



**MONTE
DEI PASCHI
DI SIENA GROUP**

Quarterly Report as of 30 September 2000

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

Siena, 14 November 2000

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Notes to the Financial Statements

The quarterly report of the Monte dei Paschi di Siena Group as of 30 September 2000 has been prepared in accordance with the CONSOB Resolution No. 11971 of 14 May 1999.

The balance sheet and the profit and loss statement as of 30 September 2000 have been reclassified using the same format and valuation criteria used in the preparation of the annual report for the previous year, with the exception of "Internal, defined contribution pension funds" whose balances, which were previously presented in separate account statements, are now included in the balance sheet and in the profit and loss statement in accordance with the rules indicated by the Bank of Italy with its Memorandum No. 3815 of 14 August 2000.

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

- The financial statements were prepared on the basis of the criterion of the "independence of periods" on the basis of which the period of reference is considered as a discrete interval of time. Accordingly the profit and loss statements reflects components of ordinary and extraordinary income accrued during the period. Specifically, revenues and expenses exclude any unrealized extraordinary items, whereas any extraordinary income or charges realized during the period are recognized in full, and thus, not distributed over the various periods of the year.
- The financial statements used as the basis for the consolidation are those prepared by companies which were subsidiaries as of 30 September 2000, adjusted wherever necessary in order to conform with the accounting principles of the Group.

- Adjustments and provisions effected solely in application of fiscal laws were reversed.
- Given the announcement of the suspension of the fiscal benefits arising in relation to the so-called "Ciampi Law" (Law Decree 153 of 1999), a provision to the reserve for miscellaneous risks was made to neutralize the effects of the benefits.
- Intergroup assets and liabilities, and revenues and expenses were eliminated only if material.

In July 2000, the Group acquired the controlling interest in Banca 121 through a series of transactions as summarized below:

- acquisition of a 19.85% interest with payment in cash;
- acquisition of a 6.765% interest through the exchange of newly issued Banca Monte dei Paschi di Siena ("BMPS") S.p.A. shares reserved for Banca 121 shareholders participating in a voting syndicate, pursuant to Articles 2440 and 2441, Paragraph 4, of the Italian Civil Code;
- acquisition of a 26.63% interest through the merger by incorporation into BMPS of some companies holding shares in Banca 121.

As of the date of this report, a purchase and exchange offer is currently outstanding by BMPS covering the residual ordinary and preferred shares of Banca 121. Were all Banca 121 shareholders to tender their shares, BMPS would acquire by the end of November 2000 the remaining 46.75% of Banca 121.

As of 30 September 2000, BMPS did not include the results of operations or the assets and liabilities of Banca 121 in the consolidated financial statements of the Group as required by Letter c) of Article 29 of Law Decree No. 87 of 1992. Although Banca

121 was considered a holding of the MPS Group (*Bank of Italy Memorandum of 6 October 2000*), the relatively brief interval between the perfection of the acquisition and the date of the preparation of the consolidated financial statements for the quarter ending 30 September 2000 did not allow for the timely procurement of all information needed in order to align the accounting principles of the newly acquired bank with those of the Group.

The decision to exclude Banca 121 from the consolidated financial statements as of 30 September 2000 was approved by CONSOB and by the Bank of Italy, both of which were informed on a timely basis of the aforementioned considerations.

Notwithstanding the exclusion of Banca 121 from the consolidated financial statements, the key balance-sheet and profit-and-loss accounts of the newly acquired bank as of 30 September 2000 are attached to this report in summary form and prepared in accordance with the accounting principles used by Banca 121 in the preparation of its financial statements.

The financial statements of the MPS Group as of 30 September 2000 have not be subject to any certification on the part of the Group's independent auditors.

* * * * *

MPS GROUP: SUMMARY OF RESULTS

Amounts in ITL bn

| | 30/09/99 | 30/09/00 |
|----------------------------------|-----------|-----------------------------|
| Total Customer Funds | 253.608 | 292.653 (+15,4%) |
| Customer Loans | 98.065 | 113.663 (+15,9%) |
| Number of Customers | 3.563.145 | 3.789.514 (+6,3%) |
| Virtual Banking Customers | 50.107(*) | 238.103 (+375,2%) |
| (*) as of 31.12.99 | | |
| Gross Operating Profit | 2.000 | 2.776 (+38,8%) |
| Net income | 516 | 741 (+43,6%) |

MPS GROUP: KEY FIGURES

| CONSOLIDATED STATEMENT OF INCOME | (bn lire) | (bn lire) | Changes % | (mn euro) |
|--|-----------------|-----------------|------------------|-----------------|
| | 30/09/00 | 30/09/99 | | 30/09/00 |
| Total Income | 6.349 | 5.479 | 15,9 | 3.279 |
| Gross operating income | 2.776 | 2.000 | 38,8 | 1.434 |
| Net provisions | -295 | -442 | -33,4 | -152 |
| Net income | 741 | 516 | 43,6 | 382 |
| Net income adjusted for amortization of goodwill | 842 | 599 | 40,5 | 435 |

CONSOLIDATED BALANCE SHEET

| | | | | |
|------------------------------------|---------|---------|------|---------|
| Total customer deposits | 292.653 | 253.608 | 15,4 | 151.143 |
| Direct Deposits | 124.081 | 114.069 | 8,8 | 64.083 |
| Indirect Deposits | 168.572 | 139.539 | 20,8 | 87.060 |
| of which : assets under management | 76.030 | 67.896 | 12,0 | 39.266 |
| - Mutual Funds | 31.548 | 28.393 | 11,1 | 16.293 |
| - Portfolio Management | 30.086 | 30.029 | 0,2 | 15.538 |
| - Life Insurance and Pension Funds | 14.396 | 9.474 | 52,0 | 7.435 |
| of which custodies | 92.543 | 71.642 | 29,2 | 47.794 |
| Customer loans | 113.663 | 98.065 | 15,9 | 58.702 |
| Shareholder's equity | 9.136 | 7.957 | 14,8 | 4.718 |

PROFITABILITY RATIOS (%)

| | | |
|--|------|------|
| Banking Fees/Total income | 34,6 | 31,1 |
| Non interest income/Total income | 53,7 | 47,8 |
| Cost/Income ratio | 56,3 | 63,5 |
| Annualised R.O.E. | 12,0 | 9,6 |
| Non interest income / Administrative costs | 95,5 | 75,2 |

ASSET QUALITY RATIOS (%)

| | | |
|---|-----|-----|
| Net non performing loans/Customer loans | 3,0 | 3,5 |
| Net problem loans (*) / Customer loans | 4,5 | 5,8 |

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

CAPITAL ADEQUACY RATIOS(%)

| | 30/062000 | 31/12/1999 |
|---------------------------|-----------|------------|
| Credit risk capital ratio | 8,99 | 8,63 |
| Total capital ratio | 8,37 | 8,06 |

MPS Shares

| | 30/09/2000 | 31/12/1999 | |
|--|---------------|---------------|-------------|
| Common shares | 2.292.506.067 | 2.151.583.000 | 6,5 |
| Saving shares | 8.574.700 | 8.574.700 | 0,0 |
| Common share's prices during the nine months (lire, euro): | lit | lit | Euro |
| - average | 7.648 | - | 3,95 |
| - low | 6.196 | - | 3,20 |
| - high | 10.378 | - | 5,36 |
| Earnings per share (lire,euro) | 322 | 239 | 34,8 |
| Book value per share (lire,euro) | 3.970 | 3.684 | 7,8 |
| | | | 2,05 |

OPERATING STRUCTURE

| | | | |
|--|--------|--------|-----|
| Number of employees (excluding tax collection) | 22.975 | 22.158 | 3,7 |
| Domestic branches | 1.607 | 1.527 | 5,2 |
| Foreign branches and representative offices | 41 | 39 | 5,1 |

GROUP STRUCTURE

| DENOMINAZIONE | | SEDE | RAPPORTO DI PARTECIPAZIONE | | |
|--|--|-----------|----------------------------|---------------------------|-----|
| | | | Partecipante | Quota % | |
| A.1 Imprese incluse nel consolidamento (consolidate con il metodo integrale) | | | | | |
| A.0 | BANCA MONTE DEI PASCHI DI SIENA S.p.A. | Siena | | | xxx |
| A.1 | AMMINISTRAZIONI IMMOBILIARI S.p.A. | Siena | A.0 | 100,000 | xxx |
| A.2 | BANCA MONTE PASCHI BELGIO S.A. | Bruxelles | A.0 A.4 | 64,473 35,527 | xxx |
| 2.1 | MONTE PASCHI NEDERLAND N.V. | Amsterdam | A.2 | 100,000 | |
| A.3 | BANCA MONTE PASCHI SUISSE S.A. | Ginevra | A.0 | 100,000 | xxx |
| A.4 | BANCA TOSCANA | Firenze | A.0 | 61,801 | xxx |
| A.5 | CARIPRATO CASSA RISPARMIO PRATO S.p.A. | Prato | A.0 | 79,000 | xxx |
| A.6 | MERCHANT LEASING & FACTORING S.p.A. | Prato | A.4 A.5 | 60,000 40,000 | xxx |
| A.7 | DUCATO GESTIONI S.p.A. | Milano | A.0 | 100,000 | |
| A.8 | G.E.R.I.T. | L'Aquila | A.0 A.19 | 95,572 4,407 | xxx |
| A.9 | I.N.C.A. | Firenze | A.0 A.4 A.5 | 63,500 29,230 3,770 | xxx |
| A.10 | M.P.S. COMMERCIAL PAPER | Delaware | A.0 | 100,000 | xxx |
| A.11 | MEDIOCREDITO TOSCANO | Firenze | A.0 A.4 A.19 | 80,454 11,676 0,003 | xxx |
| A.12 | MONTE PASCHI BANQUE S.A. | Parigi | A.0 A.4 | 70,175 29,825 | xxx |
| 12.1 | MONTE PASCHI CONSEIL FRANCE | Parigi | A.12 | 99,800 | |
| 12.2 | MONTE PASCHI INVEST FRANCE S.A. | Parigi | A.12 | 99,880 | |
| 12.3 | M.P. ASSURANCE S.A. | Parigi | A.12 | 99,400 | |
| 12.4 | S.N.C. IMMOBILIARE POINCARE | Parigi | A.12 | 99,900 | |
| 12.5 | SCI VICTOR HUGO | Parigi | A.12 | 99,000 | |
| A.13 | MONTE PASCHI FIDUCIARIA S.p.A. | Siena | A.0 A.4 | 86,000 14,000 | xxx |
| A.14 | MONTE PASCHI MERCATO SIM S.p.A. | Milano | A.0 A.4 | 90,000 10,000 | xxx |
| A.15 | MONTE PASCHI SERIT | Roma | A.0 | 100,000 | xxx |
| A.16 | SAPED S.p.A. | Siena | A.0 | 47,400 | xxx |

| | | | | | | |
|------|--|-------------|--|--------|---------|-----|
| | | | | A.4 | 20,000 | |
| | | | | A.5 | 12,600 | |
| A.17 | CONSUM.IT | Firenze | | A.0 | 70,000 | xxx |
| | | | | A.4 | 30,000 | |
| A.18 | BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD | Guernsey C. | | A.0 | 100,000 | |
| | 18.1 CITY NOMINESS LTD | Guernsey C. | | A.18 | 100,000 | |
| | 18.2 BMPS INVESTMENT MANAGEMENT | Guernsey C. | | A.18 | 100,000 | |
| | 18.3 BMPS NOMINESS (CI) LTD | Guernsey C. | | A.18 | 100,000 | |
| | 18.4 BMPS TRUSTEES (CI) LTD | Guernsey C. | | A.18 | 100,000 | |
| | 18.5 SAINTS TRUSTEES LTD | Guernsey C. | | A.18 | 100,000 | |
| A.19 | GRUPPO BANCA AGRICOLA MANTOVANA | Mantova | | A.0 | 51,487 | xxx |
| | 19.1 FINANZIARIA BANCA AGRICOLA MANTOVANA S.p.A. | Mantova | | A.19 | 100,000 | |
| | 19.2 PADANA FACTORING S.p.A. | Mantova | | A.19 | 100,000 | |
| | 19.3 BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A. | Mantova | | A.19 | 100,000 | |
| | 19.4 PADANA RISCOSSIONI S.p.A. | Mantova | | A.19 | 54,480 | |
| | 19.5 PADANA IMMOBILIARE S.p.A. | Mantova | | A.19 | 100,000 | |
| | 19.6 BANCA C.STEINHAUSLING & C. S.p.A. | Firenze | | A.19 | 100,000 | |
| | 19.7 BANCA POPOLARE DELLA MARSICA S.p.A. | Avezzano | | A.19 | 66,590 | |
| | 19.8 MANTOVANA IRELAND LTD. | Dublino | | A.19 | 100,000 | |
| | 19.9 MANTOVANA MANAGEMENT LTD. | Dublino | | A.19 | 100,000 | |
| | 19.10 SIPAF S.p.A. | Roma | | A.19 | 100,000 | |
| | 19.11 G.I. GEST SRG S.p.A. | Roma | | A.19 | 100,000 | |
| | 19.12 G.I. PROFIDI SIM S.p.A. | Roma | | A.19 | 100,000 | |
| | 19.13 INTERMONTE SECURITIES SIM P.A. | Milano | | A.14 | 35,000 | |
| | | | | A.19 | 35,000 | |
| A.20 | CONSORZIO OPERATIVO GRUPPO MPS | Siena | | A.0 | 69,960 | xxx |
| | | | | A.4 | 29,760 | xxx |
| | | | | A.5 | 0,080 | |
| | | | | A.24 | 0,080 | |
| | | | | A.9 | 0,040 | |
| | | | | A.19.6 | 0,040 | |
| | | | | A.11 | 0,040 | |
| A.21 | GRUPPO MPS ASSET MANAGEMENT | Milano | | A.0 | 69,000 | xxx |
| | | | | A.4 | 15,000 | |
| | | | | A.5 | 3,000 | |
| | | | | A.19 | 13,000 | |
| | A.2 Imprese incluse nel consolidamento (consolidate con il metodo proporzionale) | | | | | |
| A.22 | BANCA POPOLARE DI SPOLETO S.p.A. (valori di bilancio al 20% del valore nominale) | Spoletto | | A.0 | 20,000 | xxx |
| A.23 | BANCA MONTE PARMA S.p.A. (valori di bilancio al 41% del valore nominale) | Parma | | A.0 | 41,000 | xxx |
| | 23.1 S.E.I.T (valori di bilancio al 39,77% del valore nominale) | Parma | | A.23 | 39,770 | xxx |
| A.24 | CASSA DI RISPARMIO SAN MINIATO S.p.A. (valori di bilancio al 25% del valore nominale) | San Miniato | | A.0 | 25,000 | xxx |
| | B. Società del Gruppo al Patrimonio Netto (dettaglio della voce 80 a) | | | | | |

| | | | | | |
|------|--|---------|--|--|---------|
| B.1 | MONTE PASCHI VITA S.p.A. | Roma | A.0 | 51,000 | 146.679 |
| B.2 | TICINO - COMP.ITAL. ASS.NI S.p.A. * (valori bilancio1997) | Roma | A.0 | 60,000 | 25.117 |
| B.3 | TICINO VITA S.p.A. | Roma | A.4 B.1 | 40,000 60,000 | 81.518 |
| B.4 | GROW LIFE Ltd. | Irlanda | A.0 B.1 | 40,000 60,000 | 15.738 |
| B.5 | MAGAZZINI GENERALI FIDUCIARI MANTOVA | Mantova | A.19 | 100,000 | 7.077 |
| | Totale | | | | 276.129 |
| | C. Altre Società al Patrimonio Netto (dettaglio della voce 70 a) | | | | |
| C.1 | CONSORZIO AEROPORTO SIENA | Siena | A.0 A.4 | 20,000 20,000 | 346 |
| C.2 | DIPRAS S.p.A. | Roma | A.0 | 50,000 | 907 |
| C.3 | FIDI TOSCANA | Firenze | A.0 A.4 A.11 A.9 A.5 A.24 | 13,390 10,359 4,127 0,990 0,918 0,147 | 25.943 |
| C.4 | I.B.A. VIENNA | Vienna | A.0 | 35,007 | 7.882 |
| C.5 | S.ES.IT PUGLIA SPA | Bari | A.0 | 35,000 | 401 |
| C.6 | SO.RI.T. | Foligno | A.0 | 45,000 | - |
| C.7 | BISIEL S.p.A. | Mantova | A.19 | 49,000 | 14.740 |
| C.8 | LINEAR COMPAGNIA ASS. | Bologna | A.19 | 20,000 | 3.922 |
| C.9 | QUADRIFOGLIO DISTRIBUZIONE | Mantova | A.19 | 100,000 | 43 |
| C.10 | QUADRIFOGLIO VITA | Bologna | A.19 | 50,000 | 26.961 |
| C.11 | UNION CAPITAL | Milano | A.19 | 36,350 | 3.035 |
| | Totale | | | | 84.180 |

GRUPPO MPS

Reclassified Consolidated Balance Sheet

mn euro

| Assets | 30/09/00 | 30/09/99 | Changes | | 31/12/99 |
|---|-----------------|-----------------|----------------|------------|-----------------|
| | | | abs. | % | |
| Cash on hand and deposits with central bank and post office | 298 | 271 | 27 | 10,0 | 383 |
| Loans and advances: | | | | | |
| a) to customers | 58.702 | 50.646 | 8.056 | 15,9 | 52.313 |
| b) to banks | 14.336 | 14.151 | 185 | 1,3 | 14.248 |
| Dealing securities | 7.799 | 12.418 | -4.618 | -37,2 | 10.849 |
| Fixed assets | | | | | |
| a) investment securities | 5.040 | 5.453 | -413 | -7,6 | 5.960 |
| b) holdings | 1.452 | 952 | 500 | 52,6 | 936 |
| c) tangible and intangible | 1.760 | 1.514 | 246 | 16,2 | 1.506 |
| Goodwill and differences from equity method | 837 | 891 | -54 | -6,1 | 873 |
| Own shares | 19 | 40 | -21 | -52,2 | 40 |
| Other assets | 8.571 | 6.976 | 1.595 | 22,9 | 10.258 |
| Total Assets | 98.815 | 93.313 | 5.502 | 5,9 | 97.367 |
| Liabilities | 30/09/00 | 30/09/99 | Changes | | 31/12/99 |
| | | | abs. | % | |
| Deposits: | | | | | |
| a) due to customers and securities issued | 64.083 | 58.912 | 5.171 | 8,8 | 62.082 |
| b) due to banks | 18.597 | 18.820 | -223 | -1,2 | 18.749 |
| Specific reserves for: | | | | | |
| a) pensions and similar obligations | 452 | 488 | -36 | -7,4 | 422 |
| b) termination indemnities | 396 | 320 | 76 | 23,6 | 360 |
| c) risks and charges | 547 | 360 | 187 | 52,1 | 456 |
| d) taxation | 688 | 569 | 118 | 20,8 | 673 |
| Other liabilities | 6.865 | 7.561 | -696 | -9,2 | 8.029 |
| Reserve for loan losses | 272 | 260 | 12 | 4,7 | 257 |
| Subordinated liabilities | 1.413 | 1.148 | 266 | 23,2 | 1.144 |
| Minority interests | 785 | 766 | 19 | 2,5 | 768 |
| Shareholder's equity: | | | | | |
| a) share capital | 1.188 | 1.116 | 73 | 6,5 | 1.116 |
| b) share premium | 484 | 505 | -21 | -4,2 | 505 |
| c) reserve for general banking risks | 463 | 295 | 168 | 56,9 | 452 |
| d) negative consolidation differences | 379 | 379 | -0 | 0,0 | 379 |
| e) reserves | 1.821 | 1.548 | 273 | 17,7 | 1.525 |
| f) net income for the period | 383 | 266 | 116 | 43,6 | 450 |
| Total Liabilities | 98.815 | 93.313 | 5.502 | 5,9 | 97.367 |

MPS GROUP

Reclassified consolidated income statement

| | - mn euro - | | | | 1999 |
|--|---------------|---------------|------------|-------------|---------------|
| | 30/09/00 | 30/09/99 | Changes | | |
| | | | abs | % | |
| Net Interest Income | 1.517 | 1.478 | 38 | 2,6 | 1.983 |
| Profit (loss) from financial transactions | 125 | 34 | 91 | 271,8 | 54 |
| Net commissions and other operating income | 1.440 | 1.182 | 259 | 21,9 | 1.668 |
| Dividends and tax credit on dividends | 197 | 137 | 61 | 44,6 | 191 |
| Non Interest Income | 1.762 | 1.352 | 411 | 30,4 | 1.913 |
| Total Income | 3.279 | 2.830 | 449 | 15,9 | 3.896 |
| - personnel expenses | -1.168 | -1.149 | -19 | 1,6 | -1.540 |
| - other administrative expenses | -677 | -647 | -29 | 4,5 | -826 |
| Total Operating Costs | -1.845 | -1.797 | -48 | 2,7 | -2.366 |
| Gross Operating Income | 1.434 | 1.033 | 401 | 38,8 | 1.530 |
| Adjustments to the value of tangible and intangible fixed assets | -189 | -172 | -17 | 9,8 | -268 |
| Provisions for risks and charges | -128 | -20 | -108 | 553,7 | -112 |
| Net write downs of loans and provisions for guarantees and commitments | -152 | -228 | 76 | -33,4 | -393 |
| Net adjustments to the value of financial fixed assets | 6 | -19 | 25 | -132,2 | -16 |
| Profit (loss) on investments valued with the net equity method | 18 | 12 | 7 | 57,0 | 15 |
| Net extraordinary income | -33 | 28 | -61 | -219,7 | 390 |
| Change in reserve for general banking risks | -5 | 0 | -5 | | -157 |
| Income taxes | -494 | -342 | -152 | 44,5 | -480 |
| Total Net Income | 457 | 291 | 165 | 56,8 | 510 |
| Minorities | -74 | -25 | -49 | 197,9 | -60 |
| Net income | 382 | 266 | 116 | 43,6 | 450 |

INFORMATION ON CONSOLIDATED PERFORMANCE

□ *FUNDAMENTAL TRENDS*

The performance of the MPS Group in the third quarter of 2000 confirmed both the direction of operations and earnings during the first half, and budget objectives for the full year.

In particular, the following trends continued over the three months ended 30 September 2000:

- *Strong growth of banking commissions* in all principal areas of business;
- *Control over operating expenses*, despite the major investments in progress aimed at the strengthening and innovation of the marketing and organizational structure (expansion of the range of distribution channels, enhancements to product portfolio, and customer value management);
- *Expansion of aggregate funding* (direct and indirect funding, with increasing flows into mutual funds);
- *Further development of the loan portfolio, particularly in the more stable components* (home mortgages and loans to small and medium-sized businesses) and a further reduction of non-performing loans both in absolute terms and as a percentage of total loans;
- *Enhancement of automated banking operations* (banking through the Internet, through mobile and fixed telephones, and through television), which are already used by about 200,000 customers.

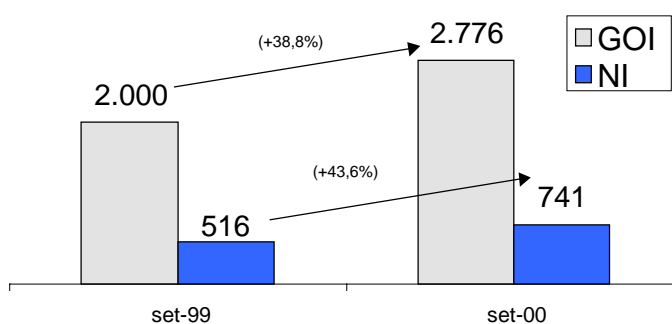
Such developments were matched by:

Recovery of the interest margin, which steadily moved higher in relation to increased loan and deposit volumes and to the expansion of spreads resulting from higher market interest rates;

A significant *recovery of the contribution margin from investment activity* which was carried out with the objectives of reducing market risks and enhancing the value of the holdings.

Consolidated gross profit climbed ITL 776 billion or 38.8 percent year on year to reach ITL 2,776 billion for the first nine months of the year, while *net profit* for the same period came to ITL 741 billion, which was an increase of ITL 225 billion, or 43.6 percent year on year.

Trend of Gross Operating Income
and Net Income
(in ITL bn)



The results were positively influenced by *the organizational integration* (implementation of business plan with Banca Agricola Mantovana, development of the asset management unit, of IT Consortium and of procurements office). This process produced synergies both on the revenue side (product

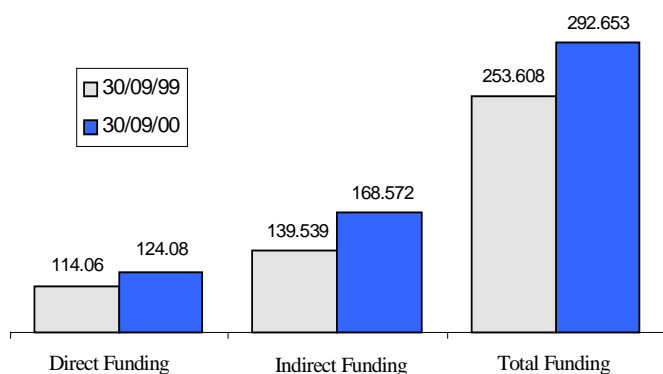
placement and performance) and in terms of costs (the streamlining of structures and resources).

□ ANALYSIS OF EARNINGS AND FINANCIAL POSITION

A review of key operating aggregates highlights the expansion of *aggregate funding from customers*. This growth figures not only as one of this year's principal budget targets, but also an objective designed to ensure a more stable flow of earnings over the long term.

Customer funding as of 30 September 2000 stood at ITL 292,653 billion, rising by 15.4 percent year on year, with some ITL 20,000 billion added since 1 January. *Direct funding* was up by 8.8 percent to ITL 124,081 billion, with strong growth reported in the short-term and bond components. Meanwhile, *indirect funding* rose by 20.8 percent to ITL 168,572 billion.

Customer Funding

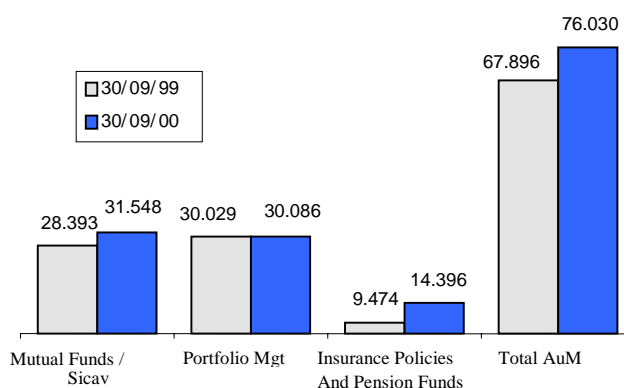


(in ITL bn)

Within the indirect funding component, funds under management ended the third quarter at ITL 76,030 billion, for a gain of 12 percent. *Bancassurance* was the sector reporting the highest growth, with premiums of ITL 3,500

billion for the first nine months of 2000 some 52 percent higher year on year; much of the growth came from the sale of new index- and unit-linked policies. The inflows to *mutual investment funds* managed by the Group also recovered significantly during the third quarter, with amounts sourced directly from customers and from portfolios under management totalling around ITL 3,000 billion. This puts the annual cumulative increase at over ITL 6,200 billion. The expansion of this business was aided by Ducato's launch of new, highly specialized products and by specific commercial initiatives implemented by the various units of the Group's overall network. For the nine months ending 30 September 2000, the companies of the Group (*Ducato Gestioni, Gi.Gest, Monte Sicav and Arlecchino Investment Sicav*) managed to secure 21.1 percent of the net mutual funds inflow, while the market share of those same companies in terms of total investments in mutual funds rose to 4.5 percent compared with 4.0 percent at the end of 1999.

Assets Under Management
Customers of Italian Branches
(in ITL bn)

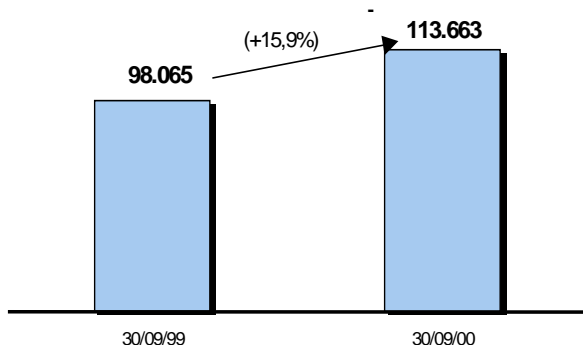


Balances in *administered accounts* also rose by a strong 29.2 percent year on year to reach ITL 92,543 billion as of 30 September 2000, with a growing weight of equity securities partly due to the introduction of online trading services.

In the *lending* area, the Group kept pace with the commercial trends in the market, capitalizing on the growth of the Italian economy and selectively expanding the loan portfolio by region and by sector. In the expansion of the lending activity, the accent continued to be placed on the fundamental objectives of improving credit quality, the achievement of a better risk-return ratio and the optimum allocation of capital. Within this framework, the orientation of marketing policy has been toward developing the role of "reference bank" for businesses and households; this means more and more personalization of loans and services by both bank branches and specialized companies, with a particular focus on advisory services.

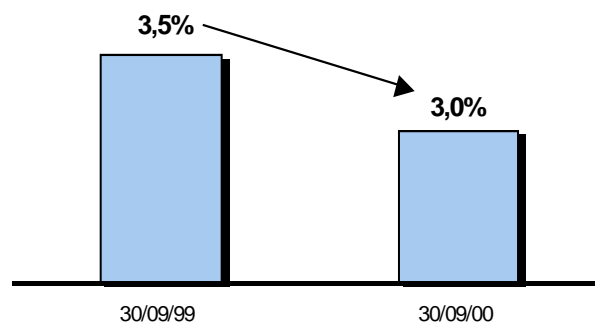
As of 30 September 2000, aggregate loans amounted to ITL 113,663 billion, increasing by ITL 12,300 billion or 15.9 percent since the start of the year, with much of the growth coming from medium- and long-term outstandings, where average balances were 17 percent higher year on year. The rate of growth of short-term loans also edged higher toward the end of the nine-month period, logging an increase of 9.0 percent in the third quarter. Part of this trend can be explained by the increasing use of factoring as a tool for managing commercial receivables; turnover in the factoring area rose by 50 percent in the third quarter.

Trend of Customer Loans
(in ITL bn)



The growth of the loan portfolio was accompanied by a further contraction of non-performing loans (-1%) and watch-list credits (-19%). As of 30 September 2000, non-performing loans amounted to 3.0 percent, falling from 3.5 percent one year earlier.

Trend of Non-Performing Loans to Total Loans



Turning to the profit and loss statement, the *interest income* benefited not only from the growth of the balance-sheet aggregates, but also from a gradual re-opening of the spread between lending rates and funding costs, and in particular, the mark-down of rates on deposits. Accordingly, the margin increased by 2.6 percent or ITL 74 billion with respect to the figure for the first nine months of 1999. When measuring only the performance in the third quarter, the year-on-year increase climbs to around 10 percent.

A major variable in consolidated earnings growth has been the expansion of banking commissions, which rose by 29 percent year on year to total ITL 2,200 billion for the first nine months of 2000. The increase includes gains in all principal areas of business:

asset management fees: +19.1%;

international banking commissions: +20.5%;

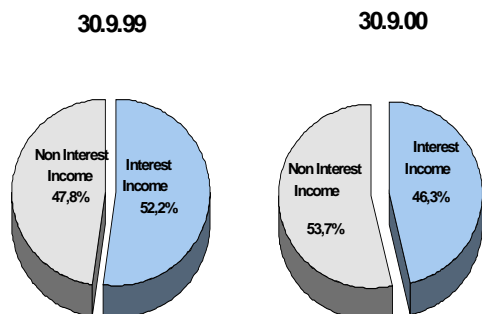
other commissions and recovery of expenses: +15.2%

securities services fees: +77.5% (with a significant contribution coming from order taking and capital markets activity).

Taking into account the increases in *profits on financial transactions* (ITL 176 billion) and *dividends and tax credits* (ITL 118 billion), the *non interest income* climbed above ITL 795 billion, rising by 30.4 percent year on year for the first nine months of 2000 and topping the aggregate achieved for the full year of 1999.

Total revenues thus amounted to ITL 6,349 billion, rising by 15.9 percent year on year, with a further shift in the mix in favour of fee income:

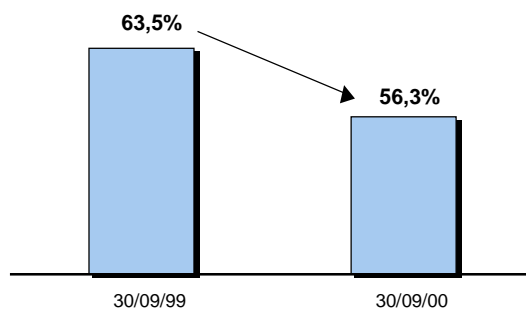
Composition of Total Income



Administrative expenses edged up by a moderate 2.7 percent, falling within the budget objective. A slight 1.6 percent increase in *personnel expense* is mainly associated with the recruitment of new staffing for the branches and the call centre. The overall effect of the new staff has been mostly offset, however, by the economies achieved efforts (including early retirement incentives) to streamline other operating areas in 1999 and beforehand, and through the integration of various areas of the organization.

Other expenses rose by 4.5 percent for the first nine months of 2000, mainly due to investments in new projects and initiatives in process, while other operating charges were held in check.

Cost-Income Ratio



considering the various developments outlined above, the *gross profit* climbed by 38.8 percent to ITL 2,776 billion for the nine months ending 2000.

Net profit for the first nine months of 2000 came to ITL 741 billion, rising by 43.6 percent year on year. ROE came to 12%, even though discounting some ITL 210 billion of incremental provisions for risks and charges designed to cover potential risks associated with planned securitization transactions and changes in banking industry practices. In the latter case, the provisions will cover potential charges on the renegotiation of subsidized mortgage loans and the effects of the suspension of fiscal benefits for bank restructurings.

After the elimination of the amortization of positive consolidation differences, the consolidated net profit rises to ITL 842 billion, with annualized ROE at 13.6 percent and in line with the budget target.

□ RISK MANAGEMENT

The Group's increasing emphasis on managing and monitoring risks implies

additional reporting, including on a quarterly basis, about the measurement and control of financial risks assumed by the Group as well as the development of the risk management system.

During the third quarter of 2000, the activity of controlling interest-rate risk on the commercial portfolios of BMPS and the MPS Group was mainly focused on the progressive rise of interest rates, especially at the short end of the curve and its impact on overall mismatching.

At the parent company, the market risks management committee did not need to undertake any important corrective action during the third quarter since the aggregate exposure to rate risk had been stabilized in May and remained unchanged thereafter. As of 30 September 2000, a parallel shift of 25 basis points across the curve would have negatively impacted earnings by EUR 25 million in the case of BMPS, which is naturally the most significant component in terms of total exposure of the MPS Group.

The aforementioned amount is equivalent to 0.67 percent of Tier 1 capital of the parent company. At a Group level, the comparable figure amounts to 1.17 percent of consolidated Tier 1 capital as of the end of the third quarter.

Turning to *market risk on the trading portfolio*, the Group has employed strategies aimed at taking advantage of opportunities periodically available in the market, albeit within pre-established operating limits.

In terms of the parent company's investment portfolio, the effort during the third quarter went mostly to curbing risk on bond investments. The aggregate exposure to equities was also downsized with the liquidation of several positions.

Measured on the basis of a 25-basis-point shift in rates in the case of bonds and on the basis of historical volatility in the case of stocks, risk sensitivity decreased significantly

between the end of June 2000 and the end of September. As of the latter date, a shift in interest rates or equity market prices as outlined above would have impacted consolidated earnings by EUR 15.84 million.

In the case of the parent company's pure trading portfolio, risks have been kept well below the limits established by the budget, and could be quantified at just over EUR 3 million as of 30 September 2000. The average figure for the third quarter was also below the average for the first half of the year. The risk of the overall parent company's trading portfolio had fallen to 0.48 percent of Tier 1 capital as of the end of the third quarter.

Trading within the framework of the Group has also involved less aggregate risk partly because of the reduced exposure of the subsidiary banks. Such exposure came to EUR 23.47 million at the end of the third quarter, amounting to 0.60 percent of Tier 1 capital on a consolidated basis.

Activity relative to the construction of a new risk management system at a Group level continued in the third quarter. Monitored by the Market Risks Management Committee and by senior managers of the parent company, the development of the system remained on schedule, with the completion of the relative technological architecture (data warehouse and hardware systems) and the definition of the main analytical environments for the calculation of value at risk. According to management, a first version of the system will be released as planned by the end of 2000.

□ **KEY OPERATIONAL INITIATIVES**

In accordance with the business plan, initiatives in the third quarter were aimed at reinforcing the Group's structure and the implementation of the plan for the integration of BAM and Banca 121. Efforts also went to the development of a multi-channel distribution system, with priority placed on

the funds management areas and on new value-added services for retail and corporate customers.

Turning to the theme of corporate governance, several significant changes were made to the parent company's statute that incorporate the rules on self-discipline applicable to publicly traded companies. The by-products of such changes include a different, more articulate senior-management structure and a better definition of the responsibilities of the board of directors. The aforementioned changes include:

- the possibility offered by the parent company's statute of appointing one or more Chief Executive Officers;
- the appointment of the executive committee as an option that offers a wider array of choices in terms of defining various administrative bodies and the relative powers delegated to them;
- the possibility of appointing additional assistant General Managers in addition to the two presently in office, with no change to the provision requiring the board appointment of one of the assistant chief executive officers to the position of deputy chief executive officer.

The acquisition of Banca 121 went through two decisive phases during the third quarter:

- 1) The execution of formal agreements relative to the purchase of 52.94 percent of the ordinary shares and 0.31 percent of the preferred shares. Taking into consideration the related transactions (incorporation of Innovazione Finanziaria S.p.A., Vespucci S.p.A. and Logos S.r.l.; shares conferral by the shareholders in the voting syndicate) and the BMPS shareholder resolution of 7 June 2000, the share capital of the parent company was increased to ITL 2,301 billion as of 3 August.
- 2) The launch of a public purchase and

exchange offer covering the residual ordinary and preferred shares of Banca 121, on 23 October. According to the offer, every ordinary share of Banca 121 valued at ITL 25,547 may be tendered for two ordinary shares of the parent company and ITL 8,642 in cash; in the case of the preferred shares, each share of Banca 121 is valued at ITL 19,160 and may be tendered for 1.5 shares and ITL 6,481 in cash. An increase in the share capital of the parent company was also authorized, to be effected with the issue of maximum 68,460,868 ordinary shares, with a par value of ITL 1,000 each, with rights accruing as of 1 January 2000, in order to service the aforementioned offer. The offer, which represents the final phase of the acquisition of Banca 121, has had a favourable outcome.

The restructuring of BAM's holdings instead involved the following key transactions.

- the approval of the plan calling for Banca Toscana's incorporation of Banca Popolare della Marsica and the merger between Merchant Leasing & Factoring and Padana Factoring;
- the activity relative to the planned repositioning of Banca Steinhauslin got under way and is aimed at making the institution one of the leading private banks in Italy; this effort will involve investments in both fixed assets and human resources;
- the transfer of a business unit of Monte Paschi Mercato SIM to Intermonte Securities SIM, the latter of which is the top equity broker in Italy in terms of trading volumes.

Particular attention went to reinforcing the roles, activities and responsibilities of new and existing units providing services to the Group, with details as follows:

- In the area of finance, Monte Paschi Mercato SIM is being transformed into an

investment bank, *MPS Finance BM*, which will begin operating shortly, with the objective of optimizing the Group's presence in the capital markets. The unit will be designed as a "factory" turning out innovative financial products that will serve the needs of commercial banks' customers.

- In the tax collection area, an application was submitted to the Italian Ministry of Finance covering the transfer of direct collections from the parent company to *Italiscossioni*, a company incorporated on 4 July 2000 which became operational on 1 October.
- In the property management area, the Group inaugurated *Paschi Gestioni Immobiliari*, a unit charged with managing and administering the parent company's properties used in operations and those held as investments and, in perspective, all the properties of the Group.
- In the area of the new economy, a new product company, *E-Idea*, was incorporated to offer customers value-added services linked to new distribution channels and new technologies. The idea is to make basic services (theatre tickets, travel tickets, healthcare services, urban transport services, etc.) available to the customer base through the Group's various distribution channels. The services selected will be those that can add to the quality of life because of their convenience and time-saving nature.

Other major developments in the third quarter include:

- *Ducato Gestioni's* activation of *Ducato On Line*, a new channel for the placement of mutual funds and for communicating with customers via Internet or telephone;
- the start-up of operations of *Web SIM*, which will initially use the technical

resources and specialized knowledge of *Intermonte Securities*, to offer a financial information service through the Internet. At a later date, *Web SIM* will provide online trading for private clients of the bank network who trade through the internet, and it will also handle some of the Group's traditional brokerage activity in the stock market;

- the launch of a program to optimize the automated flow of information within the Group; this will involve the creation of a network charged with managing payment and collection services for all of the Group's banks, which is capable of bypassing interfaces with centralized clearing institutions and / or correspondents;
- the reinforcement of the bank network, with the addition of 27 new facilities, including a completely automated branch in Siena (interactive kiosk and assistance of financial consultants), which is part of the *PaschiInsieme* project;
- the acquisition of a five-percent interest in *Alpha Bank* in Romania, with the objective of setting up an Italian desk to support the Group's customers and other Italian companies operating in the area;
- the parent company's implementation of various projects, including:

Private Banking, with the opening of appropriate offices in leading cities in Italy;

Paschivalore, whose primary objective is to increase the marketing potential of the network through changes in the branch organization model; this will involve customer segmentation and the reinforcement of the advisory and assistance functions, in line with the best practices in Customer Relationship Management (CRM).

The activation of a program to provide all

employees of the parent company with a lap top, with the objective of reinforcing their grasp of information technology.

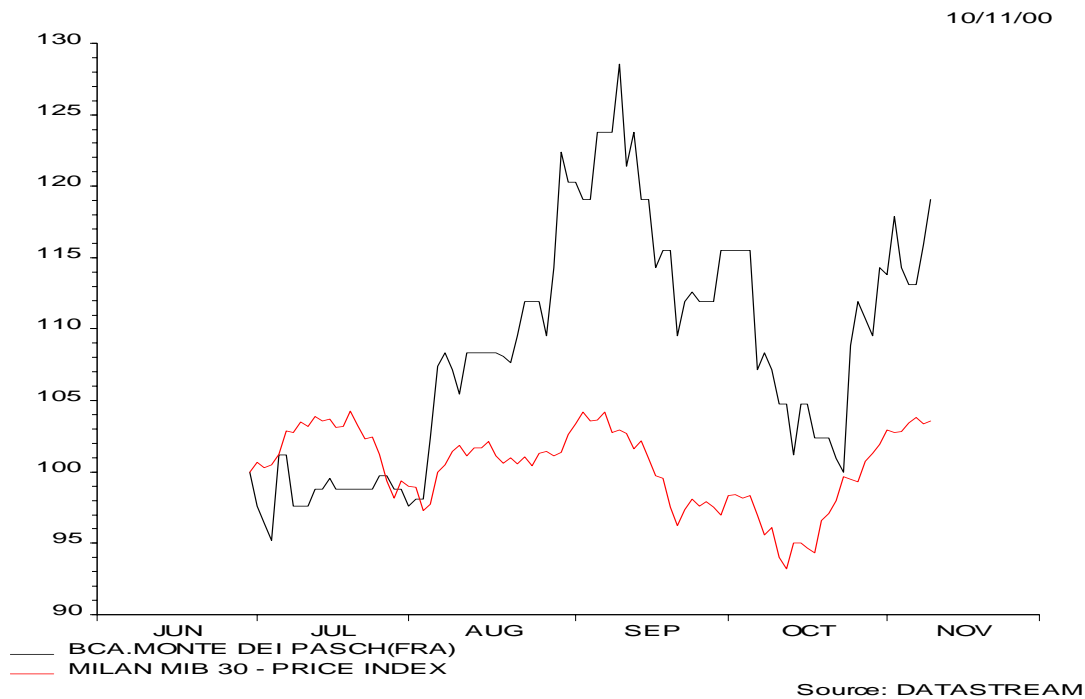
The quarter also saw the preparation of the new business plan for the MPS Group. This

plan responds to the need for more rapid transformation to a high-value, high-growth business model that puts the customer and the enhancement of the customer relationship at the centre of the market strategy.

□ **TREND OF BMPS SHARES**

During the third quarter, the price of the BMPS shares continued on the ascent plotted in the preceding months, reaching a historic high of EUR 5.36 on 7 September 2000, for a 39.3 percent gain over the price quoted upon the initial public placement.

As of 29 September, the shares closed at EUR 4.83, with growth of 12.32 percent from the start of the quarter. The MIB-30 registered a decrease of 3 percent over the same period.



□ ***FUTURE OUTLOOK***

As far as future prospects are concerned, the Group is following the guidelines set out in the budget, with the priority on ensuring continuity and further growth of structural components. In moving in this direction, the Group is taking advantage of the opportunities linked to the economic recovery, while also optimizing operations through the use of more articulate logic and selectivity (product-customer-margin correlation).

Based on the results for the first nine months of 2000, more recent data, and the initiatives under way, the following general developments can be expected for year end:

further recovery of the interest income, with an ascending trend in the final quarter of the year;

sharp expansion of the non interest income, stemming from appreciable gains in terms of customer-related activity and from other components such as financial transactions and dividends, with the aggregate well above the 1999 level;

consequent growth of total revenues, matched by a moderate increase of operating expenses.

With market conditions being more or less equal to those at present, the developments set out above should facilitate the achievement of the budget objectives, with significant growth of gross profit, net profit and ROE in comparison with 1999.

Siena, 14 November 2000

The Board of Directors

Attachment

BANCA 121 GROUP
Balance Sheet and Profit and Loss Statement
as of the Nine Months Ending 30 September 2000

BANCA 121 GROUP
Reclassified Consolidated Balance Sheet
(amounts in Italian lire)

| Account | ASSETS | 30/09/00 |
|-------------|--|---------------------------|
| 10 | Cash and cash on deposit with central banks and post offices | 73,770,531,134 |
| 30-40 | Loans | 5,001,462,433,535 |
| | Loans to banks | 214,107,174,008 |
| | Customer loans | 4,787,355,259,527 |
| 20-50-60 | Trading securities | 2,309,566,278,159 |
| | Fixed assets | 1,134,509,188,070 |
| 20-50-60 | Investment securities | 804,377,895,121 |
| 110 | Intangible assets | 164,287,633,234 |
| 120 | Fixed assets | 164,843,659,715 |
| 70 | Equity investments | 13,987,008,573 |
| | a) valued with net equity method | - |
| | b) other | 13,987,008,573 |
| 80 | Equity investments in Group companies | 535,927,593 |
| | a) valued with net equity method | - |
| | b) other | 535,927,593 |
| 90-100 | Positive consolidation and positive net equity differences | 194,149,225 |
| 140 | Own shares | 1,711,394 |
| 150-160 | Other assets | 1,729,921,903,004 |
| | TOTAL ASSETS | 10,263,949,130,687 |
| | LIABILITIES AND SHAREHOLDERS' EQUITY | |
| 10-20-30-40 | Payables | 7,971,037,531,905 |
| | Due to banks | 1,206,342,811,951 |
| | Due to customers, securities issued and third-party funds under administration | 6,764,694,719,954 |
| 50-60 | Other liabilities | 1,399,681,755,208 |
| 70-80-90 | Reserves | 124,053,194,762 |
| | Staff severance indemnity reserve | 52,498,203,799 |
| | Reserve for taxes | 31,916,634,948 |
| | Pension fund liabilities | - |
| | Reserve for risks and other charges | 39,545,856,015 |
| | Reserve for risks on credits | 92,500,000 |
| 100 | Reserve for general banking risks | - |
| 110 | Subordinated debt | 245,220,250,000 |
| 120-130 | Negative consolidation and negative net equity differences | 129,866,307 |
| 140 | Minority interests | 2,556,742,219 |
| 150 | Share capital | 81,593,784,000 |
| 160 | Paid-in capital | 144,582,145,375 |
| 170 | Reserves | 260,394,571,782 |
| | a) legal reserve | 41,543,449,557 |
| | b) reserve for own shares | 1,711,394 |
| | c) reserves required by bank bylaws | 125,424,800,694 |
| | d) other | 93,244,610,137 |
| 180 | Revaluation reserve | 9,027,747,949 |
| 190 | Retained earnings | - |
| 200 | Profit (loss) for the period | 25,671,541,180 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 10,263,949,130,687 |

BANCA 121 GROUP
Reclassified Profit and Loss Statement
(amounts in Italian lire)

| Account | | Nine Months Ending 30/09/00 |
|-------------|---|--------------------------------|
| 10-20 | Interest margin | 97,087,693,324 |
| 40-50 | Net commissions | 137,462,509,911 |
| 30 | Dividends and other income | 2,065,787,391 |
| 60 | Profits (losses) from financial transactions | 105,383,926,347 |
| 70-110 | Other income, net | 45,353,673,130 |
| | Total banking income | 387,353,590,103 |
| 60 | Administrative expenses | -271,091,777,813 |
| | Personnel expense | -138,512,468,900 |
| | Other administrative expense | -132,579,308,913 |
| | Gross profit | 116,261,812,290 |
| 90 | Depreciation, amortization and other charges to fixed and intangible assets | -57,776,017,239 |
| 120-130-140 | Adjustments to the value of loans, provisions against guarantees and commitments and provisions for credit risk | -4,839,315,534 |
| 100 | Provisions for risks and other charges | -3,803,500,000 |
| 150-160 | Valuation adjustments to long-term financial investments | - |
| 170 | Profit (loss) on investments valued with net equity method | -33,428,914 |
| | Profit (loss) from ordinary operations | 49,809,550,603 |
| 190-200 | Extraordinary income, net | -9,431,639,480 |
| | Profit before taxes | 40,377,911,123 |
| 220 | Use of reserve for risks and other charges | - |
| 230 | Change in reserve for general banking risks | - |
| 240 | Taxes for the period | -14,554,260,071 |
| 250 | Profit (loss) of minority interests | -152,109,872 |
| | Net profit for the period | 25,671,541,180 |