease</i>	1,868,428		1,498,523	369,905	24.68
110	Unpaid subscribed capital		-	-	-	
	<i>including: called up capital</i>					
120	Own shares or quotas		11,336	57,255	(45,919)	(80.20)
130	Other assets		9,858,145	11,180,854	(1,322,709)	(11.83)
140	Accrued income and prepayments		2,219,749	2,146,237	73,512	3.43
	<i>a) accrued income</i>	2,170,829		2,101,172	69,657	3.32
	<i>b) prepayments</i>	48,920		45,065	3,855	8.55
	<i>including:</i>					
	<i>- issuing discounts</i>	13,137		217	12,920	5,953.92
	Total Assets		144,142,880	130,601,630	13,541,250	10.37

BALANCE SHEET PRO-FORMA

(in ITL
mn)

Liabilities and Shareholders' Equity		31/12/00	31/12/99	Absolute and Percentage Changes		
10	Due to banks		31,167,700	29,655,258	1,512,442	5.10
	<i>a) sight</i>	1,400,367		6,543,534		(78.60)
	<i>b) time or requiring advance notice of withdrawal</i>	29,767,333		23,111,724	(5,143,167)	28.80
					6,655,609	
20	Customer deposits		53,209,422	46,708,238	6,501,184	13.92
	<i>a) sight</i>	39,405,151		35,312,669	4,092,482	11.59
	<i>b) time or requiring advance notice of withdrawal</i>	13,804,271		11,395,569	2,408,702	21.14
30	Other borrowed funds backed by negotiable instruments		32,392,899	30,517,889	1,875,010	6.14
	<i>a) bonds</i>	18,398,222		13,183,395	5,214,827	39.56
	<i>b) certificates of deposit</i>	12,975,289		16,609,563		(21.88)
	<i>c) other instruments</i>	1,019,388		724,931	(3,634,274)	40.62
					294,457	
40	Third-party funds under administration		98,649	113,565	(14,916)	(13.13)
50	Other liabilities		8,627,277	8,804,827	(177,550)	(2.02)
60	Accrued liabilities and deferred income		2,277,090	2,460,855	(183,765)	(7.47)
	<i>a) accrued liabilities</i>	2,071,273		2,349,764	(278,491)	(11.85)
	<i>b) deferred income</i>	205,817		111,091	94,726	85.27
70	Staff severance indemnity reserve		471,731	472,958	(1,227)	(0.26)
80	Reserves for risks and other charges:		1,957,215	1,515,084	442,131	29.18
	<i>a) pension fund and similar obligations</i>	167,956		141,063	26,893	19.06
	<i>b) reserve for taxes</i>	1,187,819		860,600	327,219	38.02
	<i>c) other reserves</i>	601,440		513,421	88,019	17.14
90	Reserve for loan losses		300,000	280,000	20,000	7.14
100	Reserve for general banking risks		813,000	813,000	-	0.00
110	Subordinated debt		3,183,931	2,001,246	1,182,685	59.10
120	Share capital		2,360,470	2,160,158	200,312	9.27
130	Paid-in capital		1,012,524	978,414	34,110	3.49
140	Reserves:		3,882,751	3,468,131	414,620	11.96
	<i>a) legal reserve</i>	432,032		401,715	30,317	7.55
	<i>b) reserve for own shares or quotas</i>	11,336		57,255	(45,919)	(80.20)
	<i>c) statutory reserves</i>	1,037,500		832,700	204,800	24.59
	<i>d) other reserves</i>	2,401,883		2,176,461	225,422	10.36
150	Revaluation reserves		1,621,440	-	1,621,440	
160	Retained earnings		69,702	272,876	(203,174)	(74.46)
170	Profit (loss) for the year		697,079	379,131	317,948	83.86
	Total Liabilities and Shareholders' Equity		144,142,880	130,601,630	13,541,250	10.37

PROFORMA GUARANTEES AND COMMITMENTS

(in ITL
mn)

Account		31/12/00	31/12/99	Absolute and Percentage Changes	
10	Guarantees released	10,886,065	8,166,107	2,719,958	33.31
	<i>including:</i>				
	- <i>acceptances</i>	179,653	74,989	104,664	139.57
	- <i>other guarantees</i>	10,706,412	8,091,118	2,615,294	32.32
20	Commitments	16,584,209	12,859,550	3,724,659	28.96
	<i>including:</i>				
	<i>for sales with obligation to repurchase</i>	-	-	-	

PROFORMA PROFIT AND LOSS STATEMENT

(in ITL mn)

Account	31/12/00	31/12/99	Absolute and Percentage Changes		
10 Interest and similar income:		6,332,157	5,557,410	774,747	13.94
including:					
- on customer loans and advances	4,113,847	3,387,637		726,210	21.44
- on debt securities	704,647	963,772		(259,125)	(26.89)
20 Interest expense and other expense on borrowed funds:		4,288,246	3,522,582	765,664	21.74
including:					
- on customer deposits	1,516,504	855,276		661,228	77.31
- on other borrowed funds backed by negotiable instruments	1,331,569	1,385,410		(53,841)	(3.89)
30 Dividends and other income		626,093	668,760	(42,667)	(6.38)
a) on shares, quotas and other equity securities	91,951	29,430		62,521	212.44
b) on equity investments	131,497	115,349		16,148	14.00
c) on equity investments in Group companies	402,645	523,981		(121,336)	(23.16)
40 Commissions earned		1,531,694	1,328,809	202,885	15.27
50 Commissions expense		131,193	99,874	31,319	31.36
60 Profit (loss) from financial transactions		166,396	(298,451)	464,847	
Earnings on investment pension funds and similar funds		333	(1,508)	1,841	
70 Other operating income		1,343,451	1,021,008	322,443	31.58
80 Administrative expenses		2,747,885	2,463,281	284,604	11.55
a) personnel expense:	1,634,149	1,597,838		36,311	2.27
including:					
- salaries and wages	1,149,331	1,124,957		24,374	2.17
- social-welfare charges	333,743	326,627		7,116	2.18
- staff severance indemnity reserve	82,940	84,552		(1,612)	(1.91)
- pension fund and similar obligations	28,892	20,902		7,990	38.23
b) other administrative expenses	1,113,736	865,443		248,293	28.69
85 Allocation of earnings on investments of pension and similar funds		333	(1,508)	1,841	
90 Valuation adjustments to fixed and intangible assets		772,759	703,508	69,251	9.84
100 Provisions for risks and charges		128,330	79,198	49,132	62.04
110 Other operating expenses		18,071	9,884	8,187	82.83
120 Valuation adjustments to loans and provisions for guarantees & commitments		679,684	780,288	(100,604)	(12.89)
130 Recoveries on loans and on provisions for guarantees and commitments		299,093	357,324	(58,231)	(16.30)
140 Provision to loan loss reserve		20,000	-	20,000	
150 Valuation adjustments to non-current financial assets		148,655	218,038	(69,383)	(31.82)
160 Recoveries on non-current financial assets		13,206	1,064	12,142	1.141.17
170 Profit (loss) from ordinary operations		1,377,267	759,271	617,996	81.39
180 Extraordinary income		223,515	619,043	(395,528)	(63.89)
190 Extraordinary charges		58,878	86,013	(27,135)	(31.55)
200 Extraordinary income (charges)		164,637	533,030	(368,393)	(69.11)
210 Change in reserve for general banking risks		-	(300,075)	300,075	
220 Income taxes		(628,795)	(414,786)	214,009	51.60
230 Profit for the year		913,109	577,440	335,669	58.13
240 Reserve provisions under Law 218/90 and Law Decree 153/99		216,030	198,309	17,721	8.94
250 Net profit for the year		697,079	379,131	317,948	83.86

STATEMENT AS OF 31 DECEMBER 2000 OF " COMPLEMENTARY DEFINED CONTRIBUTION PENSION FUND FOR STAFF EMPLOYED BY THE BANCA MONTE DEI PASCHI DI SIENA S.P.A. AS FROM 1 JANUARY 1991"

Balance sheet

	31/12/00	31/12/99	Changes
Account 10 – Direct Investments	12,848,123,471	62,081,012,133	49,232,888,662
a) Deposits	12,739,255,121	7,506,421,776	5,232,833,345
b) Repurchase agreements			
c) Securities of sovereign issuers or international organizations		53,931,326,523	53,931,326,523
d) Listed debt securities			
e) Listed equity securities			
f) Unlisted debt securities			
g) Unlisted equity securities			
h) Quotas of mutual funds			
i) Options purchased			
l) Accrued income and prepayments	108,868,350	643,263,834	534,395,484
m) Performance guarantees released to pension fund			
n) Other financial assets			
o) Accrued and uncollected income			
Account 20 – Investments Under Management	65,416,991,426		65,416,991,426
a) Deposits	435,408,590		435,408,590
b) Repurchase agreements			
c) Securities of sovereign issuers or international organizations	46,320,497,920		46,320,497,920
d) Listed debt securities			
e) Listed equity securities			
f) Unlisted debt securities			
g) Unlisted equity securities			
h) Quotas of mutual funds	17,807,976,341		17,807,976,341
i) Options purchased			
l) Accrued income and prepayments	853,108,575		853,108,575
m) Performance guarantees released to pension fund			
n) Other financial assets			
o) Accrued and uncollected income			
Account 30 – Performance guarantees on individual positions			
Account 40 – Assets under administration			
Total Assets	78,265,114,897	62,081,012,133	16,184,102,764
Account 10 – Benefits payable	278,175,594		278,175,594
a) Benefits payable	278,175,594		278,175,594
Account 20 – Financial liabilities	10,000,000	10,000,000	-
a) Repurchase agreements			
b) Options issued			
c) Accrued liabilities and deferred income	10,000,000	10,000,000	-
d) Other financial liabilities			
e) Accrued and unpaid charges			
Account 30 – Performance guarantees on individual positions			
Account 40 – Liabilities under administration	73,879,991		73,879,991
a) Due to the Italian Treasury	73,879,991		73,879,991

Total Liabilities	362,055,585	10,000,000	352,055,585
Account 100 – Net assets to be allocated to benefits	77,903,059,312	62,071,012,133	15,832,047,179
Net assets to be allocated to benefits as of 31/12/1999	62,071,012,133		
Change in net assets to be allocated to benefits	15,832,047,179		

STATEMENT AS OF 31 DECEMBER 2000 OF "COMPLEMENTARY DEFINED CONTRIBUTION PENSION FUND FOR STAFF EMPLOYED BY THE OF BANCA MONTE DEI PASCHI DI SIENA S.P.A. AS FROM 1 JANUARY 1991"

PROFIT AND LOSS STATEMENT

	31/12/00	31/12/99	Changes
Account 10 – Balance of pension activity	15,552,545,774	5,770,085,163	9,782,460,611
a) Contributions	18,654,720,854	14,605,295,226	4,049,425,628
b) Advances	(1,393,616,762)	(7,929,024,967)	6,535,408,205
c) Transfers and redemptions	(918,994,245)	(675,021,308)	(243,972,937)
d) Transformation into annuities			
e) Capital disbursements	(557,600,833)		(557,600,833)
f) Premiums for secondary benefits	(231,963,240)	(231,163,788)	(799,452)
g) Disbursements in the form of annuities			
h) Other disbursements			
Account 20 – Income from direct investment	650,764,994	(1,498,093,221)	2,148,858,215
a) Dividends and interest	1,537,003,882	2,930,930,116	1,393,926,234
b) Profits and losses from financial transactions	(903,512,144)	(4,435,858,824)	3,532,346,680
c) Commissions and fees on securities lending			
d) Income and charges on repurchase agreements			
e) Differential on performance guarantees			
f) Extraordinary items	1,034	177	857
g) Penalties payable by participants	17,272,222		17,272,222
Account 30 – Income (loss) from investments under management	(361,263,589)		(361,263,589)
a) Dividends and interest	875,742,682		(875,742,682)
b) Profits and losses from financial transactions	(1,237,006,271)		(1,237,006,271)
c) Commissions and fees on securities lending			
d) Income and charges on repurchase agreements			
e) Differential on performance guarantees			
f) Extraordinary items			
Account 40 – Operating expenses			
a) Management companies			
b) Depositary banks			
Account 50 – Financial management margin (20+30+40)	289,501,405	(1,508,093,221)	1,787,594,626
Account 60 – Balance of administrative activity	(10,000,000)	(10,000,000)	-
a) Substitution tax	(10,000,000)	(10,000,000)	-
Change in net assets to be allocated to benefits	15,832,047,179	4,261,991,942	11,570,05,237

BANCA MONTE DEI PASCHI DI SIENA S.p.A

BANCA MONTE DEI PASCHI DI SIENA S.p.A

Vincenzo De Bustis Figarola
Chief Executive Officer

Pier Luigi Fabrizi
Chairman of the Board of Directors