



**MONTE
DEI PASCHI
DI SIENA
GROUP**

2000 CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

Siena, 30 March 2001

TABLE OF CONTENTS

- ***Summary of Results***
- ***2000 Consolidated Financial Statements***
 - Reclassification Criteria
 - Reclassified Balance Sheet and Profit and Loss Statement
 - Key Ratios
 - Reclassified Balance Sheet and Profit and Loss Statement in euros
- ***Overview of Operations***
 - Funding
 - Direct Funding
 - Geographical Distribution
 - Indirect Funding
 - Funds Under Management
 - Funds Under Administration
 - Lending
 - Loans by Economic Sector
 - Geographical Distribution of Loans and Loans by Economic Sector
 - Securitization Transactions
 - Secured Lending

Market Position

- ***Doubtful Loans***
- ***Securities Portfolio and Interbank Relationships***
- ***Integrated Risk Management***
 - Organizational Framework
 - Measurement of Financial Risks
- ***Capital and Capital Required for Regulatory Purposes***
- ***Profitability***
- ***Distribution Channels***
- ***Human Resources***
- ***Trend of Operations at Principal Subsidiaries***
- ***Projects in Process***
- ***Material Events Subsequent to Year End***
- ***Outlook for 2001***

MPS GROUP: SUMMARY OF RESULTS

	31/12/99	31/12/00
(Itl Bln.)		
Total Customer Funds	289,286	314,175 (+ 8.6%)
Total Loans	105,720	118,019 (+11.6%)
Number of Clients (*)	4,213,641	4,535,932 (+7.6%)
On Line Clients (n°)	66,903	455,532 (+580%)
Gross Operating Profit	3,120	3,988 (+27.8%)
Net Profit	871	1,095 (+25.7%)
R.O.E. %	12,7	14,0

(*) Including banks in which Monte Paschi holds minority stakes. Not including these banks the number of clients amounts to 4.250.000 (+7,9%)

2000 CONSOLIDATED FINANCIAL STATEMENTS

▪ Reclassification Criteria

The balance sheet and the profit and loss statement have been reclassified in accordance with the criteria listed hereunder in order to facilitate the analysis of the Group's operations and earnings.

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

- Certain amounts not pertaining to ordinary operations have been eliminated from interest expense and other expense on borrowed funds (Account 20) and reclassified as extraordinary income (charges).
- The aggregate, "net income from services", includes commissions earned (Account 40 on the profit and loss statement), commissions expense (Account 50), other operating income (Account 70) and other operating expense (Account 110). Amounts relative to the placement of structured and innovative finance products, which are classified as profits (losses) from financial transactions in the financial statements prepared in accordance with the Italian Civil Code, have been reclassified as "net income from services".
- Profits (losses) from financial transactions (Account 60) include, in the case of 2000, the retrospective quota of earnings calculated following the change in valuation criteria applicable to the trading portfolio; this amount is classified as extraordinary income (Account 190) in the financial statements prepared in accordance with the Italian Civil Code.

The data as of 31 December 2000 are compared with data prepared as of 31 December 1999 on a proforma basis combining the accounts of the MPS Group and Banca 121. The criteria used in the preparation of the proforma financial statements are detailed in the notes to the consolidated financial statements.

oo o oo

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	918	819	99	12.1
Loans				
a) Customer loans and advances	118,019	105,720	12,299	11.6
b) Amounts due from banks	30,729	28,303	2,425	8.6
Trading Account Securities	20,270	22,488	-2,218	-9.9
Non-current assets				
a) Investment securities	10,330	12,390	-2,060	-16.6
b) Equity investments	3,625	1,825	1,801	98.7
c) Fixed assets and intangible assets	4,598	3,182	1,417	44.5
Positive consolidation differences & positive net equity differences	1,561	1,690	-130	-7.7
Own shares or quotas	35	79	-44	-55.6
Other assets	19,634	21,126	-1,493	-7.1
Total Assets	209,719	197,621	12,097	6.1
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
a) Customer deposits and borrowed funds backed by negotiable instruments	137,420	127,487	9,933	7.8
b) Due to banks	34,424	36,635	-2,211	-6.0
Reserves for specific use				
a) Staff severance indemnity reserve	864	866	-2	-0.2
b) Pension funds	837	697	140	20.1
c) Other reserves for risks and charges	1,051	920	131	14.3
d) Reserve for taxes	1,975	1,327	647	48.8
Other liabilities	16,796	16,951	-155	-0.9
Reserve for loan losses	561	498	64	12.8
Subordinated debt	3,475	2,510	965	38.4
Minority interests	1,525	1,557	-31	-2.0
Shareholders' equity				
a) Share capital	2,360	2,360	0	0.0
b) Paid-in capital	1,013	1,058	-46	-4.3
c) Reserve for general banking risks	872	875	-2	-0.2
d) Negative consolidation and net equity differences	45	54	-9	-17.1
e) Reserves	5,404	2,955	2,450	82.9
f) Profit (loss) for the year	1,095	871	224	25.7
Total Liabilities and Shareholders' Equity	209,719	197,621	12,097	6.1

RECLASSIFIED PROFIT AND LOSS STATEMENT

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	4,090	3,963	128	3.2
Profit (loss) on financial transactions	429	154	275	178.8
Net income from services	4,237	3,524	712	20.2
Dividends and tax credits	440	374	66	17.7
Service margin	5,105	4,052	1,053	26.0
Total banking income	9,196	8,014	1,181	14.7
Administrative expenses				
- personnel expense	-3,246	-3,145	101	3.2
- other expenses	-1,962	-1,750	212	12.1
Total administrative expenses	-5,208	-4,894	314	6.4
Gross operating profit	3,988	3,120	868	27.8
Valuation adjustments to fixed and intangible assets	-597	-578	19	3.3
Provisions for risks and charges	-208	-250	-42	-16.9
Valuation adjustments to loans and provisions for risks, net of recoveries	-720	-750	-30	-4.0
Provisions to risk reserves	-79	-43	36	83.9
Writedowns to non-current financial assets	4	-32	36	113.4
Profit (losses) of investments carried on net equity method	60	30	30	101.1
Extraordinary income (charges)	76	760	-684	-90.0
Change in reserve for general banking risks	3	-288	291	
Income taxes	-1,270	-929	326	34.6
Profit for the year before minority interests	1,258	1,026	231	22.5
Minority interests	-162	-155	7	4.7
Net profit for the year	1,095	871	224	25.7

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	9,196	8,014	14.7	4,749
Gross operating profit	3,988	3,120	27.8	2,059
Net profit	1,095	871	25.7	566
Net profit excluding amortization of positive consolidation differences	1,226	1,004	22.1	633
Balance sheet aggregates				
Total funding	314,175	289,286	8.6	162,258
Direct funding	137,420	127,487	7.8	70,971
Indirect funding	176,755	161,799	9.2	91,286
including: Funds under management	80,566	77,336	4.2	41,609
- Mutual investment funds	32,031	32,034	0.0	16,543
- Portfolio management	32,877	33,880	-3.0	16,980
- Life insurance policies and pension funds	15,658	11,422	37.1	8,087
including: Funds under administration	96,189	84,463	13.9	49,677
Customer loans and advances	118,019	105,720	11.6	60,952
Consolidated shareholders' equity	10,790	8,174	32.0	5,573
Profitability ratios				
Banking commissions / total banking income (%)	36.5	34.4		
Service margin / total banking income (%)	55.5	50.6		
Cost/income ratio (%)	56.6	61.1		
Cost/income ratio inclusive of depreciation and amortization	61.7	66.6		
Cost/income ratio inclusive of depreciation and amortization and excluding expenses and income of tax collection area	59.4	64.1		
ROE (%)	14.0	12.7		
Service margin / administrative expenses (%)	98.0	82.8		
Credit quality indicators				
Net non-performing loans / customer loans and advances (%)	2.9	3.3		
Doubtful loans (*) / customer loans and advances (%)	4.7	5.6		
(*) Doubtful loans include: non-performing loans, watchlist credits and loans to high-risk nations				
Solvency ratios				
Solvency coefficient for credit risk (%)	8.92	8.63		
Overall solvency coefficient (including absorption of market risks) (%)	8.41	8.06		
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
EPS on shares outstanding	464	403	15.0	0.24
Net book value per share outstanding	4,571	3,784	20.8	2.36
Operating structure				
Number of employees (banking personnel)	24,957	23,770	Absolute Change	1,187
Number of Italian branches	1,754	1,631		123
Number of foreign branches and foreign representative offices	41	39		2
Number of customers with online connections to the Group banks	455,532	66,903		388,629

RECLASSIFIED BALANCE SHEET

(in EUR mn)

ASSETS	31.12.2000	31.12.1999	Change	% Change
Cash and cash on deposit with central banks and post offices	474	423	51	12.1
Loans				
a) Customer loans and advances	60,952	54,600	6,352	11.6
b) Amounts due from banks	15,870	14,617	1,253	8.6
Trading Account Securities	10,469	11,614	-1,146	-9.9
Non-current assets				
a) Investment securities	5,335	6,399	-1,064	-16.6
b) Equity investments	1,872	942	930	98.7
c) Fixed assets and intangible assets	2,375	1,643	732	44.5
Positive consolidation differences & positive net equity differences	806	873	-67	-7.7
Own shares or quotas	18	41	-23	-55.6
Other assets	10,140	10,911	-771	-7.1
Total Assets	108,311	102,063	6,248	6.1
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
a) Customer deposits and borrowed funds backed by negotiable instruments	70,971	65,841	5,130	7.8
b) Due to banks	17,778	18,920	-1,142	-6.0
Reserves for specific use				
a) Staff severance indemnity reserve	446	447	-1	-0.2
b) Pension funds	432	360	72	20.1
c) Other reserves for risks and charges	543	475	68	14.3
d) Reserve for taxes	1,020	686	334	48.8
Other liabilities	8,675	8,755	-80	-0.9
Reserve for loan losses	290	257	33	12.8
Subordinated debt	1,795	1,296	498	38.4
Minority interests	788	804	-16	-2.0
Shareholders' equity				
a) Share capital	1,219	1,219	0	0.0
b) Paid-in capital	523	547	-24	-4.3
c) Reserve for general banking risks	451	452	-1	-0.2
d) Negative consolidation and net equity differences	23	54	-9	-17.1
e) Reserves	2,791	1,526	1,265	82.9
f) Profit (loss) for the year	566	450	116	25.7
Total Liabilities and Shareholders' Equity	108,311	102,063	6,248	6.1

RECLASSIFIED PROFIT AND LOSS STATEMENT

(in EUR mn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	2,112	2,046	66	3.2
Profit (loss) on financial transactions	222	79	142	178.8
Net income from services	2,188	1,820	368	20.2
Dividends and tax credits	227	193	34	17.7
Service margin	2,637	2,093	544	26.0
Total banking income	4,749	4,139	610	14.7
Administrative expenses				
- personnel expense	-1,676	-1,624	52	3.2
- other expenses	-1,103	-904	110	12.1
Total administrative expenses	-2,690	-2,528	-162	6.4
Gross operating profit	2,059	1,611	448	27.8
Valuation adjustments to fixed and intangible assets	-308	-299	10	3.3
Provisions for risks and charges	-107	-129	-22	-16.9
Valuation adjustments to loans and provisions for risks, net of recoveries	-372	-387	-15	-4.0
Provisions to risk reserves	-41	-22	19	83.9
Writedowns to non-current financial assets	2	-16	19	113.4
Profit (losses) of investments carried on net equity method	31	15	16	101.1
Extraordinary income (charges)	39	393	-353	-90.0
Change in reserve for general banking risks	2	-149	150	
Income taxes	-656	-487	169	34.6
Profit for the year before minority interests	650	530	119	22.5
Minority interests	-84	-80	4	4.7
Net profit for the year	566	450	116	25.7

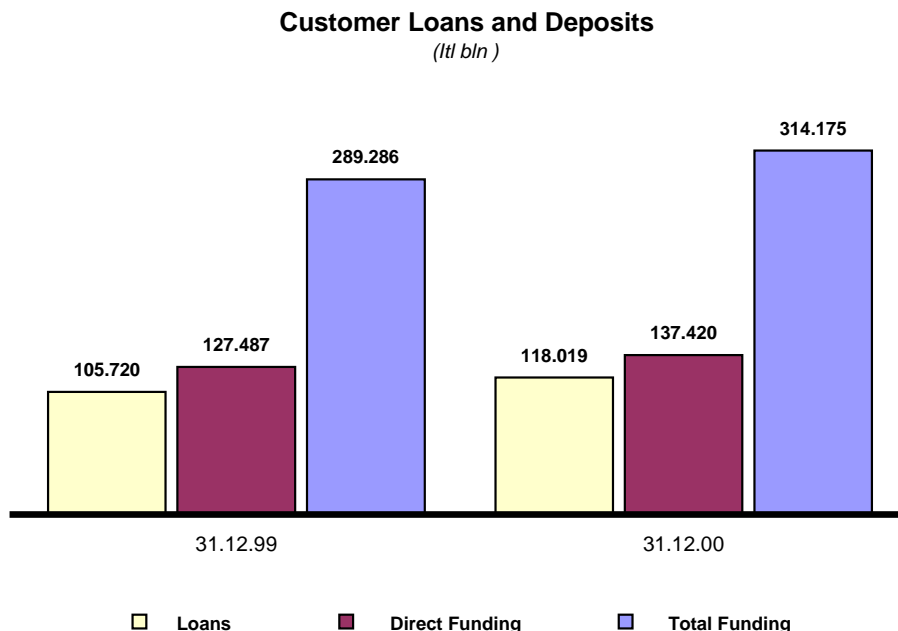
OVERVIEW OF OPERATIONS

The MPS Group experienced significant growth in all areas of operations in 2000 by capitalizing on competitive advantages such as territorial roots, a broad base of retail customers and product specialization, and by a continuing effort to fortify the Group's commercial potential, especially with regard to innovative products and services. Thus, the Group as a whole mirrored the performance of its parent, Banca Monte dei Paschi di Siena ("BMPS").

Some of the more significant developments of the year include:

- the expansion of customer funding and lending activity, with the priority placed on both the aggregate level of customer deposits and the more stable components of the loan portfolio (residential mortgages and long-term loans to small and medium-sized companies);
- additional improvement in credit quality, as shown by the reduction in the absolute amount of non-performing loans as well as the reduction of the amount of such loans in relation to the total portfolio;
- further development of Internet banking services, as part of a multiple-channel product and service distribution system;
- significant expansion of the portfolio of customers as well as progress in indicators relative to "real" banking activities.

As of 31 December 2000, aggregate funding of the Group totalled ITL 314,175 billion, while loans stood at ITL 118,019 billion:



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.

The Group's results in 2000 were also positively impacted by:

- the *expansion of the overall size of the organization* as a result of the 1999 acquisition of (i) Banca Agricola Mantovana, which significantly bolstered the Group's operating presence in the northern regions of Italy and (ii) investments in Banca Monte Parma and Cassa di Risparmio di San Miniato, two banks having very firm roots in the local markets they serve;
- the *acquisition of Banca 121* in January 2000, which strengthened the Group's competitive position, including with respect to product and distribution innovation;
- the *integration of the organizational units* which has already been completed or which is already in process.

▪ Funding

Assuming a priority role within the 2000 business plan for its contribution to long-term development of the Group structure and to the stability of earnings, aggregate customer funding rose by a significant 8.6 percent in 2000, with the annual flow equivalent to ITL 16,400 billion.

Aggregate Customer Funding

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Direct funding from customers	137,420	7.8	43.7	44.1
- customer deposits	90,912	10.3	28.9	28.5
- other borrowed funds backed by negotiable instruments	46,508	3.3	14.8	15.6
Indirect funding from customers	176,755	9.2	56.3	55.9
- funds under management	80,566	4.2	25.6	26.7
- funds under administration	96,189	13.9	30.6	29.2
Total customer funding	314,175	8.6	100.0	100.0

- Direct Funding

Direct funding rose by 7.8 percent to ITL 137,420 billion. The increase is mainly attributable to sight deposits, with current account balances some 12.7 percent higher, and to ordinary and structured bonds, whose outstandings increased by 24.8 percent. Funding through certificates of deposits experienced an aggregate decrease of 21.7 percent over the year, mainly due to the redemption of certificates with maturities over 18 months; meanwhile, the balance of funds in short-term certificates of deposit remained virtually level year on year.

Breakdown of Deposits

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Savings deposits	8,355	-7.6	6.1	7.1
Current accounts	65,109	12.7	47.4	45.3
Certificates of deposit	16,453	-21.7	12.0	16.5
Repurchase agreements	15,515	18.1	11.3	10.3
Bonds	28,263	24.8	20.6	17.8
Other	3,725	-3.4	2.7	3.0
Total	137,420	7.8	100.0	100.0

Funding through repurchase agreements (mainly used as instruments for the temporary allocation of liquidity) was also higher, though the balance, ITL 15,515 billion, remained a limited portion of aggregate funding (around 5 percent).

- **Geographical Distribution**

The geographical distribution of deposits as shown in the table below highlights the predominant contribution of the central regions, which accounted for 55.5 percent of the total as of year end, and the significant amounts of funding coming from the northern regions of the country following the acquisition of Banca Agricola Mantovana. Balances for the latter regions amounted to 23 percent of the total.

Deposits of Ordinary Customers with Italian Branches (*)

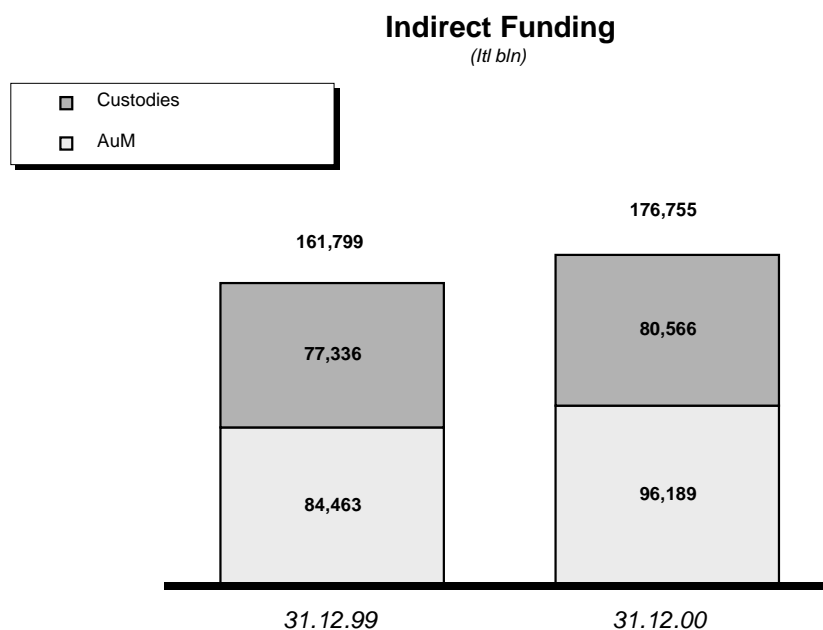
Distribution by Customer Residence – in ITL bn

	31.12.2000	% of Total
Northwestern Italy	12,575	17.1
Northeastern Italy	3,532	4.8
Central Italy	40,727	55.5
Southern Italy	13,311	18.1
Islands	3,197	4.4
Total	73,340	100.0

(*) The table includes balances in current accounts, savings accounts and certificates of deposit.

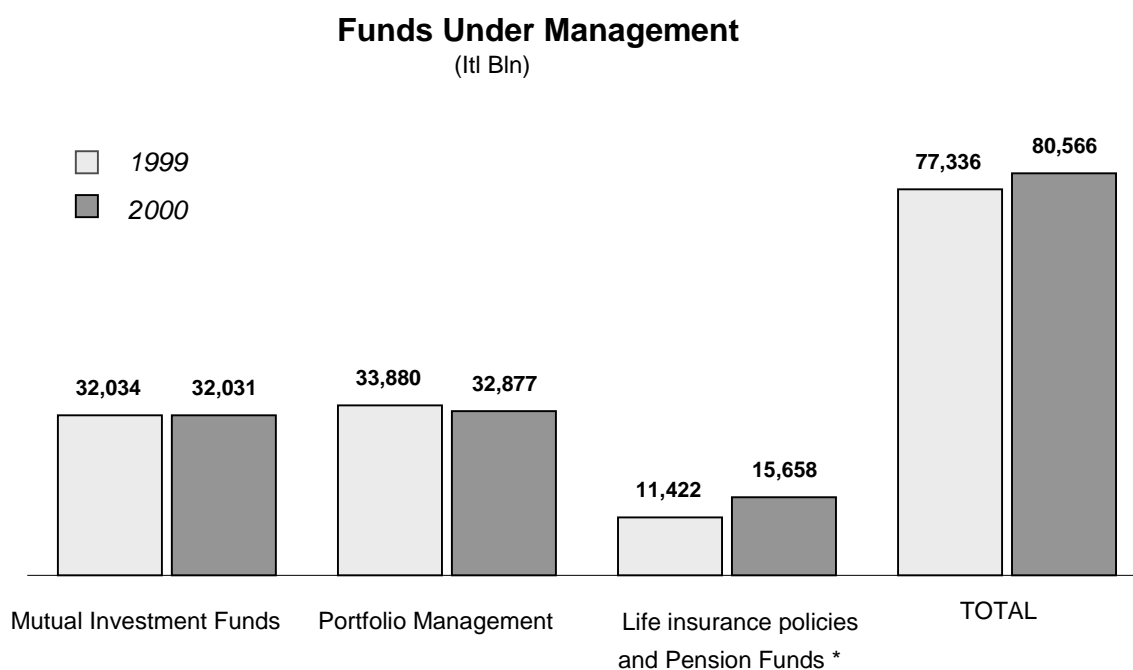
- **Indirect Funding**

Indirect funding rose by 9.2 percent during the year to a total of ITL 176,755 billion. The increase is mainly attributable to a recovery of volumes of funds under administration which began to take shape at the end of 1999 with the prospect of higher interest rates. At 4.2 percent, the growth of funds under management experienced a deceleration in comparison with the very high rates of expansion in the past, partly reflecting the weakness of the equity markets in the final months of the year. When measured on the basis of new inflows, the annual change rises to around 8.0 percent.



- Funds Under Management

At ITL 80,556 billion, the balance of funds under management reflects the difficulties within the mutual fund industry (which grew more pronounced starting in April) and a shift away from individual portfolio management services to investments in other instruments offered by the Group. Meanwhile, the trend of bancassurance activity remained strong.



(*) Pension funds amount to 57 mld. (1999) and 122 mld. (2000)

◆ Mutual Investment Funds / SICAVs

The balance of investments in mutual funds and SICAVs amounted to ITL 32,031 billion as of the end of 2000, remaining virtually unchanged year on year. The stability of the aggregate reflects both the unfavourable trend of equity prices, especially near the end of 2000, as well as the aforementioned shift in customer preferences, with the consequent investment in other financial instruments.

Against this backdrop, the funds management companies of the Group had mixed results for the year. Given the contribution of the networks of the new units of the Group (Banca Agricola Mantovana, Banca 121, Banca Monte Parma and Cassa di Risparmio di San Miniato), *Ducato Gestioni* managed to meet its target in terms of net new funding from direct customers, realizing a funds inflow of around ITL 4,700 billion. *Spazio Finanza* also performed well, taking in ITL 85 billion, while *Gi.Gest.* experienced an aggregate outflow of ITL 875 billion, most of which was re-directed to the Arlecchino SICAVs.

◆ **Individual Portfolios Under Management**

Assets in individual portfolios under management decreased year on year by 3.0 percent to ITL 32,877 billion, with the variation due to an outflow of roughly ITL 1,300 billion in the first few months of the year and a gradual turnaround thereafter. Banca Agricola Mantovana was an exception in this regard, reporting a net increase for the year. In terms of mix, the trend toward diversification continues, whereas the number of investment options was enlarged further and extended to include the SICAVs of the Group (ITL 2,500 billion in Monte Sicav and Arlecchino Investment).

◆ **Bancassurance**

Life policies reserves amounted to ITL 15,536 billion as of the end of 2000, rising by 36.7 percent year on year. Premiums collected during the year came to ITL 4,413 billion (ITL 1,835 billion from Monte Paschi Vita, ITL 520 billion from Ticino Vita, ITL 1,625 billion from Grow Life and ITL 432 billion from Quadrifoglio Vita), with the bulk flowing into unit- and index-linked policies.

◆ **Pension Funds**

While still limited in terms of volumes, funds under management in pension plans are steadily growing and rose to a total of ITL 122 billion as of the end of 2000. Highlighting the prospects for this business is an operating base covering some 45,000 participants, which translates into market share of around 19 percent.

- Funds Under Administration

Funds under administration totalled ITL 96,189 billion as of the end of 2000, advancing by 13.9 percent over the year. Much of the increase is attributable to the trend of the economy as well as a greater propensity by investors to hold equity investments directly, partly due to the progression of trading online.

▪ *Lending*

Customer loans and advances rose by ITL 12,300 billion or 11.6 percent to end 2000 at ITL 118,019 billion. The growth was driven by medium- and long-term loans disbursed by both the network (mortgages in particular) and by the product companies whose aggregate balances rose by 13 percent on average.

The expansion of the aggregate balance is a confirmation of the Group's commitment to support the current recovery of productive activity. Though the Group has kept pace with the commercial trends of the loan market, it has also managed its lending activity in a selective manner, including with reference to the distribution of credit facilities by geographic area and industry. The Group has furthermore aimed at improving both credit quality and the risk-return ratio at the individual position level.

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

Distribution of Loan Portfolio by Type of Loan:

(in ITL bn)

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Current accounts	23,441	1.3	19.9	21.9
Advances	12,582	-1.5	10.7	12.1
Advances and subsidies	19,952	38.9	16.9	13.6
Personal loans	3,209	33.6	2.7	2.3
Mortgages	46,573	16.2	39.5	37.9
Loan value of financial leases	2,626	35.3	2.2	1.8
Other	6,168	-17.8	5.2	7.1
Non-performing loans, net	3,469	-1.0	2.9	3.3
Total	118,019	11.6	100.0	100.0

With the MPS Group's fundamental strategy to configure itself as a "bank of choice" for individuals and small- and medium-sized businesses, efforts in 2000 were again directed to innovating and enhancing the range of loans and credit services available to these customer segments. As indicated in the report on the operations of the parent company in 2000, such efforts have also involved more customized loan proposals and an increased accent on consultative input to customers.

The Group's product companies specialized in industrial and agricultural credit made a significant contribution to development of the medium- and long-term lending business.

- *Mediocredito Toscano's* disbursements for the year amounted to ITL 1,877 billion, for an increase of 10.2 percent; the institution also plays a key role in the national market for "specialized credit services" (Law 488 of 1992 and Territorial Pacts/Area Contracts) and in 2000, it processed subsidy applications relative to investments amounting to ITL 6,799 billion;

- *INCA* realized new production of ITL 840 billion, for a 26 percent increase over 1999;

- *Merchant Leasing & Factoring* negotiated new contracts worth ITL 816 billion in leasing, with the total some ITL 490 billion higher than the previous year; the company's factoring turnover rose by ITL 370 billion to ITL 1,291 billion; part of this growth can be attributed to the initial marketing of these products by BAM, Banca Popolare di Spoleto and Cassa di Risparmio di San Miniato.

The Group's short-term lending also expanded in 2000, with average outstandings some 9.5 percent higher. The growth of this portfolio was particularly strong in the second half, following the trend of the economic recovery.

The activity of analyzing and monitoring credit risk was fortified during the year with the Group companies adopting programs that will result in standard procedures and common control structures. A key project in this area regard the creation of a internal credit rating model, as explained in the section on integrated risk management.

▪ Loans by Economic Sector

The table below illustrates the weight of the loans to the various sectors as a percentage of total production.

Loans by Sector of Economic Activity

Italian Branches

in ITL bn

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Governments	8,055	-5.0	7.8	9.5
Financial institutions	8,681	21.3	8.4	8.0
Loans for production purposes	65,792	16.0	64.0	63.3
- non-financial companies	58,235	16.9	56.6	55.6
- family-owned businesses	7,557	9.5	7.3	7.7
- artisans	1,735	5.7	1.7	1.8
- other family-owned businesses	5,822	10.6	5.7	5.9
Retail loans	19,827	18.2	19.3	18.7
Other	525	7.1	0.5	0.5
Total	102,880	14.8	100.0	100.0

A review of the medium- and long-term portfolio shows a higher weighting of loans to non-financial companies (41% of the total portfolio), while the balances of retail loans also rose in relative terms (32% of the portfolio) mainly in response to the growth of home mortgages.

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

Italian Branches

in ITL bn

	31.12.2000	% Change vs 1999	% of 2000 Total	% of 1999 Total
Governments	7,857	-4.8	14.9	18.4
Financial institutions	1,663	58.3	3.2	2.3
Loans for production purposes	26,085	23.0	49.4	47.3
- non-financial companies	21,656	24.8	41.0	38.7
- family-owned businesses	4,429	14.8	8.4	8.6
- artisans	971	6.8	1.8	2.0
- other family-owned businesses	3,458	17.3	6.6	6.6
Retail loans	16,873	19.6	32.0	31.4
Other	290	12.1	0.5	0.6
Total	52,768	17.6	100.0	100.0

- Geographical Distribution of Loans and Loans by Economic Sector

A breakdown of the loan disbursements of the Italian branches by geographic area attests to the Group's strong position in central Italy (47 percent of the total) and to a growing operational presence in the northern regions of the country (33.4 percent). In the latter case, the growth of the loan portfolio came from organic growth as well as from the BAM and Banca Monte Parma acquisitions which have provided for better balance in the geographic distribution of loans, and have boosted the weighting of some of the country's higher growth areas.

Loans to Ordinary Resident Customers

Italian Branches

Distribution by Customer Residence – in ITL bn

	31.12.2000	% of Total
Northwestern Italy	25,485	24.8
Northeastern Italy	8,879	8.6
Central Italy	48,382	47.0
Southern Italy	14,808	14.4
Islands	5,326	5.2
Total	102,880	100.0

Loans for production purposes rose by 16 percent to a total of ITL 65,792 billion. As shown by the following table, such loans are broadly distributed over a range of economic sectors.

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	3,807	18.5	5.8	5.7
Energy products	1,660	62.9	2.5	1.8
Ferrous and non-ferrous minerals and metals	863	-9.1	1.3	1.7
Non-metal minerals and products	1,551	16.7	2.4	2.3
Chemical products	1,089	9.4	1.7	1.8
Metal products	2,183	17.1	3.3	3.3
Agricultural and industrial machinery	1,857	6.3	2.8	3.1
Office equipment	1,565	83.2	2.4	1.5
Electrical materials and supplies	1,405	11.0	2.1	2.2
Transportation equipment and vehicles	677	9.2	1.0	1.1
Food, beverage and tobacco products	3,322	9.2	5.0	5.4
Textiles, leather, footwear and apparel	5,105	9.1	7.8	8.3
Paper, printed products and publishing	2,323	66.4	3.5	2.5
Plastic and rubber products	1,034	19.2	1.6	1.5
Other industrial products	1,922	15.5	2.9	2.9
Building and public works	6,980	3.2	10.6	11.9
Commercial services, recoveries and repairs	11,743	10.2	17.8	18.8
Hotels and public establishments	2,069	18.8	3.1	3.1
Inland transport services	1,019	8.0	1.5	1.7
Sea and air transport services	669	58.9	1.0	0.7
Transport-related services	821	19.2	1.2	1.2
Communications services	929	38.8	1.4	1.2
Other marketable services	11,199	20.3	17.0	16.4
Total	65,792	16.0	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 9 percent and 3 percent, respectively.

- *Securitization Transactions*

Securitization transactions effected by the parent company in 2000 covered variable-rate and "modular" first-home mortgages in the amount of ITL 1,292 billion, and personal loans relative to the placement of certain long-term savings plans in the amount of ITL 676 billion.

- *Secured Lending*

The following table rounds out the information on customer loans and advances, providing a breakdown of loans secured by real and personal property:

Secured Loans

in ITL bn

	31.12.2000	% of 2000 Total	% of 1999 Total
Loans secured by mortgages	30,348	51.5	50.6
Loans secured by pledge of collateral	4,675	7.9	8.0
Other secured loans	23,893	40.6	41.5
Total	58,916	100.0	100.0

▪ *Market Position*

The table below summarizes the trend of market share for key balance-sheet aggregates.

Market Share (%)

Based on Ordinary Customers of Italian Branches

	31.12.2000	31.12.1999	% Change
Direct funding (including repurchase agreements)	7.56	7.19	0.37
- including: deposits	7.93	7.68	0.25
- including: euro-denominated bonds	5.74	4.96	0.79
Loans (including repurchase agreements)	6.76	6.77	-0.01
- including: short-term loans (including repurchase agreements)	6.49	6.93	-0.45
- including: medium- and long-term loans	7.06	6.60	0.46

The gains in market share were particularly evident in:

- direct funding (7.56 percent at the end of 2000), with the greatest increase seen in deposits;
- in medium- and long-term loans, which represent the most stable component of the loan portfolio.

Based on estimates as of the date of the preparation of the financial statements, the Group's share of the funds management market had reached around 5.2 percent. Definitive data pertaining to the mutual-fund and SICAV segment show an increase in the market share held by the Group companies (Ducato Gestioni, Gi.Gest, Spazio Finanza, Monte Sicav and Arlecchino Management) with respect to both the balances under management (4 percent at the end of 1999 to 4.4 percent at the end of 2000), and the net new investment flows (from 4.1 percent to 11.9 percent). Prior to receiving official figures from Italy's insurance regulators ("ISVAP"), the data released through the industry association, IAMA, indicate the Group's companies (Monte Paschi Vita, Ticino Vita, and Grow Life) accounted for 11.5 percent of the premiums sourced through the bancassurance market in 2000, as compared with 12.2 percent in 1999.

Market share also rose with respect to new production in leasing (from around 3 percent to 3.8 percent of the contracts signed) and in factoring (from 2.1 percent to 2.6 percent).

▪ *Doubtful Loans*

The ongoing improvement in the quality of the loan portfolio translated into further reduction of non-performing loans at the Group level, with changes over the year summarized in the table below.

Trend of Non-Performing Customer Loans

(in ITL bn)

	31.12.2000	31.12.1999	% Change
Book value of principal amount outstanding	6,701	6,581	1.8
Write downs	3,232	3,078	5.0
Net value of principal amount outstanding	3,469	3,503	-1.0

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

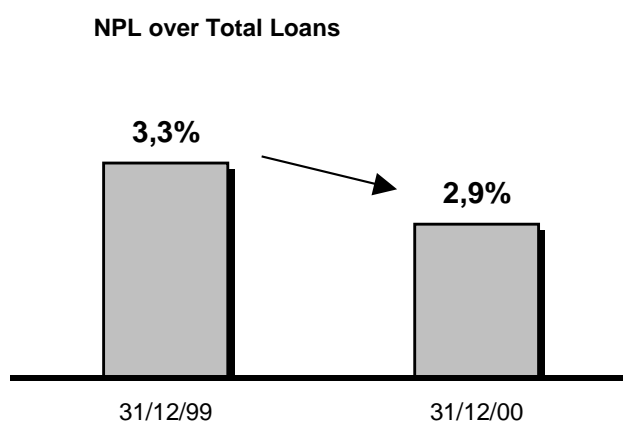
Distribution of Loan Portfolio by Risk Category

Net Book Value

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	3,469	3,503	-1.0	2.9	3.3
Watchlist credits	1,848	2,167	-14.7	1.6	2.1
Loans in the process of restructuring	0.5	2.0		0.0	0.0
Restructured loans	126	134	-6.2	0.1	0.1
Unsecured loans to high-risk nations	91	125	-27.4	0.1	0.1
Total doubtful loans	5,535	5,932	-6.7	4.7	5.6
Performing loans	112,485	99,788	12.7	95.3	94.4
Total customer loans and advances	118,019	105,720	12.6	100.0	100.0

The ratio of net non-performing loans to total loans fell further in 2000, ending the year at 2.9 percent.



The table below illustrates the main determinants of the reduction in non-performing loans over the year.

**Trend of Non-Performing Customer Loans
(including interest in arrears)
in ITL bn**

	Amount Outstanding	Doubtful Loans	Net Value
Balance as of 31 December 1999	6,581	3,078	3,503
Increases during the year	1,987	1,171	816
Transfers from performing loans	371		
Transfers from other categories of doubtful loans & other increases	1,423		
Interest in arrears	193		
Decreases during the year	1,866	1,017	850
Transfers to performing loans	11		
Amounts written off	793		
Collections	582		
Cash proceeds from transfers to third parties	269		
Transfers to other categories of doubtful loans and other decreases	211		
Balance as of 31 December 2000	6,701	3,232	3,469

Loans classified as watchlist credits and loans on which payments are past due also decreased significantly in 2000. Such credits, which are outstanding to borrowers facing temporary difficulties, declined by 18 percent over the year to ITL 1,843 billion.

**Trend of Watchlist Credits
(including interest in arrears)
in ITL bn**

	Principal Amount Outstanding	Doubtful Loans	Book Value
Balance as of 31 December 1999	2,931	670	2,261
Increases during the year	1,483	306	1,177
Transfers from performing loans	1,162		
Transfers from other categories of doubtful loans & other increases	285		
Interest in arrears	36		
Decreases during the year	1,950	359	1,591
Transfers to performing loans	311		
Amounts written off	79		
Collections	883		
Cash proceeds from transfers to third parties	98		
Transfers to other categories of doubtful loans and other decreases	579		
Balance as of 31 December 2000	2,465	616	1,848

▪ **Securities Portfolio and Interbank Relationships**

In 2000, the Group reduced its holdings of securities by a significant ITL 4,278 billion:

Owned Securities

in ITL bn

	31.12.2000	31.12.1999	Change	% Change
Total securities	30,600	34,878	-4,278	-12.3
- Investment portfolio	10,330	12,390	-2,060	-16.6
- Trading portfolio	20,270	22,488	-2,218	-9.9

As in the case of Banca MPS, the decrease at the Group level was mainly effected in accordance with policy guidelines which dictated containment and control over financial risks in the midst of an operational framework marked by volatility and ongoing uncertainty about the direction of market interest rates.

The principal changes in the distribution of the portfolio made in accordance with budget criteria are summarized as follows:

- 1) adjustments in the holdings of the foreign subsidiaries, Monte Paschi Banque and Monte Paschi Belgio, in order to bring the valuation of the relative portfolios in line with the classification methods adopted by the Group; as such, roughly ITL 2,700 billion of investments previously booked as trading securities were reclassified as investment securities;
- 2) the sale of investment securities by the Italian affiliate banks in the aggregate amount of ITL 600 billion, with Banca 121 accounting for roughly ITL 450 billion of the total;
- 3) the transfer of ITL 900 billion out of the Banca Toscana trading portfolio and the subsequent reclassification within the investment portfolio.

Given the effects of the various transactions, the Group's investment portfolio decreased by ITL 2,218 billion.

The Group entered into several innovative transactions during 2000 in order to improve the risk-return profile and the liquidity of financial assets; such transactions included:

- A collateralized bond obligation ("CBO") carried out by BAM for roughly ITL 1,200 billion in aggregate; this involved the transfer of fixed- and variable-rate securities and asset swaps to a newly created company which financed the transaction through the issue of various classes of asset-backed securities (with BAM itself underwriting the junior tranche);
- An asset exchange perfected by Banca Toscana for roughly 140 billion, in which bank and corporate bonds were transferred to a newly created company in exchange for a single security of the same amount which is quoted on the Luxembourg Bourse;
- The launch of a CBO by Banca 121 and its subsidiary, 121 Financial Service, for roughly ITL 700 billion, for the purpose of securitizing a portfolio of securities and credit derivatives to be transferred to a special-purpose company under the form of a senior credit default swap contract, with

the subsequent issue of four classes of securities to be quoted on the Luxembourg Exchange and offered to institutional investors.

The following table summarizes the components of the consolidated portfolio as of year end.

Portfolio Securities

in ITL bn

	31.12.2000	31.12.1999	% of Total as of 31.12. 2000	% of Total as of 31.12. 1999
Government securities	3,802	5,191	12.4	14.9
Other fixed-income securities	25,191	28,353	82.3	81.3
Shares, quotas and other equity securities	1,608	1,333	5.3	3.8
Total	30,600	34,878	100.0	100.0

As of 31 December 2000, the Group's interbank position was as follows:

Interbank Balances

in ITL bn

	31.12.2000	31.12.1999	Change	% Change
Amounts due from banks	30,729	28,303	2,425	8.6
Amounts due to banks	34,424	36,635	-2,211	-6.0
Net borrowing position	3,695	8,331	4,636	

▪ *Integrated Risk Management*

• Organizational Framework

A priority at the Group level, the risk-management process is designed to provide efficient measurement and management of the sources of risk inherent to the Group's activity. This process is vital, as well, to the creation of value, the optimization of the risk-return profile and the adoption of strategic decisions for the Group's business development.

In recent years, the Group's risk-management activity has progressively developed on the basis of two principal objectives:

- the identification and measurement of various risk factors inherent to the activity carried out in the various markets in which the Group companies operate;
- the support to the overall management of such risks, with the aim of containing the volatility of expected earnings and thus the economic value within clearly specified limits, thereby favouring the natural matching of positions within the different operating units of the Group.

The market risks management committee at BMPS further centralized the analysis of the Group's overall risk position during the year. This facilitated an overall evaluation of possible core synergies already existing within the individual companies in terms of managing or eliminating exposure, and the neutralization of diseconomies and of overlapping positions arising from the individual companies operating on an autonomous basis in the markets.

At an organizational level, the parent-company units responsible for the system of internal controls gradually intensified their activity during the year. In the auditing department, this activity covers the definition of rules for the internal controls system and the verification of their implementation. Instead, in the credit department, the effort goes to the setting of standards and policies for lending activity across the Group.

The risk-management unit of the parent company is charged with the responsibility for defining and applying integrated methods for analyzing and measuring risks across the Group. The unit works in close collaboration with the risk controls units of the various Group companies, thereby ensuring consistency in the methodology, data bases and parameters of the peripheral systems.

The Group is in the process of completing its new risk management system. The system will concentrate the fundamental data for each Group entity within a single analytical console, thereby allowing for: an assessment of the consolidated risk profile; integrated management of the Value-at-Risk of the Group's overall trading portfolio; the adoption of corrective measures and the management of the overall mismatching of interest rates and maturities. At the same time, queries can be made regarding the origination of risk with each entity. As a result of these various system attributes, the Group will have access to a risk position whose components will be monitored in a efficient manner with the use of uniform criteria and procedures for all of the individual banks.

- Measurement of Financial Risks

Interest-rate risks related to the banking book and market risks related to trading activity are controlled at a Group level with the use of the same criteria which the parent company has adopted for measuring and monitoring the financial risks.

The different Group companies are currently responsible for the direct management of interest-rate risk of their own banking books. The market risks management committee of the parent company has nonetheless gradually assumed the responsibility of disseminating specific fundamental guidelines for the prudent management of this aggregate on the part of the individual companies, thereby increasingly extending its analytical function to the entire Group. This framework will therefore facilitate an overall evaluation of all of the possible fundamental synergies existing in terms of closing out positions and/or managing exposure.

Instead, the market risks on the trading portfolios continue to be managed by finance areas of the various banks of the Group. With the start-up of operations of the new investment banking unit, MPS Finance Banca Mobiliare, at the beginning of 2001, and the transfer of the parent company's trading portfolio to the new company, the Group has embarked on a program to re-order the management of the trading portfolios of the individual banks of the Group. With the reorganization, the trading securities held by the individual banks will become part of a strategic portfolio to be centralized and managed by the finance area of the parent company over the course of the year.

While continuing to respect the autonomy accorded to the banks of the Group, the risk management unit of the parent company provides for the identification and measurement of the aforementioned risks so as to ensure uniformity in terms of valuation, measurement methods and vision, and the recommendation of any corrective actions with regard to the Group's consolidated risk profile.

In quantitative terms, the Group had a balanced risk profile between the banking book and trading portfolio as of 31 December 2000. The aggregate interest-rate risk related to the banking book, which is measured as the sensitivity to a 25-basis-point shift of rates across the curve, was equivalent to 0.99 percent of the capital required for regulatory purposes. Measured on the basis of the same criterion, market risk on the trading portfolio was equivalent to 0.57 percent of the capital required for regulatory purposes. Thus, as of the end of 2000, the overall risk to a 25-basis-point change in interest rates came to 1.56 percent of the Group's capital.

During 2000, the drive toward centralized management of credit risk continued, with the aim of achieving better administration of customer relationships and the profitability of the same. The credit risk rating project launched at the beginning of 2000 under the supervision of the Group's lending unit involved the development of an internal rating system to be used by the Group banks. This system will guarantee standard classification of all customers through the use of uniform evaluation methods for each customer segment and the consequent adoption of a single rating scale.

In 2001, the parent company will implement a series of other projects aimed at developing sophisticated systems for the timely measurement, monitoring and management of credit risk at the portfolio level. Such projects will gradually be extended to the other banks of the Group.

The beginning of 2001 marked the launch of another project aimed at the measurement of the Group's operating risks. This initiative is considered essential to the development of a "controls culture" within the Group and more in general, to the improvement of corporate governance. Supported by the internal audit unit of the parent company and with the involvement of the organization department and

risk management unit, the project will take a bottom-up approach that is concentrated on the mapping of risks, the qualitative evaluation of risks and the creation of a functional data base for risk quantification.

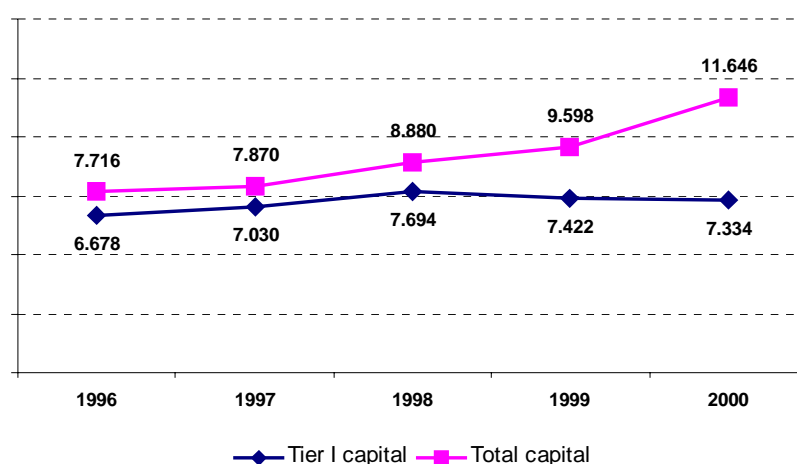
▪ **Capital and Capital Required for Regulatory Purposes**

The risk management unit is responsible for the monitoring of the employment of capital at a Group level. As in the case of the parent company, this monitoring is based on the regulatory method. Reports on the actual and forecast levels of capital required for regulatory purposes and the Group's capital position are regularly submitted to the market risks management committee.

As of 31 December 2000, the consolidated capital for regulatory purposes amounted to roughly ITL 11,646 billion, increasing by a total of ITL 2,048 billion, or 21.34 percent, over the comparable figure as of the end of 1999. As to Tier 1 capital, the change over the year mainly occurred as a result of the accrual of net profit and the transactions relative to the enlargement of the Group (Banca 121).

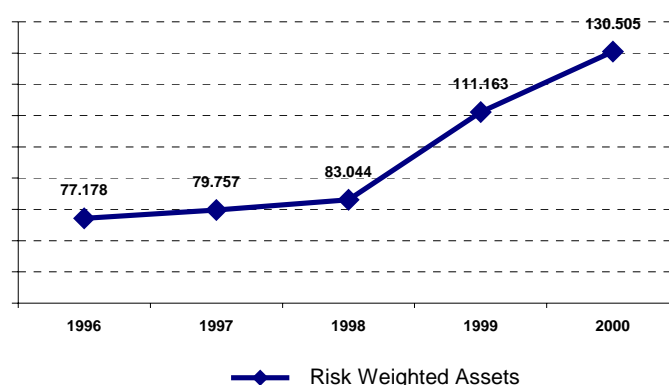
At ITL 3,381 billion, the increase in Tier II capital can be mainly attributed to the issue of subordinated debt during the year and the allocation of ITL 1,621 billion to capital reserves pursuant to the revaluation of assets (net of substitution tax) which was effected in accordance with Law 342 of 2000. The revaluation of assets regarded both owned buildings and the investment in S. Paolo IMI, as evidenced in the report on operating performance relative to BMPS.

(in ITL bn)	Weighted Value as of	
	31.12.2000	31.12.1999
Tier I capital	7,333.6	7,422.1
Tier II capital	5,890.4	2,509.4
	13,224.1	9,931.5
Deductions	1,578.1	333.8
Total capital as calculated for regulatory purposes	11,646.0	9,597.7



Risk-weighted assets rose by ITL 19,300 billion, or 17.4 percent; the increase stems from higher loan volumes as well as the addition of the assets of the newly acquired Banca 121.

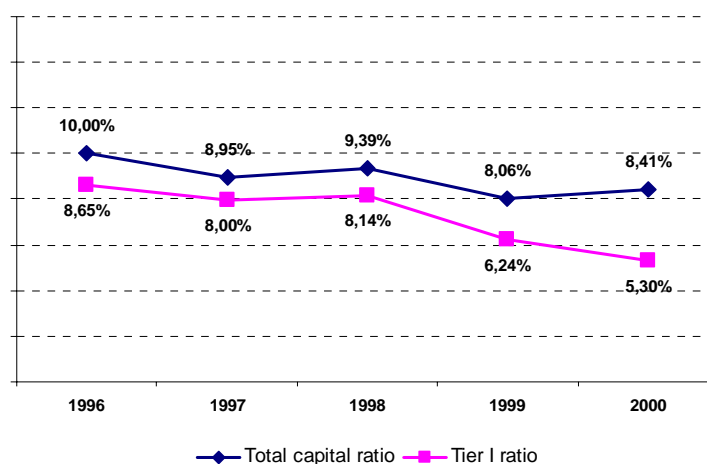
(in ITL bn)	Weighted Value as of	
	31.12.2000	31.12.1999
Risks assets		
Balance sheet assets:		
Assets backed by real property guarantees	341.8	0.1
Loans to governments, central banks and multilateral banks	1,314.0	1,055.1
Due from banks	4,899.2	6,020.8
Due from investment companies	58.6	0.0
Residential mortgages – private sector	6,986.3	5,900.1
Non-residential mortgages – private sector	549.9	0.0
Other loans to the private sector	95,798.5	82,614.2
Equity investments weighted at 200%	13.6	8.6
Equities, equity investments and subordinated assets	2,242.6	1,739.4
Fixed assets	3,907.4	2,635.4
Negotiable instruments for collection, accrued income and other assets	3,192.5	3,050.6
	119,304.4	103,029.7
Off-balance-sheet assets:		
Guarantees released, commitments and derivatives contracts	15,061.3	11,620.5
Less: loan amounts classified as "doubtful outcomes" and capital losses	-3,860.5	-3,482.2
Total risk weighted assets	130,505.2	111,162.6



Considering the variations in capital required for regulatory purposes and in risk-weighted assets, the total capital ratio amounted to 8.92 percent and the Tier I capital ratio was 5.62 percent.

	31.12.2000	31.12.1999
Tier I capital ratio	5.62%	6.68%
Total capital ratio	8.92%	8.63%

After incorporating the capital requirements to cover market risks and other risks, the Tier I ratio stands at 5.30 percent and the total capital ratio at 8.41 percent (in comparison with a required minimum of 8 percent).



The trend of the Group's capital position is summarized in the following table and has been calculated by subtracting the capital required for the various types of risks from total capital computed for regulatory purposes. As shown, the surplus capital rose from around ITL 492 billion as of the end of 1999 to ITL 569 billion at the end of 2000.

Position	31.12.2000	31.12.1999
Credit risk		
- on balance sheet assets	9,544.4	8,241.9
- on off-balance-sheet assets	1,204.9	929.6
- doubtful loans	308.8	278.6
	10,440.4	8,893.0
Market risks		
- on investment securities portfolio	709.3	578.5
including:		
- generic risk on debt securities	334.0	286.0
- specific risk on debt securities	215.2	158.2
- generic risk on equity securities	46.0	56.0
- specific risk on equity securities	43.9	32.5
- options – delta plus method: gamma factor	4.7	
- options – delta plus method: vega factor	7.1	
- risk on quotas in mutual funds	27.0	14.6
- settlement risk	0.1	0.1
- counterparty risk	31.4	31.0
- on risk concentration		6.3
- on foreign currency	28.8	39.2
Total market risks	738.1	624.0
Subordinated Loans utilizable to cover market risks	115.0	
Net Market risks	623.1	624.0
Other requirements	13.2	4.0
Total capital required	11,076.8	9,521.0
Total capital available	11,646.0	9,597.7
Surplus capital	569.2	76.7

With the issue of preferred shares in the amount of ITL 678 billion in early 2001, the Tier I ratio rose to around 5.8 percent while the total capital ratio stood at 8.9 percent.

- **Profitability**

- **Fundamental trends**

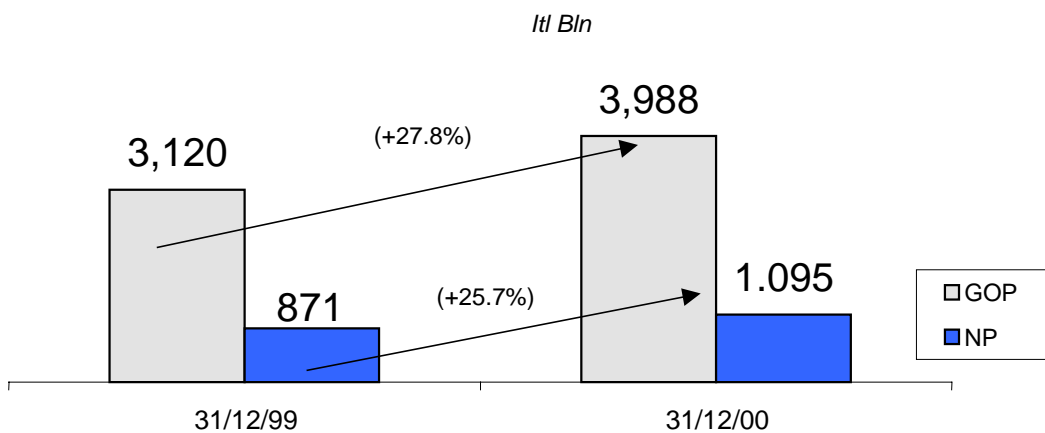
The trend of the Group's results essentially matches that for the parent company. In particular, the development of competitive capacity and of operating efficiency has been matched by the following fundamental developments:

- *a sharp increase in the more stable sources of income from services*, distributed across all areas of business;
- *a reduction of the cost/income ratio*, linked to the containment of operating expenses (meanwhile investments in enhancing and innovating the marketing and organizational units were intensified so as to develop products, a multiple-channel distribution system and customer value management).

Taking into account the aforementioned developments, the moderate recovery of the interest margin and a greater inflow of profits from other sources (profits from financial transactions and dividends from equity investments), the consolidated gross profit rose to ITL 3,988 billion, increasing ITL 868 billion or 27.8 percent with respect to the previous year.

Net profit advanced by 25.7 percent to ITL 1,095 billion, and totalled ITL 1,226 billion before discounting the amortization of positive consolidation differences.

Trend of Gross Operating Profit and Net Profit



RECLASSIFIED PROFIT AND LOSS STATEMENT

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Interest margin	4,090	3,963	128	3.2
Service margin	5,105	4,052	1,053	26.0
including: banking commissions	3,360	2,758	601	21.8
Total banking income	9,196	8,014	1,181	14.7
Administrative expenses				
- personnel expense	-3,246	-3,145	101	0.8
- other expenses	-1,962	-1,750	212	12.1
Total administrative expenses	-5,208	-4,894	314	6.4
Gross operating profit	3,988	3,120	868	27.8
Minority interests	-162	-155	7	4.7
Net profit for the year	1,095	871	224	25.7
Net profit adjusted for amortization of positive consolidation differences	1,226	1,004	222	22.1

The trends of the key profit-and-loss variables are reviewed below:

- The *services margin* climbed by a strong 26 percent to ITL 1,053 billion, with the bulk of the increase attributable to customer commissions which, at ITL 3,360 billion, were some ITL 602 billion or 21.8 percent higher than the prior year.

Services Margin

(in ITL bn)

	31.12.2000	31.12.1999	Change	% Change
Funds management commissions	1,116	986	130	13.2
including:				
- mutual funds	690	603	88	14.6
- individual portfolios under management	313	276	37	13.4
- life insurance policies	111	108	4	3.3
- pension funds	2		2	
Other commissions	2,244	1,772	472	26.6
Total banking commissions	3,360	2,758	602	21.8
Profit (loss) from financial transactions	429	154	275	178.8
Other operating income (*)	430	301	129	42.8
Dividends and tax credits	440	374	66	17.7
Total services margin – banking activity	4,659	3,587	1,072	29.9
Net income from tax collection activity	446	465	-19	-4.1
Total services margin	5,105	4,052	1,053	26.0

Note: In the case of income relative to life insurance policies, the amounts in the table include only the commissions paid to the network since the product companies have been consolidated with the use of the net equity method. Considering the amounts relative to the product companies, the income on life policies climbs to ITL 267 billion and the banking commissions amount to ITL 3,515 billion.

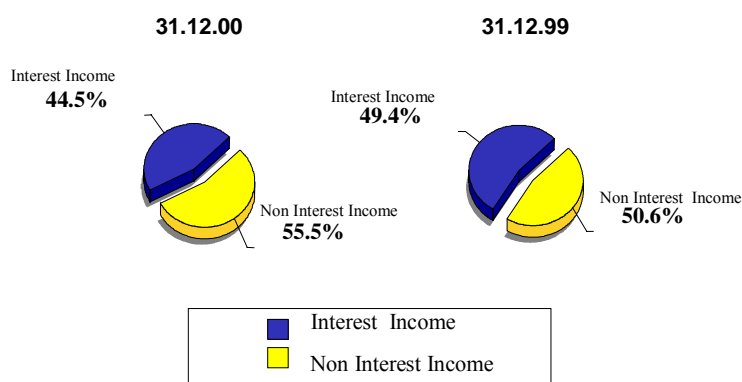
Income from securities trading rose by 49.8 percent, partly due to the significant contribution of order-taking activity in the early months of the year. International banking services yielded a 19.5 percent increase in income, while revenues from base services and payment systems rose by an average of 13 percent for the year.

At 13.2 percent, the rise in commissions from funds management was also significant. Such income accounted for roughly 33 percent of total customer commissions, and 36 percent when including the amounts realized by the bancassurance companies consolidated with the net equity method.

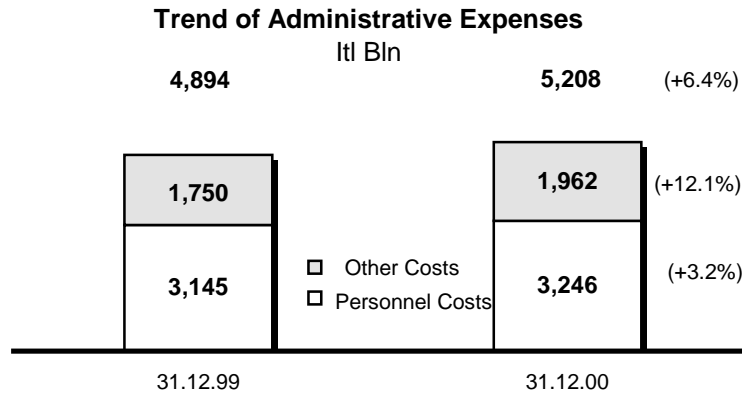
The structural developments indicated above were matched by:

- the ongoing recovery of the interest margin: The rise of ITL 128 billion or 3.2 percent is mainly the outcome of an expansion of customer loans and deposits and a reduction in average rates paid on deposits; the positive effects of such factors were partly offset by a more limited markup on short-term loans, namely, returns which were only partially in line with the rise of market interest rates. Instead, the earnings from the finance area diminished as a result of the downsizing of the investment in securities which was aimed at the containment of financial risks. Profits also diminished in the case of surplus capital, whose balance fell as a result of the equity investments purchased in 1999.
- a rebound of ITL 275 billion in profits from financial transactions compared with limited level of such earnings in 1999, and further improvement of ITL 66 billion in income from dividends and the related tax credits.
- the consequent growth of total banking income, which rose to ITL 9,196 billion, gaining ITL 1,181 billion or 14.7 percent over the prior year.

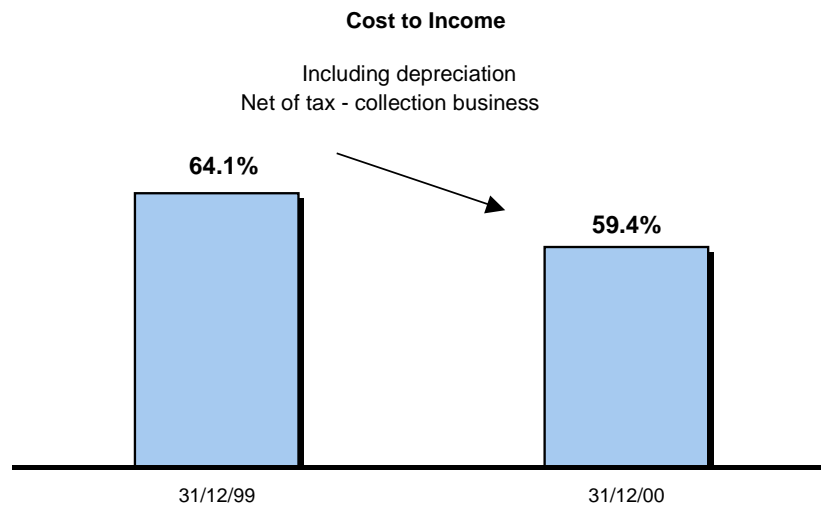
Total Income Breakdown



- administrative expenses which rose by ITL 314 billion or 6.4 percent: The aggregate incorporates a 3.2 percent increase in personnel expenses, which includes expenditures for new branches and call centers that were mostly offset by savings realized on the integration of operations and from retirement incentive programs offered in prior years. Other administrative expenses climbed by 12.1 percent, with much of the increase correlated to investments aimed at the realization of new projects and initiatives; expenditures for existing operations instead showed little change year on year.



The cost/income ratio for the banking activity (inclusive of depreciation and amortization) decreased to 59.4 percent, in line with the budgeted objective.



Trend of Administrative Expenses/Total Banking Income

(cost-income ratio including depreciation and amortization charges and excluding the activity of the tax collection area)

The analysis of the contribution of the principal operating areas serves to emphasize the significance of activity with ordinary customers, which accounted for 84 percent of operating profit. In particular, deposit-taking activity represented 60 percent of aggregate operating earnings.

Contribution of Principal Areas of Operation to Operating Profit (in ITL bn)

	2000	
	Amount	%
Direct funding	998	25.0
Indirect funding ¹	790	19.8
Lending	925	23.2
Services and payment systems	620	15.5
Total activity with ordinary customers	3,333	83.6
Finance department	499	12.5
Equity investments	112	2.8
Other activity	44	1.1
Total	3,988	100.0

¹ Funds under management and under administration

Following are comments on the accounts having the most significant impact on net earnings.

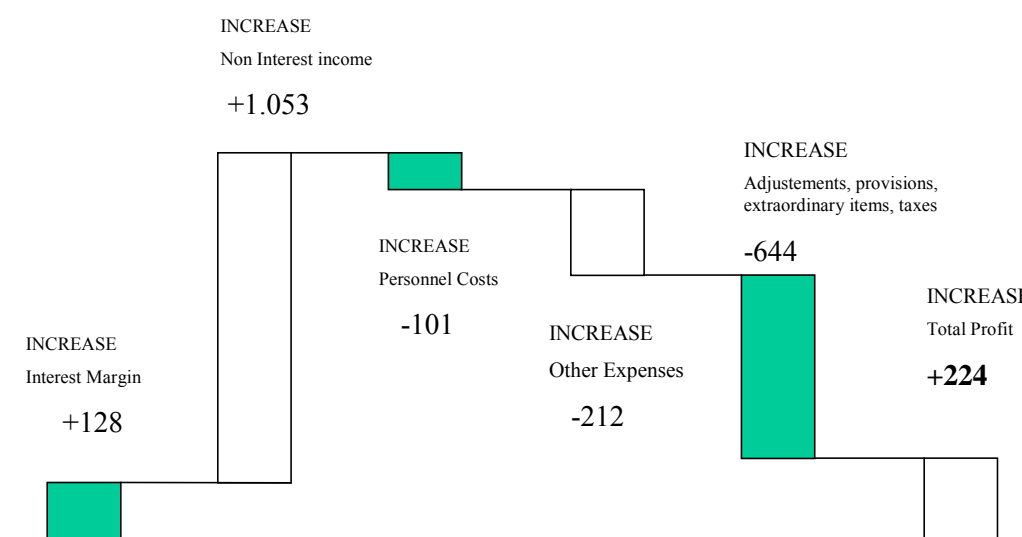
Adjustments to Gross Operating Profit

(in ITL bn)

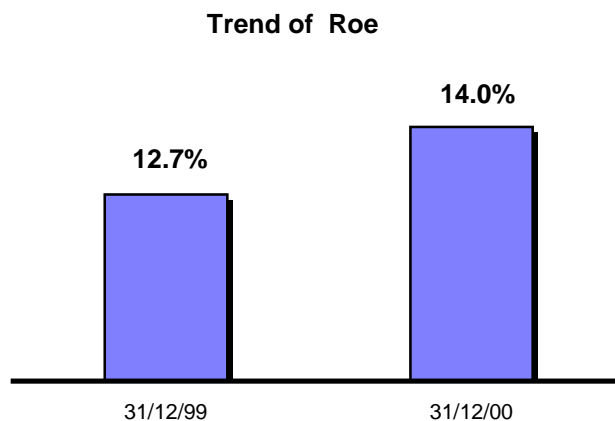
	31.12.2000	31.12.1999	Change	% Change
Gross operating profit	3,988	3,120	868	27.8
Valuation adjustments to fixed and intangible assets	-597	-578	19	3.3
Provisions for risks and charges	-208	-250	-42	-16.9
Valuation adjustments to loans and provisions for risks, net of recoveries	-720	-750	-30	-4.0
Provisions to loan loss reserves	-79	-43	36	83.9
Writedowns of non-current financial assets, net of recoveries	4	-32	36	113.4
Profit (losses) of investments carried on net equity method	60	30	30	101.1
Extraordinary income (charges)	76	760	-684	-90.0
Change in reserve for general banking risks	3	-288	291	
Income taxes	-1,270	-943	326	34.6
Profit for the year before minority interests	1,258	1,026	231	22.5
Minority interests	-162	-155	7	4.7
Net profit for the year	1,095	871	224	25.7

- The valuation adjustments to fixed and intangible assets in the amount of ITL 597 billion include amortization of positive consolidation differences in the amount of ITL 130 billion.
- Annual provisions to the reserves for risks and charges total ITL 208 billion and include a provision by the parent company in the amount of ITL 50 billion to cover the possibility of the "renegotiation of subsidized mortgages" which is an issue affecting the entire banking industry.
- The net valuation adjustments to loans came to ITL 720 billion, while provisions to the reserve for credit risks amounted to ITL 79 billion, thereby bringing the balance of relative reserve to ITL 561 billion.
- Net extraordinary income of ITL 76 billion incorporates capital gains of ITL 74 billion realized on the sale of investments in companies outside of the Group, including Olivetti and Autostrada Torino-Milano.

The principal determinants of the trend of net profit are illustrated in the graph below which indicates changes between 1999 and 2000.



The ROE for 2000 rose to 14 percent, and to 15.7 percent when profit is computed inclusive of the amortization of positive consolidation differences.



▪ *Distribution Channels*

Efforts to provide for synergetic expansion of the traditional network and the new distribution channels continued throughout 2000, with the final objectives being a larger customer base and improvements in the quality of relationships with customers. As part of this thrust, the Group has sought to achieve the best correlations between customer segments, products and distribution channels.

The customer response to the development of an integrated multi-channel distribution network has been very strong as shown by the significant growth of customers doing their banking business via the Internet, telephone or television. Such customer relationships numbered over 455,000 at the end of 2000, in comparison with the 67,000 in effect at the end of 1999.

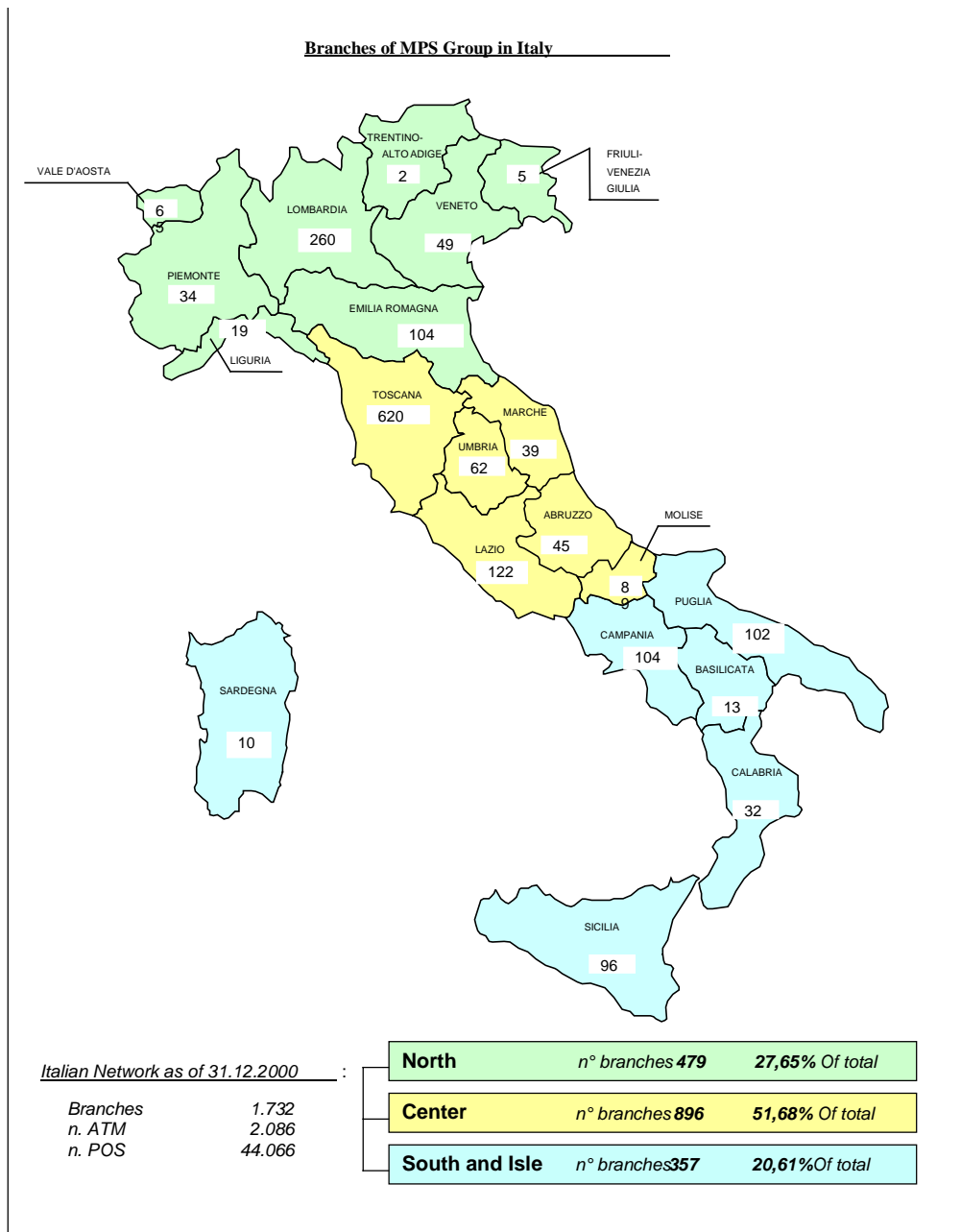
• **Traditional Network, ATMs and POS Terminals**

Continuing to play a central role in overall distribution, the Group's traditional network encompassed 1,732 banking facilities in Italy at the end of 2000, thereby reflecting an increase of 98 units for the year. The number of facilities abroad stood at 41, including 16 BMPS branches and representative offices and 25 branches of the subsidiary banks.

The geographic distribution of the network in Italy remained virtually unchanged with respect to the end of 1999, with the exception of the southern regions of the country and Sicily and Sardinia where the Group's presence increased substantially as a result of the acquisition of Banca 121.

Affirming the Group's emphasis on specialized lending, the Mediocredito Toscano and INCA network was increased by five units to a total of 22 at the end of 2000. This network is also a critical element of support to the traditional branches.

The ATM network was also expanded in 2000, with the number of units at year end totalling 2,100 for a 13.3 percent increase over 1999; the POS terminals operated by the Group numbered roughly 44,000, or 23.9 percent higher than the prior year end.



- *Innovative Branches*

The acquisition of Banca 121 in 2000 tended to accelerate the changes in the Group's overall distribution structure. Having launched Italy's first franchised financial boutiques, Banca 121 contributed to the enrichment of the Group's mix of innovative services during the year; such services

have been designed and developed so as to provide standard coverage of the national marketplace on a variable-cost basis.

Accordingly, the 208 financial boutiques in operation at year end (202 set up by Banca 121 and 6 by BAM) were flanked by the following distribution initiatives:

- Banca 121 financial teleboutiques: a new type of sales outlet set up as a showroom to allow the customers to interact with the bank from remote locations, using the assistance, if necessary, of financial consultants having specific training in technology and financial services. As of 31 December 2000, the first two pilot operations had been established in Lecce and at Rome's Fiumicino Airport; these units will be used as the basis for developing a national network of financial teleboutiques.
- automated branches and the innovative "Paschinsieme" units of Banca Monte Paschi (additional information on these units is provided in the discussion of distribution channels in the report on the parent company's operating performance);
- the Banca Toscana "BTWEB" virtual branch and the opening of two automated branches in Porto S.Giorgio (AP) and Pescara.

- *Financial Consultants*

Given the significant contribution of Banca 121 in this area, the MPS financial consultant network has become one of the leaders in Italy, with a total of 2,936 professionals marketing the products and services of the Group.

• **Online Channels**

The development of online banking services was very strong in 2000, both with regard to the operational base as well as the base of customers.

Online Distribution Channels

Contracts in effect

Distribution channel	31.12.2000	31.12.1999	% Change	% of Total as of 31.12.2000	% of Total as of 31.12.1999
Internet and mobile-telephone banking	231,784	30,713	654.7	50.9	45.9
Telephone banking	195,431	18,160	976.2	42.9	27.1
Television banking	6,907	-	-	1.5	-
Remote banking	21,410	18,030	18.7	4.7	26.9
Total	455,532	66,903	580.9	100.0	100.0

The contribution of Banca 121 was obviously significant in this area, accounting for over 145,000 of the total contracts in effect.

Basic integration between virtual and physical distribution channels has been achieved at all of the Group's banks. The development of telephone banking carried out by a call center, the help desk services relative to the other automated distribution channels and product campaigns were all factors contributing to the integration.

The Group's electronic commerce activity also embraces credit card payments via the Internet (PaschiInCommerce, Web and Cash-Safe Pay for companies, and PaschiInCard for individuals).

o o o

The Group's plans for 2001 contemplate a slower pace of branch-network development, significant expansion of the newer distribution channels (the financial consultant network, financial boutiques and online banking services) and additional enhancement of the private-banking network.

With regard to Banca 121 in particular, the 2001-2004 business plan calls for gradually transforming traditional branches into Financial Point 121 outlets, in accordance with the bank's mission to become a provider of personal financial services.

▪ *Human Resources*

As of the end of 2000, the Group had a work force of 27,823 employees (24,957 excluding the tax collection activity). The annual growth of 4.2 percent was in line with the budgeted objective, with the majority of the new staffing assigned to the commercial networks (call centers and new branches) and to specialized activity (product companies), with the emphasis in the latter area on asset management and newly created MPS Finance.

	No. of Employees 31.12.2000	% of Total	No. of Employees 31.12.1999
Banca Monte dei Paschi di Siena	12,805	46.0	12,310
- Italian branches	12,661	45.5	12,169
- foreign branches and representative offices	144	0.5	141
Banca Toscana	4,750	17.1	4,498
Cassa di Risparmio di Prato	853	3.1	802
Banca Agricola Mantovana	3,313	11.9	3,163
Banca 121	1,694	6.1	1,556
Banca Steinhauslin	200	0.7	159
Total Italian banks	23,615	84.9	22,488
Monte Paschi Banque	329	1.2	322
Banca Monte Paschi (Suisse)	25	0.1	19
Banca Monte Paschi Belgio	131	0.5	130
Banca Monte dei Paschi (Channel Islands) Ltd.	6	0.0	5
Total foreign banks	491	1.8	476
Total banks	24,106	86.6	22,964
Other companies	851	3.1	806
Total banking activity	24,957	89.7	23,770
SERIT	1,584	5.7	1,600
GERIT	91	0.3	92
Tax activity – direct concessions	1,137	4.1	1,163
Padana Riscossioni	54	0.2	55
Total tax collection activity	2,866	10.3	2,910
Total Group	27,823	100.0	26,680

▪ **Trend of Operations at Principal Subsidiaries**

Following are summary remarks on the results of the banks and product companies which represent the main subsidiaries; additional information on the performance of these companies is available in the respective reports on operations relative to 2000. The data reported hereunder are taken from the profit and loss statements as reclassified for consolidation with the other data of the Group.

Italian Banks

(in ITL bn)

	31.12.2000	Absolute Change	% Change
Banca Toscana	130.3	29.6	29.4
Banca Agricola Mantovana	137.9	31.5	29.6
Banca 121	120.0	44.7	59.3
Cassa di Risparmio di Prato	28.9	8.6	42.5
Banca Steinhauslin	0.2	-5.2	-96.7

Banca Toscana realized a 11.9 percent increase in aggregate funding; excluding the volumes of the Banca Popolare della Marsica which was incorporated at year end, the increase amounted to 7.8 percent. Direct funding was 12.9 percent higher, with the expansion driven by balances in current accounts and repurchase agreements. Indirect funding advanced 11 percent, and includes a 13.5 percent rise in funds under administration and more moderate 7.9 percent growth of balances in managed accounts. The change in the funds under management incorporates an 8.6 percent reduction in the balances in portfolios under management, a 40.8 percent increase in investments in life policies and a rise in mutual fund balances of 8.3 percent (a deceleration in comparison with previous years). Loans were 18.1 percent higher year on year, with much of the growth concentrated in medium- and long-term maturities in the form of residential mortgages and industrial credits to small- and medium-sized businesses in support of the transformation of productive cycles. Excluding the volumes of the Banca Popolare della Marsica, loan growth came to 14.2 percent. Net non-performing loans were essentially unchanged, totalling a modest 2.3 percent of total loans.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	46,830	41,860	11.9
- including: funds under management	10,772	9,988	7.9
Customer loans	17,566	14,869	18.1
- including: medium- and long-term loans	5,779	4,862	18.9
Total banking income	1,300	1,149	13.2
- including: customer commissions	412	323	27.4
Administrative expenses	884	860	2.9
- including: personnel expense	543	544	-0.1
Gross operating profit	416	289	43.8
Net profit	130.3	100.7	29.4

The bank's earnings improvement with respect to 1999 is mainly attributable to customer commissions which rose by 27.4 percent and include a 25.3 percent increase in funds management fees and a 72.6 percent in fees on securities transactions, partly in response to the favourable trend of the securities markets in the early months of the year. This momentum was matched by a 10.1 percent recovery of the interest margin resulting from higher lending and deposit volumes and from the markdown policy relative to short-term deposits. After discounting the 2.9 percent rise in administrative expenses (including a 0.1 percent reduction in personnel expense due mostly to the benefits of a recent company pension agreement), the gross profit climbed to ITL 416 billion, for a significant 43.8 percent increase

over the prior year. Given a lower level of valuation adjustments, the net profit rose to ITL 130.3 billion, representing an annual increase of 29.4 percent.

At **Banca Agricola Mantovana**, the rise in aggregate funding was a moderate 4.5 percent. The increase was mostly the result of a 9.6 percent expansion of funds under administration; this reflects a more pronounced preference for direct investment in the stock market and the sharp growth of online trading. Funds under management edged up 0.9 percent year on year; the variation, however, includes shift in the mix of components, with mutual funds decreasing by 18 percent, balances in individual portfolios under management rising by 18 percent and investments in life insurance products – mostly unit- and index-linked products – advancing 87 percent. Direct funding was 1.5 percent higher, with the cost thereof increasing at a rate which was less than the rate of the volume increase. With an accent on a broader distribution of risk and improved credit scoring, the loan portfolio expanded by 9 percent, mostly due to the 17.5 percent growth of medium- and long-term loans. The ratio of net non-performing loans to total loans fell to 2.2 percent from 2.4 percent at the end of 1999.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	41,793	39,986	4.5
- including: funds under management	11,265	11,169	0.9
Customer loans	13,457	12,351	9.0
- including: medium- and long-term loans	4,750	4,042	17.5
Service income	515	453	13.8
Total banking income	971	872	11.3
- including: customer commissions	354.1	310.9	13.9
Administrative expenses	535	507	5.6
- including: personnel expense	317	296	6.9
Gross operating profit	435	365	19.3
Net profit	137.9	106.4	29.6

Headlining the profit and loss results was a 13.9 percent rise in customer commissions. Fee increases were reported with respect to both funds management (+21.2 percent) and funds under administration (+17.5 percent on securities transactions). The interest margin was 8.7 percent higher due to both increased lending and deposit-taking volumes and the enlargement of spreads. Climbing by 5.6 percent, the trend of general expenses incorporates outlays for new staff and information system enhancements as well as extraordinary charges for the incorporation of Cooperbanca and Banca Popolare di Abbiategrasso and for retirement incentive plans established during the year; net of the extraordinary charges, the general expenses reflected an annual decrease of 3.8 percent. The gross profit thus rose to ITL 435 billion, or 19.3 percent, while net profit advanced 29.6 percent to ITL 137.9 billion.

Banca 121 realized a strong 20.5 percent increase in aggregate funding, mainly due to the introduction of innovative services such as the "My Way" account, a long-term savings plan which attracted over ITL 900 billion, and certain types of structured products. The balances of funds under administration surged by 74.3 percent in 2000, partly due to customers' direct investment through automated distribution channels (Internet and call centers). At the same time, balances in managed accounts were virtually stable, with funds in individual portfolios declining by 4.2 percent, mutual funds up by 11.5 percent and investments in bancassurance products 24.6 percent higher. Direct funding climbed by 6.9 percent, basically due to the growth of sight deposits sourced through online banking services. A 37.5 percent decrease in outstanding loans incorporates the transfer of some ITL 2,500 billion corporate credits to the parent company; excluding this transfer, the loan portfolio grew by 23.3 percent for the year, with the bulk of the increase related to home mortgages (+49.8 percent) and to loans made in relation to long-term savings plans.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	21,412	17,768	20.5
- including: funds under management	6,676	6,654	0.3
Customer loans	2,902	4,641	-37.5
Total banking income	579	484	19.6
- including: customer commissions	289.8	226.0	28.2
Administrative expenses	357	301	18.9
- including: personnel expense	183.3	157.3	16.5
Gross operating profit	221.0	183.0	20.7
Net profit	120.0	75.4	59.3

From a profitability perspective, the bank witnessed a change in the mix of earnings components. A 4.0 percent decrease in the interest margin was matched by a higher flow of revenues from commercial activity, including higher margins on funding products. Similarly, the net profit also reflected the effects of a change in the mix of securities held by the bank, with the result being a portfolio less sensitive to interest rates. Finally, the placement of structured products and execution of innovative financing transactions prompted an increase in commissions. The services margin thus rose by a hefty 28.4 percent, with the increase including ITL 96 billion of dividends from the subsidiaries, *121 Financial Services* and *Spazio Finanza*. Advancing by 18.9 percent, administrative expenses incorporate outlays for the enhancement of the bank's innovative distribution channels, the nationwide expansion of the bank's network and the correlated adjustment of staffing. As a result of the aforementioned developments, gross profit rose by 20.7 percent to ITL 221 billion. Net extraordinary income of ITL 25 billion includes ITL 63 billion of earnings realized on the transfer of the corporate credit portfolio and ITL 35 billion of capital losses on the sale of part of the investment securities portfolio. Net profit came to ITL 120 billion, for an increase of 59.3 percent over 1999.

At ***Cassa di Risparmio di Prato***, aggregate funding was 9.0 percent higher for the year. The total incorporates a 12 percent increase of direct funding mainly due to bank-issued bonds, and a moderate 6.8 percent advance in indirect funding. The growth of the latter component was dominated by funds under administration, which climbed by 16.1 percent. Balances in managed accounts edged down by 1.6 percent, and included a 15.4 percent decrease in assets in individual portfolios, an 8.9 percent rise in mutual funds and a 30.4 percent increase in life policy investments. The loan portfolio grew by 15.1 percent, with medium- and long-term credit expanding by 19.2 percent, with the bulk of the disbursements made to small and medium-sized companies. Net non-performing loans decreased further, falling to 1 percent of total loans.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	7,024	6,446	9.0
- including: funds under management	1,927	1,959	-1.6
Customer loans	2,795	2,428	15.1
- including: medium- and long-term loans	1,335	1,120	19.2
Total banking income	204	188	8.8
- including: customer commissions	63.3	50.8	24.6
Administrative expenses	149	140	5.9
- including: personnel expense	91	88	3.0
Gross operating profit	55	47	17.5
Net profit	28.9	20.3	42.5

Rising by 10.9 percent, the interest margin benefited from higher loan and deposit volumes and from an improvement of spreads. Matching this was a 6 percent increase in the services margin, mostly driven by a 24.6 percent rise in customer commissions. Administrative expenses, which were 5.9 percent higher, included charges for the integration of the bank's information systems with those of the Group and outlays for new personnel mainly hired for the opening of new branches. Taking into account the

aforementioned revenues and expenditures, the gross profit came to ITL 55 billion, rising by 17.5 percent for the year. The net profit, which was 42.5 percent higher at ITL 28.9 billion, incorporates some ITL 7 billion of after-tax capital gains related to the sale of real property.

In accordance with the Group's business plan, ***Banca C. Steinhauslin e C.*** embarked on a full-scale reorganization in 2000 aimed at relaunching the brand name and transforming the bank into a specialist in the high end of the private-banking market. The 30.6 percent decrease in aggregate funding during the year was mostly due to the run-off of more than ITL 1,200 billion of balances in marginally profitable institutional accounts. Instead, with funding from target customers, the trend was progressively positive.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	3,237	4,665	-30.6
Customer loans	587	516	13.9
- including: medium- and long-term loans	96	62	54.8
Total banking income	47	43	10.0
- including: customer commissions	26	23	12.6
Administrative expenses	37	30	22.0
- including: personnel expense	18.4	17.6	4.7
Gross operating profit	11	13	-17.9
Net profit	0.2	5.4	-96.7

Lending activity was modest for the year, with the 13.9 percent growth of the portfolio mostly concentrated in medium- and long-term maturities. With the simultaneous improvement in credit quality, the ratio of net non-performing loans to total loans fell to 1.9 percent. The bank's earnings profile was mostly influenced by customer commissions which rose by 12.6 percent for the year, partly due to the favourable trend of the financial markets in the first quarter. The interest margin advanced by 6.3 percent, mainly as a result of the markdown of rates on deposits. General expenses climbed by a significant 22 percent, and included non-recurring charges related to the migration of the information systems to the Group's information processing center and expenditures for projects to enhance the organizational structure. As a result, gross operating profit descended by 17.9 percent. The bank ended the year with a modest profit of ITL 0.2 billion.

Summary of Net Earnings of the Product Companies

Funds Management and Securities Trading (in ITL bn)	31.12.2000	Absolute Change	% Change
Ducato Gestioni	83.3	-61.3	-42.4
MPS Asset Management SGR	53.7	49.4	n.m.
Sub-total	136.9	-11.9	-8.0
GiGest	1.9	-0.6	-24.0
Spazio Finanza	10.3	6.8	193.6
Monte Paschi Vita	61.0	26.6	77.2
Ticino Vita	5.0	-1.3	-20.0
Grow Life	27.1	16.3	151.0
Intermonte Securities	120.4	84.7	237.2
Mantovana Ireland	10.0	10.7	n.m.
Monte Paschi Fiduciaria	0.18	0.1	53.0

Even though the funds management industry in Italy experienced a broad-based slowdown in 2000 as a result of the weaker momentum of the financial markets, ***Ducato Gestioni*** managed to attract ITL 5,122 billion of net new investment, partly due to the contribution of the new networks in the Group (BAM,

Banca 121, Banca Monte Parma, and Cassa di Risparmio di San Miniato). The net assets under management thus came to ITL 38,024 billion, rising by 11.1 percent for the year. The company's share of the funds management market accordingly rose to 3.54 percent from 3.28 percent at the end of 1999.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Assets under management	38,024	34,237	11.1
Total income	169	292	-42.1
Administrative expenses	24	29	-15.0
- including: personnel expense	4	6	-40.4
Gross operating profit	145	263	-45.1
Net profit	83.3	144.8	-42.4

The company achieved positive earnings results, with a gross profit equal to 145 billion and a net profit of ITL 83.3 billion; the relative changes year on year are not significant as they are influenced by the payment of a significant amount of management and performance commissions to the Group's funds management company.

Operational since mid-1999, **Gruppo Monte Paschi Asset Management – SGR** further increased the aggregate amount of funds it manages under mandate, with the total exceeding ITL 74 trillion at the year end. The process of concentrating all asset management activity of the Group continued during the year, while other, important non-captive mandates were also secured.

Summary data in ITL bn	31.12.2000	31.12.1999
Assets managed under mandate	74,339	26,312
Total income	128	15
Administrative expenses	37	7
- including: personnel expense	17	3
Gross operating profit	93	9
Net profit	53.7	4.2

In terms of the total stock of assets under management, the company holds a market share of 4.4 percent, with the seventh-ranking position in among Italian management companies controlled by banks. In terms of new investment flows, the company is positioned in third place, with a 12 percent market share. The net increase in mutual funds due to performance factors amounted to 18.4 percent, putting the company at the top of a ranking of domestic competitors. The business development translated into rapid growth of earnings, with gross profit rising to ITL 93 billion (including performance commissions of ITL 55 billion which attest to the positive results from a qualitative perspective) and a net profit of ITL 53.7 billion (ITL 4.2 billion in 1999).

Consolidated on the basis of the net equity method, **Monte Paschi Vita, Ticino Vita and Grow Life** took in aggregate premiums of ITL 3,980 billion in 2000, with the bulk of the growth sourced from unit-linked policies (ITL 1,624 billion) and index-linked policies (ITL 1,387 billion). As a result, insurance reserves climbed by 21.5 percent to ITL 14,368 billion. Monte Paschi Vita realized an annual net profit of ITL 61 billion (an increase of ITL 27 billion of 1999), Ticino Vita reported earnings of ITL 5 billion (decrease of ITL 1 billion), while Grow Life's profit was ITL 27 billion (increase of ITL 16 billion). Considering the roughly ITL 9 billion of earnings from Ticino Assicurazioni's property-and-casualty business, the net profitability of the bancassurance segment ended up at ITL 102 billion, with annual growth of ITL 42 billion.

Intermonte Securities SIM witnessed a 76.9 percent surge in equity trading volumes, mainly due to the performance of the stock markets in the early months of the year and to the integration of Monte Paschi Mercato in the second half. The company's market share of total trades thus further increased, moving to 6.4 percent from 6.1 percent in 1999 to take the second place ranking among Italian SIMs. The corporate finance activity also gained momentum in 2000, with the company acting as global coordinator and sponsor of five IPO transactions which generated commissions of more than ITL 54 billion (ITL 3.4 billion in 1999).

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Equity trading volumes	209,630	118,521	76.9
Total income	256	94	172.9
Administrative expenses	41	29	43.3
- including: personnel expense	28	18	56.7
Gross operating profit	215	65	229.7
Net profit	120.4	35.7	237.2

Given the effects of the increased business volumes, gross profit climbed to ITL 215 billion, with net profit rising similarly to ITL 120.4 billion

The companies operating in funds management, securities brokerage and correlated services also include:

- ***Gi.Gest:*** Reporting a net profit of ITL 1.9 billion (ITL 2.5 billion in 1999), the company realized a decrease in mutual funds to ITL 4,400 billion, mainly due to the roughly ITL 1,040 billion transfer to the Arlecchino SICAVs.
- ***Spazio Finanza:*** With mutual funds under management amounting to ITL 1,992 billion (virtually unchanged year on year), the company realized a net profit of ITL 10.3 billion (increase of ITL 6.8 billion compared with 1999).
- ***121 Financial Service:*** The company is active in financial engineering and in the capital markets, and earned a net profit of ITL 78 billion in 2000 (ITL 87.4 billion in 1999).
- ***Mantovana Ireland:*** With a net profit ITL 10 billion (loss of ITL 0.7 billion in 1999), the company invests and trades in securities, and is the parent company *Mantovana Management Limited* (the product company for the Arlecchino SICAVs).
- ***Monte Paschi Fiduciaria:*** In 2000, the trust company secured mandates covering assets equal to ITL 334 billion, with the value of the portfolios administered rising by 15.9 percent to ITL 1,210 billion. With an earnings profile essentially dependent on services provided to the clientele of the Group's banking network, the company reported a modest profit of ITL 176 million for the year.

Summary of Net Earnings of Product Companies Specialized Lending

	Net Profit 31.12.2000	Absolute Change	% Change
Mediocredito Toscano	34.1	9.3	37.7
INCA	13.0	1.0	8.0
Consum.it	-6.8	3.8	35.4
Merchant Leasing & Factoring (*)	3.3	-1.2	-26.5

(*) 1999 proforma data

Mediocredito Toscano further developed its activity in the financing and servicing of industrial credit. New disbursements for the year were 10.4 percent higher at ITL 1,880 billion. In servicing EU subsidy programs (the so-called "territorial pacts" and "area contracts"), the bank handled applications covering investment of ITL 6,799 billion, for an increase of 62.3 percent over 1999. With an 11 percent share of the market, the bank is one of the leaders in the sector. Outstanding loans, which rose by 19 percent over the year, have mostly been disbursed to small and medium-sized companies. Increasingly, business has been sourced from distributors outside of the MPS Group (small banks and other intermediaries). Finally, the percentage of net non-performing loans decreased to 4.2 percent at the end of 2000, from 5.2 percent as of the end of the previous year.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Loans disbursed	1,880	1,702	10.4
Customer loans and advances	6,103	5,128	19.0
Total banking income	118	128	-8.4
Administrative expenses	39	36	9.0
- including: personnel expense	19	17	9.8
Gross operating profit	78	92	-15.1
Net profit	34.1	24.8	37.7

The interest margin experienced a slight decrease of 2.5 percent for the effect of roughly ITL 7 billion of charges relative to the restructuring of Russian credits, which essentially transformed loans into bonds with lower yields. Net of such restructuring charges, the bank's interest margin rose by 4.2 percent. Net commissions of ITL 15 billion were ITL 8 billion lower than in the previous year due to two factors: a reduction of the volume of transactions carried out in accordance with Law 488 which were eligible for subsidies; and the deferral of bidding to 2001 of several fee-generating contracts. Operating expenses increased for the year, with much of the incremental spending dedicated to reinforcing the services and innovative finance areas. Gross profit thus descended to ITL 78 billion, while net profit rose by 37.7 percent to ITL 34.1 billion in response to fewer valuation adjustments to loans.

I.N.C.A. stepped up its presence in agricultural and agro-industrial lending, with new disbursements rising by 25.3 percent to ITL 840 billion. As a result, total loans grew by 19.1 percent, while net non-performing loans were relatively lower, falling to 1.5 percent of the total portfolio.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Loans disbursed	840	670	25.3
Customer loans and advances	2,411	2,024	19.1
- including: medium-/long-term loans	2,387	1,945	22.7
Total banking income	67	62	7.9
Administrative expenses	28	27	1.4
- including: personnel expense	17.3	17.4	-0.5
Gross operating profit	39	34	13.0
Net profit	13.0	12.1	8.0

Sustained by higher business volumes, total banking income advanced by 7.9 percent. Administrative expenses were slightly higher for the year, with the main component – personnel expenses – decreasing as a result of staffing changes which came with the integration of information processing systems with those of Mediocredito Toscano. The gross profit thus rose by 13 percent to ITL 39 billion, while net profit was 8 percent higher at ITL 13 billion.

Merchant Leasing & Factoring extended its operational sphere to the BAM and Banca Monte Parma units in 2000. Production volumes grew at impressive rates, with new leases up by 150.3 percent and the turnover in factoring rising by 40.2 percent. Aggregate credits were 66.5 percent higher, with

prospects of even further development in 2001 following the incorporation of Padana Factoring at year end.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
		(*)	
New leases	816	326	150.3
Factoring turnover	1,291	921	40.2
Customer credits	1,243	746	66.5
Total banking income	29	25	15.2
Administrative expenses	17	14	19.2
- including: personnel expense	7	6	32.0
Gross operating profit	12	11	10.0
Net profit	3.3	4.5	-26.5

(*) 1999 proforma data

The consequent significant growth of revenues absorbed an increase in operating expenses that mostly related to the ongoing organizational enhancements. Gross profit thus grew by 10 percent to ITL 12 billion. The company ended the year with a net profit of ITL 3.3 billion; this compares with net earnings of ITL 4.5 billion in 1999, which nonetheless included non-recurring income of ITL 2.5 billion (ITL 0.8 billion in 2000).

Operating since the beginning of 1999 in consumer credit, **Consum.it** concluded its start-up phase in 2000 and had its business fully on stream by year end. New agreements were signed with 3,850 dealers, bringing the year-end total to more than 8,000. Disbursements for the year covered 108,400 transactions for an aggregate sum of almost ITL 700 billion.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Loans disbursed	697	175	298.0
Customer loans and advances	653	159	310.8
Total banking income	27	4	539.9
Administrative expenses	28	15	86.6
- including: personnel expense	5.7	3.2	78.3
Gross operating profit	-1.1	-11	89.4
Net profit	-6.8	-10.6	n.m.

The improvement of the profit and loss statement continued, with gross profit almost at breakeven. The net loss contracted to ITL 6.8 billion, and includes a series of risk provisions despite the absence of non-performing loans. The company is expected to achieve breakeven in 2001.

Summary of Net Earnings of Foreign Banks

(in ITL bn)

	Net Profit 31.12.2000	Absolute Change vs. 1999	% Change vs. 1999
Monte Paschi Banque	16.3	10.2	170.0
Monte Paschi Belgio	0.5	-10.6	-95.1
Monte Paschi (Suisse)	4.1	2.4	146.1
Monte Paschi Channel Islands	0.6	0.02	2.2

Monte Paschi Banque continued to focus on customer funding in 2000, with total funding rising above ITL 3,900 billion at year end. The institution's efforts have emphasized private banking, especially through a Monaco-based branch.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	3,914	3,734	4.8
Customer loans	1,162	966	20.2
Total banking income	134	99	35.7
Administrative expenses	67	64	4.5
- including: personnel expense	37	38	-2.7
Gross operating profit	67	35	93.3
Net profit	16.3	6.0	170.0

The bank's lending business recovered in 2000, partly favoured by the buoyant trend of the French economy. Net non-performing loans were 26 percent lower at ITL 29.5 billion, with reserves covering some 75 percent of the credits at risk. Profit growth was driven by service income which rose by 35.3 percent, with much of the gain stemming from the 45.4 percent growth of securities commissions. Alongside the growth of commissions, the interest margin advanced by 36.2 percent while overall expenses were only 4.5 percent higher (with much of the increase due to organizational adjustments relative to the outsourcing of the information system); instead, expenditures on personnel were lower year on year. The gross profit accordingly climbed by an impressive 93.3 percent to ITL 67 billion, while net profit more than doubled over the 1999 level.

Banca Monte Paschi Belgio downsized its corporate business over 2000; average funding balances (much of which was transitory funding) decreased by 21.8 percent over the year, while loans were some 14.7 percent lower. These changes occurred as part of an overall reorganization of the bank which is aimed at focusing on the "quality" of transactions, with a reduction in risk and the absorption of capital. As part of this effort, the weight of the "finance" component has been scaled down, while a greater emphasis has gone to the procurement of funding from the retail market.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding (*)	2,083	2,665	-21.8
Customer loans (*)	1,448	1,698	-14.7
Total banking income	33	83	-59.8
Administrative expenses	22	21	7.1
- including: personnel expense	16	16	4.8
Gross operating profit	11	62	-82.1
Net profit	0.5	11.1	-95.1

(*) average balances

Gross profit, which fell to ITL 11 billion, incorporates the following: a loss of ITL 3.9 billion on the management of the bank's portfolio compared with earnings of ITL 34 billion in 1999; a decrease of ITL 7 billion in the interest margin, mainly as a result of lower volumes of loans and deposits and an increase in non-interest-bearing assets; and the absence of some ITL 5 billion of non-recurring income realized in 1999. Net profit, which came to ITL 0.5 billion, includes several sizeable provisions against potential losses on specific credits; as a result of these provisions, reserves covered some 55 percent of credits at risk as of year end.

Banca Monte Paschi (Suisse) realized a modest 1 percent increase in customer assets (mainly consisting of securities under administration and individual portfolios under management), partly as the result of the termination of several large relationships. Instead, the bank's operational base grew by 4 percent, with the net addition of 30 new customers. Capitalizing on the favourable trend of the financial markets, the bank achieved an appreciable increase in securities trading commissions in 2000, especially in the first half of the year.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Customer assets	963	953	1.0
Customer loans	17	18	-3.5
Total banking income	17	11	54.3
- including: customer commissions	12	8	51.8
Administrative expenses	9	7	24.7
- including: personnel expense	6	5	21.2
Gross operating profit	7.7	3.6	114.0
Net profit	4.1	1.7	146.1

The development of traditional revenues completely covered the growth of administrative expenses, which was mostly related to information systems and staffing. Gross profit therefore climbed by 114 percent to ITL 7.7 billion and net profit advanced to ITL 4.1 billion compared with the ITL 1.7 billion reported for 1999.

Active in private banking with a specialization in trusts, ***Banca Monte dei Paschi (Channel Islands)*** witnessed deposit growth of 7.2 percent with direct funding equivalent to ITL 311 billion at year end. Net profit was virtually stable at ITL 0.6 billion.

Summary of Earnings of Other Bank Holdings

(in ITL bn)

	Net Profit 31.12.2000	Absolute Change vs. 1999	% Change vs. 1999
Banca Monte Parma	15.0	4.2	38.8
Banca Popolare di Spoleto	14.1	-2.2	-13.6
Cassa di Risparmio di San Miniato	9.6	4.0	70.7

Banca Monte Parma (41-percent consolidated) realized an increase of 6.8 percent in its aggregate funding, with the bulk of the increase coming from the indirect component (+9.1 percent). Changes in the mix of indirect funding included a 13.6 percent increase in funds under administration, and a 4.8 percent rise in managed funds. The latter change included net new investment of ITL 748 billion in the Ducato Funds and the placement of Monte Paschi Vita life policies whose premiums came to ITL 41 billion.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	5,453	5,104	6.8
- including: funds under management	1,668	1,592	4.8
Customer loans	2,099	1,742	20.5
- including: medium- and long-term loans	826	672	22.9
Total banking income	143	120	19.6
- including: customer commissions	45	35	26.1
Administrative expenses	90	84	6.6
- including: personnel expense	50	46	7.7
Gross operating profit	53	35	50.7
Net profit	15.0	10.8	38.8

The moderate 3.5 percent growth of direct funding incorporates a 30.1 percent decrease in balances held in repurchase agreements; net of the such balances, the annual variation of direct funding was an increase of 9.5 percent. The growth of customer loans was a significant 20.5 percent, with medium- and long-term outstandings some 22.9 percent higher. Credit quality improved further, with the percentage of net non-performing loans to total loans declining to 0.7 percent. Turning to the profit and loss statement, the interest margin was up by 15.9 percent, with part of the increase due to wider

spreads; instead, customer commissions climbed by 26.1 percent. Administrative expenses were 6.6 percent higher, mainly due to spending on programs to strengthen the marketing effort as part of an overall relaunch of the bank. Gross profit rose by 50.7 percent to ITL 53 billion, while net profit was some 38.8 percent higher at ITL 15 billion.

Banca Popolare di Spoleto (20-percent consolidated) managed to achieve a 6.3 percent increase in aggregate funding with the balance averaging ITL 4,474 billion for the year. Direct funding rose by an appreciable 11.6 percent, while indirect funding edged up 2.6 percent. The variation in the latter case includes a 27.4 percent reduction in funds under management in individual portfolios, and increases in funds under administration (11.3 percent) and in primary funds. The balance of managed funds included the net inflow of ITL 164 billion into Ducato Funds. Loan volumes rose by 24 percent, although part of the increase included a ITL 235 billion transaction which was of a temporary nature; net of this transaction, the portfolio grew by 8 percent for the year.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	4,681	4,405	6.3
- including: funds under management	709	841	-15.7
Customer loans	1,839	1,484	24.0
- including: medium- and long-term loans	551	514	7.2
Total banking income	133	123	7.5
- including: customer commissions	41.3	37.4	10.7
Administrative expenses	95	91	4.7
- including: personnel expense	57.7	54.8	5.4
Gross operating profit	38	33	15.0
Net profit	14.1	16.4	-13.6

The growth of funding and lending volumes was accompanied by a gradual re-opening of spreads, with the interest margin rising by 10.6 percent. Customer commissions also improved, increasing by 10.7 percent. The 4.7 percent growth of administrative expenses mainly incorporates incremental outlays for staffing, enhancements to the commercial network and investments in new technology. Gross profit accordingly rose by 15 percent to ITL 38 billion. Instead, at ITL 14.1 billion, net earnings reflect a ITL 2.3 billion decrease with respect to 1999, when the bank realized ITL 14.5 billion of pre-tax capital gains on the sale of investment securities; by comparison, such gains amounted to ITL 4.5 billion in 2000.

Cassa di Risparmio di San Miniato (25-percent consolidated) shows limited 1.9 percent growth of aggregate funding for the year, including a 4.0 percent increase in direct funding and a change in the mix of indirect funding that included a 16.1 percent rise in funds under administration and a reduction in funds under management (individual portfolios, in particular). Net new investment to the Ducato Funds, however, was a sizeable ITL 442 billion. The expansion of the loan portfolio was a moderate 2.9 percent, though medium- and long-term outstandings rose by 23.4 percent.

Summary data in ITL bn	31.12.2000	31.12.1999	% Change
Aggregate funding	6,855	6,729	1.9
- including: funds under management	2,040	2,307	-11.6
Customer loans	2,218	2,156	2.9
- including: medium- and long-term loans	871	706	23.4
Total banking income	196	183	6.9
- including: customer commissions	55	55	1.3
Administrative expenses	140	137	2.4
- including: personnel expense	86	86	0.5
Gross operating profit	56	47	20.2
Net profit	9.6	5.6	70.7

Favoured by the improvement of spreads, the interest margin was 16.6 percent higher and thus partly offset a moderate 4.1 percent decrease in fee income. Administrative expenses were slightly higher, while personnel expense was essentially stable. Gross profit rose by 20.2 percent to ITL 56 billion, and net profit thus climbed to ITL 9.6 billion, for an increase of ITL 4 billion over the 1999 figure.

o o o o

During the year, BMPS realized improvement with respect to its direct *tax collection activity*, achieving a near breakeven at an operating level; comments on this activity are set out below:

Monte Paschi Serit incurred a loss of ITL 101.8 billion, which exceeded last year's loss of ITL 54.8 billion. The breakdown of the loss between the operations situated in Sicily and those on the Italian peninsula (Pescara and Teramo); a specific request for withdrawal from these operations was submitted to the Ministry of Finance in accordance with the terms provided by prevailing law.

Monte Paschi Serit

(in ITL bn)	31.12.2000	31.12.1999	% Change
Operations based in Sicily	-78.0	-45.2	32.8
Operations on Italian Peninsula (Pescara and Teramo)	-23.8	-9.6	14.2
Total	-101.8	-54.8	47.0

The majority of the loss, and specifically, ITL 68 billion, is attributable to charges regarding a net debt position which, though decreasing, was still at ITL 1,698 billion as of 31 December 2000. The debt position is the result not only of tax payments that had to be advanced by the company by law (regulations which have since been abolished), but also because of the mass of receivables due from the Region of Sicily and other government entities. The situation is also partly due to the manner in which the Region of Sicily has implemented the reform of the advances and in particular, with regard to the automatic settlement of "applications of reimbursement and release" sent prior to 31 December 1997: the relative repayment is contemplated over a significantly long period (seven years, starting from 2001) compared with the timing for the payments from the operations on the Italian peninsula (four years, starting from the beginning of 2000). The 2000 results were adversely impacted as well by an increase in interest rates applicable to receivables (negative impact on the profit and loss statement equal to ITL 9 billion), by the significant delays seen in the printing of the tax rolls relative to the year which led to lower commission income, and by a new provision of ITL 28 billion credited to specific and generic reserves in order to cover future operating risks.

Significant improvements were instead seen in forced collection activity, with a sharp increase in the actions carried out by collection officials; this allowed for reducing the percentage of late collections, thereby containing financial exposure.

Improvements were also seen in terms of the organizational structure, with the substitution of the information system, the outsourcing of various data processing jobs previously handled in-house and the implementation of programs to streamline operations. Such changes generated tangible benefits in the form of productivity and efficiency gains in the overall collection activity.

The forecast for 2001 includes the planned reduction of the net debt position, with the collection of more than ITL 500 billion of advances and receivables. This development along with the projected increase of commission revenues and the containment of costs should prompt into a significant contraction of the net loss in 2001. This objective is correlated with the realization of several organizational initiatives aimed at increasing operating efficiency and the functionality of the services.

Gerit ended 2000 with a small loss of ITL 2.6 billion, compared with ITL 4.1 billion in 1999. Like its peers, Gerit suffered in 2000 from delays in the enactment of several implementation decrees relative to the reform of tax collection activity and from the postponement of the printing of the tax rolls to the

second half of the year. The effects in terms of the lack of collections were partly offset, however, by a reduction of operating expenses which was achieved as a result of organizational changes that were made in recent years for the purpose of boosting efficiency. The increase in the proceeds from local taxation was also appreciable.

Padana Riscossioni, BAM Riscossioni and other, small collection units basically operated at breakeven for the year.

* * * * *

■ *Projects in Process*

The scope and purpose of the MPS Group's principal projects in process are summarized below. The projects, some of which are currently being defined and others of which are in the realization phase, are all consistent with the strategies outlined in the Group's business plan.

● *Creation of Bank Divisions by Type of Distribution Channel*

With the objective of improving the effectiveness of the Group's marketing efforts and the overall framework of customer relations (including the rates of cross-selling and customer retention), the branch organization structure has been reorganized with units to address specific customer segments. The new organization:

- is consistent with the head-office structure and the effort to re-deploy resources to the sales network;
- increases the automation of the operations, and centralizes activities with a low impact on customers that can be operated with economies of scale; in turn, the resources dedicated to low value-added activity have been reduced;
- has resulted in a simultaneous revision of the size of the sales network and in more intense employee training for the purpose of dedicating more resources to the commercial activity (the customer as the central focus);
- creates new management opportunities, and higher value for managerial profiles, with the assignment of profit-and-loss and balance-sheet objectives by customer segment, and the monitoring of the same on an continuous basis.

At BMPS, management is currently implementing the "Paschi Valore" model for all front office operations; this model will be extended to the Group's other commercial banks, with the introduction of any adjustments needed.

● *Creation of a CRM Unit*

The centralized marketing unit will be responsible for the planning of marketing strategies and initiatives aimed at boosting the current and potential value of the average customer relationship. The unit will employ resources and procedures suitable for developing a technologically sophisticated high-quality customer-insight system. It will handle customer interaction processes relative to the multiple-channel distribution network while also managing the segmentation of customers in accordance with customer-relationship management principles. Finally, it will monitor and measure customer satisfaction.

The main objective is to provide the Group's banks with a powerful tool for analyzing and knowing the customer and then leveraging this tool in interaction with customers so as to augment customer satisfaction and to increase the value of products and services.

- **E-banking**

The e-banking projects involve two central objectives:

- the integration of various distribution channels, with the offer of high value-added products and services through the Web, and with each bank focusing on specific areas of business in line with the "mission statements" set out in the business plan;
- the "web-re-engineering" of processes, and the consequent reduction of the time and costs of a market response (optimization of the operations structure, time-to-market and service quality) and the improvement of operating efficiency.

A latest generation e-finance portal will be the point of reference for unifying the various distribution channels, with customized interface instruments that combine user profiles with contents. The approach to the market will be addressed to three specific segments: retail, where basic services will be developed across all channels in order to decrease distribution costs (with the maintenance of the branch for high-value activity) and to increase rate of cross-selling; corporate, with the role of the "reference bank" to be further strengthened through the evolution of online services; and institutional.

The "web-re-engineering", in turn, contemplates the implementation of a series of projects that will affect the infrastructure and communications processes (B2E portal for all services; integrated network across the Group). Training and the streamlining of operations are also part of this effort, with the priority going to the credit department (as indicated in the report on operating performance of the parent company). This project also involves internal automation of various processes (compliance, purchasing, pricing, personnel administration, infrastructure management, billing, and peripheral controls) and the relative document flows, with standardization of the methods and tools across the Group.

- ***Integration of Asset Management Activity***

The plan is designed to streamline the Group's entire asset management business, thereby optimizing overhead costs and allowing for efficient interaction with the branch networks. The steps involved include:

- the merger by incorporation of all of the funds management companies of the Group into a new company, with the activity of Mantovana Management and 121 Fund also to be transferred to it;
- a technological upgrade that will increase efficiency and maximize expected performance as corrected for risk;
- the use of outsourcing for accessory activity on the basis of cost-benefit criteria (administration, back office, etc.);
- the use of third-party management services for general areas, including through mandates to qualified asset managers and/or the purchase of or partnership with the same.

The enhancement of the product range will be oriented toward higher value-added services, including diversification into alternative investments with the creation of an Italian law hedge fund and a foreign fund, the merging of similar funds and the completion of the range of traditional funds; a reorganization of the management process will also take place. The brand-product-price formula will be distinct for

each distribution structure. Plans also call for the creation of a line of products dedicated to institutional investors, and the streamlining and integration of activity for promoting and managing pension funds.

- ***Creation of an Investment Bank for Small- and Medium-Sized Companies***

The creation of an investment bank catering primarily to small- and medium-sized companies contemplates the concentration of innovative finance and specialized medium-term lending which are currently carried out by Mediocredito Toscano.

The bank will be a dedicated structure that will concentrate skills and resources already present within the Group. On one hand, the bank will provide traditional financing such as:

- medium- and long-term industrial credit (maturities of five or more years) with the exclusion of small transactions that fall within the decision-making authority of the Group's commercial banks;
- subsidized medium- and long-term industrial credit (maturities of five or more years) and construction loans on behalf of the Group's banks, with the exception of BMPS, whose activity in this field may eventually be transferred.

On the other hand, the bank will embark on an ambitious program to enhance innovative financing activity, with the appropriate modification of operations and professional resources. The transactions to be covered include:

- the advising, arranging, and underwriting of project financing;
- the structuring of LBOs, MBOs/MBIs, and financing as well as company valuations in the area of mergers and acquisitions;
- the institution of closed-end funds for private equity investments and assistance to small- and medium-sized companies for their initial quotation on the stock market;
- the servicing of various government-sponsored programs (financing available under Law 488 of 1992, the so-called territorial pacts and research programs).

- **Banca 121 Business Plan**

Banca 121 is to be transformed from a commercial bank operating at a regional level into a bank specialized in personal financial services which will operate nationwide. Customized services, one-to-one consultative input and highly innovative products and distribution methods represent the portfolio to be available to the clientele. Rounding this out is a high-tech multi-channel integrated platform that will be structured so as to allow for continuous interaction between the customer and almost any part of the distribution/contact network.

The business model calls for a balanced mix of virtual channels (Internet, call centers, mobile telephones, etc.) and physical outlets (financial boutiques, teleboutiques, multimedia kiosks and self-service points) which will operate on a complementary basis. The guidelines for the changes in market coverage are summarized as follows:

- strong growth of the financial-consultant network, accompanied by enhancements to the financial boutiques;
- complete coverage of the national market, with a particular focus on areas presenting the most commercial potential vis-à-vis the target clients;
- the study of the possible start-up of activities abroad;
- the gradual transformation of traditional branches into new types of sales outlets catering to specific segments of the retail market (Financial Point 121).

The bank will mainly target affluent individuals whose financial needs will be satisfied through a mix of proprietary services, products of the Group and of third parties as selected on the logic of qualitative excellence and supported by a sophisticated customer-relationship management model.

- **Banca Steinhauslin Business Plan**

The bank is charged with carving out a strong position in the market for private banking, with the use of a new business model aimed at a clientele at the high end of the market. This objectives will be achieved through leveraging the value of the brand name, through the use of a strong professional team with specific skills and through the adoption of innovative technologies.

The planned, rapid structural growth of the bank is to occur through:

- developing a highly skilled private banking team, with the use of internal resources and resources procured from outside of the Group;
- the shaping of a portfolio of high-quality services;
- the opening of private-banking centers in high-potential locations.

When the planned structure is complete, the bank will be operating with 200 private bankers/financial consultants and 30 private-banking centers. The bank will use an integrated, multiple-channel distribution system with the private bankers/financial consultants being the main point of contact and advisory services, and with the use of innovative channels in relation to the specific needs of the customers served.

The portfolio will include a range of services that can be tailored to the customer's needs and will be supported by a network of alliances or partnerships for activities not directly carried out by the bank. This accordingly implies the exploitation of synergies that can be realized within the MPS Group.

- **Reduction of Administrative Expenses**

This project contemplates the optimization of expense management, thereby addressing needed spending, planning, the definition of spending authority, procurement methods and relationships with suppliers and reporting and control. It also involves what might be labeled as "micro" measures which are very specific initiatives that can be realized fairly rapid in specific cost areas that will produce immediate savings for the long term. The Group is also reviewing all insurance policies, examining both the relative risks and expenditures.

- **E-Commerce**

The main objective of the project is to position the MPS Group as a main player in three fundamental areas along the chain of value: 1) aggregator and content provider; 2) web services provider; and 3) web infrastructures provider.

A special unit is being set up to coordinate the specific initiatives and to serve in ensuring adequate returns on the capital and capacities employed. This unit will be charged with:

- becoming a hub for e-commerce initiatives so as to create added value for the market and the Group;

- supporting the development of e-commerce projects offering strong potential, thereby paving the way for the creation of a network of technological and commercial synergies (E-Commerce System);
- supplying e-business services, offering infrastructures and web services that facilitate the realization of e-commerce projects and that support companies in becoming more efficient (rationalization of processes and development of partnerships).

The overall project for building a unified information system includes sub-projects covering the creation of an integrated Group telecommunications network that will allow for unifying data, voice and image communications into a single message through one carrier, and the development of a management information system to be used for both internal and external reporting.

The projects relative to risk management and operating risks at a Group level are outlined in the section on integrated risk management contained in the report on operating performance for the parent company.

Other initiatives under review or in the realization phase include:

- the centralization of leasing and factoring activity;
- the incorporation of a "green" bank that will specialize in agricultural and environmental business and that will leverage the INCA's experience in both areas;
- the re-definition of the Group's international presence, with the repositioning of the operations of the foreign branches (especially in relation to the expansion of services to small- and medium-sized companies and the optimization of the employment of capital) and the foreign-based subsidiaries (development of economies of scale, growth of profitability and containment of risks).

* * * * *

▪ ***Material Events Subsequent to Year End***

The most important events taking place in early 2001 are detailed in the report on operating performance of the parent company.

▪ ***Outlook for 2001***

The Group's operating plans and objectives for 2001 incorporate an acceleration of the improvement in earnings and key indicators such as ROE and the cost-income ratio, in accordance with the content of the business plan.

The budget guidelines set out in the parent-company annual report are centered on an integration of the sales networks and of the production effort so as to ensure a strong competitive position as well as quality and innovation in products and services. Such integration is needed in the following phases:

- product definition (consistency in terms of needs, segmentation, correlation of risk-return profiles);
- distribution, thereby improving the efficiency of allocation of resources, including for the purpose of reducing costs;
- post-sale assistance and follow-up, which represent true added value for a customer and are important elements for cross-selling, the rate of customer retention and customer profitability.

On the funding side, the placement of Group products represents the fundamental lever for reaching the programmed aggregates. New production objectives have been defined in this regard which are aimed at an increase of specific types of funding, with the priority going to the innovative instruments of MPS Finance and funds management products. The resulting change in the mix of funding should increase the aggregate's contribution to profitability. With this entire effort, the Group will emphasize the centrality of the customer relationship, capitalizing on opportunities to enrich the product line when appropriate.

In the lending area, the business plan calls for expansion of the portfolio in line with the industry growth rate, though with an emphasis on medium- and long-term loans in the form of residential mortgages and credits to small- and medium-sized companies. This orientation is part of the Group strategy to establish the commercial banks as a "banks of reference" to customers in these segments and to maximize the value of the product companies, thereby elevating the level of quality and specialization of customer assistance (innovative loan packages and advisory services).

Against this backdrop, the parent company is charged with advancing its role in coordination and strategic planning in order to ensure consistency in policy and procedures, especially with regard to: the distribution of business by geographic area and productive segment; the setting of creditworthiness standards and the subsequent monitoring thereof; the optimization of pricing; and the containment of capital requirements. Such efforts are to be matched by a lowering of the ratio of net non-performing loans to total loans, with part of that reduction to be achieved through securitization transactions.

In terms of the profit and loss statement, the budget plots a significant increase in customer commissions as the main source of programmed earnings growth. The increase is to be realized mainly through a higher contribution of fees on indirect funding instruments, while the income from other services should more or less follow the growth pattern of recent years.

The interest margin is projected to recover further as a result of: the combination of higher business volumes and more efficient management of loan and deposit pricing; specific actions to shift the mix of various aggregates; and better correlation between credit quality and the cost of capital absorbed. Given the Group's orientation toward controlling and containing risk, and the resulting limitations on certain types of exposure, profits from financial transactions are expected to be slightly lower than in 2000.

The Group forecasts that administrative expenses will increase only modestly. This forecast is dependent on economies of scale and the recovery of resources to be realized through the integration of operations (information systems, back office and logistics), the restructuring contemplated by the business plan, and greater overall efficiency of the organization.

In tax collection activity, the objective of earnings equilibrium of the BMPS direct collections (a business unit to be transformed into a company) is matched by the projection of a substantial contraction of the Monte Paschi Serit operating loss vis-à-vis the 2000 level. The subsidiary will no doubt continue to face problems with its earnings recovery, not only due to structural issues, but also due to the mentioned delays in the implementation of reforms on the part of the Region of Sicily.

Significant growth of net profit is anticipated, in line with the indications in the business plan.

The Board of Directors

MPS

MONTE DEI PASCHI DI SIENA

BANKING GROUP

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2000**

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

- Report of the Board of Directors
- Consolidated Balance Sheet and Consolidated Profit and Loss Statement
- Consolidated Balance Sheet and Consolidated Profit and Loss Statement with Comparative Data for 1999

Part A - Valuation Criteria

Part B - Information on the Consolidated Balance Sheet

Part C - Information on the Consolidated Profit and Loss Statement

Part D - Other Notes

The following supplemental information is also provided:

- Statement of Changes in Consolidated Shareholders' Equity
- Statement of Changes in Consolidated Shareholders' Equity Reconciled with Comparative Financial Statements
- Reconciliation of Parent-Company Earnings and Net Equity and Consolidated Earnings and Net Equity
- Notes on criteria of Comparative Consolidated Financial Statements as of 31 December 1999 of the MPS Group including Banca 121
- Reconciliation of the Balance Sheet and Profit and Loss Statement of the MPS Group as of 31 December 1999 with the Balance Sheet and Profit and Loss Statement as of the same date including Banca 121 and the reclassification of employee pension funds
- Reconciliation of the Net Equity and Consolidated Earnings of the MPS Group as of 31 December 1999 of the MPS Group with the Net Equity and Consolidated Earnings of Banca 121
- Reconciliation of the Comparative Balance Sheet and Comparative Profit and Loss Statement of the MPS Group as of 31 December 1999 with the Proforma Balance Sheet and Profit and Loss Statement as of the same date, including the change in the criteria for the valuation of the trading portfolio.
- Statement of Changes in Consolidated Financial Position
- Proforma Consolidated Financial Statements as of 31 December 2000 and 1999
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 1999, approved by the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidated Balance Sheet, Guarantees and Commitments, Consolidated Profit and Loss Statement
denominated in Euro

(using the exchange-rate established as of 31.12.1998 of EURO 1 = ITL 1936.27)

CONSOLIDATED BALANCE SHEET

(in ITL)

ASSETS	31 December 2000
10 Cash and cash on deposit with central banks and post offices	917,732,476,447
20 Italian government securities and similar instruments eligible for refinancing with central banks	3,801,746,997,591
30 Amounts due from banks	30,728,791,468,601
<i>a) sight</i>	5,699,517,388,597
<i>b) other</i>	25,029,274,080,004
40 Customer loans and advances	118,019,420,187,958
<i>including:</i>	
<i>loans with third-party funds under administration</i>	40,447,081,922
50 Bonds and other fixed-income securities	25,190,537,441,075
<i>a) of public issuers</i>	13,762,861,046,819
<i>b) of banks</i>	6,272,650,912,102
- <i>including: own securities</i>	1,230,922,589,325
<i>c) of financial institutions</i>	2,587,392,292,932
- <i>including: own securities</i>	-
<i>d) of other issuers</i>	2,567,633,189,222
60 Shares, quotas and other equity securities	1,607,600,664,703
70 Equity investments	3,316,758,998,509
<i>a) valued with net equity method</i>	71,700,193,014
<i>b) other</i>	3,245,058,805,495
80 Equity investments in Group companies	308,569,866,565
<i>a) valued with net equity method</i>	298,790,828,148
<i>b) other</i>	9,779,038,417
90 Positive consolidation differences	1,556,897,769,645
100 Positive net equity differences	3,760,845,553
110 Intangible assets	690,726,284,571
<i>including:</i>	
- <i>start-up costs</i>	64,762,885,681
- <i>goodwill</i>	60,450,400,000
120 Fixed assets	3,907,426,933,150
<i>including: assets under financial lease</i>	338,972,379,664
130 Unpaid subscribed capital	-
<i>including: called-up capital</i>	
140 Own shares	34,924,715,311
<i>(nominal value 7.755.740.000)</i>	
150 Other assets	16,708,198,197,387
160 Accrued income and prepayments	2,925,744,565,754
<i>a) accrued income</i>	2,792,642,001,625
<i>b) prepayments</i>	133,102,564,129
<i>including: issuing discounts</i>	30,598,325,730
TOTAL ASSETS	209,718,837,412,820

CONSOLIDATED BALANCE SHEET

(in ITL)

LIABILITIES AND SHAREHOLDERS' EQUITY		31 December 2000
10	Due to banks	34,423,902,502,680
	<i>a) sight</i>	1,339,308,084,237
	<i>b) time or requiring advance notice of withdrawal</i>	33,084,594,418,443
20	Customer deposits	90,911,666,824,246
	<i>a) sight</i>	68,066,766,745,505
	<i>b) time or requiring advance notice of withdrawal</i>	22,844,900,078,741
30	Other borrowed funds backed by negotiable instruments	46,507,860,690,411
	<i>a) bonds</i>	28,263,083,096,380
	<i>b) certificates of deposit</i>	16,453,145,137,762
	<i>c) other instruments</i>	1,791,632,456,269
40	Third-party funds under administration	129,888,682,100
50	Other liabilities	13,526,554,033,343
60	Accrued liabilities and deferred income	3,139,771,452,627
	<i>a) accrued liabilities</i>	2,749,306,959,296
	<i>b) deferred income</i>	390,464,493,331
70	Staff severance indemnity reserve	864,241,653,949
80	Reserves for risks and other charges:	3,863,148,408,213
	<i>a) pension fund and similar obligations</i>	836,907,606,552
	<i>b) reserve for taxes</i>	1,974,789,526,848
	<i>c) consolidation reserve for risks and future charges</i>	-
	<i>d) other reserves</i>	1,051,451,274,813
90	Reserve for loan losses	561,260,466,134
100	Reserve for general banking risks	872,463,944,000
110	Subordinated debt	3,475,124,556,486
120	Negative consolidation differences	42,543,999,999
130	Negative net equity differences	2,466,000,000
140	Minority interests	1,525,323,344,937
150	Share capital	2,360,469,807,000
160	Paid-in capital	1,012,524,094,456
170	Reserves:	3,180,706,933,313
	<i>a) legal reserve</i>	432,031,540,000
	<i>b) reserve for own shares or quotas</i>	34,924,715,311
	<i>c) statutory reserves</i>	1,037,500,000,000
	<i>d) other reserves</i>	1,676,250,678,002
180	Revaluation reserves	2,223,498,035,098
190	Retained earnings	97,731,060
200	Profit (loss) for the year	1,095,324,252,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		209,718,837,412,820

(in ITL)

Account	31 December 2000
10 Guarantees released	14,592,531,944,154
<i>including:</i>	
<i>acceptances</i>	359,799,079,144
<i>other guarantees</i>	14,232,732,865,010
20 Commitments	41,212,455,255,372
<i>including:</i>	
<i>commitments to sell with the obligation to repurchase</i>	55,469,520,157
30 Commitments for credit derivatives	793,832,057,108

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in ITL)

Account	31 December 2000
10 Interest and similar income	10,127,618,017,784
<i>including:</i>	
- on customer loans and advances	7,244,168,096,369
- on debt securities	1,412,641,147,519
20 Interest expense and other expense on borrowed funds	6,134,309,040,217
<i>including:</i>	
- on customer deposits	2,324,916,678,007
- on other borrowed funds backed by negotiable instruments	1,985,882,039,453
30 Dividends and other income	268,737,741,811
a) on shares, quotas and other equity securities	96,857,974,653
b) on equity investments	171,879,767,158
c) on equity investments in Group companies	-
40 Commissions earned	3,660,368,670,186
50 Commission expense	358,839,160,931
60 Profit (loss) on financial transactions	464,574,386,158
65 Income on investment of pension and similar funds	15,780,121,452
70 Other operating income	1,010,323,609,868
80 Administrative expenses	5,199,565,870,393
a) personnel expense	3,237,450,335,509
<i>including:</i>	
- wages and salaries	2,284,055,161,365
- social-welfare charges	654,397,580,792
- staff severance indemnity reserve	155,998,772,886
- pension fund and similar obligations	66,053,083,812
b) other administrative expenses	1,962,115,534,884
85 Provisions for income on investment of pension and similar funds	24,188,532,495
90 Valuation adjustments to fixed and intangible assets	597,148,472,369
100 Provisions for risks and charges	207,888,227,437
110 Other operating expenses	72,538,890,716
120 Valuation adjustments to loans & provisions for guarantees and commitments	1,270,756,893,252
130 Recoveries on loans & provisions for for guarantees and commitments	550,993,162,265
140 Provisions to loan loss reserve	79,202,438,521
150 Valuation adjustments to non-current financial assets	7,890,549,870
160 Recoveries on non-current financial assets	12,135,389,452
170 Profit (loss) on investments value with net equity method	59,947,147,813
180 Profit (loss) from ordinary operations	2,218,150,170,588
190 Extraordinary income	533,940,852,076
200 Extraordinary charges	227,934,417,479
210 Extraordinary profit (loss)	306,006,434,597
220 Use of the consolidation reserve for risks and future charges	-
230 Change in reserve for general banking risks	3,187,956,045
240 Income taxes	(1,269,674,539,465)
250 Minority interests	162,345,768,997
260 Profit (loss) for the year	1,095,324,252,768

CONSOLIDATED BALANCE SHEET

		(in EUR)
ASSETS		31/12/2000
10	Cash and cash on deposit with central banks and post offices	473,969,269
20	Italian government securities and similar instruments eligible for refinancing with central banks	1,963,438,465
30	Amounts due from banks	15,870,096,355
	<i>a) sight</i>	2,943,555,077
	<i>b) other</i>	12,926,541,278
40	Customer loans and advances	60,951,943,783
	<i>including:</i>	
	<i>loans with third-party funds under administration</i>	20,889,175
50	Bonds and other fixed-income securities	13,009,826,853
	<i>a) of public issuers</i>	7,107,924,539
	<i>b) of banks</i>	3,239,553,839
	- <i>including: own securities</i>	635,718,464
	<i>c) of financial institutions</i>	1,336,276,600
	- <i>including: own securities</i>	-
	<i>d) of other issuers</i>	1,326,071,875
60	Shares, quotas and other equity securities	830,256,454
70	Equity investments	1,712,963,067
	<i>a) valued with net equity method</i>	37,030,059
	<i>b) other</i>	1,675,933,008
80	Equity investments in Group companies	159,363,037
	<i>a) valued with net equity method</i>	154,312,585
	<i>b) other</i>	5,050,452
90	Positive consolidation differences	804,070,594
100	Positive net equity differences	1,942,315
110	Intangible assets	356,730,355
	<i>including:</i>	
	- <i>start-up costs</i>	33,447,239
	- <i>goodwill</i>	31,220,026
120	Fixed assets	2,018,017,597
	<i>including: assets under financial lease</i>	175,064,624
130	Unpaid subscribed capital	-
	<i>including: called-up capital</i>	
140	Own shares	18,037,110
	<i>(nominal value 4.005.505)</i>	
150	Other assets	8,629,064,230
160	Accrued income and prepayments	1,511,020,966
	<i>a) accrued income</i>	1,442,279,228
	<i>b) prepayments</i>	68,741,738
	<i>including: issuing discounts</i>	15,802,716
TOTAL ASSETS		108,310,740,450

CONSOLIDATED BALANCE SHEET

		(in EUR)
LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2000
10	Due to banks	17,778,461,941
	<i>a) sight</i>	691,694,900
	<i>b) time or requiring advance notice of withdrawal</i>	17,086,767,041
20	Customer deposits	46,951,957,539
	<i>a) sight</i>	35,153,551,284
	<i>b) time or requiring advance notice of withdrawal</i>	11,798,406,255
30	Other borrowed funds backed by negotiable instruments	24,019,305,516
	<i>a) bonds</i>	14,596,664,255
	<i>b) certificates of deposit</i>	8,497,340,318
	<i>c) other instruments</i>	925,300,943
40	Third-party funds under administration	67,081,906
50	Other liabilities	6,985,882,152
60	Accrued liabilities and deferred income	1,621,556,628
	<i>a) accrued liabilities</i>	1,419,898,547
	<i>b) deferred income</i>	201,658,081
70	Staff severance indemnity reserve	446,343,565
80	Reserves for risks and other charges:	1,995,149,647
	<i>a) pension fund and similar obligations</i>	432,226,707
	<i>b) reserve for taxes</i>	1,019,893,675
	<i>c) consolidation reserve for risks and future charges</i>	-
	<i>d) other reserves</i>	543,029,265
90	Reserve for loan losses	289,866,840
100	Reserve for general banking risks	450,590,023
110	Subordinated debt	1,794,752,052
120	Negative consolidation differences	21,972,142
130	Negative net equity differences	1,273,583
140	Minority interests	787,763,765
150	Share capital	1,219,080,917
160	Paid-in capital	522,925,054
170	Reserves:	1,642,698,039
	<i>a) legal reserve</i>	223,125,669
	<i>b) reserve for own shares or quotas</i>	18,037,110
	<i>c) statutory reserves</i>	535,824,033
	<i>d) other reserves</i>	865,711,227
180	Revaluation reserves	1,148,340,900
190	Retained earnings	50,474
200	Profit (loss) for the year	565,687,767
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		108,310,740,450

		(in EUR)
Account		31/12/2000
10	Guarantees released	7,536,413,798
	<i>including:</i>	
	<i>acceptances</i>	185,820,717
	<i>other guarantees</i>	7,350,593,081
20	Commitments	21,284,456,845
	<i>including:</i>	
	<i>commitments to sell with the obligation to repurchase</i>	28,647,616
30	Commitments for credit derivatives	409,980,043

CONSOLIDATED PROFIT AND LOSS STATEMENT

		(in EUR)
Account		31/12/2000
10	Interest and similar income	5,230,478,197
	<i>including:</i>	
	- on customer loans and advances	3,741,300,592
	- on debt securities	729,568,267
20	Interest expense and other expense on borrowed funds	3,168,106,225
	<i>including:</i>	
	- on customer deposits	1,200,719,258
	- on other borrowed funds backed by negotiable instruments	1,025,622,480
30	Dividends and other income	138,791,461
	a) on shares, quotas and other equity securities	50,022,969
	b) on equity investments	88,768,492
	c) on equity investments in Group companies	-
40	Commissions earned	1,890,422,653
50	Commission expense	185,324,960
60	Profit (loss) on financial transactions	239,932,647
65	Income on investment of pension and similar funds	8,149,753
70	Other operating income	521,788,599
80	Administrative expenses	2,685,351,666
	a) personnel expense	1,672,003,561
	<i>including:</i>	
	- wages and salaries	1,179,616,046
	- social-welfare charges	337,968,145
	- staff severance indemnity reserve	80,566,643
	- pension fund and similar obligations	34,113,571
	b) other administrative expenses	1,013,348,105
85	Provisions for income on investment of pension and similar funds	12,492,334
90	Valuation adjustments to fixed and intangible assets	308,401,448
100	Provisions for risks and charges	107,365,309
110	Other operating expenses	37,463,211
120	Valuation adjustments to loans & provisions for guarantees and commitments	656,291,165
130	Recoveries on loans & provisions for for guarantees and commitments	284,564,220
140	Provisions to loan loss reserve	40,904,646
150	Valuation adjustments to non-current financial assets	4,075,129
160	Recoveries on non-current financial assets	6,267,406
170	Profit (loss) on investments value with net equity method	30,960,118
180	Profit (loss) from ordinary operations	1,145,578,961
190	Extraordinary income	275,757,435
200	Extraordinary charges	117,718,303
210	Extraordinary profit (loss)	158,039,132
220	Use of the consolidation reserve for risks and future charges	-
230	Change in reserve for general banking risks	1,646,442
240	Income taxes	(655,732,176)
250	Minority interests	83,844,592
260	Profit (loss) for the year	565,687,767

COMPARATIVE FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(ITL mn)

ASSETS		31/12/2000	31/12/1999	Absolute and % Change	
10	Cash and cash on deposit with central banks and post offices	917,732	818,943	98,789	12.06
20	Italian government securities and similar instruments eligible for refinancing with central banks	3,801,747	5,191,244	(1,389,497)	(26.77)
30	Amounts due from banks	30,728,791	28,303,318	2,425,473	8.57
	<i>a) sight</i>	5,699,517	7,474,807	(1,775,290)	(23.75)
	<i>b) other</i>	25,029,274	20,828,511	4,200,763	20.17
40	Customer loans and advances	118,019,420	105,720,226	12,299,194	11.63
	<i>including:</i>				
	<i>loans with third-party funds under administration</i>	40,447	34,395	6,052	17.60
50	Bonds and other fixed-income securities	25,190,537	28,353,363	(3,162,826)	(11.16)
	<i>a) of public issuers</i>	13,762,861	17,321,668	(3,558,807)	(20.55)
	<i>b) of banks</i>	6,272,651	6,467,234	(194,583)	(3.01)
	<i>- including: own securities</i>	1,230,923	300,925	929,998	309.05
	<i>c) of financial institutions</i>	2,587,392	1,902,417	684,975	36.01
	<i>- including: own securities</i>	-	-	-	-
	<i>d) of other issuers</i>	2,567,633	2,662,044	(94,411)	(3.55)
60	Shares, quotas and other equity securities	1,607,601	1,332,893	274,708	20.61
70	Equity investments	3,316,759	1,548,683	1,768,076	114.17
	<i>a) valued with net equity method</i>	71,700	60,304	11,396	18.90
	<i>b) other</i>	3,245,059	1,488,379	1,756,680	118.03
80	Equity investments in Group companies	308,570	275,837	32,733	11.87
	<i>a) valued with net equity method</i>	298,791	252,348	46,443	18.40
	<i>b) other</i>	9,779	23,489	(13,710)	-
90	Positive consolidation differences	1,556,898	1,685,504	(128,606)	(7.63)
100	Positive net equity differences	3,761	4,770	(1,009)	(21.15)
110	Intangible assets	690,726	395,967	294,759	74.44
	<i>including:</i>				
	<i>- start-up costs</i>	64,763	63,707	1,056	1.66
	<i>- goodwill</i>	60,450	10,055	50,395	
120	Fixed assets	3,907,427	2,785,669	1,121,758	40.27
	<i>including: assets under financial lease</i>	338,972	193,447	145,525	75.23
130	Unpaid subscribed capital				
	<i>including: called-up capital</i>				
140	Own shares	34,925	78,595	(43,670)	(55.56)
	<i>(nominal value 7.755)</i>				
150	Other assets	16,708,198	18,286,032	(1,577,834)	(8.63)
160	Accrued income and prepayments	2,925,745	2,840,432	85,313	3.00
	<i>a) accrued income</i>	2,792,642	2,719,198	73,444	2.70
	<i>b) prepayments</i>	133,103	121,234	11,869	9.79
	<i>including: issuing discounts</i>	30,598	1,124	29,474	2,622.24
	TOTAL ASSETS	209,718,837	197,621,476	12,097,361	6.12

CONSOLIDATED BALANCE SHEET

(ITL mn)

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2000	31/12/1999	Absolute and % Change	
10	Due to banks	34,423,902	36,634,550	(2,210,648)	(6.03)
	a) sight	1,339,308	8,005,905	(6,666,597)	(83.27)
	b) time or requiring advance notice of withdrawal	33,084,594	28,628,645	4,455,949	15.56
20	Customer deposits	90,911,667	82,446,221	8,465,446	10.27
	a) sight	68,066,767	61,523,029	6,543,738	10.64
	b) time or requiring advance notice of withdrawal	22,844,900	20,923,192	1,921,708	9.18
30	Other borrowed funds backed by negotiable instruments	46,507,861	45,040,699	1,467,162	3.26
	a) bonds	28,263,083	22,655,725	5,607,358	24.75
	b) certificates of deposit	16,453,145	21,005,552	(4,552,407)	(21.67)
	c) other instruments	1,791,633	1,379,422	412,211	29.88
40	Third-party funds under administration	129,889	147,411	(17,522)	(11.89)
50	Other liabilities	13,526,554	13,298,025	228,529	1.72
	including: proforma debt from Banca 121 acquisition	-	867,272		
60	Accrued liabilities and deferred income	3,139,771	3,505,738	(365,967)	(10.44)
	a) accrued liabilities	2,749,307	3,209,721	(460,414)	(14.34)
	b) deferred income	390,464	296,017	94,447	31.91
70	Staff severance indemnity reserve	864,242	866,200	(1,958)	(0.23)
80	Reserves for risks and other charges:	3,863,149	2,944,307	918,842	31.21
	a) pension fund and similar obligations	836,908	696,972	139,936	20.08
	b) reserve for taxes	1,974,790	1,327,325	647,465	48.78
	c) consolidation reserve for risks and future charges	-	-		
	d) other reserves	1,051,451	920,010	131,441	14.29
90	Reserve for loan losses	561,260	497,623	63,637	12.79
100	Reserve for general banking risks	872,464	874,599	(2,135)	(0.24)
110	Subordinated debt	3,475,124	2,510,036	965,088	38.45
120	Negative consolidation differences	42,544	51,810	(9,266)	(17.88)
130	Negative net equity differences	2,466	2,466	-	-
140	Minority interests	1,525,323	1,556,821	(31,498)	(2.02)
150	Share capital	2,360,470	2,360,470	-	-
160	Paid-in capital	1,012,524	1,058,444	(45,920)	(4.34)
170	Reserves:	3,180,707	2,711,292	469,415	17.31
	a) legal reserve	432,031	401,715	30,316	7.55
	b) reserve for own shares or quotas	34,925	78,594	(43,669)	(55.56)
	c) statutory reserves	1,037,500	832,700	204,800	24.59
	d) other reserves	1,676,251	1,398,283	277,968	19.88
180	Revaluation reserves	2,223,498	243,211	1,980,287	814.23
190	Retained earnings	98	168	(70)	(41.67)
200	Profit (loss) for the year	1,095,324	871,385	223,939	25.70
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	209,718,837	197,621,476	12,097,361	6.12

(ITL mn)

Account		31/12/2000	31/12/1999	Absolute and % Change	
10	Guarantees released	14,592,532	12,471,403	2,121,129	17.01
	<i>including:</i>				
	<i>acceptances</i>	359,799	299,102	60,697	20.29
	<i>other guarantees</i>	14,232,733	12,172,301	2,060,432	16.93
20	Commitments	41,212,455	32,811,860	8,400,595	25.60
	<i>including:</i>				
	<i>commitments to sell with the obligation to repurchase</i>	55,470	-	55,470	
30	Commitments for credit derivatives	793,832	-	793,832	-

CONSOLIDATED PROFIT AND LOSS STATEMENT

(ITL mn)

Account	31/12/2000	31/12/1999	Absolute and % Change		
10 Interest and similar income		10,127,618	8,883,648	1,243,970	14.00
<i>including:</i>					
- on customer loans and advances	7,244,168	5,837,955		1,406,213	24.09
- on debt securities	1,412,641	1,649,597		(236,956)	(14.36)
20 Interest expense and other expense on borrowed funds		6,134,309	4,973,118	1,161,191	23.35
<i>including:</i>					
- on customer deposits	2,324,917	1,431,581		893,336	62.40
- on other borrowed funds backed by negotiable instruments	1,985,882	1,948,881		37,001	1.90
30 Dividends and other income		268,738	156,976	111,762	71.20
a) on shares, quotas and other equity securities	96,858	5,968		90,890	1,522.96
b) on equity investments	171,880	151,008		20,872	13.82
c) on equity investments in Group companies	-	-		-	-
40 Commissions earned		3,660,369	3,084,875	575,494	18.66
50 Commission expense		358,839	246,819	112,020	45.39
60 Profit (loss) on financial transactions		464,574	265,778	198,796	74.80
65 Income on investment of pension and similar funds		15,780	4,966	10,814	217.76
70 Other operating income		1,010,324	883,134	127,190	14.40
80 Administrative expenses		5,199,566	4,894,333	305,233	6.24
a) personnel expense	3,237,450	3,144,567		92,883	2.95
<i>including:</i>					
- wages and salaries	2,284,055	2,190,586		93,469	4.27
- social-welfare charges	654,398	638,874		15,524	2.43
- staff severance indemnity reserve	155,999	152,802		3,197	2.09
- pension fund and similar obligations	66,053	93,124		(27,071)	(29.07)
b) other administrative expenses	1,962,116	1,749,766		212,350	12.14
85 Provisions for income on investment of pension and similar funds		24,189	4,966	19,223	387.09
90 Valuation adjustments to fixed and intangible assets		597,148	578,101	19,047	3.29
100 Provisions for risks and charges		207,888	250,220	(42,332)	(16.92)
110 Other operating expenses		72,539	92,033	(19,494)	(21.18)
120 Valuation adjustments to loans & provisions for guarantees and commitments		1,270,757	1,389,092	(118,335)	(8.52)
130 Recoveries on loans & provisions for guarantees and commitments		550,993	639,547	(88,554)	(13.85)
140 Provisions to loan loss reserve		79,202	43,076	36,126	83.87
150 Valuation adjustments to non-current financial assets		7,891	33,656	(25,765)	(76.55)
160 Recoveries on non-current financial assets		12,135	2,035	10,100	496.31
170 Profit (loss) on investments value with net equity method		59,947	29,816	30,131	101.06
180 Profit (loss) from ordinary operations		2,218,150	1,445,361	772,789	53.47
190 Extraordinary income		533,941	1,171,632	(637,691)	(54.43)
200 Extraordinary charges		227,934	359,225	(131,291)	(36.55)
210 Extraordinary profit (loss)		306,007	812,407	(506,400)	(62.33)
220 Use of the consolidation reserve for risks and future charges		-	-	-	-
230 Change in reserve for general banking risks		3,188	(287,985)	291,173	(101.11)
240 Income taxes		(1,269,675)	(943,333)	(326,342)	34.59
250 Minority interests		162,346	155,065	7,281	4.70
260 Profit (loss) for the year		1,095,324	871,385	223,939	25.70

The notes to the consolidated financial statements include the following:

Part A – Valuation Criteria

Section 1 – Description of valuation criteria
Section 2 – Fiscal adjustments and provisions

Part B – Information on the Balance Sheet

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

Part C – Information on the Profit and Loss Statement

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

Part D – Other notes

Section 1 – Directors and Statutory Auditors

Attachments

- Statement of Changes in Consolidated Shareholders' Equity
- Statement of Changes in Consolidated Shareholders' Equity Reconciled with Comparative Financial Statements
- Reconciliation of Parent-Company Earnings and Net Equity and Consolidated Earnings and Net Equity

- Notes on criteria of Comparative Consolidated Financial Statements as of 31 December 1999 of the MPS Group including Banca 121
- Reconciliation of the Balance Sheet and Profit and Loss Statement of the MPS Group as of 31 December 1999 with the Balance Sheet and Profit and Loss Statement as of the same date including Banca 121 and the reclassification of employee pension funds
- Reconciliation of the Net Equity and Consolidated Earnings of the MPS Group with the Net Equity and Consolidated Earnings of Banca 121
- Reconciliation of the Comparative Balance Sheet and Comparative Profit and Loss Statement of the MPS Group as of 31 December 1999 with the Proforma Balance Sheet and Profit and Loss Statement as of the same date, including the change in the criteria for the valuation of the trading portfolio.
- Statement of Changes in Consolidated Financial Position
- Proforma Consolidated Financial Statements as of 31 December 2000 and 1999
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 1999, approved by the Board of Directors

PART A

VALUATION CRITERIA

SECTION 1

DESCRIPTION OF VALUATION CRITERIA

The valuation criteria indicated hereunder conform with the criteria provided by prevailing Italian laws and with the criteria adopted in the preparation of the 1999 consolidated financial statements, with exceptions noted as follows:

In 2000, a change was made in the criterion for the valuation of the trading portfolio relative to listed securities, derivatives contracts and to unlisted securities having an economic relationship to derivatives contracts. Accordingly, the valuation of such assets, which was determined by the lower of cost and market value in 1999, was based on market value in 2000. This changes has been designed to:

- provide a more representative valuation of the operations of the finance area;
- eliminate possible uncertainties of valuation in the case of complex financial transactions;
- allow for alignment of operational and accounting results.

In addition, a change was made in the accounting treatment of defined contribution pension funds. Previously reported in separate financial statements, the accounts for such pension plans have been incorporated into the consolidated balance sheet and consolidated profit and loss statement in 2000, pursuant to the Bank of Italy Directive No. 3815 of 14 August 2000.

The aforementioned criteria are in conformity with those used by the parent company, Banca Monte dei Paschi di Siena S.p.A. in the preparation of its financial statements.

It is noted furthermore that, as of the consolidated financial statements dated 31 December 2000, the positive consolidation differences generated from the line-by-line consolidation of Banca 121 will be offset with the amount of the pre-existing negative consolidation differences, with any amounts not offset being amortized in accordance with the terms previously established.

Net of taxes, the changes in the valuation criteria of the trading portfolio mentioned above had the effect of increasing the 2000 net profit and shareholders equity by ITL 127,784 million. The balancing entry for the positive consolidation differences relative to Banca 121 was made to shareholders' equity in the amount of ITL 689,427 million.

Given the rapid rotation of the holdings in the securities and derivatives portfolio, it was not possible to re-allocate the amounts listed in Section 3.1 of Part C of these notes (detail of Account 60 "Profits/losses from financial transactions") between "valuation" components and "other profits/losses" components.

In order to provide a clear representation of the foregoing, proforma consolidated statements as of 31 December 2000 and 31 December 1999 have been prepared as if the valuation criteria adopted in 2000 were to have been applied on a constant basis in prior years; such proforma statements are provided as an attachment to these notes.

It is furthermore noted that the acquisition of 93.98 percent of Banca 121 was perfected in the second half of 2000. Considered important to the strategy of the MPS Group, this acquisition caused significant changes in the key balance-sheet and profit-and-loss aggregates. Accordingly, in order to provide a clear representation of the data, the consolidated financial statements as of 31 December 2000 have been compared with the consolidated financial statements as of 31

December 1999, which have been restated as if the acquisition were to have taken place at the end of 1999. Details relative to the restatement are provided in the specific note attached to these statements.

AREA OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company, Banca Monte dei Paschi di Siena S.p.A., and those of the banking and financial services subsidiaries and other subsidiary companies mainly, or exclusively, performing activities incidental to those of the Group companies. Subsidiaries in liquidation were not consolidated.

FINANCIAL STATEMENTS USED FOR CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the financial statements of the consolidated companies as of 31 December 2000, as approved by the respective Boards of Directors. In the case of Banca Agricola Mantovana S.p.A. and Banca 121 S.p.A., the relative consolidated statements were used.

The financial statements of the subsidiaries have been consolidated using the line-by-line method, with the full consolidation of the assets, liabilities, guarantees, commitments and income and expense accounts of the subsidiaries.

Investments in Banca Popolare di Spoleto S.p.A., Banca del Monte di Parma S.p.A. and Cassa di Risparmio di San Miniato S.p.A., which are jointly controlled institutions, have been consolidated using the proportional method pursuant to Article 35 of Law Decree No. 87 of 1992.

The financial statements of the companies included in the consolidation which were prepared on the basis of accounting principles differing from those used for the consolidated financial statements or which include adjustments solely for tax purposes, have been restated to conform to the accounting principles used in the preparation of the consolidated statements. Adjustments and provisions of a fiscal nature that have not been eliminated are shown in Section 2, Part A.

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

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

- Assets, liabilities, income and expenses were converted into lire using the spot exchange rates prevailing at year end;
- The balances in the shareholders equity accounts have been translated at the historical rate applied upon the initial consolidation. Any currency translation differences as a result of the conversion of the accounts into lire at the exchange rate in effect as of the date the consolidated financial statements are booked in the account, "Other reserves".

CONSOLIDATION PRINCIPLES

The book value of investments in subsidiaries has been eliminated against the corresponding portion of net equity, with the related assets and liabilities consolidated on a line-by-line or proportional basis and with any differences ascribed, wherever possible, to the assets and liabilities of the subsidiaries.

Any residual negative differences are recorded as "Negative consolidation differences". Positive differences are netted first against "Revaluation reserves", with any remaining balance recorded as

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

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

The portions of consolidated net equity and of the annual profit attributable to minority interests are disclosed separately in the balance sheet and profit and loss statement.

Assets and liabilities, guarantees and commitments, and income and expenses relating to intercompany transactions have been eliminated, with any differences from suspense accounts and any exchange differences being recorded under "Other assets/liabilities" and "Extraordinary income/charges".

Profits and losses on transactions between the companies included in consolidation – except for transactions involving securities, foreign currency and other financial instruments executed at normal market conditions – are eliminated if they refer to assets which are still on the balance sheet.

Entries for dividends, valuation adjustments and recoveries between companies included in consolidation have been eliminated.

1. LOANS, GUARANTEES AND COMMITMENTS

1.1 LOANS

Loans and advances to customers and banks are recorded at the total amount disbursed. Mortgages, deposits with third parties, long-term loans and other subsidies are stated at the equivalent of the residual principal amount. Loans include accrued and past-due interest computed at year end. Interest accrued and unpaid at year end is recorded in the profit and loss statement 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 watch-list credits (i.e. loans made to borrowers in temporary difficulties) are analyzed by taking into account the financial condition of each borrower and the existence of any collateral or guarantees;
- Loans to countries at risk 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 determination of the estimated realizable value of loans also takes into account the existence of certain credit-risk hedging transactions effected through credit derivatives in which the Group figures as the party purchasing 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 "Reserve for risks and charges - other reserves". Any capital losses on credit derivatives contracts belonging to the banking book in which the Group acts as the party selling the protection are also ascribed to the aforementioned reserve.

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

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

The cost of securities is determined according to the LIFO annual-layer method, with any issuing premiums and discounts recorded 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 therefor no longer apply.

2.2 TRADING ACCOUNT SECURITIES

Securities held for trading purposes or for the purposes of the Group's treasury management are valued as follows.

Securities quoted on official markets in Italy or abroad are valued at market value; market value is represented by the arithmetic average of official prices for the last month of the year.

Securities not listed on official markets are valued as follows:

- Unlisted fixed-income securities are valued at the lower of cost and "normal value"; normal value is objectively determined by the present value of expected cash flows on the securities, and by taking into account average yields on securities with similar maturity dates as of the end of the year;
- Unlisted shares and similar securities are valued at cost, adjusted to reflect any significant decreases in value;
- Debt or equity securities having an economic relationship with derivatives contracts are valued in accordance with the valuation criterion adopted for the derivatives contracts.

Any gains or losses recorded on the valuation of the trading account securities are booked to Account 60 "Profits/losses from financial transactions".

Any writedown provisions taken may later be reversed should the reasons therefor no longer apply.

2.3 OWN SHARES

The investment in the shares of the Bank has been fully offset by a restricted reserve set up in accordance with Article 2357 ter of the Italian Civil Code. Shares purchased for trading purposes are valued at the lower of cost and market value, whereas those acquired as a long-term investment are valued at cost.

The bonus shares assigned to the parent company and still in the portfolio as of 31 December 2000 have been valued at cost.

2.4 OFF-BALANCE-SHEET TRANSACTIONS (excluding those relating to foreign currency)

2.4.1 Commitments for securities transactions to be settled

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

- Purchase commitments are valued at the lower of settlement price and market value, using the criteria adopted for the portfolio to which the securities will be added;
- Sale commitments are valued at the lower of the settlement price and the book value of the securities.

2.4.2 Derivatives contracts (on securities, interest rates, indices and other assets, excluding foreign currencies)

The valuation of derivative contracts depends on the purpose for which the contracts were consummated.

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

- in the case of contracts quoted in organized markets, by using the market value as of the close of the year;
- in the case of contracts not quoted in organized markets, whose parameters of reference are prices, quotes or indices reported on information circuits normally used at an international level and in any case, parameters that may be objectively determined, by using the financial value as determined on the basis of quotations of the aforementioned parameters reported as of the close of the year;
- in the case of other contracts, by taking into account any other specific elements in an objective and standard manner.

Derivatives used for hedging assets and liabilities and off-balance-sheet assets and liabilities are valued in accordance with the hedged assets and liabilities, as indicated as follows:

- at market value, if used to hedge securities belonging to the trading portfolio;
- at cost, if used to hedge interest-bearing assets or liabilities other than trading account securities, in accordance with the accounts.

The differentials and margins on contracts for hedging interest-bearing assets and liabilities other than trading account securities are calculated as part of the interest margin. If the hedging is related to specific assets and liabilities, such differentials and margins are allocated in accordance with the accrual of interest on the underlying assets and liabilities; in the case of general hedging, the differentials and margins are accrued to the interest margin in accordance with the duration of the contracts.

Any gains or losses recorded on the valuation of the derivatives contracts are accrued to Account 60 – "Profits/losses from financial transactions" in the profit and loss statement. The balancing entries are made to Account 130 - "Other assets" and Account 50 - "Other liabilities", without any offsetting of the gains and losses.

Master netting agreements are taken into account only for determining the absorption of capital required for regulatory purposes, without any significance insofar as financial statement reporting is concerned.

Derivatives contracts involved in long-term investment transactions which may eventually involve the purchase of securities to be classified as investments are valued with the criteria used for valuing investment securities.

2.5 REPURCHASE AGREEMENTS

Repurchase agreements are reported as funding or lending transactions, with the relative income and expense recorded in the "Interest and similar income" and "Interest expense and other expense on borrowed funds" accounts in the profit and loss statement as accrued.

3. EQUITY INVESTMENTS

Investments in non-consolidated subsidiaries and in companies where the Group exerts significant influence have been valued in accordance with the net equity method. The net equity of such companies and the differences with respect to the carrying values of the investments are determined

pursuant to the criteria described in hereinabove in "Consolidation criteria.". The aforementioned differences are indicated as "Positive net equity differences" or "Negative net equity differences" and if positive, the amounts are amortized over a ten-year period, which is considered the investment pay-back period.

Other shareholdings are considered as long-term investments and are valued at cost. Dividends and the tax credits in relation thereto are recognized at the time they are effectively realized.

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

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

Profits and losses from transactions denominated in foreign currency are reported using the exchange rates prevailing 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

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

The values disclosed are net of accumulated depreciation determined on the basis of maximum rates allowed by law, and reflect the residual value of the assets in relation to the estimated useful life of the same.

6. INTANGIBLE ASSETS

Intangible assets are recorded at purchase or production cost, including any ancillary charges. Amortization is computed with reference to the residual possibilities for the use of the assets, as described hereunder:

- Costs sustained for the capital increase effected in 1999 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;

- Costs sustained for commissions paid on bond issues are amortized in relation to the relative redemption schedules;
- Costs incurred for the purchase and third-party production of software are amortized on a straight-line basis over five years;
- Any other deferred charges are amortized over a maximum period of five years.

7. ACCRUALS AND DEFERRALS

Accruals and deferrals are calculated 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 CUSTOMERS

Savings deposits, certificates of deposit and current-account deposits of customers and banks are stated at nominal value, including interest paid as of 31 December 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

▪ *Pension fund and similar obligations*

Pension funds have been established to cover commitments to employees entitled to a pension and include pension funds established by the parent company as well as several subsidiaries.

▪ Reserve for taxes

The reserve represents a realistic estimate of tax liabilities to be paid, in accordance with prevailing tax regulations and fiscal practices. The reserve also includes deferred tax liabilities relative to consolidation adjustments when it is probable that such liabilities will be liquidated for the account of one or more of the consolidated companies.

▪ Deferred taxes

The Bank of Italy, with its directive of 3 August 1999, and CONSOB, with its memorandum of 30 July 1999, mandated the application of the Italian Accounting Principle No. 25 approved by the Italian

Association of Professional Accountants ("Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri"). In accordance with the matching concept, the new principle requires the disclosure of the accounting effects of timing differences with respect to the recognition of income for tax purposes and the recognition of income for financial-statement reporting, and the deferred tax assets and liabilities in relation thereto.

Pursuant to the new principle, deferred tax assets and deferred tax liabilities are recorded, respectively, in the balance sheet accounts, "other assets" and "reserve for taxes". In respect of the general principle of prudence, deferred tax assets are recognized only to the extent that there is reasonable certainty of sufficient taxable income being realized in future years so as to allow for full 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.

▪ ***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 credit risks and therefore is not used for adjusting the value of any assets.

8.5 RESERVE FOR GENERAL BANKING RISKS

The reserve has been set up in accordance with Article 11, Paragraph 2 and 3 of 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 millions of Italian lire.

In the schedules attached to the financial statements, specific indication is given of any amounts denominated in other currencies.

SECTION 2

ADJUSTMENTS AND FISCAL PROVISIONS

2.1 Adjustments made exclusively for the purpose of compliance with fiscal laws

No adjustments were made.

2.2 Provisions made exclusively for the purpose of compliance with fiscal laws

No adjustments were made.

Comments regarding current year operations, events occurring after the date of the financial statements, relationships with other Group companies, and future developments are described in the Report of the Board of Directors.

PART B

INFORMATION ON THE

CONSOLIDATED BALANCE SHEET

SECTION 1 - LOANS

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

1.1 Composition of Account 30 - Amounts due from banks

	31/12/2000	31/12/1999
a) Amounts due from central banks	1,428,768	1,340,315
b) Bills eligible for refinancing with central banks	8,389	7,082
c) Credit for financial lease contracts	-	-
d) Repurchase agreements	9,553,652	1,755,719
e) Securities lending	-	-

The balance reflected in a) includes mandatory reserves in the amount of ITL 1,399,315 million.

The composition of the account is as follows:

	31/12/2000	31/12/1999
Sight	5,699,517	7,474,807
Current accounts	1,464,404	1,135,758
Demand deposits	3,954,883	6,117,870
Other accounts	280,230	221,179
Time or requiring advance notice of withdrawal	25,029,274	20,828,511
Bank of Italy and other central banks	1,428,434	1,327,586
Time deposits	11,615,516	15,236,627
Loans and subsidies	2,066,948	2,193,202
Mortgage loans	-	-
Repurchase agreements	9,553,652	1,755,719
Other	364,724	315,377
Total	30,728,791	28,303,318

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

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

31/12/1999

	Nominal Value	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	375,947	155,499	220,448
A.1 Non-performing loans	15,006	9,826	5,180
A.2 Watch-list credits	144,337	95,733	48,604
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	216,604	49,940	166,664
B. Performing loans	28,082,870	-	28,082,870

Composition of Account 40 - Customer loans and advances

31/12/2000

31/12/1999

a) Bills eligible for refinancing with central banks	143,665	176,376
b) Credits for financial lease contracts	2,642,894	1,952,565
c) Repurchase agreements	2,258,244	4,259,457

The composition of the account is as follows:

31/12/2000

31/12/1999

Current accounts	23,440,808	23,148,580
Discounted notes	1,358,968	1,603,553
Repurchase agreements	2,258,244	4,259,457
Mortgages	46,573,081	40,089,749
Advances	12,581,601	12,768,474
Advances and subsidies	19,951,984	14,360,373
Personal loans	3,208,560	2,401,747
Leasing	2,626,362	1,940,657
Transactions with third-party funds	40,703	30,913
Non-performing loans	3,469,019	3,502,866
Other	2,510,090	1,613,857
Total	118,019,420	105,720,226

During the second half of 2000, two securitization transactions were effected by BMPS through specially incorporated companies; these transactions involved a portfolio of performing loans and mortgages.

The securitization of the mortgages was perfected through Siena Mortgages 00-1 S.p.A., and covered 12,672 performing mortgages with residual principal due amounting to ITL 1,291,918 million. The loans, which are "modular" or variable-rate, are secured by first mortgages on residential properties; the credits were disbursed between 1 January 1993 and 31 December 1999, and have final maturities prior to 1 February 2015.

In December 2000, a securitization transaction was effected through Tiziano Finance S.r.l. The transaction provides for the sale without recourse of a bloc of performing personal loans which are collateralized by the pledge of securities. The transaction was consummated on 29 December 2000, and embraces 5,124 fixed-rate loans with a term of 15 years, for a total amount of ITL 675,703 million.

Customer loans are summarized in the following table:

31/12/2000			
	Nominal Value	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	9,433,599	3,899,051	5,534,548
A.1 Non-performing loans	6,701,374	3,232,355	3,469,019
A.2 Watch-list credits	2,464,567	616,400	1,848,167
A.3 Loans in the process of restructuring	486	-	486
A.4 Restructured loans	161,054	35,056	125,998
A.5 Unsecured loans to high-risk nations	106,118	15,240	90,878
B. Performing loans	112,881,148	396,276	112,484,872

The amounts in the table include past-due interest.

31/12/1999			
	Nominal Value	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	9,718,604	3,786,576	5,932,028
A.1 Non-performing loans	6,580,699	3,077,833	3,502,866
A.2 Watch-list credits	2,812,227	644,785	2,167,442
A.3 Loans in the process of restructuring	3,696	1,365	2,331
A.4 Restructured loans	172,649	38,378	134,271
A.5 Unsecured loans to high-risk nations	149,333	24,215	125,118
B. Performing loans	100,170,829	382,631	99,788,198

The amounts in the table include past-due interest.

Secured customer loans and advances

Secured customer loans and advances, including outstandings which are partially secured, are summarized in the following table, which excludes loans to governments and public entities:

	31/12/2000	31/12/1999
a) by mortgages	30,348,126	25,298,105
b) by liens on:		
cash deposits	600,263	639,289
securities	2,654,675	1,989,284
other negotiable instruments	1,420,156	1,371,713
	4,675,094	4,000,286
c) by guarantees of:		
governments	66,859	77,641
other public-sector entities	63,110	62,807
banks	1,740,961	848,702
other	22,021,848	19,756,976
	23,892,778	20,746,126
Total	58,915,998	50,044,517

Non-performing loans to customers, including past-due interest, are illustrated in the table hereunder:

	31/12/2000	31/12/1999
Nominal value	6,701,374	6,580,699
Valuation adjustments	3,232,355	3,077,833
Book value	3,469,019	3,502,866

Loans for past-due interest

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

	31/12/2000	31/12/1999
a) Non-performing loans	1,628,354	1,543,892
b) Other credits	95,076	91,749
c) Amounts due from taxpayers	3,723,000	3,727,151
Total	5,446,430	5,362,792
Valuation adjustments	5,385,483	5,288,224
	(*) 60,947	74,568

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

Detail of valuation adjustments to customer loans and amounts due from banks is provided in the following tables.

	31/12/2000		
	Nominal Value	Total Valuation Adjustments	Net Exposure
Non-performing loans	5,090,579	1,617,686	3,472,893
Watch-list credits and past-due amounts	2,549,503	567,090	1,982,413
Country risk	388,009	70,637	317,372
Total	8,028,091	2,255,413	5,772,678
Lump sum adjustment		396,276	
		2,651,689	

	Nominal Value	Total Valuation Adjustments	Net Exposure
Non-performing loans	5,051,813	1,543,767	3,508,046
Watch-list credits and past-due amounts	3,041,160	688,512	2,352,648
Country risk	365,937	74,155	291,782
Total	8,458,910	2,306,434	6,152,476
Lump sum adjustment		382,631	
		2,689,065	

Trend of doubtful loans to customers

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/1999	6,580,699	2,931,127	1,660	172,649	151,370
A.1 including: past-due interest	1,543,892	91,461			
B. Increases	1,987,168	1,483,272	645	63,042	26,948
B.1 from performing loans	370,766	1,162,021	-	8,675	9,438
B.2 past-due interest	193,246	35,882	-	467	1
B.3 transfer from other categories of doubtful loans	562,650	17,336	30	6,514	
B.4 other increases	860,506	268,033	615	47,386	17,509
C. Decreases	1,866,493	1,949,832	1,819	74,637	72,200
C.1 reclassified as performing loans	11,102	311,462		696	1,976
C.2 cancellations	792,979	78,637		378	
C.3 recoveries	581,657	882,830	589	29,577	18,050
C.4 sales	269,349	97,596		1,096	
C.5 transfer to other categories of doubtful loans	5,732	549,844	-	30,952	2
C.6 other decreases	205,674	29,463	1,230	11,938	52,172
D. Total outstanding as of 31/12/2000	6,701,374	2,464,567	486	161,054	106,118
D.1 including: past-due interest	1,628,354	92,209	-	467	323

Trend of total valuation adjustments to customer loans

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31.12.1999 pro forma	3,077,833	669,652		38,379	25,581	383,179
A.1 including: past-due interest	1,538,355	77,897			288	372
B. Increases	1,171,446	305,900	-	21,930	3,066	171,794
B.1 valuation adjustments	573,696	263,378		15,554	3,047	135,780
B.1.1 including: past-due interest	188,629	32,093	-	467		2,378
B.2 use of loan loss reserves	8,301	9	-			
B.3 transfer from other categories	158,782	9,706		5,886		31,739
B.4 other increases	430,667	32,807	-	490	19	4,275
C. Decreases	1,016,924	359,152	-	25,253	13,407	158,696
C.1 recoveries – valuation adjustments	50,326	47,427	-	3,547	12,316	102,364
C.1.1 including: past-due interest	1,337	-	-		10	
C.2 cash recoveries	75,379	45,619		1,158	897	28,583
C.2.1 including: past-due interest	27,894	14,959			6	205
C.3 cancellations	634,362	75,306		378		1,828
C.4 transfer to other categories	2,281	173,033	-	19,720	194	17,049
C.5 other decreases	254,576	17,767		450	-	8,872
D. Valuation adjustments as of 31.12.2000	3,232,355	616,400	-	35,056	15,240	396,277
D.1 including: past-due interest	1,573,716	87,374		467	291	635

Trend of doubtful loans to banks

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/1999	15,006	144,337	-	-	216,604
A.1 including: past-due interest	142	-			
B. Increases	4,140	9,169	-	-	93,513
B.1 from performing loans	-	1,325			
B.2 past-due interest	158	234			
B.3 transfer from other categories					
B.4 other increases	3,982	7,610			93,513
C. Decreases	1,587	135,035	-	-	28,226
C.1 reclassified as performing loans					
C.2 cancellations	1	92,740			13,951
C.3 recoveries	1,586	42,295			9,204
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases					5,071
D. Total outstanding as of 31/12/2000	17,559	18,471	-	-	281,891
D.1 including: past-due interest					

Trend of total valuation adjustments to loans to banks

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31.12.1999 pro forma	9,826	95,733	-	-	-	49,940
A.1 including: past-due interest	142	-				
B. Increases	3,860	9,644	-	-	-	29,932
B.1 valuation adjustments	1,286	3,480				29,931
B.1.1 including: past-due interest	158					
B.2 use of loan loss reserves	-					
B.3 transfer from other categories		6,164				
B.4 other increases	2,574	-				1
C. Decreases	1	94,667	-	-	-	24,475
C.1 recoveries – valuation adjustments	-	1,927				23,085
C.1.1 including: past-due interest						
C.2 cash recoveries		-				1,390
C.2.1 including: past-due interest		-				
C.3 cancellations	1	92,740				
C.4 transfer to other categories		-				
C.5 other decreases						-
D. Valuation adjustments as of 31.12.2000	13,685	10,710	-	-	-	55,397
D.1 including: past-due interest	-	-	-	-	-	-

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

	31/12/2000	31/12/1999
Notes and coins	763,923	610,337
Money orders and bank drafts	39,026	36,362
Cash on deposit with Bank of Italy and central banks	64,832	108,899
Cash on deposit with post offices	49,951	63,331
Other	-	14
Total	917,732	818,943

SECTION 2 - SECURITIES

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

	31/12/2000		
	Investment Securities	Trading Securities	Total
20 – Treasury bonds and similar instruments eligible for refinancing	1,088,336	2,713,412	3,801,748
50 - Bonds and other fixed-income securities	9,213,555	15,976,982	25,190,537
60 - Shares, quotas and other equity securities	28,122	1,579,478	1,607,600
Total	10,330,013	20,269,872	30,599,885

	31/12/1999		
	Investment Securities	Trading Securities	Total
20 – Treasury bonds and similar instruments eligible for refinancing	2,078,055	3,113,189	5,191,244
50 - Bonds and other fixed-income securities	10,283,701	18,069,662	28,353,363
60 - Shares, quotas and other equity securities	27,779	1,305,114	1,332,893
Total	12,389,535	22,487,965	34,877,500

2.1 Investment securities

The table below summarizes the holdings in the investment securities portfolio:

	31/12/2000		31/12/1999	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	10,301,891	10,628,658	12,361,756	11,956,716
1.1 Government securities	2,823,233	2,706,554	4,138,718	4,052,432
- Listed	2,703,518	2,586,711	4,045,683	3,954,109
- Unlisted	119,715	119,843	93,035	98,323
1.2 Other securities	7,478,658	7,922,104	8,223,038	7,904,284
- Listed	6,441,067	6,899,290	6,951,137	6,661,024
- Unlisted	1,037,591	1,022,814	1,271,901	1,243,260
2. Equity securities	28,122	37,096	27,779	33,301
- Listed	-	-	-	-
- Unlisted	28,122	37,096	27,779	33,301
Total	10,330,013	10,665,754	12,389,535	11,990,017

Annual changes in investment securities

	31/12/2000	31/12/1999
A. Opening balance	12,389,535	8,937,184
B. Increases	2,077,033	11,127,453
B.1 Purchases	1,101,812	5,001,928
B.2 Recoveries in value	22	1,068
B.3 Transfers from trading account portfolio	480,358	5,714,395
B.4 Other changes	494,841	410,062
C. Decreases	4,136,555	7,675,102
C.1 Sales	483,361	3,271,969
C.2 Redemptions	1,363,940	2,909,388
C.3 Valuation adjustments	4,462	10,734
including: permanent writedowns	-	10,734
C.4 Transfers to trading account portfolio	1,943,949	1,172,446
C.5 Other changes	340,843	310,565
D. Closing balance	10,330,013	12,389,535

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

The sale of investment securities during the year yielded total proceeds of ITL 483,361 million, including aggregate capital gains of ITL 9,458 million classified as extraordinary income and losses of ITL 44.570 million classified as extraordinary charges.

The sales were effected for the account of Banca 121 (ITL 447,630 million) and Banca Popolare di Spoleto (ITL 26,967 million) as authorized by the respective boards of directors pursuant to the new "general resolutions".

In 2000, Banca Toscana, pursuant to a specific resolution passed by its Board of Directors, transferred securities with a countervalue of ITL 480,358 million from the trading portfolio to the investment portfolio.

Had the transferred securities remained in the trading portfolio, they would have reflected ITL 10,778 million of unrealized pre-tax losses and ITL 1,457 million of unrealized pre-tax gains when valued at the average market prices of December.

The transfers to the trading portfolio include investment securities held by Monte Paschi Belgio, which were reclassified in order to respond better to the actual use of those securities by the foreign subsidiaries. The effect of this transfer on earnings is included among extraordinary charges in the profit and loss statement.

Trading account securities

Trading account securities include the following:

	31/12/2000		31/12/1999	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	18,690,393	18,712,937	21,182,851	21,508,852
1.1 Government securities	9,922,584	9,924,068	12,293,240	12,631,147
- Listed	9,913,995	9,915,448	12,099,746	12,436,633
- Unlisted	8,589	8,620	193,494	194,514
1.2 Other securities	8,767,809	8,788,869	8,889,611	8,877,705
- Listed	4,761,510	4,778,682	4,294,336	4,329,704
- Unlisted	4,006,299	4,010,187	4,595,275	4,548,001
2. Equity securities	1,579,479	1,591,671	1,305,114	1,393,542
- Listed	1,021,236	1,021,086	1,009,424	1,094,644
- Unlisted	558,243	570,585	295,690	298,898
Accrued interest			-	-
Total	20,269,872	20,304,608	22,487,965	22,902,394

The trading portfolio includes ITL 130,508 million of securities relative to pension funds for the Group's personnel. The aforementioned total incorporates ITL 63,591 million relative to the parent company's defined contribution plan set up by the parent company for employees meeting eligibility requirements as of 1 January 1991.

As indicated in the valuation criteria hereinabove, as from 2000, within the trading portfolio, both listed securities and unlisted securities which are economically connected to derivatives contracts, are valued at market value, while unlisted securities within the same portfolio which have no connection to derivatives contracts continue to be valued at cost adjusted on the basis of the trend of the financial market as well as the solvency of the issuer.

Annual changes in trading account securities

	31/12/2000	31/12/1999
A. Opening balance	22,487,965	28,001,107
B. Increases	612,378,062	743,409,421
B.1 Purchases	607,066,026	739,685,385
- Debt securities:	586,831,578	720,882,218
Government securities	479,272,670	602,832,592
Other securities	107,558,908	118,049,626
- Equity securities	20,234,448	18,803,167
B.2 Revaluations and recoveries in value	179,103	115,271
B.3 Transfers from investment securities portfolio	1,943,949	1,172,446
B.4 Other changes	3,188,984	2,436,319
C. Decreases	614,596,155	748,922,563
C.1 Sales and redemptions	613,286,223	742,749,497
- Debt securities:	593,014,312	723,639,880
Government securities	484,121,091	606,654,665
Other securities	108,893,221	116,985,215
- Equity securities	20,271,911	19,109,617
C.2 Valuation adjustments	280,826	347,470
C.3 Transfers to investment securities portfolio	480,358	5,714,395
C.4 Other changes	548,748	111,201
D. Closing balance	20,269,872	22,487,965

The decreases also include the securitization transactions effected by BAM for a part of its bond portfolio, the structured asset exchange carried out by Banca Toscana and the launch of new collateralized bond obligations (CBO) by Banca 121 in order to securitize a portfolio of securities and credit derivatives originated by Banca 121 and 121 Financial Services. The aforementioned transactions were all approved by the respective boards of directors.

During the year, BAM perfected a securitization transaction involving the sale without recourse of a bloc of securities with a counter value of ITL 1,409 billion (ITL 1,134 billion sold by BAM and ITL 275 billion sold by the subsidiary Mantovana Ireland) and the consequent issue of asset-backed securities by Gonzaga Finance, a company incorporated as part of the transaction. Banca Agricola Mantovana and Mantovana Ireland, as originators of the transaction, underwrote two tranches of subordinated junior notes issued by Gonzaga Finance. Specifically, the institutions respectively purchased Tranche "E" (EUR 22.59 million) and "D" (EUR 23.98 million), both of which were subscribed in the full amount upon issue.

As of the end of 2000, the market value of the tranche underwritten by Banca Agricola Mantovana was ITL 13.8 billion lower than the book value, whereas the market value of the tranche held by Mantovana Ireland was ITL 1.8 billion below book. These capital losses were directly charged against the value of the bonds as recommended by CONSOB Memorandum No. 97003369 of 9 April 1997 covering the accounting treatment of credit securitization transactions.

With its structured asset exchange in 2000, the Banca Toscana sold fixed- and variable-rate securities with a book value of roughly ITL 140 billion to a special purpose vehicle in exchange for floating-rate

notes of an equal amount; the notes have a repayment plan which reflects the original maturities of the securities transferred (final maturity of 2010).

The transaction is aimed at normalizing the earnings flow of the original investment, thus allowing for the transformation of fixed-rate securities into variable-rate securities which are not subject to changes in the market. The market value of the securities sold was approximately ITL 136 billion, whereas the notes have been negotiated with a qualified counterparty on the basis of book value.

The legal and technical structure of the aforementioned transactions and other elements useful in the assessment of risks were reported to the Bank of Italy. The transactions are considered part of a process to streamline the holdings of financial assets by the MPS Group, with the objective of ongoing containment of directional and market risks.

The securitization transaction carried out by Banca 121 took place through the transfer a senior credit default swap contract executed with BNP Paribas to Segesta 2 Finance S.A., a company incorporated for the transaction, and through the issue of four classes of securities in the aggregate amount of EUR 136.96 million. The first three classes (A, B and C) for a total of EUR 116.3 million have been quoted on the Luxembourg exchange and offered to institutional investors. The final class (D) is not rated and totals EUR 20.66 million; this class was underwritten by Banca 121. Arrangers of the transaction were BNP Paribas, Finanziaria Internazionale and Banca 121.

SECTION 3 – EQUITY INVESTMENTS

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

	31/12/2000	31/12/1999
Investments in Group companies valued with net equity method	298,791	252,348
Investments in Group companies valued at cost	9,779	23,489
Investments in other companies valued with net equity method	71,700	60,304
Investments in other companies valued at cost	3,245,059	1,488,379
Total	3,625,329	1,824,520

3.1 Significant equity investments

Details on investments held by the MPS Group are reported in the following tables:

COMPANY		HEAD OFFICE	TYPE (**)	NET EQUITY	PROFIT LOSS	Shareholding		VOTING	BOOK VALUE
						Investing Co.	% Held		
A.1 Companies included in the consolidation (fully consolidated)									
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena							xxx
A.1	AMMINISTRAZIONI IMMOBILIARI S.p.A.	Siena	1	112,216	2,872	A.0	100.000	100.000	xxx
A.2	BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	130,911	(1,381)	A.0 A.4	64.473 35.527	100.000	xxx
2.1	MONTE PASCHI NEDERLAND N.V.	Amsterdam	1	(*)	(*)	A.2	100.000	100.000	
A.3	BANCA MONTE PASCHI SUISSE S.A.	Geneva	1	39,012	4,068	A.0	100.000	100.000	xxx
A.4	BANCA TOSCANA S.p.A.	Florence	1	2,208,995	130,320	A.0 A.19	57.278 4.983	62.261	xxx
A.5	CARIPRATO CASSA RISPARMIO PRATO S.p.A.	Prato	1	431,436	28,905	A.0	79.000	79.000	xxx
A.6	MERCHANT LEASING & FACTORING S.p.A.	Prato	1	65,946	3,317	A.4 A.5 A.19.2	37.500 25.000 37.500	100.000	xxx
A.7	DUCATO GESTIONI S.p.A.	Milan	1	125,306	83,347	A.0	100.000	100.000	xxx
A.8	G.E.R.I.T. S.p.A.	L'Aquila	1	1,472	(2,593)	A.0 A.19	95.572 4.407	99.979	xxx
A.9	I.N.C.A. S.p.A.	Florence	1	204,784	13,022	A.0 A.4 A.5	63.500 29.230 3.770	96.500	xxx
A.10	M.P.S. COMMERCIAL PAPER	Delaware	1	537	52	A.0	100.000	100.000	xxx
A.11	MEDIOCREDITO TOSCANO S.p.A.	Florence	1	393,389	34,126	A.0 A.4	80.454 11.676	92.130	xxx
A.12	MONTE PASCHI BANQUE S.A.	Paris	1	157,279	16,297	A.0 A.4	70.175 29.825	100.000	xxx
12.1	MONTE PASCHI CONSEIL FRANCE	Paris	1	(*)	(*)	A.12	99.800	99.800	
12.2	MONTE PASCHI INVEST FRANCE S.A.	Paris	1	(*)	(*)	A.12	99.960	99.960	
12.3	M.P. ASSURANCE S.A.	Paris	1	(*)	(*)	A.12	99.400	99.400	
12.4	S.N.C. IMMOBILIARE POINCARE	Paris	1	(*)	(*)	A.12	99.900	99.900	
12.5	IMMOBILIARE VICTOR HUGO	Paris	1	(*)	(*)	A.12	99.000	99.000	
A.13	MONTE PASCHI FIDUCIARIA S.p.A.	Siena	1	2,505	176	A.0 A.4	86.000 14.000	100.000	xxx
A.14	MPS FINANCE BANCA MOBILIARE S.p.A.	Siena	1	291,672	17,484	A.0 A.4	90.000 10.000	100.000	xxx

A.15	MONTE PASCHI SERIT S.p.A.	Palermo	1	(31,145)	(101,756)	A.0	100.000	100.000	xxx
A.16	SAPED S.p.A.	Siena	1	3,343	298	A.0 A.4 A.5	47.400 20.000 12.600	80.000	xxx
A.17	CONSUM.IT S.p.A.	Florence	1	56,158	(6,842)	A.0 A.4	70.000 30.000	100.000	xxx
A.18	BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD	Guernsey C.	1	20,649	638	A.0	100.000	100.000	
18.1	CITY NOMINESS LTD	Guernsey C.	1	(*)	(*)	A.18	100.000	100.000	
18.2	BMPS INVESTMENT MANAGEMENT	Guernsey C.	1	(*)	(*)	A.18	100.000	100.000	
18.3	BMPS NOMINESS (CI) LTD	Guernsey C.	1	(*)	(*)	A.18	100.000	100.000	
18.4	BMPS TRUSTEES (CI) LTD	Guernsey C.	1	(*)	(*)	A.18	100.000	100.000	
18.5	SAINTS TRUSTEES LTD	Guernsey C.	1	(*)	(*)	A.18	100.000	100.000	
A.19	GRUPPO BANCA AGRICOLA MANTOVANA	Mantua		1,541,159	155,600	A.0	51.487	51.487	xxx
19.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua				A.0	100.000		
19.2	FINANZIARIA BANCA AGRICOLA MANTOVANA S.p.A.	Mantua		90,504	28,964	A.19	100.000		
19.3	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		2,106	(218)	A.19	54.480		
19.4	PADANA RISCOSSIONI S.p.A.	Mantua		5,233	263	A.19	100.000		
19.5	PADANA IMMOBILIARE S.p.A.	Mantua		33,420	680	A.19.2	100.000		
19.6	BANCA C. STEINHAUSLIN & C. S.p.A.	Florence		49,245	179	A.19	100.000		
19.7	MANTOVANA IRELAND LTD.	Dublin		165,923	9,991	A.19	100.000		
19.8	MANTOVANA MANAGEMENT LTD.	Dublin		6,060	5,740	A.19.7	100.000		
19.9	G.I. GEST SRG S.p.A.	Milan		21,507	1,937	A.19	100.000		
19.10	G.I. PROFIDI SIM S.p.A.	Rome		6,219	312	A.19	100.000		
19.11	BISIEL	Mantua		14,382	108	A.19	100.000		
A.20	CONSORZIO OPERATIVO GRUPPO MPS	Siena		183,754	-	A.0 A.4 A.5 A.28 A.9 A.19.6 A.11	69.957 29.756 0.082 0.082 0.041 0.041 0.041	100.000	xxx xxx
A.21	GRUPPO MP ASSET MANAGEMENT S.p.A.	Milan	1	86,985	53,710	A.0 A.4 A.5 A.19	69.000 15.000 3.000 13.000	100.000	xxx
A.22	INTERMONTE SECURITIES SIM S.p.A.	Milan	1	199,743	120,428	A.14 A.19	35.000 35.000	70.000	xxx
22.1	WEB SIM S.p.A.	Milan		4,855	15	A.22	96.000	96.000	
A.23	GRUPPO BANCA 121	Lecce		617,608	118,606	A.0	93.980	93.980	xxx
23.1	BANCA 121 S.p.A.	Lecce		625,816	120,037	A.0			

	23. 2	BA.SA. SERVIZI S.p.A.	Lecce		19,685	(793)	A.23	99.979			
	23. 3	G.IMM. ASTOR S.p.A.	Lecce		2,964	261	A.23	52.000			
	23. 4	POOL FACTOR S.p.A.	Bari		4,760	171	A.23	80.000			
	23. 5	SPAZIO FINANZA SGR S.p.A.	Milan		10,767	10,317	A.23	100.000			
	23. 6	EUROCONSULTING S.r.l.	Lecce		224	21	A.23	70.000			
	23. 7	121 FINANCIAL SERVICE LTD	Dublin		90,284	78,087	A.23	100.000			
A.24		ITALRISCOSSIONI S.p.A.	Rome		20,304	(27)	A.0	100.000	100.000		xxx
A.25		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena		9,895	213	A.0 A.1	40.000 60.000	100.000		xxx
A.2 Companies included in the consolidation (consolidated with proportional method)											
A.26		BANCA POPOLARE DI SPOLETO S.p.A. (book value: 20% of nominal value)	Spoletto	1	35,727	2,828	A.0	20.000	20.000		xxx
A.27		BANCA MONTE PARMA S.p.A. (book value: 41% of nominal value)	Parma	1	104,826	6,153	A.0	41.000	41.000		xxx
	27. 1	S.E.I.T S.p.A. (book value: 39,77% of nominal value)	Parma				A.27	39.770	39.770		xxx
A.28		CASSA DI RISPARMIO SAN MINIATO S.p.A. (book value: 25% of nominal value)	San Miniato	1	74,714	2,393	A.0	25.000	25.000		xxx
B. Group companies valued with net equity method (detail of Account 80 a)											
B.1		MONTE PASCHI VITA S.p.A.	Rome	1	336,962	60,959	A.0	51.000	51.000		160.701
B.2		TICINO - COMP.ITAL. ASS.NI S.p.A. *(1999 book value)	Rome	1	47,687	30	A.0	60.000	60.000		26.559
B.3		TICINO VITA S.p.A.	Rome	1	138,245	5,002	A.4 B.1	40.000 60.000	100.000		81.258
B.4		GROW LIFE LTD.	Ireland	1	45,839	27,133	A.0 B.1	40.000 60.000	100.000		18.335
B.5		MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A.	Mantua	1	11,370	4,540	A.19	100.000	100.000		11.369
B.6		SAN PAOLO ACQUE S.r.l.	Lecce		569	(41)	A.23	100.000	100.000		569
B.7		SODIM (in liquidation)	Lecce				A.23	100.000	100.000		-
		Total									298.791

C. Other companies valued with net equity method (detail of Account 70 a)									
C.1	CONSORZIO AEROPORTO SIENA S.p.A.	Siena	8	5,729	210	A.0 A.4	20.000 20.000	40.000	1.831
C.2	DIPRAS S.p.A.	Rome	8	2,187	1,209	A.0	50.000	50.000	1.094
C.3	FIDI TOSCANA S.p.A.	Florence	8	103,446	1,068	A.0 A.4 A.11 A.9 A.5	13.390 10.359 4.127 0.990 0.918	29.784	25.987
C.4	I.B.A. VIENNA	Vienna	8	22,248	664	A.0	35.007	35.007	7.788
C.5	S.ES.IT PUGLIA S.p.A.	Bari	8	(5,443)	(6,389)	A.0	35.000	35.000	331
C.6	SO.R.I.T. S.p.A.	Foligno	1	(1,568)	(5,426)	A.0 A.27	45.000 11.030	47.206	-
C.8	LINEAR COMPAGNIA ASS. S.p.A.	Bologna	8	20,463	113	A.19	20.000	20.000	4.092
C.9	QUADRIFOGLIO DISTRIBUZIONE S.r.l.	Mantua	1	47	11	A.19	100.000	100.000	47
C.10	QUADRIFOGLIO VITA S.p.A.	Bologna	8	51,435	4,798	A.19	50.000	50.000	27.518
C.11	UNION CAPITAL SIM S.p.A. (in liquidation)	Milan	8	8,280	120	A.19	36.350	36.350	3.012
Total									71.700

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

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

Companies valued at cost

<i>Company</i>	<i>Registered Office</i>	<i>% Held</i>	<i>Book Value</i>
Banks			
1. Alpha Bank Romania S.A.	Bucharest	4.762	6,490
2. Banca Antoniana Popolare Veneta S.c.r.l.	Padua	0.001	16
3. Banca Cattolica S.p.A.	Molfetta (BA)	0.007	28
4. Banca della Ciociaria S.p.A.	Frosinone	10.072	9,383
5. Banca di Sassari S.p.A.	Sassari	0.001	3
6. Bank of Italy	Rome	2.949	16,452
7. Banca per il Leasing Italease S.p.A.	Milan	6.011	24,079
8. Banca Popolare di Forlì S.c.r.l.	Forlì	0.192	55
9. Banca Popolare di Intra Verbania	Intra	0.005	62
10. Banca Popolare Etica S.c.a.r.l.	Padua	0.300	55
11. Banco di Napoli SpA	Naples	0.001	6
12. Banque du Sud S.A.	Tunisia	13.429	25,116
13. Ca.Ri.Ce.Se. Srl	Bologna	3.674	108
14. Cassa di Risparmio di Savona S.p.A.	Savona	0.546	2,320
15. Centrobanca S.p.A.	Milan	0.008	33
16. Consorzio Banche Emilia Romagna	Bologna	1.887	1
17. Coop Banche Pop. "L. Luzzatti"	Rome	4.780	12
18. Credito Fondiario Toscano S.p.A.	Florence	1.416	1,697
19. Efibanca SpA	Rome	0.002	4
20. Iccrea Holding SpA	Rome	0.014	97
21. ICCRI	Rome	0.538	7,088
22. Ist. per il credito sportivo	Rome	10.811	53,000
23. Istituto Centrale Banche Popolari Italiane	Rome	5.902	8,954
24. Istituto Italiano di Credito Fondiario S.p.A.	Rome	0.001	-
25. Isveimer S.p.A.	Rome	0.002	-
26. Ljudska Banca D.D.	Lubiana	3.868	1,444
27. Ludova Banka Bratislava A.S.	Bratislava	5.628	2,088
28. Magyarorszagi Volksbank	Budapest	3.700	1,585
29. Med. Fondiario Centro Italia	Ancona	0.229	495
30. Mediocredito Centrale S.p.A.	Rome	0.809	10,857
31. Mediocredito dell'Umbria S.p.A.	Perugia	1.021	49
32. Mediocredito Lombardo S.p.A.	Milan	0.157	1,984
33. Mercobank S.A.	Buenos Aires	0.430	67
34. N.G.S. Bank	Moscow	1.446	-
35. S.E.V. S.p.A.	Rome	0.125	20
36. San Paolo I.M.I. S.p.A.	Turin	4.994	2,344,275
37. Tein Plc	London	100.000	8,327
38. U.B.A.	Lagos	2.400	940
39. Volksbank As	Brno (Czech Republic)	6.167	1,309
40. Volksbank d.d.	Zagrab	6.214	691
			2,529,190

- (1) The book value of the investment in San Paolo I.M.I. consists of ITL 680,452 million representing the book value prior to revaluation and ITL 1,663,823 million representing the revaluation of the holding in accordance with Article 2359 of the Italian Civil Code, pursuant to Law 342 of 2000. The revaluation was effected within the limits set by Article 11, Paragraph 2 of the aforementioned Law 342 of 2000. Accordingly, given the bank in which the investment is held is publicly traded, the book value per share was revalued at the official closing price as of the date of the financial statements.

Financial institutions

41.	Adela Investment Co.	Luxembourg	0.624	-
42.	Agrifactoring S.p.A. (in liquidation)	Rome	2.500	3
43.	Agrisviluppo S.p.A.	Mantua	84.500	320
44.	Borsa Italiana S.p.A.	Milan	7.500	7,365
45.	Brasilinvest	S.Paolo	1.315	-
46.	C.B.I. Factor	Milan	0.853	688
47.	Cedel International S.A.	Luxembourg	1.292	1,210
48.	Centro Factoring S.p.A.	Florence	0.432	235
49.	Centro Leasing S.p.A.	Florence	0.374	799
50.	CFT Finanziaria S.p.A.	Florence	1.416	694
51.	Colomba Invest SIM S.p.A.	Rome	0.253	26
52.	Confidi Coop Marche S.c.r.l.	Ancona	5.033	50
53.	Consorzio Siat Scarl	San Severo (FG)	2.500	5
54.	Ecu Sim SpA (in liquidation)	Milan	2.301	-
55.	Etruria Sviluppo Scrl	Prato	31.381	18
56.	Euronext N.V.	Amsterdam	0.001	8
57.	Europay Belgium	Brussels	0.242	4
58.	Europuglia SpA (in liquidation)	Bari	14.641	38
59.	Euro MTS	London	1.042	160
60.	EuroSim S.p.A.	Milan	0.012	-
61.	F.D.L. Servizi Srl	Bari	5.000	20
62.	Factorit S.p.A.	Milan	3.429	2,621
63.	Farmafactoring S.p.A.	Milan	11.000	2,382
64.	Fiducia S.p.A.	San Miniato (PI)	25.000	59
65.	Fiera di Galatina and del Salento SpA	Galatina (LE)	7.143	50
66.	FIME Finanz. Meridionale S.p.A.	Rome	1.933	-
67.	Fincasa 44 S.p.A.	Rome	18.719	29,796
68.	Finlombarda S.p.A.	Milan	0.160	21
69.	Finpuglia S.p.A.	Bari	0.766	155
70.	Finreme Sim S.p.A.	Rome	1.193	314
71.	Finsoe S.p.A.	Bologna	5.601	72,621
72.	G.A.L. Terra dei Messapi Srl	Mesagne (BR)	9.524	2
73.	Gepafin S.p.A.	Perugia	1.667	19
74.	Hopa S.p.A.	Brescia	1.747	27,415
75.	Intesa Asset Management SGR S.p.A.	Milan	0.553	499
76.	Istifid	Milan	0.500	8
77.	Markfactor S.p.A.	Brescia	10.000	450
78.	Monte Titoli S.p.A.	Milan	3.199	647
79.	MTS Mercato Titoli di Stato S.p.A.	Rome	5.000	1,594
80.	Murgia Sviluppo SpA	Altamura (BA)	5.000	10
81.	Nuova Fin S.p.A.	Spoletto	3.887	412
82.	Par.Fin	Bari	1.781	377
83.	Patto di Foggia Scpa	Foggia	9.000	16
84.	PRT Progetto Ricerche Terziario S.r.l.	Spoletto	0.118	-
85.	Pubbil leasing S.p.A.	Bari	30.000	834
86.	S.I.B. Servizi Imm.ri Banche S.p.A.	Milan	9.200	869
87.	Servizi Interbancari S.p.A.	Rome	6.558	2,540
88.	Servizio Esazione Tributi S.p.A.	Pontedera (PI)	4.250	92
89.	Siena Mortgages 00-1 S.p.A.	Milan	7.000	14
90.	Simest S.p.A.	Rome	1.059	3,025
91.	Sistema Interportuale Jonico Salentino SpA	Lecce	2.803	90
92.	SO.FI.PA. S.p.A.	Rome	30.000	2,548
93.	SO.FIN.IND. S.p.A.	Naples	15.000	30
94.	Soc.per lo Sviluppo del Basso Tavoliere Scrl	Foggia	13.333	4

95.	Sviluppo Imprese Centro Italia S.p.A.	Florence	40.000	3,909
96.	Sviluppumbria S.p.A.	Perugia	1.445	142
97.	Tirrena Professional Factor S.p.A.	Pisa	5.651	38
98.	Tiziano Finance S.r.l.	Conegliano (TV)	10.000	2
99.	Ulisse S.p.A.	Milan	7.000	4
100.	Unione Fiduciaria S.p.A.	Milan	0.273	37
				165,289

Other

101.	A.SE.P. Az. Serv. Pubblici S.p.A.	Porto M/o(MN)	4.329	49
102.	ABE Clearing Company's Account	Paris	1.000	2
103.	Abruzzo Sviluppo S.p.A.	Pescara	5.000	62
104.	Aeroporto di Florence S.p.A.	Florence	5.052	760
105.	Aeroporto di Reggio Emilia Srl	Reggio Emilia	0.414	16
106.	Aeroporto G. Marconi S.p.A.	Bologna	0.136	19
107.	Agenzia Occupazione Area Nord Barese Ofantina	Barletta	4.393	8
108.	Agenzia Sviluppo Lazio S.p.A.	Rome	1.730	1,204
109.	AGES S.p.A.	Pisa	1.557	2,400
110.	Agricola Poggio Bonelli S.r.l.	Castelnuovo Ber. ga (SI)	100.000	6,482
111.	Arch. Digitale Dati and Doc. Soc. Cons.	Bari	1.000	-
112.	Auriga Immobiliare S.r.l.	Milan	15.000	9,270
113.	Autocamionabile della Cisa S.p.A.	Noceto (PR)	7.321	3,157
114.	Autostrada Turin Milan S.p.A.	Milan	1.407	10,367
115.	B.I.C. Liguria S.p.A.	Genova	1.000	80
116.	B.I.C. Marche	Senigallia	0.890	10
117.	B.I.C. Umbria S.p.A.	Terni	0.714	35
118.	Bank Card Company	Brussels	0.087	10
119.	Banksiel S.p.A.	Rome	2.085	1,678
120.	Banksys S.A.	Brussels	0.087	10
121.	Bassilichi S.p.A.	Florence	14.489	644
122.	Bell S.A.	Luxembourg	8.990	275,793
123.	Beni Stabili S.p.A.	Rome	4.194	20,782
124.	Bid. It. S.p.A.	Barletta	10.000	1,600
125.	C.I.S. Cons. Insed. Servizi S.p.A.	Villafranca di Verona	4.000	437
126.	C.S.I. Centro Serv. Impr. S.r.l.	Porto M/o(MN)	9.989	88
127.	C.S.P. BIC Livorno/Piombino S.r.l.	Leghorn	2.079	13
128.	CAP Florence	Florence	0.682	-
129.	CBE Service Sprl	Brussels	20.000	10
130.	Ce.Di.Ti. Scarl (in liquidation)	Brindisi	15.000	6
131.	Cedacrinord S.p.A.	Colecchio (PR)	3.154	298
132.	Cefris S.C.p.A.	Gioia Tauro (RC)	0.500	-
133.	Centrale dei Bilanci S.r.l.	Turin	5.902	686
134.	Centrale GPA S.p.A.	Pesaro	3.547	28
135.	Centro Affari and Convegni Arezzo	Arezzo	6.080	1,411
136.	Centro Affari Florence S.p.A.	Florence	9.990	1,004
137.	Centro Agro Alimentare Bologna S.c.p.A.	Bologna	1.096	575
138.	Centro Agroalimentare Napoli S.c.p.A.	Naples	4.843	1,146
139.	Centro Cia Srl	Florence	10.000	6
140.	Centro Eur. Imp. Innovazione S.c.r.l.	Siena	11.425	70
141.	Centro Integrato per lo Sviluppo Imprend. SpA	Taranto	1.318	90
142.	Centro Ricerche and Servizi Srl	Mantua	10.000	2
143.	Centro Sviluppo S.p.A.	S. Christoph (AO)	4.002	80
144.	Centro Torri S.r.l.	Parma	0.748	-
145.	Cepim - Centro Padano Interscambio Merci S.p.A.	Bologna	2.916	439
146.	Cevalco S.p.A.	Venturina (Li)	1.217	54
147.	Co.Ce.Me. S.r.l	Canicatti	7.146	-

148.	CO.GE.TR.A. S.p.A.	Prato	8.130	26
149.	Colle Promozione S.p.A.	Colle Val d'Elsa (SI)	12.000	60
150.	Cons. per la qualità delle P.M.I.	Bari	66.000	-
151.	Cons. per lo Sviluppo dell'Area Conca Barese Scrl	Molfetta (BA)	4.000	8
152.	Consorzio Agrario Prov.le Siena	Siena	20.000	71
153.	Consorzio Agrario Provinciale Scrl	Parma	1.224	-
154.	Consorzio Cassamerato	Milan	6.286	13
155.	Consorzio Commercianti del Centro Comm.le Sidoli	Parma	1.640	-
156.	Consorzio Interporto Parma	Parma	1.400	-
157.	Consorzio Intesa Aretina	Arezzo	2.000	306
158.	Consorzio Mercato Agro-alimentare di Parma S.r.l.	Parma	0.988	82
159.	Consorzio Nucleo Ind.le	Lamezia T.	2.577	-
160.	Consorzio Reg.Ricostruzione Ed.Prov.Occid.Emiliane	Parma	0.050	-
161.	CRIF Centrale Rischi Finanziaria S.p.A.	Bologna	4.721	258
162.	D.A.I.C.A.P. Scpa	Foggia	15.000	30
163.	E - Idea S.p.A.	Siena	100.000	1,452
164.	E.R.V.E.T. S.p.A.	Bologna	0.041	8
165.	Ecofor S.p.A.	Pontedera	0.423	124
166.	El.En S.p.A.	Calenzano (FI)	10.061	15,749
167.	Elsacom N.V.	Amsterdam	4.423	8,680
168.	Elsag Back Office Services S.p.A.	Siena	3.600	72
169.	Elsag Banklab	Rome	10.401	228
170.	E-MID S.p.A.	Milan	7.350	846
171.	Engineering Informatica S.p.A.	Rome	2.000	19,679
172.	Ente Consorziale Interprov. Toscano Sementi	Siena	22.371	-
173.	Ente Morale S.Lorenzo da Brindisi	Brindisi	15.873	10
174.	Esse S.p.A.	Cecina	24.000	50
175.	Etruria Innovazione S.c.p.A.	Siena	5.556	29
176.	Eurochianti S.c.r.l.	Castelnuovo B.ga (Si)	5.488	4
177.	European Investment Fund	Luxembourg	0.250	1,936
178.	Euros S.p.A.	Rome	5.748	1,077
179.	Evoluzione 94 S.p.A.	Milan	4.315	3,676
180.	Exporter Insurance Co. Ltd	Hamilton	0.008	174
181.	Fidenza S.c.r.l.	Fidenza (PR)	0.605	-
182.	Finairport Srl	Bari	10.406	2
183.	Fioroni Sistema S.p.A.	Perugia	0.277	93
184.	Florence Mostre S.p.A.	Florence	13.974	198
185.	Florence Parcheggi	Florence	8.731	2,340
186.	Floramiata S.p.A.	Piancastagnaio (SI)	7.599	200
187.	Florentia Bus S.p.A.	Florence	14.948	1,500
188.	Foire Int.le de Liege S.C.	Liegi	0.001	-
189.	Foligno Nuova S.p.A.	Foligno	1.133	3
190.	G.A.L. Marsica	Civitella Roveto	-	-
191.	G.P.D. Global Project Developers S.p.A.	Rome	9.346	100
192.	Galileo Holding S.p.A.	Venezia	5.540	249
193.	GE.PO. S.p.A.	Collecchio (PR)	3.133	33
194.	Grosseto Sviluppo S.p.A.	Grosseto	15.620	250
195.	I.S.B.E.M. Scpa	Brindisi	13.381	180
196.	I.T.S. Intesa S.p.A.	Salerno	7.177	-
197.	Immobiliare Abbatense	Abbate Grasso	2.000	10
198.	Immobiliare Lombarda S.p.A.	Milan	0.728	2,431
199.	Immobiliare Novoli S.p.A.	Florence	5.000	2,000
200.	Impianti S.r.l. (in liquidation)	Milan	13.816	13
201.	Informatica Casse Toscane S.p.A.	Lucca	2.500	104
202.	Informatica Umbra S.r.l.	Spoletto	1.667	5
203.	Iniziative Immobiliari S.r.l.	Milan	12.400	1,035

204.	Inso S.r.l.	Florence	1.250	211
205.	Interim 25 Italia Srl	Bari	1.000	20
206.	Interporto Bologna S.p.A.	Bologna	1.678	464
207.	Interporto Campano S.p.A.	Naples	0.094	50
208.	Interporto Toscano A.Vespucci	Leghorn	1.196	151
209.	Interporto Toscano Centrale	Prato	20.000	4,257
210.	Ist. Encicl. Banca and Borsa S.p.A.	Rome	3.147	63
211.	IT City S.p.A.	Parma	15.000	1,642
212.	Ital Tbs S.p.A.	Trieste	10.000	4,455
213.	Kerself S.p.A.	Correggio (RE)	7.265	1,000
214.	L' Ariosto S.c.r.l.	Reggio Emilia	0.496	-
215.	Lucandocks S.p.A.	Potenza	2.000	50
216.	Lucchini S.p.A.	Milan	6.173	50,000
217.	M.C.C. - Meliorconsorzio Consulting SpA	Rome	5.000	50
218.	Macello Coop.Lav.Carni S.c.r.l.	Pegognaga (MN)	0.347	3,000
219.	Manfredonia Sviluppo Scpa	Foggia	12.097	144
220.	Mantova Interporto S.p.A.	Mantua	4.167	15
221.	Mattatoio Valle Umbra Sud S.p.A.	Foligno	0.218	4
222.	Mercato Mobiliare di Nord Est S.p.A.	Brescia	0.968	30
223.	Mirabello 2000 S.p.A.	Reggio Emilia	0.860	79
224.	Napoli Orientale S.p.A.	Naples	10.870	100
225.	Navicelli di Pisa S.p.A.	Pisa	1.171	15
226.	Nomisma S.p.A.	Bologna	4.500	274
227.	Olivetti S.p.A.	Ivrea	0.190	51,710
228.	P.L.B. Brindisi SpA	Brindisi	14.797	50
229.	Parco Scientifico and Tecnologico di Salerno S.p.A.	Salerno	1.000	25
230.	Pastis - C.N.R.S.M. Scpa	Brindisi	11.395	237
231.	Patto 2000 Scrl	Città della Pieve (PG)	8.011	44
232.	Patto della Piana S.p.A.	Gioia Tauro (RC)	2.500	2
233.	Patto Terr.le Area Metropolitana Bari S.p.A.	Bari	0.300	3
234.	Patto Territoriale Polis Srl	Monopoli	6.296	19
235.	Polo Universitario Aretino Scrl	Arezzo	4.087	15
236.	Porto Intermodale Ravenna Sapir S.p.A.	Ravenna	0.006	3
237.	Professional Ducato Servizi S.p.A.	Pisa	3.664	230
238.	Profingest Scuola per dirigenti di impresa and banca	Bologna	0.200	10
239.	Promem S.p.A.	Bari	4.321	65
240.	Promo Piana S. cons. a r.l.	Campi Bisenzio (FI)	1.500	2
241.	Promozione Svil. Latina S.p.A.	Latina	1.081	-
242.	Publiser S.p.A.	Empoli (FI)	0.081	25
243.	Reggio Sviluppo S.p.A.	Reggio Calabria	0.909	10
244.	Residence La Pinetina S.r.l.	Rome	6.800	11
245.	S P F Studio Progetti and Servizi Finanziari S.r.l.	Rome	10.000	18
246.	S.A.Cal. S.p.A.	Lamezia T.	0.600	66
247.	S.A.S.E. S.p.A.	Perugia	0.371	4
248.	S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.	Grosseto	1.930	65
249.	S.I.A. S.p.A.	Milan	0.635	982
250.	S.I.F.Società Investimenti Fieristici S.p.A.	Parma	1.743	172
251.	S.I.T.A.F. S.p.A.	Turin	4.151	6,576
252.	S.S.B. S.p.A.	Milan	7.845	669
253.	S.T.A. S.p.A.	Reggio Emilia	15.000	2,250
254.	San Genesis Immobiliare S.r.l.	Florence	25.000	1,460
255.	Saped Servizi S.p.A.	Siena	15.000	250
256.	Sebes - Frati MDF S.A.	Sebe	5.469	6,254
257.	Serin Serv. Ind. S.p.A.	Sissa (PR)	50.000	-
258.	Sernoc Srl	Rome	0.100	-
259.	Siena Parcheggi S.p.A.	Siena	16.666	1,070

260.	Siteba S.p.A.	Rome	3.701	185
261.	Skillpass - Consorzio	Rome	12.500	1,750
262.	SO.CO.SI.P.	Bari	24.150	5
263.	SO.GE.A.P. - Aeroporto Parma - Soc. gestione S.p.A.	Parma	1.155	115
264.	SO.GE.SI. S.p.A.	Palermo	10.000	165
265.	SO.PR.I.P. Soc. Prov. Insediamenti Produttivi S.p.A.	Parma	1.091	18
266.	Soc. Aeroporto Toscano	Pisa	8.197	839
267.	Soc. Gest. Patto Terr. Agro Nocerino Sarnese	Nocera Inferiore	4.087	70
268.	Soc. Italiana Organismo Attestazione S.p.A.	Rome	10.000	110
269.	Soc. Prom. Area Sud Basilicata S.p.A.	Latronico (PZ)	2.000	9
270.	Società Autostrada Ligure Toscana S.A.L.T S.p.A.	Lido di Camaiore (LU)	0.258	589
271.	Società Autostrada Tirrenica S.p.A.	Grosseto	0.067	46
272.	Società Cons. Matese per l'Occupazione	Campobasso	1.001	10
273.	Società Cooperativa Bilanciai Srl	Campogalliano (MO)	9.909	1,000
274.	Società Italiana di Monitoraggio S.p.A.	Rome	33.333	748
275.	Società per lo Sviluppo del Materano S.p.A.	Matera	1.190	3
276.	Sofiser Srl	Reggio Emilia	2.035	188
277.	Sogemer S.p.A.	Reggio Emilia	3.067	53
278.	Soggetto Interm Locale Appennino Centrale S.c.ar.l	Sansepolcro (Ar)	1.384	11
279.	ST.I.MET. S.p.A.	Bibbiena	5.000	540
280.	Sviluppo Sele - Tanagro S.p.A.	Oliveto Citra (SA)	10.000	100
281.	Swift	Brussels	0.194	74
282.	Taranto Sviluppo Scpa	Taranto	15.000	122
283.	Technodeal S.r.l.	Vicopisano (PI)	2.033	-
284.	Telon Tlc SpA (in liquidation)	Naples	3.000	97
285.	Unibon Salumi Srl	Modena	1.759	2,000
286.	Unicarni S.c.r.l.	Reggio Emilia	0.408	1,500
287.	Unisalute S.p.A.	Bologna	6.071	3,403
288.	Valdarno Sviluppo S.p.A.	Cavriglia	12.573	169
289.	Veronamercato S.p.A.	Verona	3.188	1,668
290.	Visa Belgium	Brussels	0.600	1
291.	Zucchini - Modemak A.S.	Izmir (Turchia)	10.000	125
				560,359
Total				3,254,838

3.2 Assets and liabilities with respect to Group companies

Asset and liabilities with respect to Group companies were of an immaterial amount as of the date of the financial statements and referred to holdings in insurance companies valued under the net equity method.

3.3 Assets and liabilities to companies in which investments are held (other than Group companies)

	31/12/2000	31/12/1999
A. Assets:	2,321,563	2,373,951
1. Due from banks <i>including: subordinated amounts</i>	170,964	1,616,730
2. Due from financial institutions <i>including: subordinated amounts</i>	616,041	416,370
3. Due from other customers <i>including: subordinated amounts</i>	1,164,308	268,512
4. Bonds and other debt securities <i>including: subordinated amounts</i>	370,250	72,339
	12,384	100
B. Liabilities	2,340,625	1,520,843
1. Due to banks	339,911	492,867
2. Due to financial institutions	128,755	346,479
3. Due to other customers	1,772,209	573,951
4. Liabilities backed by securities	-	213
5. Subordinated liabilities	99,750	107,333
C. Guarantees and commitments	928,852	232,286
1. guarantees released	139,721	164,254
2. commitments	789,131	68,032

3.4 Composition of Account 70 - Equity investments

The breakdown of other equity investments by industry is provided in the table below:

	31/12/2000	31/12/1999
a) In banks	2,520,863	948,358
1. listed	2,370,875	706,514
2. unlisted	149,988	241,844
b) In financial institutions	165,289	93,911
1. listed	-	-
2. unlisted	165,289	93,911
c) Other	630,607	506,414
1. listed	62,077	93,252
2. unlisted	568,530	413,162
Total	3,316,759	1,548,683

3.5 Composition of Account 80 - Equity investments in Group companies

Investments in Group companies by business sector are as follows:

	31/12/2000	31/12/1999
a) In banks	8,327	23,489
1. listed	-	-
2. unlisted	8,327	23,489
b) In financial institutions	-	-
1. listed	-	-
2. unlisted	-	-
c) Other	300,243	252,348
1. listed	-	-
2. unlisted	300,243	252,348
Total	308,570	275,837

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	
	Valued with Net Equity Method	Other	Valued with Net Equity Method	Other
A. Opening balance	252,348	23,489	224,925	137,170
B. Increases:	46,443	1,452	27,727	-
B.1 Purchases	569	1,452	3,934	-
B.2 Recoveries	-	-	-	-
B.3 Revaluations	-	-	-	-
B.4 Other changes	45,874	-	23,793	-
C. Decreases:	-	15,162	304	113,681
C.1 Sales	-	-	-	-
C.2 Valuation adjustments including: permanent writedowns	-	-	41	-
C.3 Other changes	-	15,162	263	113,681
D. Closing balance	298,791	9,779	252,348	23,489

3.6.2 Other equity investments

	31/12/2000		31/12/1999	
	Valued with Net Equity Method	Other	Valued with Net Equity Method	Other
A. Opening balance	60,304	1,488,379	58,071	1,201,878
B. Increases:	20,323	1,990,078	3,480	765,448
B.1 Purchases	14,943	275,074	918	474,995
B.2 Recoveries	-	12,113	-	996
B.3 Revaluations	-	1,663,823	-	2
B.4 Other changes	5,380	39,068	2,562	289,455
C. Decreases:	8,927	233,398	1,247	478,947
C.1 Sales	-	180,216	-	154,188
C.2 Valuation adjustments including: permanent writedowns	-	14,301 157	-	26,844 719
C.3 Other changes	8,927	38,881	1,247	297,915
D. Closing balance	71,700	3,245,059	60,304	1,488,379

SECTION 4 – FIXED AND INTANGIBLE ASSETS

Fixed assets

Fixed assets consist of the following:

	31/12/2000	31/12/1999
Buildings used in core business	3,089,992	2,145,641
Other buildings	462,317	316,740
Furniture and equipment	355,118	323,288
Total	3,907,427	2,785,669

4.1 Annual changes in balances of fixed assets

The annual changes in the fixed asset accounts are summarized in the table below:

	31/12/2000	31/12/1999
A. Opening balance	2,785,669	2,724,819
B. Increases:	1,513,019	413,976
B.1 Purchases	823,396	300,257
B.2 Recoveries	80	42
B.3 Revaluations	614,002	-
B.4 Other changes	75,541	113,677
C. Decreases:	391,261	353,126
C.1 Sales	53,722	52,871
C.2 Valuation adjustments depreciation	275,343	300,221
permanent writedowns	1,254	300,221
C.3 Other changes	62,196	34
D. Closing balance	3,907,427	2,785,669
E. Total revaluations	-	1,501,089
F. Total adjustments	2,542,983	1,858,375
depreciation	2,507,911	1,808,162
permanent writedowns	35,072	50,213

Intangible assets

Intangible assets consist of the following:

	31/12/2000	31/12/1999
Start-up costs	64,763	63,707
Commissions for placement of debentures	16,251	14,869
Leasehold improvements	60,546	27,080
Software	266,620	138,437
Goodwill	60,450	10,055
Other	222,096	141,819
Total	690,726	395,967

The "Other" account includes costs and charges sustained by Banca 121 for the realization of several corporate projects; such costs have been capitalized in consideration of the long-term nature of the projects. The account also includes aggregate expenditures of ITL 47.6 billion sustained by Banca 121 for advertising.

4.2 Annual changes in the balances of intangible assets

The annual changes in the intangible asset accounts are summarized in the table below:

	31/12/2000	31/12/1999
A. Opening balance	395,967	316,847
B. Increases:	635,347	357,169
B.1 Purchases	556,906	335,912
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	78,441	21,257
C. Decreases:	340,588	278,049
C.1 Sales	1,735	325
C.2 Valuation adjustments	222,709	144,865
- amortization	222,709	144,865
- permanent writedowns	-	-
C.3 Other changes	116,144	132,859
D. Closing balance	690,726	395,967
E. Total revaluations	-	-
F. Total adjustments	415,017	252,351
- amortization	391,530	243,831
- permanent writedowns	23,487	8,520

SECTION 5 - OTHER ASSETS

5.1 Composition of Account 150 - Other assets

Other assets consist of the following:

	31/12/2000	31/12/1999
Amounts due from taxpayers – tax collection service	5,233,115	5,402,919
Due from the Treasury	667,369	2,045,461
Third-party checks held for collection	903,778	1,017,682
MPS checks held for collection	490,503	117,785
Clearing balances with branches	362,402	138,666
Valuation adjustments on foreign currency transactions	374,879	257,208
Security deposits	109,811	122,496
Balances on foreign exchange transactions	165,210	174,851
Non-banking operating assets	3,819	30,185
Assets subject to litigation not related to lending transactions	13,058	10,416
Subsidies for interest-subsidized loans	6,762	21,952
Deferred tax assets (*)	808,895	662,706
Other	7,568,597	8,283,705
Total	16,708,198	18,286,032

(*) See note in Section 7.4 – Reserve for taxes

The "valuation adjustments on foreign currency transactions" includes adjustments to the book values of forward foreign-exchange transactions, derivatives and options outstanding as of the date of the financial statements, in accordance with the criteria described in Part A, Section 1 of these notes.

5.2 Composition of Account 160 - Accrued income and prepayments

Accrued income and prepayments consist of the following:

	31/12/2000	31/12/1999
Accrued income:		
Interest on owned securities	518,713	559,701
Interest on loans and advances to banks	375,168	202,817
Interest on loans and advances to customers	360,155	250,962
Differentials on hedging transactions	1,170,754	1,581,637
Tax collection commissions	22,658	100,815
Other	345,194	23,266
	2,792,642	2,719,198
Prepayments:		
Differentials on hedging transactions	16,182	28,138
Costs	14,359	14,976
Issuing discounts	30,598	1,091
Other	71,964	77,029
	133,103	121,234
Total	2,925,745	2,840,432

5.3 Adjustments to accrued income and prepayments

No adjustments have been made directly to the accounts.

5.4 Distribution of subordinated loans receivable

The Group holds the following assets whose repayment is subordinated to the respective borrowers' repayment of other obligations.

	31/12/2000	31/12/1999
Amounts due from banks	-	-
Customer loans and advances	159,460	-
Bonds and other fixed-income securities	227,491	522,492
Total	386,951	522,492

SECTION 6 - LIABILITIES

6.1 Composition of Account 10 - Due to banks

	31/12/2000	31/12/1999
a) Repurchase agreements	5,288,248	5,417,576
b) Pledged securities	-	-

Funding from banks consists of the following amounts:

	31/12/2000	31/12/1999
Sight	1,339,308	8,005,905
Current accounts	879,846	690,942
Demand deposits	338,872	6,973,677
Other	120,590	341,286
Time or requiring advance notice of withdrawal	33,084,594	28,628,645
Time deposits	25,630,664	20,821,093
Deposits received from central banks	-	-
Borrowings from central banks	819,708	338,543
Borrowings from banks	253,035	659,682
Borrowings from international institutions	1,063,950	1,043,810
Re-financing from medium-term and other specialized lenders	9,163	344,285
Repurchase agreements	5,303,783	5,417,576
Pledged securities	-	-
Other	4,291	3,656
Total	34,423,902	36,634,550

6.2 Composition of Account 20 - Customer deposits

	31/12/2000	31/12/1999
a) Repurchase agreements	15,514,671	13,131,935

Customer deposits consist of the following amounts:

	31/12/2000	31/12/1999
Sight	68,066,767	61,523,029
Current accounts	59,702,514	53,066,979
Demand deposits	7,256,294	7,867,107
Other	1,107,959	588,943
Time or requiring advance notice of withdrawal	22,844,900	20,923,192
Saving deposits	1,098,495	1,172,528
Current accounts	5,406,142	4,730,032
Repurchase agreements	15,514,672	13,131,935
Securities lending	86,138	631,052
Other	739,453	1,257,645
Total	90,911,667	82,446,221

6.3 Composition of Account 30 - Other borrowed funds backed by negotiable instruments

Other borrowed funds backed by negotiable instruments include:

	31/12/2000	31/12/1999
Bonds	28,263,083	22,655,725
Certificates of deposit	16,453,145	21,005,552
Other securities	1,791,633	1,379,422
Total	46,507,861	45,040,699

The other securities include cashier checks and bank drafts still outstanding.

6.4 Composition of Account 40 - Third-party funds under administration

	31/12/2000	31/12/1999
Funds in Italian lire	129,889	147,411

The account includes liabilities for funds provided by public-sector entities which are earmarked for specific uses in accordance with special laws.

SECTION 7 - RESERVES

This section summarizes the liabilities in Accounts 70, 80, and 90.

7.1 Composition of Account 90 - Reserve for loan losses

The reserve for loan losses has been calculated in accordance with Article 20, Paragraph 6 of Law Decree No. 87 of 1992. The reserve, which is subject to taxation, does not represent an adjustment to a specific asset item and covers only credit risks.

7.2 Change in reserve for loan losses

	31/12/2000	31/12/1999
A. Opening balance	497,623	485,417
B. Increases	86,540	43,172
B.1 Provisions	79,202	43,076
B.2 Other changes	7,338	96
C. Decreases	22,903	30,966
C.1 Usage	8,549	22,505
C.2 Other changes	14,354	8,461
D. Closing balance	561,260	497,623

The reserve for loan losses referring to third parties, as computed in relation to the holdings in consolidated companies, amounts to ITL 73,448 million and a ITL 60,976 million as of 31 December 2000 and 1999, respectively.

7.3 Composition of the Sub-Account 80 d) - Reserves for risks and other charges: other reserves

	31/12/2000	31/12/1999
Provisions for guarantees and commitments	49,878	37,676
Reserve for philanthropic activities	1,004	5,185
Reserve for risks and other charges:	1,000,569	877,149
- pending litigation	208,516	183,943
- charges on renewal of contracts	1,922	2,015
- risks of restitution of payments from insolvent borrowers	226,572	137,400
- tax collection activities	181,457	148,813
- provisions for losses on equity investments	9,415	15,778
- Interbank Guarantee Fund	940	940
- Interbank Deposit Protection Fund	-	-
- Securities issued by high-risk nations	20,449	77,870
- Other	351,298	310,390
Total	1,051,451	920,010

The "other" account includes an estimated provision of ITL 50 billion to cover the probable risk of renegotiating the interest rates on subsidized mortgages. This estimate was effected by applying a new rate of 9% to the installments due from 1 July 1999 to 31 December 2000. The estimated charge relative to the installments due between 2001 and 2008 is ITL 105 billion.

Provisions for guarantees and commitments

	31/12/2000	31/12/1999
Opening balance	37,676	62,375
Provisions	16,670	5,009
Usage	(5,194)	(28,714)
Other changes	726	(994)
Total	49,878	37,676

The provisions for guarantees and commitments have been made to cover losses of value as calculated in accordance with the criteria provided in Article 20, Paragraph 7 of Law Decree 87 of 1992.

Reserve for philanthropic activities

The reserve has been established to cover quotas of earnings set aside for philanthropic activities and community services. Changes in the reserve are summarized in the following table:

	31/12/2000	31/12/1999
Opening balance	5,185	2,116
Allocation of prior-year profits	1,557	5,526
Use of the reserve	(5,738)	(2,457)
Total	1,004	5,185

Reserve for risks and other charges

Changes in the reserve are summarized in the following table:

	31/12/2000	31/12/1999
Opening balance	877,149	633,535
Provisions	207,888	255,523
Increases	64,204	63,197
Usage	(170,685)	(83,812)
Exchange-rate fluctuations and changes in consolidation area	22,013	8,706
Closing balance	1,000,569	877,149

The reserves cover liabilities which are probable or certain but whose amount or settlement date were unknown as of the date of the financial statements.

7.4 Composition of the Sub-Account 80 b) – Reserve for taxes

	31/12/2000	31/12/1999
Income tax	1,499,870	981,481
Other taxes	393,338	223,083
Deferred taxes	81,582	122,761
Total	1,974,790	1,327,325

The reserve includes provisions necessary to cover current fiscal charges as well as deferred charges and the substitution taxes due pursuant to Italian Law No. 342 of 2000. The reserve is deemed sufficient to meet the Group's fiscal obligations as calculated in accordance with prevailing laws.

The existing provisions to the reserve for taxes are deemed sufficient to meet any liabilities arising from current tax disputes outstanding as well as those which could arise as a result of additional assessments made relative to tax returns still subject to audit.

The Group is also in a position to realize significant potential tax benefits related to one-seventh and one-ninth of losses on credits computed in accordance with Article 3, Paragraphs 103, 107 and 108 of Italian Law 549 of 1995.

Following are the changes in the account balance during the year:

	31/12/2000	31/12/1999
Opening balance	1,327,325	1,418,718
Provisions:	1,826,949	947,049
Income tax	1,393,968	867,870
Other taxes	96,973	32,284
Other provisions	84,901	46,895
Other increases	251,107	
Usage for payments made during the year	(942,942)	(1,057,507)
Other changes	(236,542)	19,065
Closing balance	1,974,790	1,327,325

Deferred tax assets

	31/12/2000	31/12/1999
Opening balance	662,706	20,775
Increases	175,036	830,529
- deferred taxes booked during the year	70,539	129,707
- other increases	104,497	700,822
Decreases	243,616	188,598
- deferred taxes cancelled during the year	219,958	188,598
- other decreases	23,658	-
Closing balance	594,126	662,706

Deferred tax liabilities

	31/12/2000	31/12/1999
Opening balance	122.761	105.986
Increases	55.424	88.260
- deferred taxes booked during the year	42.892	85.504
- other increases	12.532	2.756
Decreases	75.959	71.485
- deferred taxes cancelled during the year	72.639	67.444
- other decreases	3.320	4.041
Closing balance	102.226	122.761

7.5 Composition of 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	696,972	584,597
Usage	(58,176)	(35,547)
Provisions	58,569	89,352
Other changes *	139,543	58,570
Total	836,908	696,972

* The "other changes" include the defined contribution plans which were previously reported in separate financial statements and have now been classified in the Group's consolidated statements pursuant to a Bank of Italy directive.

7.6 Composition of Account 70 – Staff severance indemnity reserve

The changes in the account balance during the year are summarized below:

	31/12/2000	31/12/1999
Opening balance	866,200	1,208,870
Indemnities paid	(38,203)	(53,103)
Advances under Law 297 of 1982	(26,866)	(44,786)
Provisions	157,638	151,803
Transfer to the supplemental pension fund	-	(51,036)
Other changes	(94,527)	(345,548)
Total	864,242	866,200

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.

Other changes are exclusively related to an employee benefit plan covering the purchase of BMPS shares at the time of the initial public offering.

SECTION 8 - CAPITAL, RESERVES AND RESERVE FOR GENERAL BANKING RISK

This section includes the following items:

Shareholders' equity accounts

	31/12/2000	31/12/1999
Reserve for general banking risks	872,464	874,599
Negative consolidation differences	42,544	51,810
Negative net equity differences	2,466	2,466
Share capital	2,360,470	2,360,470
Paid-in capital	1,012,524	1,058,444
Reserves:		
- legal reserve	432,031	401,715
- reserve for own shares	34,925	78,594
- statutory reserve	1,037,500	832,700
- other reserves	1,676,251	1,398,283
Revaluation reserves	2,223,498	243,211
Retained earnings	98	168
Profit (loss) for the year	1,095,324	871,385
Total shareholders' equity	10,790,095	8,173,845

Other assets:

	31/12/2000	31/12/1999
Positive consolidation differences	1,556,898	1,685,504
Positive net equity differences	3,761	4,770
Total	1,560,659	1,690,274

The Statement of Changes in Consolidated Shareholders Equity is presented as an attachment to these notes.

8.1 Reserve for general banking risks

The reserve for general banking risks is included in shareholders' equity since it covers general business risk and is thus similar to an equity reserve.

The table below summarizes the changes in the reserve:

	31/12/2000	31/12/1999
Opening balance	874,599	586,643
Provisions	539	303,696
Usage	(4,211)	(15,711)
Other changes	1,537	(29)
Closing balance	872,464	874,599

8.2 Subordinated debt

Issuer	Maturity	Currency	Interest	Net Countervalue Outstanding
1 Banca Monte dei Paschi di Siena S.p.A.	01/01/2001	ITL	variable	100,000
2 Banca Monte dei Paschi di Siena S.p.A.	01/12/2005	ITL	variable	220,241
3 Banca Monte dei Paschi di Siena S.p.A.	01/12/2005	ITL	fixed	299,882
4 Banca Monte dei Paschi di Siena S.p.A.	12/03/2009	EUR	variable	809,275
5 Banca Monte dei Paschi di Siena S.p.A.	30/09/2006	EUR	variable	406,617
6 Banca Monte dei Paschi di Siena S.p.A.	15/05/2007	EUR	fixed	290,440
7 Banca Monte dei Paschi di Siena S.p.A.	15/05/2007	EUR	variable	290,440
8 Banca Monte dei Paschi di Siena S.p.A.	07/07/2015	EUR	variable	58,088
9 Banca Monte dei Paschi di Siena S.p.A.	20/07/2015	EUR	variable	48,407
10 Banca Monte dei Paschi di Siena S.p.A.	21/12/2010	EUR	variable	580,881
11 Banca Agricola Mantovana S.p.A.	01/01/2001	ITL	fixed	6,515
12 Banca Agricola Mantovana S.p.A.	01/01/2001	ITL	fixed	4,950
13 Banca Popolare di Spoleto	01/05/2006	ITL	variable	6,600
14 Cassa Risparmio San Miniato	02/01/2001	ITL	variable	3,500
15 Cassa Risparmio San Miniato	15/12/2004	ITL	fixed	15,000
16 Mediocredito Toscano	01/06/2010	EUR	variable	89,068
17 Banca 121	21/12/2001	EUR	variable	145,220
18 Banca 121	31/12/2008	ITL	variable	100,000
				3,475,124

Basic provisions of subordinated debt agreements

Prepayments

The subordinated debt agreements do not include any provisions for prepayment (except for the euro-denominated issues which can be prepaid five years from issue date). In addition, the agreements have no provisions for the conversion into equity or into other types of liabilities. The subordinated debt issues have been structured and placed in accordance with the Bank of Italy requirements, and may be included as supplemental net equity for the computation of capital-adequacy ratios. The following conditions are expressly provided:

- Should the Group companies be placed in liquidation, the debt would be reimbursed only after debtors with higher ranking claims have been satisfied;
- The term of the loans is no less than five years;
- The prepayment of the debt may only take place upon the Group companies' initiative and must be approved by the Bank of Italy.

Subordination conditions

Should the issuer be liquidated, the issuer's loans may be paid out only after the repayment of all other repayment of all other higher ranking claims and unsecured debt, but before the payment of any amounts owed by the issuer to related parties.

8.3 Negative consolidation differences

Negative consolidation differences are the result of the consolidation of the following companies:

	31/12/2000	31/12/1999
Banca Toscana	25,679	34,618
Istituto Nazionale di Credito Agrario	14,878	14,878
Other companies	1,987	2,314
Total	42,544	51,810

8.4 Negative net equity differences

The differences refer to companies valued with net equity method, as detailed in Section 3. The accounting principles adopted for determining such differences are indicated in Section 1, Part A.

8.5 Minority interests

	31/12/2000	31/12/1999
Opening balance	1,556,821	1,525,612
Increase/decrease due to changes in area of consolidation	2,570	(894)
Other changes	(196,414)	(122,962)
Profit (loss) for the year	162,346	155,065
Total	1,525,323	1,556,821

8.6 Share capital

	Number	Par Value	31/12/2000
Ordinary shares	2,351,895,000	1,000	2,351,895
Savings shares	8,574,700	1,000	8,575
			2,360,470

	Number	Par Value	31/12/1999
Ordinary shares	2,351,895,000	1,000	2,351,895
Savings shares	8,574,700	1,000	8,575
			2,360,470

8.7 Composition of Account 160 - Paid-in capital

	31/12/2000	31/12/1999
Paid-in capital	1,012,524	1,058,444

8.8 Composition of Account 170 - Reserves

	31/12/2000	31/12/1999
Legal reserve	432,031	401,715
Reserve for own shares or quotas	34,925	78,594
Statutory reserves	1,037,500	832,700
Other reserves	1,676,251	1,398,283
Total	3,180,707	2,711,292

8.9 Composition of Account 180 - Revaluation reserves

	31/12/2000	31/12/1999
Revaluation reserves	2,223,498	243,211
Total	2,223,498	243,211

The revaluation reserves for the account of minority interests amounted to ITL 142,749 million and ITL 98,016 million, respectively, at the end of 2000 and 1999, with the amounts computed on the basis of the Group's relative holdings in the consolidated companies.

Buildings and equity investments were revalued as of 31 December 2000 pursuant to Law 342 of 2000. As a result, the book value of buildings rose by ITL 640,122 million, while the book value of equity investments was increased by ITL 1,663,823 million. Balancing entries included a provision for the future payment of a substitution tax in the amount of ITL 369,998 million and an increase in shareholders equity in the amount of ITL 1,993,946 million which was booked to a special reserve. The write-up of the values of the buildings results in new book values which are less than or equal to current market values.

8.10 Positive consolidation differences

Positive consolidation differences are the result of the consolidation of the following companies:

	31/12/2000	31/12/1999
Banca Agricola Mantovana Group	1,182,070	1,247,741
Cooperbanca	36,551	48,734
Banca C. Steinhauslin & C.	31,478	38,525
Banca Popolare di Abbiategrosso	59,793	71,753
Banca Popolare della Marsica	-	18,620
Bisiel	4,521	-
Sipaf S.p.A.	-	580
G.I.Gest. S.p.A.	1,180	797
G.I. Profidi SIM S.p.A.	279	325
Intermobiliare Securities Sim S.p.A.	28,540	16,372
Banca Monte Paschi Belgio	12,096	14,820
Banca Monte Paschi Suisse	677	1,015
Banca Popolare di Spoleto	28,099	31,846
Istituto Nazionale Credito Agrario	2,921	3,653
Mediocredito Toscano	7,258	8,725
Banca Monte Parma	130,161	146,431
Cassa Risparmio di San Miniato	30,453	34,260
Monte Paschi Banque	665	996
Other	156	311
Total	1,556,898	1,685,504

The accounting principles adopted for determining such differences are indicated in Section 1, Part B.

8.11 Positive net equity differences

The differences refer to the companies valued with net equity method, as detailed in Section 3. The accounting principles adopted are indicated in Section 1, Part B. Positive net equity differences are amortized over 10 years.

8.12 Own shares

Reference is made to own shares held by:

	<i>Nominal Value</i> 31/12/2000	<i>Book Value</i> 31/12/2000	<i>Book Value</i> 31/12/1999
Banca Monte dei Paschi di Siena	1,521	11,337	57,255
Banca Toscana	6,233	23,578	18,326
Banca Agricola Mantovana Group	-	-	2,523
Gerit	-	-	228
Banca 121	1	10	262
Total		34,925	78,594

The decrease in own shares is due to the assignment of bonus shares by the parent company, as contemplated by the terms and conditions of the initial public offering of the BMPS shares. The investment in own shares is offset by a reserve in the same amount.

8.13 Capitalization and capital adequacy

Category/Amounts	31/12/2000	31/12/1999
A. Calculation of capital for regulatory purposes		
A.1 Total Tier 1 capital	7,333,649	7,422,088
A.2 Total Tier 2 capital	5,890,448	2,509,419
A.3 Deductions	(1,578,099)	(333,806)
A.4 Capital for regulatory purposes	11,645,998	9,597,701
B. Capital required for regulatory purposes		
B.1 Credit risks	10,440,418	8,893,005
B.2 Market risks	623,117	623,983
<i>including:</i>		
- risks on trading securities portfolio	594,321	578,462
- exchange-rate risks	28,762	39,223
B.3 Other requirements	13,249	3,963
B.4 Total capital required for regulatory purposes	11,076,784	9,520,951
C. Risk-weighted assets and capital adequacy ratios		
C.1 Risk-weighted assets	138,459,796	119,011,890
<i>Total credit risks</i>	130,505,221	111,162,565
<i>Market risk *</i>	- 7,788,963	7,799,788
C.2 Tier 1/risk-weighted assets	5.30	6.24
C.3 Capital for regulatory purposes/ risk-weighted assets	8.41	8.06

* Capital required for regulatory purposes multiplied by the reciprocal of the minimum obligatory ratio for credit risk

Solvency coefficients for credit risk	8.92	8.63
---------------------------------------	------	------

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
Liabilities related to tax collection activity	1,801,202	1,478,030
Sums available to customers	488,018	617,799
Clearing balances with branches	500,848	546,140
Items relating to foreign currency transactions	125,861	87,522
Third-party sums due to fiscal authorities and social-welfare institutions	358,057	305,509
Third-party sums for security deposits	395,026	237,646
Non-banking liabilities	-	-
Deferred tax liabilities	30,413	122,761
Valuation adjustments to foreign currency transactions	883,079	279,578
Amounts relating to securities transactions	4,344	70,190
Other <i>including the proforma effects of the debt assumed with the Banca 121 acquisition</i>	8,939,706	9,552,850
		867,272
Total	13,526,554	13,298,025

9.2 Composition of Account 60 - Accrued liabilities and deferred income

Accrued liabilities and deferred income consist of the following:

	31/12/2000	31/12/1999
Accrued liabilities:		
Interest due on customer deposits	195,161	190,810
Interest on bonds issued	626,506	501,799
Interest on certificates of deposit	577,836	1,053,721
Interest on amounts due to banks	271,250	283,919
Differentials on hedging transactions	768,962	837,227
Administrative expenses	275,404	106,191
Other	34,188	236,054
	2,749,307	3,209,721
Deferred income:		
Discount portfolio	70,864	74,352
Differentials on hedging transactions	144,915	94,066
Commissions	22,718	25,123
Other	151,967	102,476
	390,464	296,017
Total	3,139,771	3,505,738

9.3 Adjustments with respect to accrued liabilities and deferred income

No adjustments have been made directly to the accounts.

SECTION 10 - GUARANTEES AND COMMITMENTS

10.1 Composition of Account 10 - Guarantees released

	31/12/2000	31/12/1999
a) Endorsement credits of a commercial nature:		
Documentary credits	740,071	614,673
Bankers acceptances	245,225	123,907
Endorsements and sureties	5,105,997	4,629,609
Other	1,388,001	922,439
	7,479,294	6,290,628
b) Endorsement credits of a financial nature:		
Acceptances	114,574	175,194
Endorsements and sureties	5,834,610	3,836,498
Other	1,018,951	2,127,781
	6,968,135	6,139,473
c) Assets pledged under guarantees:		
Third-party bonds	145,103	41,302
Total	14,592,532	12,471,403

10.2 Composition of Account 20 - Commitments and Account 30 - Commitments for credit derivatives

	31/12/2000	31/12/1999
a) Commitments to disburse funds for which usage is certain:		
Mortgage loans to be disbursed to customers	698,701	447,735
Loans and deposits to be funded to banks	1,108,669	578,820
Commitments to purchase securities	4,308,220	796,412
Installments coming due (tax collection)	-	-
Other (*)	2,202,846	3,252,670
	8,318,436	5,075,637
b) Commitments to disburse funds for which usage is not certain:		
Available margins on lines of credit to banks	588,206	322,785
Available margins on lines of credit to customers	11,419,425	10,224,656
Interbank Deposit Protection Fund	161,744	153,361
Installments (tax collection)	18,041,244	14,387,600
Other	3,477,232	2,647,821
	33,687,851	27,736,223
Total	42,006,287	32,811,860

(*) The amount includes ITL 793,832 million relative to credit derivatives contracts.

Credit risk on guarantees and commitments is estimated using the criteria adopted for loans; such risk has been quantified at ITL 49,878 million, and is included in reserve for other risks and charges, as illustrated in Section 7.

10.3 Assets pledged to guarantee Group's own liabilities

Fixed-income securities have been pledged as follows:

	31/12/2000	31/12/1999
Guarantees for advances from the Bank of Italy	821,696	810,375
Guarantees for repurchase agreements	20,190,895	11,881,481
Guarantees for issuance of cashier checks	221,712	197,658
Other	339,068	349,931
Total	21,573,371	13,239,445

10.4 Available margins on lines of credit

The Group has the following availability under credit lines in effect as of year end:

	31/12/2000	31/12/1999
a) Central banks	1,423,576	538,837
b) Other banks	706,081	767,322
Total	2,129,657	1,306,159

10.5 Forward transactions

Forward transactions at the end of the year are summarized in the following table:

Types of Transactions	Hedging	Trading	Other
1. Sales and purchases			
1.1 Securities:			
purchases	57,115	4,251,105	-
sales	11,576	3,050,670	87,820
1.2 Foreign exchange:			
currency against currency	858,645	297,519	-
purchases against lire	8,029,368	566,219	-
sales against lire	2,693,993	1,102,577	-
2. Deposits and loans:			
to be disbursed	1,681	818,911	245,565
to be received	647	252,956	-
3. Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
purchases		3,477,345	-
sales		3,620,021	-
b) Foreign exchange:			
currency against currency	149,301	1,018,818	-
purchases against lire	6,280	1,618,975	-
sales against lire	17,118	1,036,123	-
c) Other negotiable instruments:			
purchases	-	5,330	-
sales	-	4,647	-
3.2 Without exchange of principal:			
a) Foreign exchange			
currency against currency			
purchases against lire	298,563	34,626	
sales against lire	94,841	34,626	
b) Other negotiable instruments:			
purchases	37,918,829	61,000,929	197,897
sales	26,534,720	66,918,478	1,131,588

10.6 Credit derivatives contracts

Types of Transactions	Trading	Other
1. Purchase of protection		
1.1 With exchange of capital	608,034	-
1.2 Without the exchange of capital	-	-
2. Sale of protection		
1.1 With exchange of capital	215,717	578,115
1.2 Without the exchange of capital	-	-

SECTION 11 - DISTRIBUTION AND CONCENTRATION OF ASSETS AND LIABILITIES

11.1 Material risks

	31/12/2000	31/12/1999
Amount	1,212,562	4,477,249
Number	1	5

The amount refers to exposure to "groups of customers" which has been appropriately weighted in accordance with prevailing regulations.

11.2 Distribution of customer loans and advances by principal categories of borrowers

The distribution of customer loans by principal categories of borrowers is provided in the following table:

	31/12/2000	31/12/1999
a) Governments	3,904,955	5,113,920
b) Other public-sector entities	4,956,862	4,191,485
c) Non-financial companies	66,065,856	57,411,971
d) Financial institutions	8,494,101	8,890,684
e) Family-owned businesses	9,148,546	7,644,264
f) Other	25,449,100	22,467,892
Total	118,019,420	105,720,216

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) Commercial services, recoveries and repairs	12,381,137	11,367,690
b) Construction and public works	7,587,362	7,441,056
c) Textiles, leather footwear, and apparel	5,324,922	5,023,148
d) Farming, forestry and fishery	4,040,006	3,603,897
e) Food and beverage products	3,508,776	3,326,339
f) Other	34,041,827	28,845,495
Total	66,884,030	59,607,625

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	9,525	20,258
b) Public-sector entities	290,578	166,862
c) Banks	1,230,376	391,061
d) Non-financial companies	10,893,916	9,423,884
e) Financial institutions	760,307	559,875
f) Family-owned businesses	321,047	327,549
g) Other	1,086,783	1,581,914
Total	14,592,532	12,471,403

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	Italy	Other EU Countries	Other Countries	Total
1. Assets	139,627,410	27,169,624	12,551,062	179,348,096
1.1 Amounts due from banks	12,385,926	14,537,230	3,805,635	30,728,791
1.2 Customer loans and advances	108,058,608	7,115,331	2,845,482	118,019,421
1.3 Securities	19,182,876	5,517,063	5,899,945	30,599,884
2. Liabilities	129,904,310	28,699,781	16,844,352	175,448,443
2.1 Due to banks	6,111,463	14,362,063	13,950,376	34,423,902
2.2 Customer deposits	82,544,216	7,024,655	1,342,795	90,911,666
2.3 Other borrowed funds backed by negotiable instruments	38,484,887	6,484,067	1,538,907	46,507,861
2.4 Other	2,763,744	828,996	12,274	3,605,014
3. Guarantees and commitments	47,611,785	5,651,209	3,335,825	56,598,819

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 table:

DISTRIBUTION OF ASSETS AND LIABILITIES BY MATURITY

(in ITL mn)

Account	Residual Maturity								Total
	Sight	To and including 3 months	To and including 12 months	Up to 5 years		Over 5 years		Unspecified maturity	
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
Assets:									
1.1 Government bonds subject to financing	3,791	696,134	1,415,388	468,539	952,439	166,230	99,226	-	3,801,747
1.2 Amounts due from banks	7,014,445	16,012,178	4,822,354	1,150,064	48,467	92,788	-	1,588,495	30,728,791
1.3 Customer loans and advances	29,689,204	20,834,708	14,683,694	9,523,261	15,157,872	6,079,785	16,165,273	5,885,623	118,019,420
1.4 Bonds and other fixed-income securities	133,058	868,342	3,122,273	5,246,848	5,243,767	4,064,043	2,834,080	3,678,126	25,190,537
1.5 Off-balance-sheet transactions	20,366,536	44,280,863	38,930,135	26,637,041	8,820,345	23,503,279	228,157	14,971,138	177,737,494
TOTAL ASSETS	57,207,034	82,692,225	62,973,844	43,025,753	30,222,890	33,906,125	19,326,736	26,123,382	355,477,989
Liabilities:									
2.1 Due to banks	5,409,422	22,195,921	5,878,223	422,807	92,138	399,761	25,074	556	34,423,902
2.2 Customer deposits	69,164,349	19,680,924	1,601,346	162,902	9,810	128,650	100	163,586	90,911,667
2.3 Other borrowed funds backed by negotiable instruments including:	1,958,522	8,123,474	9,438,621	11,210,909	6,668,276	5,932,356	3,023,427	152,276	46,507,861
- Bonds	164,409	978,951	4,312,558	7,604,251	6,482,463	5,544,844	3,023,332	152,276	28,263,084
- Certificates of deposit	454,179	6,760,566	5,058,322	3,606,658	185,813	387,512	95	-	16,453,145
- Other securities	1,339,934	383,957	67,741	-	-	-	-	-	1,791,632
2.4 Subordinated debt	200,726	3,524	320	220,828	1,297,422	116,176	1,636,128	-	3,475,124
2.5 Off-balance-sheet transactions	15,527,259	47,313,199	32,944,820	21,223,753	3,644,547	22,074,691	603,366	35,033,429	178,365,064
TOTAL LIABILITIES	92,260,278	97,317,042	49,863,330	33,241,199	11,712,193	28,651,634	5,288,095	35,349,847	353,683,618

11.7 Foreign-currency-denominated assets and liabilities

The consolidated balance sheet includes the following assets and liabilities denominated in foreign currencies:

	31/12/2000	31/12/1999
a) Assets		
1. Amounts due from banks	9,536,339	10,608,262
2. Customer loans and advances	7,567,318	7,270,954
3. Securities	6,666,018	8,258,142
4. Equity investments	45,518	60,930
5. Other	24,075	39,819
	23,839,268	26,238,107
b) Liabilities		
1. Due to banks	17,711,685	19,447,967
2. Customer deposits	4,850,717	5,110,304
3. Other borrowed funds backed by negotiable instruments	6,166,836	5,040,917
4. Other	-	-
	28,729,238	29,599,188

SECTION 12 - FUNDS MANAGEMENT AND OTHER TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

12.1 Securities trading

	31/12/2000	31/12/1999
a) purchases	35,049,547	179,303,011
1. settled	35,043,891	175,726,301
2. unsettled	5,656	3,576,710
b) sales	39,207,707	185,737,418
1. settled	39,202,051	182,168,720
2. unsettled	5,656	3,568,698

12.2 Portfolio management

	31/12/2000	31/12/1999
Portfolios under management	32,791,170	30,992,479
Total	32,791,170	30,992,479

12.3 Administration and safekeeping of securities

The following table provides a summary of securities under administration and in safekeeping with the Group:

	31/12/2000	31/12/1999
a) Securities of third parties held in custody (excluding portfolio management)	145,708,779	156,094,796
1. Securities issued by the Bank	-	15,507,738
2. Other securities	145,708,779	140,587,058
b) Securities of third parties held by others	154,226,667	185,310,146
c) Own securities in third-party custody	27,465,346	35,630,073

The amounts reflected above are stated at nominal value. Own securities in third-party custody included securities sold subject to repurchase.

12.4 Collections for the account of third parties: debit and credit adjustments

	31/12/2000	31/12/1999
a) Debit adjustments		
1. Current accounts	260,759	280,428
2. Head office portfolio	21,239,353	18,248,430
3. Cash	1,099,710	828,315
4. Other accounts	2,790,766	2,611,016
b) Credit adjustments		
1. Current accounts	487,437	593,672
2. Notes and other documents	24,443,405	21,200,049
3. Other accounts	93,155	103,467

12.5 Other transactions

	31/12/2000	31/12/1999
a) Third-party portfolio accepted for collection	5,094,496	4,122,732
b) Tax collection activity	7,490,854	10,343,158
Taxpayers amounts due for collection		
- amounts coming due	-	-
- amounts overdue and advanced to the tax authorities	7,490,854	10,338,176
- amounts overdue and not yet advanced to the Tax Authorities	-	4,982

Temporary relief and allowances for ITL 5,841,772 million are available in respect of overdue amounts already advanced to the tax authorities. Law Decree No. 37 of 22 May 1999, which implemented Law No. 337 of 28 September 1998, eliminated the obligation of non-collection for collection.

PART C

INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

SECTION 1 – INTEREST INCOME AND EXPENSE

1.1 Composition of Account 10 - Interest and similar income

Interest and similar income was realized as follows:

	31/12/2000	31/12/1999
a) Interest earned on amounts due from banks	1,457,567	1,096,720
including:		
Amounts due from central banks	74,437	45,815
b) Interest earned on customer loans and advances	7,244,168	5,837,955
including:		
loans using third-party funds under administration	15,267	18,769
c) Interest earned on debt securities	1,412,641	1,649,597
d) Other interest income	13,242	18,944
e) Positive balance of differentials on hedging transactions	-	280,432
Total	10,127,618	8,883,648

1.2 Composition of Account 20 - Interest expense and other expense on borrowed funds

Interest expense and other expense on borrowed funds were realized as follows:

	31/12/2000	31/12/1999
a) Interest expense on amounts due to banks	1,750,108	1,504,583
b) Interest expense on amounts due to customers	2,299,756	1,431,581
c) Interest expense on other borrowed funds backed by negotiable instruments	1,967,120	1,948,881
including:		
on certificates of deposit	720,775	885,113
d) Interest expense on third-party funds under administration	25,161	27,134
e) Interest expense on subordinated debt	85,368	60,939
f) Negative balance of differentials on hedging transactions	6,796	-
Total	6,134,309	4,973,118

1.3 Composition of Account 10 - Interest and similar income

	31/12/2000	31/12/1999
Interest and similar income on foreign-currency-denominated assets	1,619,259	1,821,194

1.4 Composition 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	1,766,387	1,282,904

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	76,825	65,759
b) Collection and payments services	182,114	165,610
c) Brokerage and advisory services	1,527,972	1,279,961
- Securities brokerage	311,649	155,484
- Foreign-exchange brokerage	117,001	96,828
- Discretionary portfolio management	200,317	473,643
- Securities safekeeping and administration	104,778	81,995
- Securities placement	254,111	267,519
- Advisory services	994	764
- Order taking	317,366	200,429
- Other	221,756	3,299
d) Tax collection services	468,601	495,580
e) Other services	1,404,857	1,077,965
- Commissions on loans to customers	106,625	99,279
- Recoveries, expenses and other profits on customer loans	275,662	102,670
- Commissions claimed from banks	17,656	15,363
- Safe-deposit boxes	4,911	2,172
- Commissions for services to subsidiaries and associated cos.	21,887	17,162
- Commissions on services to third parties	157,856	91,997
- Asset management and other	820,260	749,322
Total	3,660,369	3,084,875

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	43,608	44,120
b) Brokerage and advisory services	180,663	84,893
Securities brokerage	79,889	28,753
Foreign-exchange brokerage	245	911
Discretionary portfolio management	49	-
Securities safekeeping and administration	26,847	18,153
Securities placement	3,633	7,069
Other	70,000	30,007
c) Other services	134,568	117,806
Commissions on endorsement credits	2,624	1,528
Commissions paid to brokers	25,441	26,497
Commissions on services to third parties	28,955	24,411
Commissions paid to banks	20,191	18,130
Tax collection commissions	-	-
Commissions on securities transactions	-	375
Other	57,357	46,865
Total	358,839	246,819

SECTION 3 - PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

3.1 Composition of Account 60 - Profits/losses on financial transactions

31/12/2000			
Account	Securities	Foreign-Currency	Other
A.1 Revaluations	677,137	xxx	714,196
A.2 Writedowns	(678,414)	xxx	(857,862)
B. Other profits/losses	577,028	61,694	(29,205)
Total	575,751	61,694	(172,871)
1. Government securities	115,243		
2. Other debt securities	131,853		
3. Equity securities	218,963		
4. Securities-related derivatives	109,692		

31/12/1999			
Account	Securities	Foreign-Currency	Other
A.1 Revaluations	104,570	xxx	334,948
A.2 Writedowns	(358,992)	xxx	(363,198)
B. Other profits/losses	325,356	31,232	191,862
Total	70,934	31,232	163,612
1. Government securities	(26,195)		
2. Other debt securities	(265,342)		
3. Equity securities	334,410		
4. Securities-related derivatives	28,061		

SECTION 4 – ADMINISTRATIVE EXPENSES

4.1 Average number of employees by category

	31/12/2000	31/12/1999
a) Executives	349	332
b) Officers	3,924	3,453
c) Remaining personnel	23,773	23,429
Total	28,046	27,214

Composition of Account 80 - Administrative expenses

	31/12/2000	31/12/1999
a) Personnel expense	3,237,450	3,144,567
- wages and salaries	2,284,055	2,190,586
- social-welfare charges	654,398	638,874
- staff severance indemnity reserve	155,999	152,801
- pension fund and similar obligations	66,053	93,124
- other	76,945	69,182
b) Other administrative expenses	1,962,116	1,749,766
- stamp duties	243,666	214,059
- rental costs for bank premises	163,136	144,373
- cost of external consultants	168,859	151,606
- maintenance of personal and real property	135,148	109,882
- postage	110,822	108,773
- sundry rentals	94,030	84,008
- information and surveys	84,650	73,028
- advertising	119,397	86,568
- cable, telephone and telex	73,227	56,374
- security	56,412	31,667
- indirect taxes	64,357	68,458
- cleaning	43,846	39,948
- transport	61,812	48,266
- electricity, heating and water	54,799	51,044
- employee vehicle and travel expenses	36,357	31,652
- cable rental for data transfer	47,753	42,715
- data processing by third parties	45,936	84,865
- insurance	47,447	44,551
- local property tax	23,064	22,703
- stationery and printing	33,797	32,362
- entertainment expense	22,324	17,856
- membership dues	17,969	16,559
- condominium fees	10,063	7,446
- information service	15,610	7,971
- compensation to Directors and Statutory Auditors	15,542	5,589
- equipment rental	23,126	9,909
- subscriptions and purchase of publications	7,039	4,506
- fixed fees for tax collection services	1,064	1,070
- new software and rental of software	12,411	5,937
- other	128,453	146,021
Total	5,199,566	4,894,333

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	1,254,087	1,380,676
including:		
- Lump-sum writedowns for country risk	331	1,529
- Other lump-sum adjustments	106,107	116,922
b) Provisions for guarantees & commitments	16,670	8,416
including:		
- Lump-sum writedowns for country risk	339	443
- Other lump-sum adjustments	12,017	2,719
Total	1,270,757	1,389,092

5.2 Composition of Account 90 - Valuation adjustments to fixed and intangible assets

	31/12/2000	31/12/1999
a) Intangible assets	321,805	277,877
Amortization of positive consolidation differences	130,437	132,000
Amortization of positive net equity differences	1,008	1,009
Amortization of other intangible assets	190,360	144,868
b) Fixed assets	275,343	300,224
Depreciation of buildings	128,594	97,043
Depreciation of furniture and equipment	146,749	203,181
Total	597,148	578,101

Positive consolidation differences are amortized over a period of up to 10 years, which considered as the investment pay-back period. In the case of the Banca Agricola Mantovana Group, such period has been extended to 20 years.

As of 31 December 2000, the positive consolidation differences generated upon the initial line-by-line consolidation of Banca 121 have been offset against the pre-existing balance of negative consolidation differences.

Intangible assets are amortized on a straight-line basis in accordance with the principle of prudence.

Depreciation on fixed assets is calculated by applying the maximum ordinary rates allowed by law. Accelerated depreciation is taken as permitted by law on assets subject to rapid obsolescence. Depreciation rates are considered as reasonable and represent the useful life of the assets, taking into consideration the wear and tear of the assets.

5.3 Composition of Account 100 - Provisions for risks and charges

	31/12/2000	31/12/1999
Annual provision	207,888	250,220

The provisions are credited to the reserves for risks and other charges, shown in the table reported in Section 7 of the discussion of the balance-sheet accounts.

5.4 Composition of Account 130 – Recoveries on loans and on provisions for guarantees and commitments

	31/12/2000	31/12/1999
Loans	550,993	639,547
Provisions for guarantees and commitments	-	-
Total	550,993	639,547

5.5 Composition of Account 140 – Provision to loan loss reserves

	31/12/2000	31/12/1999
Annual provision	79,202	43,076

5.6 Composition of Account 150 – Adjustments to the valuation of non-current financial assets

	31/12/2000	31/12/1999
Equity investments	5,208	22,922
Securities	2,683	10,734
Total	7,891	33,656

5.7 Composition of Account 160 – Recoveries on non-current financial assets

	31/12/2000	31/12/1999
Equity investments	12,135	2,035
Securities	-	-
Total	12,135	2,035

SECTION 6 - OTHER PROFIT AND LOSS ACCOUNTS

6.1 Composition of Account 70 - Other operating income

	31/12/2000	31/12/1999
Rental and similar income	40,439	34,662
Expenses recovery & other income: deposits and current accounts	276,716	193,367
Recovery of stamp duties	226,923	183,944
Tax credit on dividends	170,895	216,616
Expense recovery: personnel working off-site	3,773	7,583
Premiums received	2,164	16,692
Recoveries of expenses on mortgage loans	28,980	25,980
Other	260,434	204,290
Total	1,010,324	883,134

6.2 Composition of Account 110 - Other operating expenses

	31/12/2000	31/12/1999
Losses on disposal of assets under financial lease	1,996	3,428
Options to be settled	46,846	2,277
Other operating expenses <i>including: proforma effects</i>	23,697	86,328
		34,299
Total	72,539	92,033

6.3 Composition of Account 190 - Extraordinary income

	31/12/2000	31/12/1999
Profit on disposal of fixed assets	32,042	15,373
Gains on disposal of equity investments	73,682	100,109
Profit on disposal of investment securities	9,458	121,128
Extraordinary income and past-due interest from tax collection	-	-
Non-banking activity	-	99,208
Retrospective quotas for change in valuation criterion	132,071	
Deferred tax assets regarding previous years	-	681,862
Other (*)	286,688	153,952
Total	533,941	1,171,632

(*) The account includes the adjustment of the reserve for taxes to reflect the current situation relative to a pending tax dispute involving the parent company, as well as the potential of another dispute arising in the future.

6.4 Composition of Account 200 - Extraordinary charges

	31/12/2000	31/12/1999
Non-banking operating expenses	474	2,372
Losses on robberies	5,434	2,268
Losses on disposal of fixed assets	2,519	2,411
Loss on disposal of non-current financial assets	446	32,445
Loss on sale of investment securities	44,570	24,207
Other	174,491	295,522
Total	227,934	359,225

6.5 Composition of Account 240 - Income taxes

	31/12/2000	31/12/1999
Current taxes	(1,211,736)	(866,382)
Change in deferred tax assets	(79,670)	(58,891)
Change in deferred tax liabilities	21,731	(18,060)
Total	(1,269,675)	(943,333)

SECTION 7 - OTHER INFORMATION ON THE PROFIT AND LOSS STATEMENT

7.1 Geographical distribution of income

31/12/2000

	Italy	EU Countries	Other Countries	Total
Interest and similar income	8,650,155	1,082,782	394,681	10,127,618
Dividends and other income	268,112	626	-	268,738
Commissions earned	3,532,865	89,449	38,055	3,660,369
Profits from financial transactions	488,046	(28,532)	5,060	464,574
Other operating income	1,006,425	3,693	206	1,010,324
Total	13,945,603	1,148,018	438,002	15,531,623

31/12/1999

	Italy	EU Countries	Other Countries	Total
Interest and similar income	7,327,400	965,696	590,552	8,883,648
Dividends and other income	152,745	299	3,932	156,976
Commissions earned	2,779,776	67,002	238,097	3,084,875
Profits for financial transactions	222,552	(121,831)	165,057	265,778
Other operating income	840,088	4,776	38,270	883,134
Total	11,322,561	915,942	1,035,908	13,274,411

PART D

OTHER INFORMATION

SECTION 1 – BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

1.1 Compensation

	31/12/2000	31/12/1999
a) Board of Directors	9,389	6,272
b) Board of Statutory Auditors	1,301	1,268

1.2 Loans to and guarantees released on the account of Directors and Statutory Auditors

	31/12/2000	31/12/1999
a) Board of Directors	18,748	335,028
b) Board of Statutory Auditors	31	407

BANKING GROUP

MONTE DEI PASCHI DI SIENA

Piazza Salimbeni, 3 – Siena, Italy

Registered Office:

Piazza Salimbeni, 3 - Siena

Registered with the Court of Siena under No. 9782 on 23 August 1995

Registered with the Register of Banks under No. 325 Cod. n. 1030.6

Member of Italian Interbank Deposit Protection Fund

CHIEF ACCOUNTANT

F. Spampani

CHIEF EXECUTIVE OFFICER

V. De Bustis

CHAIRMAN OF THE BOARD OF DIRECTORS

P.L. Fabrizi

STATUTORY AUDITORS

G. Vittimberga, P. Fabretti, L. Granai De Robertis

ATTACHMENTS TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Paid-in Capital	Provision for General Banking Risks	Negative Cons. Diff.	Negative Net Equity Diff.	Legal Reserve	Statutory Reserves	Reserves for Own Shares	Other Reserves	Reval. Reserves	Retained Earnings	Profit for the Year	TOTAL
Consolidated net equity as of 31 December 1999	2,160,158	978,414	874,599	732,168	2,466	401,715	832,700	78,332	1,396,995	242.668	168	871.385	8.571.768
Net profit allocation						30,316	204,800		636,338		(70)	(871.385)	(1)
Acquisition of Banca 121	200,312	80,029							1,288			-	281.629
Dividends									(345,797)				(345.797)
Changes in area of consolidation	-	-		(689,624)									(689.624)
Change in reserve for own shares		(45,919)						(45,919)	45,919				(45.919)
Other			(2,135)					2,512	(58,492)	43.060			(15.055)
Revaluation reserve pursuant to Law 342/00										1.937.770			1.937.770
Profit for the year												1.095.324	1.095.324
Consolidated net equity as of 31 December 2000	2,360,470	1,012,524	872,464	42,544	2,466	432,031	1,037,500	34,925	1,676,251	2.223.498	98	1.095.324	10.790.095

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reconciled with comparative statements

	Share Capital	Paid-in Capital	Provision for General Banking Risks	Negative Cons. Diff.	Negative Net Equity Differences	Legal Reserve	Statutory Reserve	Reserve for Own Shares	Other Reserves	Revaluation Reserve	Earnings	Retained Earnings	Total
Balances as of 31/12/1999	2,160,158	978,414	874,599	732,168	2,466	401,715	832,700	78,332	1,396,995	242,668	168	871,385	8,571,768
Acquisition of Banca 121	200,312	80,029											280,341
Change in area of consolidation				(680,358)				262	1,288	543			(678,265)
Balances as of 31 12 99 including Banca 121	2,360,470	1,058,443	874,599	51,810	2,466	401,715	832,700	78,594	1,398,283	243,211	168	871,385	8,173,844
Net profit allocation						30,316	204,800		636,338		(70)	(871,385)	(1)
Dividends									(345,797)			-	(345,797)
Change in reserve for own shares		(45,919)						(43,669)	45,919				(43,669)
Foreign-exchange differences and other changes			(2,135)	(9,266)					(58,492)	42,517			(27,376)
Revaluation reserve pursuant to Law 342/00										1,937,770			1,937,770
Profit for the year												1,095,324	1,095,324
Consolidated net equity as of 31/12/2000	2,360,470	1,012,524	872,464	42,544	2,466	432,031	1,037,500	34,925	1,676,251	2,223,498	98	1,095,324	#####

RECONCILIATION OF PARENT-COMPANY EARNINGS AND NET EQUITY AND CONSOLIDATED EARNINGS AND NET EQUITY

	<u>31/12/2000</u> <i>Shareholders' Equity</i>	<i>Profits and Losses</i>	<u>31/12/1999</u> <i>Shareholders' Equity</i>	<i>Profits and Losses</i>
Balances as reported in parent-company financial statements	10,456,966	766,683	8,002,106	582,235
Effects of line-by-line consolidation of subsidiaries	443,650	339,405	484,028	396,033
Excess of net equity over carrying value for subsidiaries consolidated with net equity method	126,172	40,391	88,348	33,113
Reversal for dividends distributed by subsidiaries	(236,693)	(267,175)	-	(339,904)
Adjustments pursuant to Law 218/90 and Law 461/98	-	216,030	-	198,309
Other consolidation adjustments	-	-	(2,714)	1,599
Total	10,790,095	1,095,334	8,571,768	871,385

NOTES ON DETERMINATION OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 1999 OF THE MPS GROUP INCLUDING BANCA 121

1. Purpose and composition of the comparative consolidated balance sheet and profit and loss statement

The comparative consolidated financial statements as of 31 December 1999 of the MPS Group and Banca 121 have been prepared so as to provide a representation of the effects on historical data were the Group to have had as of 31 December 1999 the corporate configuration and operating framework in place on 31 December 2000. The comparative data have been prepared only for the purpose of allowing a comparison between the consolidated financial statements as of 31 December 2000 and those as of 31 December 1999.

The comparative consolidated financial statements as of 31 December 1999 were realized by aggregating the financial statements of the MPS Group and Banca 121 Group as of said date, with the adjustments made for the consolidation of Banca 121 described hereunder. The adjustments incorporate the most significant changes in the area of consolidation and the most significant transactions taking place through the date of 31 December 2000.

The main changes are summarized as follows:

- The consolidated data of MPS Group have been adjusted to include the consolidated data of Banca 121 which became part of the MPS Group as a result of two transactions: the acquisition of the controlling interest in July 2000 and the subsequent acquisition of a minority interest in November 2000.
- The aggregate values are grossed up by (i) the amount of funding obtained through a share capital increase (inclusive of paid-in capital) that was used for the purchase of the Banca 121 shares with BMPS shares and (ii) the proforma debt sustained for the part of the acquisition which was settled in cash. In assuming the transaction took place on 31 December 1999, no interest was calculated on the debt.
- The difference between the price paid and the value of the portion of the net equity acquired gives rise to a positive consolidation difference, which is later offset against pre-existing negative consolidation differences.

Following is a summary of the main adjustments to the financial statement accounts:

1. The excess of cost over the book value of equity was calculated by considering an investment equal to 93.98 percent of the Banca 121 shares, which is the quota actually held as of 31 December 2000. This excess was considered as retroactive to 31 December 1999, and was used thereafter to offset the pre-existing negative consolidation differences.
2. The portion of the acquisition of the investment in Banca 121 which was settled in cash has been booked to other liabilities. Assuming the acquisition occurred on 31 December 1999, no interest was accrued on the liability balance.
3. For the same reason, in the profit and loss statement, the earnings of Banca 121 were eliminated against the earnings accruing to minority interests, for the portion equal to the dividends distributed to minority interests in 2000, with the remaining portion of Banca 121 earnings eliminated against operating expenses which, in turn, are deemed related to the Banca 121 acquisition.

2. Valuation Criteria

With the assumption of the acquisition taking place on 31 December 1999, no adjustments were needed in order to bring the valuation criteria used by Banca 121 in line with the criteria used by the MPS Group and accordingly the net profit of the comparative consolidated statements is equal to that of the MPS Group prior to the aggregation of Banca 121.

3. Reconciliation of the consolidated data of MPS Group as of 31 December 1999 with the data contained in the comparative consolidated statements as of the same date

The following schedules have been prepared in order to facilitate an analysis of the differences between the consolidated data of the MPS Group as of 31 December 1999, and the comparative consolidated data of the MPS Group and Banca 121 as of the same date:

- Reconciliation of the balance sheet of the MPS Group as of 31 December 1999 with the comparative balance sheet, including Banca 121, as of the same date;
- Reconciliation of the profit and loss statement del MPS Group as of 31 December 1999 with the comparative profit and loss statement, including Banca 121, as of the same date;
- Reconciliation of the shareholders' equity and consolidated earnings of the MPS Group as of 31 December 1999 with the equity and earnings of the MPS Group and Banca 121 as of the same date.

Finally, it is noted that the comparative consolidated data have also been adjusted to reflect the change in the accounting treatment of defined contribution pension funds, which were previously reported in separate accounts.

RECONCILIATION OF THE BALANCE SHEET OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE BALANCE SHEET AS OF THE SAME DATE INCLUDING BANCA 121 AND THE RECLASSIFICATION OF EMPLOYEE PENSION FUNDS

BALANCE SHEET

ASSETS		MPS	Banca 121	Reclassification	Consolidation	Consolidated
		Group		of defined	Effects	Comparative Data
		31/12/1999	31/12/1999	contribution pension funds	Banca 121	31/12/1999
10	Cash and cash on deposit with central banks and post offices	740,768	78,175			818,943
20	Italian government securities & similar instruments eligible for refinancing with central banks	4,794,355	396,889			5,191,244
30	Amounts due from banks	27,563,192	714,499	25,627		28,303,318
	a) sight	7,141,720	324,589	8,498		7,474,807
	b) other	20,421,472	389,910	17,129		20,828,511
40	Customer loans and advances	101,292,247	4,427,979			105,720,226
	including:					
	loans with third-party funds under administration	31,742	2,653			34,395
50	Bonds and other fixed-income securities	26,685,201	1,610,912	57,250		28,353,363
	a) of public issuers	16,858,516	406,131	57,021		17,321,668
	b) of banks	5,641,097	825,908	229		6,467,234
	including: own securities	139,165	161,760			300,925
	c) of financial institutions	1,647,821	254,596			1,902,417
	including: own securities					
	d) of other issuers	2,537,767	124,277			2,662,044
60	Shares, quotas and other equity securities	1,007,672	321,992	3,229		1,332,893
70	Equity investments	1,537,468	11,215			1,548,683
	a) valued with net equity method	60,304	-			60,304
	b) other	1,477,164	11,215			1,488,379
80	Equity investments in Group companies	275,268	569			275,837
	a) valued with net equity method	251,779	569			252,348
	b) other	23,489	-			23,489
90	Positive consolidation differences	1,685,193	311			1,685,504
100	Positive net equity differences	4,770	-			4,770
110	Intangible assets	279,760	116,207			395,967
	including:					
	start-up costs	39,107	24,600			63,707
	goodwill	3,780	6,275			10,055
120	Fixed assets	2,635,359	150,310			2,785,669
	including: assets under financial lease	193,447				193,447
130	Unpaid subscribed capital	-	-			
	including: subscribed capital					
140	Own shares	78,333	262			78,595
150	Other assets	17,070,566	1,214,721	745		18,286,032
160	Accrued income and prepayments	2,790,875	48,808	749		2,840,432
	a) accrued income	2,680,236	38,213	749		2,719,198
	b) prepayments	110,639	10,595			121,234
	including: issuing discounts	1,091	33			1,124
	TOTAL ASSETS	188,441,027	9,092,849	87,600	-	197,621,476

RECONCILIATION OF THE BALANCE SHEET OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE BALANCE SHEET AS OF THE SAME DATE INCLUDING BANCA 121 AND THE RECLASSIFICATION OF EMPLOYEE PENSION FUNDS

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY		MPS	Banca 121	Reclassification of defined contribution pension funds	Consolidation Effects	Consolidated
		Group				Banca 121
		31/12/1999	31/12/1999			31/12/1999
10	Due to banks	36,303,854	330,696			36,634,550
	a) sight	7,952,853	53,052			8,005,905
	b) term	28,351,001	277,644			28,628,645
20	Customer deposits	76,708,910	5,737,311			82,446,221
	a) sight	57,085,450	4,437,579			61,523,029
	b) time or requiring advance notice of withdrawal	19,623,460	1,299,732			20,923,192
30	Other borrowed funds backed by negotiable instruments	43,498,612	1,542,087			45,040,699
	a) bonds	21,827,093	828,632			22,655,725
	b) certificates of deposit	20,547,743	457,809			21,005,552
	c) other instruments	1,123,776	255,646			1,379,422
40	Third-party funds under administration	138,197	9,214			147,411
50	Other liabilities including: proforma effects	11,967,988	462,761	4	867,272	13,298,025
					867,272	867,272
60	Accrued liabilities and deferred income	3,440,471	65,257	10		3,505,738
	a) accrued liabilities	3,162,767	46,944	10		3,209,721
	b) deferred income	277,704	18,313			296,017
70	Staff severance indemnity reserve	816,598	49,602			866,200
80	Reserves for risks and other charges:	2,795,405	61,316	87,586		2,944,307
	a) pension fund and similar obligations	609,386	-	87,586		696,972
	b) reserve for taxes	1,302,324	25,001			1,327,325
	c) consolidation reserve for risks and future charges					
	d) other reserves	883,695	36,315			920,010
90	Reserve for loan losses	497,568	55			497,623
100	Reserve for general banking risks	874,599	-			874,599
110	Subordinated debt	2,214,816	295,220			2,510,036
120	Negative consolidation differences	732,168	130		(680,488)	51,810
130	Negative net equity differences	2,466	-			2,466
140	Minority interests	1,486,840	2,520		67,461	1,556,821
150	Share capital	2,160,158	81,594		118,718	2,360,470
160	Paid-in capital	978,414	144,582		(64,552)	1,058,444
170	Reserves:	2,709,742	229,186		(227,636)	2,711,292
	a) legal reserve	401,715	34,007		(34,007)	401,715
	b) reserve for own shares or quotas	78,332	262			78,594
	c) statutory reserves	832,700	95,587		(95,587)	832,700
	d) other reserves	1,396,995	99,330		(98,042)	1,398,283
180	Revaluation reserves	242,668	9,028		(8,485)	243,211
190	Retained earnings	168				168
200	Profit (loss) for the year	871,385	72,290		(72,290)	871,385
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	188,441,027	9,092,849	87,600	-	197,621,476

RECONCILIATION OF THE GUARANTEES AND COMMITMENTS OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE GUARANTEES AND COMMITMENTS AS OF THE SAME DATE INCLUDING BANCA 121 AND THE RECLASSIFICATION OF EMPLOYEE PENSION FUNDS

Guarantees and Commitments

Account		MPS Group	Banca 121	Reclassification of defined contribution pension funds	Consolidation Effects Banca 121	Consolidated Comparative Data
		31/12/1999	31/12/1999			31/12/1999
10	Guarantees released including:	11,892,335	579,068			12,471,403
	acceptances	299,102	-			299,102
	other guarantees	11,593,233	579,068			12,172,301
20	Commitments including:	31,959,247	852,613			32,811,860
	commitments to sell with the obligation to repurchase					

RECONCILIATION OF THE PROFIT AND LOSS STATEMENT OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE PROFIT AND LOSS STATEMENT AS OF THE SAME DATE INCLUDING BANCA 121 AND THE RECLASSIFICATION OF EMPLOYEE PENSION FUNDS

PROFIT AND LOSS STATEMENT

Account		MPS Group	Banca 121	Reclassification of defined contribution pension funds	Consolidation Effects Banca 121	Consolidated Comparative Data
		31/12/1999	31/12/1999			31/12/1999
10	Interest and similar income including:	8,606,547	277,101			8,883,648
	on customer loans and advances	5,660,507	177,448			5,837,955
	on debt securities	1,598,011	51,586			1,649,597
20	Interest expense and other expense on borrowed funds including:	4,819,807	153,311			4,973,118
	on customer deposits	1,382,643	48,938			1,431,581
	on other borrowed funds backed by negotiable instruments	1,876,902	71,979			1,948,881
20	Dividends and other income	153,044	3,932			156,976
	a) on shares, quotas and other equity securities	2,887	3,081			5,968
	b) on equity investments	150,157	851			151,008
	c) on equity investments in Group companies	-	-			-
40	Commissions earned	2,861,773	223,102			3,084,875
50	Commission expense	202,823	43,996			246,819
60	Profits (losses) from financial transactions	105,026	160,752			265,778
65	Revenues on investments of pension and similar funds	-	-	4,966		4,966
70	Other operating income	845,249	37,885			883,134
80	Administrative expenses	4,582,226	312,107			4,894,333
	a) personnel expense including:	2,982,231	162,336			3,144,567
	wages and salaries	2,069,666	120,920			2,190,586
	social-welfare charges	609,355	29,519			638,874
	staff severance indemnity reserve	144,677	8,125			152,802
	pension fund and similar obligations	89,352	3,772			93,124
	b) other administrative expenses	1,599,995	149,771			1,749,766
85	Provisions for income on investment of pension and similar funds	-	-	4,966		4,966
90	Valuation adjustments to fixed and intangible assets	517,735	60,366			578,101
100	Provisions for risks and charges	215,877	34,343			250,220
110	Other operating expenses	57,734	-		34,299	92,033
120	Valuation adjustments to loans and provisions for guarantees	1,346,116	42,976			1,389,092
130	Recoveries on loans & provisions for per guarantees and commitments	629,165	10,382			639,547
140	Provisions to loan loss reserves	43,041	35			43,076
150	Valuation adjustments to non-current financial assets	32,937	719			33,656
160	Recoveries of value on non-current financial assets	2,035				2,035
170	Profit (loss) of companies valued with net equity method	29,857	(41)			29,816
180	Profit (loss) from ordinary operations	1,414,400	65,260	-	(34,299)	1,445,361
190	Extraordinary income	1,142,488	29,144			1,171,632
200	Extraordinary charges	335,521	23,704			359,225
210	Extraordinary profit (loss)	806,967	5,440	-	-	812,407
230	Change in reserve for general banking risks	(303,696)	15,711			(287,985)
240	Income taxes	929,304	14,029			943,333
250	Minority interests	116,982	92		37,991	155,065
260	Profit (loss) for the year	871,385	72,290	-	(72,290)	871,385

**RECONCILIATION OF THE NET EQUITY AND CONSOLIDATED EARNINGS OF THE
MPS GROUP AS OF 31 DECEMBER 1999 OF THE MPS GROUP WITH THE NET
EQUITY AND CONSOLIDATED EARNINGS OF BANCA 121**

(in ITL mm)

	Shareholders' Equity	Profit for the Period
MPS Group	8,571,768	871,385
Banca 121	536,810	72,290
Aggregate	9,108,578	943,675
Elimination of the investment	(1,148,902)	-
Effects of acquisition of Banca 121 on financial position and earnings	281,630	(34,299)
Positive consolidation difference realized on consolidation of Banca 121	680,358	-
Offsetting of positive consolidation difference realized on consolidation of Banca 121	(680,358)	-
Equity and earnings of minority interests in Banca 121	(67,461)	(37,991)
MPS Group - Banca 121	8,173,845	871,385

RECONCILIATION OF THE COMPARATIVE BALANCE SHEET OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE PROFORMA BALANCE SHEET AS OF THE SAME DATE, INCLUDING THE CHANGE IN THE CRITERIA FOR THE VALUATION OF THE TRADING PORTFOLIO

BALANCE SHEET

ASSETS	Consolidated Comparative Data 31/12/1999	Effect of Change in Criteria for Valuation of Trading Securities	Proforma Consolidated Data 31/12/1999
10 Cash and cash on deposit with central banks and post offices	818,943		818,943
20 Italian government securities & similar instruments eligible for refinancing with central banks	5,191,244	85,027	5,276,271
30 Amounts due from banks	28,303,318		28,303,318
a) sight	7,474,807		7,474,807
b) other	20,828,511		20,828,511
40 Customer loans and advances	105,720,226		105,720,226
including:			
loans with third-party funds under administration	34,395		34,395
50 Bonds and other debt securities	28,353,363	180,507	28,533,870
a) of public issuers	17,321,668	164,033	17,485,701
b) of banks	6,467,234	7,669	6,474,903
including: own securities	300,925		300,925
c) of financial institutions	1,902,417	395	1,902,812
including: own securities			
d) of other issuers	2,662,044	8,410	2,670,454
60 Shares, quotas and other equity securities	1,332,893	90,118	1,423,011
70 Equity investments	1,548,683		1,548,683
a) valued with net equity method	60,304		60,304
b) other	1,488,379		1,488,379
80 Equity investments in Group companies	275,837		275,837
a) valued with net equity method	252,348		252,348
b) other	23,489		23,489
90 Positive consolidation differences	1,685,504		1,685,504
100 Positive net equity differences	4,770		4,770
110 Intangible assets	395,967	(5,875)	390,092
including:			
start-up costs	63,707		63,707
goodwill	10,055	(5,875)	4,180
120 Fixed assets	2,785,669		2,785,669
including: assets under financial lease	193,447		193,447
130 Unpaid subscribed capital			
including: subscribed capital			
140 Own shares	78,595		78,595
150 Other assets	18,286,032	110,281	18,396,313
160 Accrued income and prepayments	2,840,432		2,840,432
a) accrued income	2,719,198		2,719,198
b) prepayments	121,234		121,234
including: issuing discounts	1,124		1,124
TOTAL ASSETS	197,621,476	460,058	198,081,534

RECONCILIATION OF THE COMPARATIVE BALANCE SHEET OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE PROFORMA BALANCE SHEET AS OF THE SAME DATE, INCLUDING THE CHANGE IN THE CRITERIA FOR THE VALUATION OF THE TRADING PORTFOLIO

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY	Consolidated Comparative Data 31/12/1999	Effect of Change in Criteria for Valuation of Trading Securities	Proforma Consolidated Data 31/12/1999
10 Due to banks	36,634,550		36,634,550
a) sight	8,005,905		8,005,905
b) term	28,628,645		28,628,645
20 Customer deposits	82,446,221		82,446,221
a) sight	61,523,029		61,523,029
b) time or requiring advance notice of withdrawal	20,923,192		20,923,192
30 Other borrowed funds backed by negotiable instruments	45,040,699		45,040,699
a) bonds	22,655,725		22,655,725
b) certificates of deposit	21,005,552		21,005,552
c) other instruments	1,379,422		1,379,422
40 Third-party funds under administration	147,411		147,411
50 Other liabilities	13,298,025	251,720	13,549,745
including: proforma effects	867,272		867,272
60 Accrued liabilities and deferred income	3,505,738		3,505,738
a) accrued liabilities	3,209,721		3,209,721
b) deferred income	296,017		296,017
70 Staff severance indemnity reserve	866,200		866,200
80 Reserves for risks and other charges:	2,944,307	90,636	3,034,943
a) pension fund and similar obligations	696,972		696,972
b) reserve for taxes	1,327,325	90,636	1,417,961
c) consolidation reserve for risks and future charges			
d) other reserves	920,010		920,010
90 Reserve for loan losses	497,623		497,623
100 Reserve for general banking risks	874,599		874,599
110 Subordinated debt	2,510,036		2,510,036
120 Negative consolidation differences	51,810		51,810
130 Negative net equity differences	2,466		2,466
140 Minority interests	1,556,821		1,556,821
150 Share capital	2,360,470		2,360,470
160 Paid-in capital	1,058,444		1,058,444
170 Reserves:	2,711,292		2,711,292
a) legal reserve	401,715		401,715
b) reserve for own shares or quotas	78,594		78,594
c) statutory reserves	832,700		832,700
d) other reserves	1,398,283		1,398,283
180 Revaluation reserves	243,211		243,211
190 Retained earnings	168	289,007	289,175
200 Profit (loss) for the year	871,385	(171,305)	700,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	197,621,476	460,058	198,081,534

RECONCILIATION OF THE COMPARATIVE BALANCE SHEET OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE PROFORMA BALANCE SHEET AS OF THE SAME DATE, INCLUDING THE CHANGE IN THE CRITERIA FOR THE VALUATION OF THE TRADING PORTFOLIO

Guarantees and Commitments

Account	Consolidated Comparative Data 31/12/1999	Effect of Change in Criteria for Valuation of Trading Securities	Proforma Consolidated Data 31/12/1999
10 Guarantees released including: acceptances other guarantees	12,471,403 299,102 12,172,301		12,471,403 299,102 12,172,301
20 Commitments including: commitments to sell with the obligation to repurchase	32,811,860		32,811,860

RECONCILIATION OF THE COMPARATIVE PROFIT AND LOSS STATEMENT OF THE MPS GROUP AS OF 31 DECEMBER 1999 WITH THE PROFORMA PROFIT AND LOSS STATEMENT AS OF THE SAME DATE, INCLUDING THE CHANGE IN THE CRITERIA FOR THE VALUATION OF THE TRADING PORTFOLIO

PROFIT AND LOSS STATEMENT

Account	Consolidated Comparative Data 31/12/1999	Effect of Change in Criteria for Valuation of Trading Securities	Proforma Consolidated Data 31/12/1999
10 Interest and similar income	8,883,648		8,883,648
including:			
on customer loans and advances	5,837,955		5,837,955
on debt securities	1,649,597		1,649,597
20 Interest expense and other expense on borrowed funds	4,973,118		4,973,118
including:			
on customer deposits	1,431,581		1,431,581
on other borrowed funds backed by negotiable instruments	1,948,881		1,948,881
30 Dividends and other income	156,976		156,976
a) on shares, quotas and other equity securities	5,968		5,968
b) on equity investments	151,008		151,008
c) on equity investments in Group companies			
40 Commissions earned	3,084,875		3,084,875
50 Commission expense	246,819		246,819
60 Profits (losses) from financial transactions	265,778	(295,696)	(29,918)
65 Revenues on investments of pension and similar funds	4,966		4,966
70 Other operating income	883,134		883,134
80 Administrative expenses	4,894,333		4,894,333
a) personnel expense	3,144,567		3,144,567
including:			
wages and salaries	2,190,586		2,190,586
social-welfare charges	638,874		638,874
staff severance indemnity reserve	152,802		152,802
pension fund and similar obligations	93,124		93,124
b) other administrative expenses	1,749,766		1,749,766
85 Provisions for income on investment of pension and similar funds	4,966		4,966
90 Valuation adjustments to fixed and intangible assets	578,101	1,175	579,276
100 Provisions for risks and charges	250,220		250,220
110 Other operating expenses	92,033		92,033
120 Valuation adjustments to loans and provisions for guarantees	1,389,092		1,389,092
130 Recoveries on loans and provisions for guarantees and commitments	639,547		639,547
140 Provisions to loan loss reserve	43,076		43,076
150 Valuation adjustments to non-current financial assets	33,656		33,656
160 Recoveries of value on non-current financial assets	2,035		2,035
170 Profit (loss) of companies valued with net equity method	29,816		29,816
180 Profit (loss) from ordinary operations	1,445,361	(296,871)	1,148,490
190 Extraordinary income	1,171,632		1,171,632
200 Extraordinary charges	359,225		359,225
210 Extraordinary profit (loss)	812,407	-	812,407
230 Change in reserve for general banking risks	(287,985)		(287,985)
240 Income taxes	(943,333)	125,566	(817,767)
250 Minority interests	155,065		155,065
260 Profit (loss) for the year	871,385	(171,305)	700,080

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

31/12/2000

31/12/1999

SOURCES OF FUNDS:		
Net profit for the period	1,095,324	871,385
Provision for general banking risks	539	303,696
Provision for staff severance indemnity reserve	157,638	151,803
Provision for pension fund	198,112	147,922
Provisions for loan losses	86,540	43,172
Other non-cash charges to profit and loss statement	2,438,115	340,438
Funds generated from operations	3,976,268	1,858,416
Increases:		
Customer deposits	8,465,446	13,956,778
Other borrowed funds backed by negotiable instruments	1,467,162	4,673,514
Reserve for taxes	647,465	(91,393)
Other reserves	131,441	221,984
Other liabilities	228,529	129,351
Subordinated debt	965,088	1,429,275
Decreases:		
Positive consolidation and net equity differences	129,615	(67,528)
Other assets	1,577,834	(4,307,313)
TOTAL SOURCES OF FUNDS	17,588,848	17,803,084
USES OF FUNDS		
Payment of dividends	345,797	150,815
Payment of staff severance indemnities	159,596	494,473
Payment of pension benefits	58,176	35,547
Use of reserve for loan losses	22,903	30,966
Change in the reserve for general banking risks	2,674	15,740
Other changes in balance sheet accounts	271,719	(136,278)
Increases:		
Cash and cash on demand	98,789	154,958
Equity investments	1,800,809	202,476
Fixed assets	1,714,055	139,970
Own shares	(43,670)	(58,067)
Accrued income and prepayments	85,313	380,996
Decreases:		
Due to banks	2,210,648	3,012,499
Third-party funds under administration	17,522	46
Accrued liabilities and deferred income	365,967	(923,340)
Minority interests	31,498	(31,209)
TOTAL USES OF FUNDS	7,141,796	3,469,592
Difference	10,447,052	14,333,492
CHANGES IN INTEREST-BEARING USES OF FUNDS		
Increases:		
Customer loans and advances	12,299,194	15,774,645
Amounts due from banks	2,425,473	(738,688)
Securities and certificates of deposit	(4,277,615)	(702,465)
Total	10,447,052	14,333,492

**PROFORMA CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2000 AND 1999**

BALANCE SHEET

ASSETS		31/12/2000	31/12/1999	<i>Absolute and Percentage Changes</i>	
10	Cash and cash on deposit with central banks and post offices			98,789	12,06
		917,732	818,943		
20	Italian government securities and similar instruments eligible for refinancing with central banks	3,801,747	5,276,271	(1,474,524)	(27,95)
30	Amounts due from banks	30,728,791	28,303,318	2,425,473	8,57
	<i>a) sight</i>	5,699,517	7,474,807	(1,775,290)	(23,75)
	<i>b) other</i>	25,029,274	20,828,511	4,200,763	20,17
40	Customer loans and advances	118,019,420	105,720,226	12,299,194	11,63
	<i>including:</i>				
	<i>loans with third-party funds under administration</i>	40,447	34,395	6,052	17,60
50	Bonds and other fixed-income securities	25,190,537	28,533,950	(3,343,413)	(11,72)
	<i>a) of public issuers</i>	13,762,861	17,485,781	(3,722,920)	(21,29)
	<i>b) of banks</i>	6,272,651	6,474,903	(202,252)	(3,12)
	<i>- including: own securities</i>	1,230,923	300,925	929,998	309,05
	<i>c) of financial institutions</i>	2,587,392	1,902,812	684,580	35,98
	<i>- including: own securities</i>	-	-		
	<i>d) of other issuers</i>	2,567,633	2,670,454	(102,821)	(3,85)
60	Shares, quotas and other equity securities	1,607,601	1,423,039	184,562	12,97
70	Equity investments	3,316,759	1,548,683	1,768,076	114,17
	<i>a) valued with net equity method</i>	71,700	60,304	11,396	18,90
	<i>b) other</i>	3,245,059	1,488,379	1,756,680	118,03
80	Equity investments in Group companies	308,570	275,837	32,733	11,87
	<i>a) valued with net equity method</i>	298,791	252,348	46,443	18,40
	<i>b) other</i>	9,779	23,489	(13,710)	-
90	Positive consolidation differences	1,556,898	1,685,504	(128,606)	(7,63)
100	Positive net equity differences	3,761	4,770	(1,009)	(21,15)
110	Intangible assets	690,726	390,092	300,634	77,07
	<i>including:</i>				
	<i>- start-up costs</i>	64,763	63,707	1,056	1,66
	<i>- goodwill</i>	60,450	4,180	56,270	
120	Fixed assets	3,907,427	2,785,669	1,121,758	40,27
	<i>including: assets under financial lease</i>	338,972	193,447	145,525	75,23
130	Unpaid subscribed capital				
	<i>including: called-up capital</i>				
140	Own shares	34,925	78,595	(43,670)	(55,56)
	<i>(nominal value 14554)</i>				
150	Other assets	16,708,198	18,396,313	(1,688,115)	(9,18)
160	Accrued income and prepayments	2,925,745	2,840,432	85,313	3,00
	<i>a) accrued income</i>	2,792,642	2,719,198	73,444	2,70
	<i>b) prepayments</i>	133,103	121,234	11,869	9,79
	<i>including: issuing discounts</i>	30,598	1,124	29,474	2.704,6
	TOTAL ASSETS	209,718,837	198,081,642	11,637,195	5,87

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2000	31/12/1999	<i>Absolute and Percentage Changes</i>	
10	Due to banks	34,423,902	36,634,550	(2,210,648)	(6,03)
	<i>a) sight</i>	1,339,308	8,005,905	(6,666,597)	(83,27)
	<i>b) time or requiring advance notice of withdrawal</i>	33,084,594	28,628,645	4,455,949	15,56
20	Customer deposits	90,911,667	82,446,221	8,465,446	10,27
	<i>a) sight</i>	68,066,767	61,523,029	6,543,738	10,64
	<i>b) time or requiring advance notice of withdrawal</i>	22,844,900	20,923,192	1,921,708	9,18
30	Other borrowed funds backed by negotiable instruments	46,507,861	45,040,699	1,467,162	3,26
	<i>a) bonds</i>	28,263,083	22,655,725	5,607,358	24,75
	<i>b) certificates of deposit</i>	16,453,145	21,005,552	(4,552,407)	(21,67)
	<i>c) other instruments</i>	1,791,633	1,379,422	412,211	29,88
40	Third-party funds under administration	129,889	147,411	(17,522)	(11,89)
50	Other liabilities	13,526,554	13,549,745	(23,191)	(0,17)
60	Accrued liabilities and deferred income	3,139,771	3,505,738	(365,967)	(10,44)
	<i>a) accrued liabilities</i>	2,749,307	3,209,721	(460,414)	(14,34)
	<i>b) deferred income</i>	390,464	296,017	94,447	31,91
70	Staff severance indemnity reserve	864,242	866,200	(1,958)	(0,23)
80	Reserves for risks and other charges:	3,863,149	3,034,989	828,160	27,29
	<i>a) pension fund and similar obligations</i>	836,908	696,972	139,936	20,08
	<i>b) reserve for taxes</i>	1,974,790	1,418,007	556,783	39,27
	<i>c) consolidation reserve for risks and future charges</i>	-	-	-	-
	<i>d) other reserves</i>	1,051,451	920,010	131,441	14,29
90	Reserve for loan losses	561,260	497,623	63,637	12,79
100	Reserve for general banking risks	872,464	874,599	(2,135)	(0,24)
110	Subordinated debt	3,475,124	2,510,036	965,088	38,45
120	Negative consolidation differences	42,544	51,810	(9,266)	(17,88)
130	Negative net equity differences	2,466	2,466	-	-
140	Minority interests	1,525,323	1,556,821	(31,498)	(2,02)
150	Share capital	2,360,470	2,360,470	-	-
160	Paid-in capital	1,012,524	1,058,444	(45,920)	-
170	Reserves:	3,180,707	2,711,292	469,415	17,31
	<i>a) legal reserve</i>	432,031	401,715	30,316	7,55
	<i>b) reserve for own shares or quotas</i>	34,925	78,594	(43,669)	(55,56)
	<i>c) statutory reserves</i>	1,037,500	832,700	204,800	24,59
	<i>d) other reserves</i>	1,676,251	1,398,283	277,968	19,88
180	Revaluation reserves	2,223,498	243,211	1,980,287	814,23
190	Retained earnings	98	289,280	(289,182)	(99,97)
200	Profit (loss) for the year	1,095,324	700,037	395,287	56,47
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	209,718,837	198,081,642	11,637,195	5,87

Account		31/12/2000	31/12/1999	Absolute and Percentage Changes	
10	Guarantees released	14,592,532	12,471,403	2,121,129	17,01
	<i>including:</i>				
	<i>acceptances</i>	359,799	299,102	60,697	20,29
	<i>other guarantees</i>	14,232,733	12,172,301	2,060,432	16,93
20	Commitments	41,212,455	32,811,860	8,400,595	25,60
	<i>including:</i>				
	<i>commitments to sell with the obligation to repurchase</i>	55,470	-	55,470	

PROFIT AND LOSS STATEMENT

Account		31/12/2000	31/12/1999	Absolute and Percentage Changes	
10	Interest and similar income	10,127,618	8,883,648	1,243,970	14,00
	<i>including:</i>				
	- on customer loans and advances	7,244,168	5,837,955	1,406,213	24,09
	- on debt securities	1,412,641	1,649,597	(236,956)	(14,36)
20	Interest expense and other expense on borrowed funds	6,134,309	4,973,118	1,161,191	23,35
	<i>including:</i>				
	- on customer deposits	2,324,917	1,431,581	893,336	62,40
	- on other borrowed funds backed by negotiable instruments	1,985,882	1,948,881	37,001	1,90
30	Dividends and other income	268,738	156,976	111,762	71,20
	a) on shares, quotas and other equity securities	96,858	5,968	90,890	#####
	b) on equity investments	171,880	151,008	20,872	13,82
	c) on equity investments in Group companies	-	-	-	
40	Commissions earned	3,660,369	3,084,875	575,494	18,66
50	Commission expense	358,839	246,819	112,020	45,39
60	Profit (loss) on financial transactions	464,574	(29,992)	494,566	
65	Income on investment of pension and similar funds	15,780	4,966	10,814	#####
70	Other operating income	1,010,324	883,134	127,190	14,40
80	Administrative expenses	5,199,566	4,894,333	305,233	6,24
	a) personnel expense	3,237,450	3,144,567	92,883	2,95
	<i>including:</i>				
	- wages and salaries	2,284,055	2,190,586	93,469	4,27
	- social-welfare charges	654,398	638,874	15,524	2,43
	- staff severance indemnity reserve	155,999	152,802	3,197	2,09
	- pension fund and similar obligations	66,053	93,124	(27,071)	(29,07)
	b) other administrative expenses	1,962,116	1,749,766	212,350	12,14
85	Provisions for income on investment of pension and similar funds	24,189	4,966	19,223	#####
90	Valuation adjustments to fixed and intangible assets	597,148	579,276	17,872	3,09
100	Provisions for risks and charges	207,888	250,220	(42,332)	(16,92)
110	Other operating expenses	72,539	92,033	(19,494)	(21,18)
120	Valuation adjustments to loans & provisions for guarantees and commitments	1,270,757	1,389,092	(118,335)	(8,52)
130	Recoveries on loans & provisions for guarantees and commitments	550,993	639,547	(88,554)	(13,85)
140	Provisions to loan loss reserve	79,202	43,076	36,126	83,87
150	Valuation adjustments to non-current financial assets	7,891	33,656	(25,765)	(76,55)
160	Recoveries on non-current financial assets	12,135	2,035	10,100	#####
170	Profit (loss) on investments value with net equity method	59,947	29,816	30,131	#####
180	Profit (loss) from ordinary operations	2,218,150	1,148,416	1,069,734	93,15
190	Extraordinary income	533,941	1,171,632	(637,691)	(54,43)
200	Extraordinary charges	227,934	359,225	(131,291)	(36,55)
210	Extraordinary profit (loss)	306,007	812,407	(506,400)	(62,33)
220	Use of the consolidation reserve for risks and future charges	-	-	-	
230	Change in reserve for general banking risks	3,188	(287,985)	291,173	
240	Income taxes	(1,269,675)	(817,736)	(451,939)	55,27
250	Minority interests	162,346	155,065	7,281	4,70
260	Profit (loss) for the year	1,095,324	700,037	395,287	56,47

COMPARATIVE SCHEDULES

The schedules in this section provide a comparison between the financial statements as of 31 December 2000 and the financial statements as of 31 December 1999, without taking into account (i) the adjustments required as a result of the acquisition of Banca 121 and (ii) the changes resulting from the change in the criteria for the valuation of the trading portfolio. The comparative data for the year of 1999 are essentially those approved by the Board of Directors.

BALANCE SHEET

ASSETS		31/12/2000	31/12/1999	<i>Absolute and Percentage Changes</i>		
10	Cash and cash on deposit with central banks and post offices		917,732	740,768	176,964	23,89
20	Italian government securities and similar instruments eligible for refinancing with central banks		3,801,747	4,794,355	(992,608)	(20,70)
30	Amounts due from banks		30,728,791	27,563,192	3,165,599	11,48
	<i>a) sight</i>	5,699,517		7,141,720	(1,442,203)	(20,19)
	<i>b) other</i>	25,029,274		20,421,472	4,607,802	22,56
40	Customer loans and advances		118,019,420	101,292,247	16,727,173	16,51
	<i>including:</i>					
	<i>loans with third-party funds under administration</i>	40,447		31,742	8,705	27,42
50	Bonds and other fixed-income securities		25,190,537	26,685,201	(1,494,664)	(5,60)
	<i>a) of public issuers</i>	13,762,861		16,858,516	(3,095,655)	(18,36)
	<i>b) of banks</i>	6,272,651		5,641,097	631,554	11,20
	- <i>including: own securities</i>	1,230,923		139,165	1,091,758	784,51
	<i>c) of financial institutions</i>	2,587,392		1,647,821	939,571	57,02
	- <i>including: own securities</i>	-		-		
	<i>d) of other issuers</i>	2,567,633		2,537,767	29,866	1,18
60	Shares, quotas and other equity securities		1,607,601	1,007,672	599,929	59,54
70	Equity investments		3,316,759	1,537,468	1,779,291	115,73
	<i>a) valued with net equity method</i>	71,700		60,304	11,396	18,90
	<i>b) other</i>	3,245,059		1,477,164	1,767,895	119,68
80	Equity investments in Group companies		308,570	275,268	33,302	12,10
	<i>a) valued with net equity method</i>	298,791		251,779	47,012	18,67
	<i>b) other</i>	9,779		23,489	(13,710)	-
90	Positive consolidation differences		1,556,898	1,685,193	(128,295)	(7,61)
100	Positive net equity differences		3,761	4,770	(1,009)	(21,15)
110	Intangible assets		690,726	279,760	410,966	146,90
	<i>including:</i>					
	- <i>start-up costs</i>	64,763		39,107	25,656	65,60
	- <i>goodwill</i>	60,450		3,780	56,670	
120	Fixed assets		3,907,427	2,635,359	1,272,068	48,27
	<i>including: assets under financial lease</i>	338,972		193,447	145,525	75,23
130	Unpaid subscribed capital					
	<i>including: called-up capital</i>					
140	Own shares		34,925	78,333	(43,408)	(55,41)
	<i>(nominal value 14554)</i>					
150	Other assets		16,708,198	17,070,566	(362,368)	(2,12)
160	Accrued income and prepayments		2,925,745	2,790,875	134,870	4,83
	<i>a) accrued income</i>	2,792,642		2,680,236	112,406	4,19
	<i>b) prepayments</i>	133,103		110,639	22,464	20,30
	<i>including: issuing discounts</i>	30,598		1,091	29,507	#####
TOTAL ASSETS			209,718,837	188,441,027	21,277,810	11,29

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2000	31/12/1999	<i>Absolute and Percentage Changes</i>	
10	Due to banks	34,423,902	36,303,854	(1,879,952)	(5,18)
	<i>a) sight</i>	1,339,308	7,952,853	(6,613,545)	(83,16)
	<i>b) time or requiring advance notice of withdrawal</i>	33,084,594	28,351,001	4,733,593	16,70
20	Customer deposits	90,911,667	76,708,910	14,202,757	18,52
	<i>a) sight</i>	68,066,767	57,085,450	10,981,317	19,24
	<i>b) time or requiring advance notice of withdrawal</i>	22,844,900	19,623,460	3,221,440	16,42
30	Other borrowed funds backed by negotiable instruments	46,507,861	43,498,612	3,009,249	6,92
	<i>a) bonds</i>	28,263,083	21,827,093	6,435,990	29,49
	<i>b) certificates of deposit</i>	16,453,145	20,547,743	(4,094,598)	(19,93)
	<i>c) other instruments</i>	1,791,633	1,123,776	667,857	59,43
40	Third-party funds under administration	129,889	138,197	(8,308)	(6,01)
50	Other liabilities	13,526,554	11,967,988	1,558,566	13,02
60	Accrued liabilities and deferred income	3,139,771	3,440,471	(300,700)	(8,74)
	<i>a) accrued liabilities</i>	2,749,307	3,162,767	(413,460)	(13,07)
	<i>b) deferred income</i>	390,464	277,704	112,760	40,60
70	Staff severance indemnity reserve	864,242	816,598	47,644	5,83
80	Reserves for risks and other charges:	3,863,149	2,795,405	1,067,744	38,20
	<i>a) pension fund and similar obligations</i>	836,908	609,386	227,522	37,34
	<i>b) reserve for taxes</i>	1,974,790	1,302,324	672,466	51,64
	<i>c) consolidation reserve for risks and future charges</i>	-	-		
	<i>d) other reserves</i>	1,051,451	883,695	167,756	18,98
90	Reserve for loan losses	561,260	497,568	63,692	12,80
100	Reserve for general banking risks	872,464	874,599	(2,135)	(0,24)
110	Subordinated debt	3,475,124	2,214,816	1,260,308	56,90
120	Negative consolidation differences	42,544	732,168	(689,624)	(94,19)
130	Negative net equity differences	2,466	2,466	-	-
140	Minority interests	1,525,323	1,486,840	38,483	2,59
150	Share capital	2,360,470	2,160,158	200,312	
160	Paid-in capital	1,012,524	978,414	34,110	
170	Reserves:	3,180,707	2,709,742	470,965	17,38
	<i>a) legal reserve</i>	432,031	401,715	30,316	7,55
	<i>b) reserve for own shares or quotas</i>	34,925	78,332	(43,407)	(55,41)
	<i>c) statutory reserves</i>	1,037,500	832,700	204,800	24,59
	<i>d) other reserves</i>	1,676,251	1,396,995	279,256	19,99
180	Revaluation reserves	2,223,498	242,668	1,980,830	816,27
190	Retained earnings	98	168	(70)	(41,67)
200	Profit (loss) for the year	1,095,324	871,385	223,939	25,70
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	209,718,837	188,441,027	21,277,810	11,29

Account		31/12/2000	31/12/1999	<i>Absolute and Percentage Changes</i>	
10	Guarantees released	14,592,532	11,892,335	2,700,197	22,71
	<i>including:</i>				
	<i>acceptances</i>	359,799	299,102	60,697	20,29
	<i>other guarantees</i>	14,232,733	11,593,233	2,639,500	22,77
20	Commitments	41,212,455	31,959,247	9,253,208	28,95
	<i>including:</i>				
	<i>commitments to sell with the obligation to repurchase</i>	55,470	-	55,470	

PROFIT AND LOSS STATEMENT

Account	31/12/2000	31/12/1999	Absolute and Percentage Changes	
10 Interest and similar income	10,127,618	8,606,547	1,521,071	17,67
<i>including:</i>				
- on customer loans and advances	7,244,168	5,660,507	1,583,661	27,98
- on debt securities	1,412,641	1,598,011	(185,370)	(11,60)
20 Interest expense and other expense on borrowed funds	6,134,309	4,819,807	1,314,502	27,27
<i>including:</i>				
- on customer deposits	2,324,917	1,382,643	942,274	68,15
- on other borrowed funds backed by negotiable instruments	1,985,882	1,876,902	108,980	5,81
30 Dividends and other income	268,738	153,044	115,694	75,60
a) on shares, quotas and other equity securities	96,858	2,887	93,971	#####
b) on equity investments	171,880	150,157	21,723	14,47
c) on equity investments in Group companies	-	-	-	
40 Commissions earned	3,660,369	2,861,773	798,596	27,91
50 Commission expense	358,839	202,823	156,016	76,92
60 Profit (loss) on financial transactions	464,574	105,026	359,548	#####
65 Income on investment of pension and similar funds	15,780	-		
70 Other operating income	1,010,324	845,249	165,075	19,53
80 Administrative expenses	5,199,566	4,582,226	617,340	13,47
a) personnel expense	3,237,450	2,982,231	255,219	8,56
<i>including:</i>				
- wages and salaries	2,284,055	2,069,666	214,389	10,36
- social-welfare charges	654,398	609,355	45,043	7,39
- staff severance indemnity reserve	155,999	144,677	11,322	7,83
- pension fund and similar obligations	66,053	89,352	(23,299)	(26,08)
b) other administrative expenses	1,962,116	1,599,995	362,121	22,63
85 Provisions for income on investment of pension and similar funds	24,189			
90 Valuation adjustments to fixed and intangible assets	597,148	517,735	79,413	15,34
100 Provisions for risks and charges	207,888	215,877	(7,989)	(3,70)
110 Other operating expenses	72,539	57,734	14,805	25,64
120 Valuation adjustments to loans & provisions for guarantees and commitments	1,270,757	1,346,116	(75,359)	(5,60)
130 Recoveries on loans & provisions for guarantees and commitments	550,993	629,165	(78,172)	(12,42)
140 Provisions to loan loss reserve	79,202	43,041	36,161	84,02
150 Valuation adjustments to non-current financial assets	7,891	32,937	(25,046)	(76,04)
160 Recoveries on non-current financial assets	12,135	2,035	10,100	#####
170 Profit (loss) on investments value with net equity method	59,947	29,857	30,090	#####
180 Profit (loss) from ordinary operations	2,218,150	1,414,400	803,750	56,83
190 Extraordinary income	533,941	1,142,488	(608,547)	(53,27)
200 Extraordinary charges	227,934	335,521	(107,587)	(32,07)
210 Extraordinary profit (loss)	306,007	806,967	(500,960)	(62,08)
220 Use of the consolidation reserve for risks and future charges	-	-	-	
230 Change in reserve for general banking risks	3,188	(303,696)	306,884	#####
240 Income taxes	(1,269,675)	(929,304)	(340,371)	36,63
250 Minority interests	162,346	116,982	45,364	38,78
260 Profit (loss) for the year	1,095,324	871,385	223,939	25,70