

Banca Popolare di Sondrio (suisse)

ANNUAL REPORT 2000

Banca Popolare di Sondrio (suisse)

Banca Popolare di Sondrio (SUISSE) SA

Capital: CHF 50 000 000

Head Office and General Management

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BOARD OF DIRECTORS

Piero Melazzini

Chairman

Flavio Pedrazzoli

Vice Chairman

Plinio Bernardoni

Secretary

Giovanni Ruffini

Kurt Spinnler

GENERAL MANAGEMENT

Brunello Perucchi


STATUTORY AUDITOR

Alberto Bradanini

INDEPENDENT AUDITORS

Arthur Andersen SA

Lugano



*... for the more strongly and deeply the tree of our faith put down its roots,
the stronger the trunk emerged from the tempests of adversity,
so that we may hope that, irrigated by innocent blood,
its branches will sprout the more sublimely.¹*



This report is available in
Italian, German, English, and French.
The Chairman's Survey of
the Past Year has also been translated
into Romansh.

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The good farmer knows that the tender seedlings he is cultivating must be treated with loving care; Nicolò Rusca did no less in his thoughtful attention to children. For he knew well that, in educating the young, one must edify and plant in virgin soil free from any obstruction from brambles or thorns so that future generations might grow up through the understanding that is love [...].²

1.
Giovanni Battista BAJACCA,
Nicolai Ruscae S.T.D. Sundrii in Valle Tellina
Archipresbyteri anno MDCXVIII Tuscianae
in Rhetia ab Hereticis necati Vita & Mors,
Como, 1621;
Italian translation by
Giuseppe ROMEGIALLI, 1826

2.
RETO CENOMANO,
Nicolò Rusca Arciprete di Sondrio
nella Valtellina, Como, 1909

THE CHAIRMAN'S SURVEY OF THE PAST YEAR

As the great wheel of time completes a turn, we have a new millennium and a new century - a minor event compared with the millions of years of evolution since the first living organisms. Moreover, it is an opportunity to note that, with our annual report for the year 2000, our company has been in existence for five years: relatively speaking, therefore, the equivalent of a breath, or, if we prefer, seeing the way things are going, a mere smile.

In a country like Switzerland, where more than a few banks have been in existence for a century and many more have reached adult age, five years are at best equivalent to childhood. So perhaps we can boast of youthful ardour and high spirits!

But before quantifying with numbers the ebb and flow of corporate business, a few words should perhaps be said about the background against which we have been operating.

In a Europe where economic recovery proceeds at a leisurely pace, compared with America, the breakneck speed of whose economy is beginning to slacken off, Switzerland continues on its way at a reduced rate while still accentuating the positive. Inflation, aggravated by the increase in the price of petrol and the strength of the dollar, is nevertheless sufficiently under control; GDP growth stands at about 3%; the national budget is on the way to breaking even; unemployment is approaching 1.9%; while the franc remains a strong currency that offers international investors diversification.

Just as style is man, so the Swiss franc represents its people: industrious, orderly, reserved, and hospitable.

Such is the country and its people where our bank was born, lives, works, and grows. This is no mere token act of faith, for it is proved and given substance by facts and figures.

Despite our active presence in three cantons - Ticino, Grisons, and St. Gallen - the first of these is the one in which we are busiest. And here it is worth recalling that the Ticino, together with its financial, technological, and logistical support, offers incentives and lower taxes for new companies; above all, Italian companies are involved here, especially those located near the frontier.

The year under review may be said to have been normal, while remembering that in our case normality coincides with growth and strength and physical expansion. From New Year's Day to New Year's Eve, our machine ran smoothly along its tracks, enabling us to keep to schedule. All our actions and resources were directed towards maintaining this vitality, in the situation that each day ushered in.

Our work expanded: the number of clients increased; the sums collected and the sums paid out, in exhilarating competition with each other, swelled in volume; and eventually the result of these efforts was a rise in profit from CHF 6,941,810 to CHF 8,434,886; that is, an increase of CHF 1,493,076, equal to 21.51%.

A satisfactory result of course, which, far more than the actual increase in profits, signifies that a greater amount of work was done. The concrete reality of growth in all the balance-sheet items lies in the fact that the bank continued to grow stronger. Moreover, above all else, the renewal of confidence communicates itself to the whole organization. For this confidence represents the deeply-felt need to have and convey peace of mind, which is the essential prerequisite of all human activity.

To return to the subject of the profit that repays hard work, that profit encourages us to persevere with improvements to our organization, to which we have for some time been committed and which we expect to act as a stimulus for our employees.

And since we are a modern bank, in a modern country bent on growth, we are determined to make more use of the technologies offered by the so-called new economy. It has been rightly said that technology, by doing away with distance, also erodes our sense of place, although face-to-face contact remains important and also contributes to physical and mental well-being. It was a good thing to have developed our PC network, which in addition to bringing in our new branches, made it possible to provide users with important services, such as access to the Internet and E-mail for contact with the outside world. Indeed, the Internet is changing everyone's working habits, which means changing the habits of a lifetime. From scepticism to confidence, as was the case with the bancomat. With regard to security, more than a few improvements have been made.

Half-way through the year, our parent company began selling, in Italy, units of our Luxemburg-based Sicav subsidiary. The start-up was received with caution, but things are now going well; this product is of special significance in the area of Group growth strategies. Our subsidiary, Sofipo Fiduciaire SA, has now pulled out of the doldrums, exhibiting a burst of activity that holds out hope of profitable operations.

We are determined to continue to cover a wide range of activities, aware of our limitations, but also convinced that the bank, if its function is well planned, in its social and economic policies, can and must contribute to business in the public and private sectors, thus generating the production that creates employment.

While leaving it to the annual report to analyze the items dealing with both aspects of the accounts - the balance-sheet and profit-and-loss - which complement each other, we note that good work has been done in all departments in general, which, however, we should like to be even more satisfactory, so that higher commissions on trading transactions may make up for operating expenses, especially personnel costs.

Our territorial expansion goes according to plan. It puts us in mind of the web that the spider weaves to trap the insects on which it feeds - we apologize for the somewhat crude metaphor, but it conveys the idea rather well. Thus, last April, we set up a branch in Basel, a city of large trade fairs, giant pharmaceutical companies, and cultural events. We are now in a position to say that this important canton has a significant number of Italian firms, which makes for the development of contacts with south-west Germany. Further progress, therefore, will shortly be made. In

June, we opened up a branch at Castasegna in the Grisons, a place that borders on the Valchiavenna Valley, frequented above all by tourists and frontier commuters. At the beginning of September, we set up shop at Locarno in the Ticino, a busy city with long-standing connections with nearby Italian towns. If fine mornings mean fine days, then lots of sunshine is in store. After a long period of gestation, in November we finally "pulled up the blinds" in Chur. At Cuera, as it is called in the Romantsch language, the beautiful capital of the Grisons and once an important Roman colony, apart from Gothic buildings and a superb Romanesque cathedral, there is a busy industrial and trade centre that attracts business between Germany and Italy. Both the city and adjacent areas are visited by many tourists. The Italian community is substantial and has settled into its environment well.

This year, too, our cultural supplement is devoted to a personality, whose life was lived between Switzerland and Italy - see our presentation on the subject. Here, suffice it to say that the Archpriest, Don Nicolò Rusca, left an indelible impression, with his intelligence, culture, and Christian charity, on the history of those far-off days.

To our customer base, which goes from strength to strength, and without which we should be even more like "sounding brass or a tinkling cymbal", we must above all express our gratitude, committing ourselves to its service with high professional standards, confidentiality, and ever-present assistance.

What we have achieved goes to the credit of our staff, which increased during the year by fifty percent, and whose service was marked by intelligence, willingness to help, and efficiency. Credit also goes to our Directors, who have involved themselves with enthusiasm, backed by intuitive wisdom and their considerable experience in the areas of finance and banking.

In expressing our gratitude, we cannot fail to mention the authoritative and judicious Swiss Federal Banking Commission, ever-ready with its valuable advice and sensitivity to our needs.

Lastly, it gives us great pleasure to thank for their invaluable assistance our auditors, Arthur Andersen SA, who have performed their duties with scrupulous care and skill, thus enriching our banking experience.

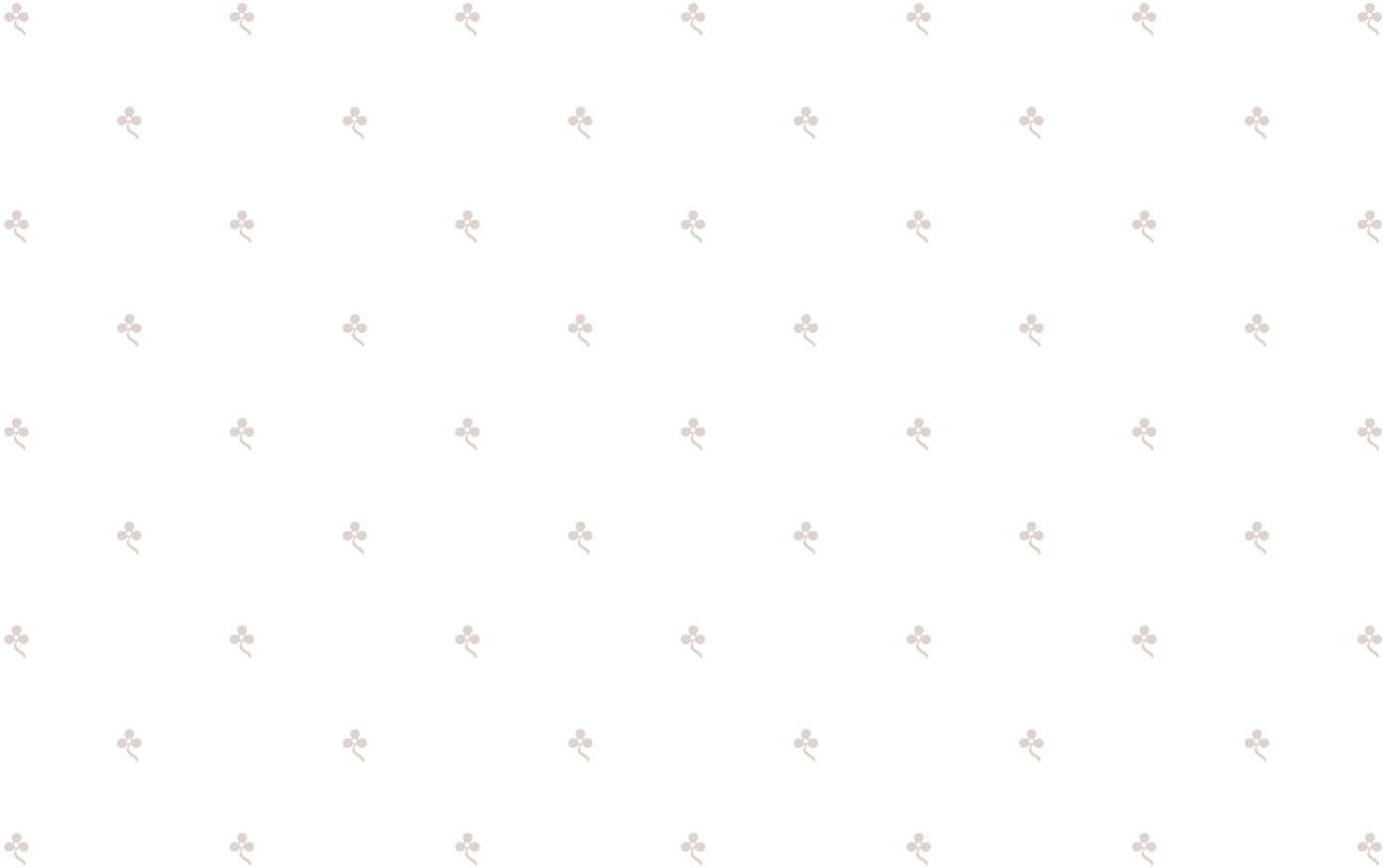
To the Swiss Confederation, we express, at this historically significant juncture, our hope that it may remain a bulwark of normality amid diversity.

Lugano, 1st January 2001

Piero Melazzini
Chairman



Banca Popolare di Sondrio (suisse)





*Sessa was too small a place for the burning zeal of Rusca,
wherefore the Lord destined him for a far bigger vineyard,
though one that would be more difficult to till and
in great need of his masterly touch.³*

3.

RETO CENOMANO,
*Nicolò Rusca Arciprete di Sondrio
nella Valtellina, Como, 1909*



*A charming legend has it that, at Ponchiera, a fig-tree suddenly burst
into flower when Don Nicolò Rusca passed by.⁴*

4.
Abramo LEVI,
L'arciprete di Sondrio Nicolò Rusca,
Sondrio, 1993

REPORT OF THE BOARD OF DIRECTORS AT 31st DECEMBER 2000

As we draft our fifth annual report it is with some emotion we think of the balance sheet with which we are concerned, the final statement of accounts in a year that terminates a century and a millennium. The century of Einstein and the millennium of Dante are drawing to their end. And that which is beginning? Whose names is it to bear? Fate and knowledge, as Alessandro Tassoni says in his *La Secchia Rapita*, lie ensconced in a vase.

Given that the accounting, corporate, and legal duty that we hereby perform is, through its very nature, a recurrent ritual, it is appropriate that we should reiterate the incipit from last year. Namely, our intent is - in this report - to maintain the sound practice of dealing solely with what is happening in our business, leaving aside the events of the world at large and referring only very cursorily to those concerning Switzerland. It goes without saying that the general conditions in the economy matter greatly and we strive constantly to discern their significance precisely because any endeavour of ours depends on the interaction between our work and the external environment.

So, confining ourselves to the Bank and to our balance sheet, our aim is to attempt an explanation of what happened and what was done.

The business progressed, lifted by higher volumes of trade, the result not only of increased numbers of clients but also of additional custom from more than just a few of them. There was, too, a significant expansion in geographical coverage directed at testing the ground in new and promising areas. Hand in hand with this went an effort, that reaped its reward, to step up staffing and to ensure that logistics were more finely tuned to operational needs.

In the area of IT we have installed equipment that is more closely geared to our growing size, thus enabling us to react effectively to the thrust of competition and undertake the work that is indispensable for any bank intent on securing its place in universal banking. It is with that end in mind that we adopted the dual watchwords: quality and safety.

Geographically, the priority for our network continues to be to establish ourselves in the two cantons of Ticino and Grisons, just across the border from the areas covered by our parent company. Our foremost aim is to give better, more readily available, support for the frontier commuters there and also, we hope, to Italian companies that are expanding, especially those from the provinces of Sondrio, Como, and Varese. In the Canton of Grisons the Bank now also fields a presence in Chur and Castasegna and has recently opened premises in Locarno. Our representative office in Basle, in the Canton of that name, represents a northern outpost.

Financial markets, an area that is particularly important to our business, were notably volatile with the expectation of substantial gains matched by risk of losses.

While stock markets in most of the world's financial centres performed disappointingly over the year, Zurich took up the gauntlet by mounting a stout resistance and, against the trend, staged a rise of 7.50%. Setting great store by the remark of a

net-economy corporate financier - ‡Internet is a revolution, but there will be heavy casualties - the Swiss Stock Exchange put its money more on the old economy than on the new.

We clearly recognise and are fascinated by these epoch-making developments - changes in which the Bank is involved through the substantial investment it has made both in its IT capability and in Internet Banking - but we proceed with proper caution in the sectors concerned, since excessive volatility has affected the market right across the board.

The strengthening of the Swiss franc against the major currencies signals a return to its traditional role as a currency for the safe-haven investor or those seeking currency diversification. Increases in the discount rate, on fully three separate occasions, had the effect of freeing it from its near-parity status with the euro.

The Popso (Suisse) Sicav investment funds are now available also in Italy, where our parent company handles their sales. As regards the bond funds, the changed expectations with respect to interest rates finally set in motion the expected reversal in trend and positive results are being recorded.

Sofipo Fiduciare SA, a company known for its specialist trustee and tax services and in which we have a holding, is now progressing with notable momentum and all the indications suggest that it should break into profit in the fairly near future. We congratulate its directors and management and offer them our best wishes.

We turn to the figures, testimonials in which - by their nature - nil can mean everything and naught may be taken lightly.

We note, as an initial observation, that total assets stand at CHF 407 784 755, up by CHF 45 995 682 from CHF 361 789 073, an increase of 12.71%. In moving on to the main items in the financial statements, we begin our examination with liabilities, this in recognition of the dictum that holds liabilities to be more certain than assets and also as a duty to those who have placed their trust in us.

Funds sourced directly from clients total CHF 242 423 110 as compared with CHF 224 642 732 at 31 December 1999, an increase of CHF 17 780 378 or 7.91%. This uniform, well-distributed, trend in total funds placed by clients gives grounds for moderate satisfaction. Our sights, however, are set on more ambitious targets. Not that high volumes in themselves or, still less, statistical comparisons hold much appeal for us - the result would be rather like that of fitting a building with false windows for the sake of symmetry - rather, it is to have more resources available for lending.

Interbank operations grew considerably. This applies not just to the volume of transactions. Our international network of correspondent banks was enlarged, too, the aim being to offer our clients the foreign-trade support services they require in the world's main financial centres.

The other items listed under liabilities show no significant changes or are mainly technicalities of an accounting nature. The same may be said of the asset items, of which lending to clients records a total of CHF 215 132 386 as against CHF 151 785 640, a rise of CHF 63 346 746 corresponding to 41.73%. This is the balance-sheet item by which any banker stands or falls. Lending is the very reason for a bank's existence and the most accurate measure of its business. The diversified pattern of our lending over different sectors testifies to firm and clear-thinking management directed at achieving growth in conjunction with an optimal spread of risk.

Financial investments, comprising securities held by the Bank in its own right, advanced to CHF 51 286 015. This compares with CHF 24 780 450 and entails an increase of CHF 26 505 565. The securities in question, fixed-income and floating-rate instruments, are used for investment purposes and also as a tool of the trade in banking practice. They represent the inevitable "cash reserve" based on security price movements.

A look at the income statement shows that while there was substantial progress in income there was, due to the notable increase in personnel, a countervailing rise in operating expense that was, likewise, not inconsiderable. A word of explanation at this point may not come amiss. The headcount moved up from 88 to 131, as an additional 43 employees - more than 48% - were taken on. Of these the overwhelming majority were assigned to head office. The approach has been to make good a deficiency in manpower while at the same time upgrading quality bearing in mind that good personnel management means striking a balance between staffing that is pared to the bone and overmanning.

Net interest income, totalling CHF 8 968 858 and showing a 134.79% increase over the previous year's CHF 3 820 014, is evidence of the growing importance of loans to net profit. We are strongly committed to further increases in the income generated by lending activity.

Income earned through services - services understood broadly - is the major component of revenue and amounts to CHF 30 351 080 as against CHF 23 365 499. The increase posted is very substantial both in absolute terms, CHF 6 985 581, and in relative terms, 29.90%.

Within this overall total, dealing showed a fall - a result of the market having marked down the value of those currency positions taken by the Bank in its own right, especially in the euro. The mid-to-long term growth prospects for these positions ought to be good both as regards the capital value and the respective interest rates. Dealing on behalf of clients continues to yield the same level of returns.

In drawing our review to a conclusion we note that the total for net operating income stands at CHF 42 645 116 and compares with CHF 32 130 595, entailing an increase of CHF 10 514 521 or 32.72%. The total for operating expenses is CHF 20 822 352, a rise over the previous total, CHF 14 628 765, of 42.34%. After deducting provisions of a statutory and optional nature, gross profit - standing at CHF 21 822 764 and up by CHF 4 320 934 (24.69%) over the previous year's

total of CHF 17 501 830 - yields a figure for net profit of CHF 8 434 886, up by CHF 1 493 076 (21.51%) over CHF 6 941 810.

The Board of Directors recommends to the Annual General Meeting that pursuant to the provisions of Article 22 of the Company's By-laws the profit be allocated to the statutory reserve in order to bolster the balance sheet. Fleshing out its balance sheet is a duty for the bank, still in its youth, which must develop a stature that betokens strength and inspires trust.

The Bank owes a triple debt of gratitude: to its staff, at all levels, for their professional competence, diligence, and intelligent work; to its auditors, with whom it has a good constructive relationship going beyond the audit assignment which, for that matter, is always meticulously performed; and to the Swiss Federal Banking Commission, for responding authoritatively and succinctly when its guidance is sought and for briskly getting through formalities and procedures. Finally, those who come foremost in our thoughts are our clients, big and small alike, be they on our doorstep or far and wide.

Lugano, 5th January 2001

The Board of Directors



*At the very hour when [Nicolò Rusca] died,
there shone forth, above Mount Roncuia near Thusis, three bright lights
that were seen by a group of heretic guards
and by a Catholic soldier.⁵*

5.
Augustinus STÖCKLIN,
*Antiquitates liberi & imperialis Monasterii
Fabariensis, Augsburg, 1628;*
Italian translation by
Giovanni DA PRADA, 1994

2000 FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2000

ASSETS

CHF	2000	1999	Change
Cash	13 367 495	21 149 570	(7 782 075)
Due from banks	106 860 419	136 996 207	(30 135 788)
Due from clients	134 818 047	101 720 438	33 097 609
Mortgage loans	80 314 339	50 065 202	30 249 137
Securities trading portfolio	994 332	306 652	687 680
Financial investments	51 286 015	24 780 450	26 505 565
Participating interests	853 225	299 361	553 864
Fixed assets	5 843 007	4 038 627	1 804 380
Accrued income and prepaid expense	1 977 232	713 012	1 264 220
Other assets	11 470 644	21 719 554	(10 248 910)
Total assets	407 784 755	361 789 073	45 995 682
Total subordinated assets	300 722	357 143	(56 421)
Total amounts receivable from group companies and significant shareholders	26 276 871	26 236 025	40 846

LIABILITIES

CHF	2000	1999	Change
Money market instruments	2 487	27 500	(25 013)
Due to banks	55 723 228	32 205 814	23 517 414
Due to clients in savings and investment accounts	39 242 191	29 612 138	9 630 053
Other amounts due to clients	187 708 919	182 937 594	4 771 325
Medium-term notes	15 472 000	12 093 000	3 379 000
Accrued liabilities and deferred income	4 082 121	847 285	3 234 836
Other liabilities	13 195 397	24 223 691	(11 028 294)
Valuation adjustments and provisions	19 821 219	15 739 743	4 081 476
Share capital	50 000 000	50 000 000	-
General statutory reserve	14 102 307	7 160 498	6 941 809
Profit for the period	8 434 886	6 941 810	1 493 076
Total liabilities and shareholders' equity	407 784 755	361 789 073	45 995 682
Total liabilities to group companies and significant shareholders	26 035 371	20 073 000	5 962 371

OFF-BALANCE-SHEET TRANSACTIONS

CHF	2000	1999	Change
Contingent liabilities	27 666 937	32 622 628	(4 955 691)
Derivative instruments			
Contract volume			692 039
500 (265 954 875)			
Positive gross replacement values	8 511 578	20 148 316	(11 636 738)
Negative gross replacement values	8 667 334	19 377 044	(10 709 710)
Fiduciary transactions	411 021 826	307 219 079	103 802 747

INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2000

INCOME STATEMENT

INCOME AND EXPENSES FROM ORDINARY ACTIVITIES

CHF	2000	1999	Change
Interest and discount income	14 347 387	6 867 897	7 479 490
Interest and dividend income on trading portfolios	3 084	2 835	249
Interest and dividend income on financial investments	949 795	548 139	401 656
Interest expense	(6 331 408)	(3 598 857)	(2 732 551)
Net interest income	8 968 858	3 820 014	5 148 844
Commission income on lending activities	1 162 685	773 658	389 027
Commission income on securities and investment transactions	33 148 060	24 685 758	8 462 302
Commission income on other services	1 560 005	1 124 202	435 803
Commission expenses	(5 519 670)	(3 218 119)	(2 301 551)
Net income on fee and and commission business	30 351 080	23 365 499	6 985 581
Net income on trading operations	3 458 010	5 286 095	(1 828 085)
Net income from disposal of financial investments	74 316	6 413	(6 413)
Other ordinary income	48 887	-	123 203
Other ordinary expenses	(256 035)	(347 426)	91 391
Other ordinary results	(132 832)	(341 013)	208 181
Net operating income	42 645 116	32 130 595	10 514 521
Personnel expenses	11 850 077	7 865 171	3 984 906
Other operating expenses	8 972 275	6 763 594	2 208 681
Total operating expenses	20 822 352	14 628 765	6 193 587
Gross profit	21 822 764	17 501 830	4 320 934

INCOME STATEMENT

PROFIT FOR THE PERIOD

CHF	2000	1999	Change
Depreciation / write-offs of non-current assets	(6 140 000)	(4 500 000)	(1 640 000)
Valuation adjustments, provisions and losses	(4 500 000)	(3 400 020)	(1 099 980)
Extraordinary income	90 539	-	90 539
Extraordinary expenses	(42 417)	-	(42 417)
Taxes	(2 796 000)	(2 660 000)	(136 000)
Profit for the period	8 434 886	6 941 810	1 493 076

ALLOCATION OF RETAINED EARNINGS

CHF	2000	1999	Change
Retained earnings brought forward	-	-	-
Retained earnings at the end of the period	8 434 886	6 941 810	1 493 076
Balance sheet profit	8 434 886	6 941 810	1 493 076
Recommendation of the Board as to the allocation of retained earnings			
Allocation the general statutory reserve	8 434 886	6 941 810	1 493 076
Retained earnings carried forward	-	-	-

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2000

CASH FLOW STATEMENT

CASH FLOW BASED ON OPERATING RESULT (INTERNALLY GENERATED)

CHF in thousands	Source of funds 2000	Application of funds 2000	Source of funds 1999	Application of funds 1999
Profit for the year	8 435	-	6 942	-
Depreciation and write-offs on non-current assets	6 140	-	4 500	-
Depreciation of participating interests	6	-	-	-
Valuation adjustments and provisions	4 081	-	4 151	-
Accrued income and prepaid expense	-	1 264	-	263
Accrued liabilities and deferred income	3 235	-	736	-
Other items	-	779	-	220
Net cash flow	19 854	-	15 846	-

CASH FLOW FROM EQUITY TRANSACTIONS

Capital increase	-	-	20 000	-
Net cash flow	-	-	20 000	-

CASH FLOW FROM INVESTMENT ACTIVITIES

Participating interests	-	560	-	239
Other fixed assets	-	7 944	-	5 813
Intangible assets	-	-	-	200
Net cash flow	-	8 504	-	6 252

Balance carried forward	19 854	8 504	35 846	6 252
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CASH FLOW STATEMENT

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	Source of funds 2000	Application of funds 2000	Source of funds 1999	Application of funds 1999
Balance brought forward	19 854	8 504	35 846	6 252
Non-current operations (> 1 year)				
Medium-term note issues	3 579	200	11 813	-
Cash from client savings and investment accounts	9 630	-	14 810	-
Mortgage loans	-	30 249	-	35 781
Financial investments	-	26 506	-	15 283
Net cash flow	-	43 746	-	24 441
Current operations				
Liabilities under money market instruments	-	25	27	-
Due to banks	23 518	-	12 793	-
Due to clients	4 771	-	90 078	-
Due from banks	30 136	-	-	68 015
Due from clients	-	33 098	-	25 057
Securities trading portfolio	-	688	-	270
Net cash flow	24 614	-	9 556	-
Cash				
Cash and cash equivalents	7 782	-	-	14 709
Net cash flow	52 250	52 250	45 402	45 402



*They order that the torture be set up and the wooden horse erected,
to wrench the truth from the accused, as is the custom. [...]
The noble, holy and venerable old man, a shining example of rectitude
who has long rotted in dark dungeons, is made to suffer the most infamous
of fates. [...] Thus do flowers grow and bloom, so that they may not remain
hidden and produce the most fragrant scents [...].⁶*

6.
Augustinus STÖCKLIN,
*Antiquitates liberi & imperialis Monasterii
Fabariensis, Augsburg, 1628;*
Italian translation by
Giovanni DA PRADA, 1994

NOTES TO THE 2000 FINANCIAL STATEMENTS

1. DESCRIPTION OF SECTORS

The Banca Popolare di Sondrio (Suisse) SA was formed in Lugano on May 3, 1995. Its business is principally focused on asset management, lending, and securities brokerage.

The Bank can undertake distribution in Switzerland, in a professional capacity, of parts of the Popso(Suisse) Investment Fund SICAV, Luxembourg. It acts, too, as an intermediary in providing insurance coverage and leasing contracts.

In addition to its head office and local town branch in Lugano, the Bank's network currently consists of a main branch in St Moritz with two smaller branch offices at Poschiavo and Castasegna and a minor outlet at Celerina, as well as main branches at Chiasso, Locarno, Chur, and St. Gallen, plus a representative office at Basel.

By the end of the financial year the overall number of personnel employed stood at 131 (88 at the end of 1999).

Fee and commission business, especially that connected with asset management is the prime source of income for the Bank and generates 71% (73% in 1999) of net operating income.

Net income from trading accounts for some 8% of the same total (16% in 1999), with net interest income contributing about 21% (12% in 1999).

CREDIT

Credit is given against adequate guarantee.

Indeed, loans secured by guarantees represent over 80% of the total (84% in 1999).

Of unsecured loans, 40% are granted to government bodies.

As regards off-balance sheet business, guaranteed contingent liabilities stand at 77% of the total (92% in 1999), these liabilities consisting of guarantees provided by the Bank.

TRADING OPERATIONS

During the financial year the Banca Popolare di Sondrio (Suisse) SA traded principally in currencies, securities, and options.

These operations were, for the most part, conducted through trading based on traditional techniques.

Trading operations are handled by professional dealers working at our head offices, which is equipped with the requisite electronic systems.

Positions taken in the course of proprietary trading are subject to set limits and these are reviewed on a daily basis.

FEE AND COMMISSION BUSINESS

The bulk of fee income under this heading is that generated by asset management, fiduciary transactions, and securities brokerage.

OTHER SERVICES

Safe deposit and vault deposit facilities are available, especially to private clients, at our head office in Lugano, as well as at our branches at Chiasso, Locarno, St. Moritz and Chur, our sub-branches at Poschiavo and Castasegna, and also at Celerina.

Back office functions and payment transfers are handled by a service unit at Chiasso that works directly under head office.

RISK MANAGEMENT

The Management, under the supervision of the Board of Directors, is responsible for decisions and implementation of the risk management policy that the Board has approved.

The Bank has adopted internal procedures that regulate management of the main risks it is exposed to in carrying on its business.

CREDIT RISKS

To minimise the risk of losses arising on secured loans prudent margins have been set. Decisions on the approval of loan facility applications are handled by the head office at Lugano.

INTEREST AND CURRENCY RISK

The Bank adopts a prudent approach to taking positions that expose it to interest rate risk. Currency risk positions are monitored and valued daily and the result so obtained recognised in the income statement.

DERIVATIVE INSTRUMENTS

Positions in derivatives are taken mostly on behalf of clients.

For the purposes of balance sheet management the Bank enters into forward foreign exchange contracts and it hedges interest rate exposure through interest rate swaps.

2. ACCOUNTING AND VALUATION PRINCIPLES OF THE FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The accounts, their presentation, and the valuations made are in compliance with the Swiss Code of Obligations and Banking Law. Accounting is based on the date of settlement (the value date).

The main valuation principles are set out briefly below.

CASH

Cash items are charged at their nominal value.

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS.

Loan accounting is based on the nominal value of loans.

For potential client risk, lump-sum adjustments are made through a provision for this purpose included under "Valuation adjustments and provisions".

Should doubts arise as to the solvency of a borrower the Bank, taking into account the relevant guarantees, collateral, and financial situation, makes a commensurate allocation - under "Valuation adjustments and provisions" - in respect both of the principal and the interest. The amount set aside depends on an assessment of what is likely to be the realisable value.

Where a borrower is 90 days in arrears in the payment of interest, the interest already booked but not yet received is reversed through an entry under "Valuation adjustments, provisions, and losses".

Interest accruing after the ninetieth day is not reported as income but deferred under the item "Valuation adjustments and provisions". In such cases, it is shown as revenue only when actually collected.

SECURITIES TRADING PORTFOLIO

Securities that are held for trading are stated at their market value at the balance-sheet date provided that they are traded on a recognised stock market or in the context of a representative market as defined in banking legislation. Where this is not the case, they are valued at cost less any writedown in value that, in the circumstances, is appropriate.

The resultant amount is taken to the income statement.

FINANCIAL INVESTMENTS

Securities carried by the Bank on a proprietary basis that are not intended for trading and are not to be held until maturity (in the case of interest/dividend-bearing securities) are valued at the lower of cost or market value.

The net result of valuation adjustments is taken to the income statement for inclusion either under "Sundry ordinary income" or "Sundry ordinary expense". In the case of securities that are disposed of, the difference between the selling price and book valuation is entered under "Net income from the disposal of financial investments" in the income statement.

Against the potential risk from changes in market valuation a lump-sum provision for securities fluctuations is recorded under "Valuation adjustments and provisions" as a liability item.

PARTICIPATING INTERESTS

Reported under this item are interests in the equity or voting rights of companies held by the Bank as long-term investments. Valuation is made according to cost, that is, cost less any economically necessary writedowns that are determined on the basis of normal prudence.

FIXED ASSETS

These are disclosed at cost, net of due depreciation/write-offs. The latter are applied on a straight-line basis and are calculated on the basis of the assets' estimated service life, as assessed conservatively. Additional depreciation / write-offs may be charged, insofar as this is allowed under law.

VALUATION ADJUSTMENTS AND PROVISIONS

Compatible with prudence, separate valuation adjustments and provisions are made in respect of all the risks recognisable on the balance-sheet date.

Potential risks are covered by lump-sum valuation adjustments and provisions.

The valuation adjustments and provisions may include undisclosed reserves.

TAXES

Under the provisions of the Swiss Tax Act, the Bank allocates a provision for the taxes levied at communal, cantonal, and federal level on profit for the period.

PRECIOUS METALS

Precious metals are valued at their market price as recorded on the balance sheet date.

FOREIGN CURRENCY

Assets and liabilities in foreign currencies are translated at the exchange rates ruling on the balance sheet date.

DERIVATIVE INSTRUMENTS

For forward positions, the market prices of the residual maturities are used.

Positions in derivatives intended to be traded on a representative market are calculated at market value. Any profits or losses resulting are taken to the income statement.

If there is no representative market, the valuation is made at the lower of cost or market value.

Hedging positions are valued using the same principles as apply to the underlying transactions hedged.

Cash transactions that, through the application of value date accounting, were not yet settled at 31 December 2000, are included in with forward transactions.

CHANGE IN ACCOUNTING PRINCIPLES RELATING TO PRESENTATION DURING 2000

There were no such changes as compared with the previous period.



*Some have been found who, furtively and by night,
will hasten to the place where this Priest is buried,
for already there is a rumour abroad that
ere long a shining, miraculous light will be seen [...].⁷*

7.

Girolamo BORSIERI,
*Nuovo et pieno ragguaglio della rovina di
Piuro, et de romori eccitati nella Valtellina
Per la morte dell'Arciprete
di Sondrio, Cavato da una lettera [+]
al Sig. Paolo Maria Montorfano,
Milano, 1618*

3. BALANCE SHEET INFORMATION

3.1. SUMMARY OF LOAN COLLATERAL AND OFF-BALANCE-SHEET TRANSACTIONS

CHF in thousands	Type of collateral				
	guarantee	Mortgage collateral	Other Unsecured	Total	
Loans					
Due from clients		8 902	84 247	41 669	134 818
Mortgage loans		80 314	-	-	80 314
Residential property					
CHF 63 371 (1999: 29 349)		-	-	-	-
Commercial property					
CHF 16 828 (1999: 14 135)		-	-	-	-
Others					
CHF 115 (1999: 6 581)		-	-	-	-
Total loans		89 216	84 247	41 669	215 132
At 31 December 1999		55 866	72 423	23 496	151 785
Off-balance-sheet transactions					
Contingent liabilities		-	21 435	6 232	27 667
Total off-balance-sheet transactions		-	21 435	6 232	27 667
At 31 December 1999		-	30 032	2 591	32 623

3.2. BREAKDOWN OF SECURITIES AND PRECIOUS METALS TRADING PORTFOLIOS, OF FINANCIAL INVESTMENTS, AND OF PARTICIPATING INTERESTS

Securities trading portfolio

CHF in thousands	2000	1999	Change
Equities (unlisted)	994	307	687
Total securities trading portfolio	994	307	687
of which eligible for discounting or as collateral with Central Bank	-	-	-

Substantial claims and liabilities, valued at market price, included under other balance-sheet items.

Profit/loss on them is shown under \pm Net income on trading operations*

CHF in thousands	2000	1999	Change
Positive replacement value on forward foreign exchange contracts (Other assets)	5 474	5 179	295
Negative replacement value on forward foreign exchange contracts (Other liabilities)	5 686	4 683	1 003
Total	(212)	496	(708)

Financial investments

CHF in thousands	Book value		At cost		Market value	
	2000	1999	2000	1999	2000	1999
Non-equity investment securities	47 303	17 933	47 730	17 964	47 665	17 978
evaluated according to the lower value principle	47 303	17 933	47 730	17 964	47 665	17 978
Equities	3 983	6 847	4 082	7 041	4 081	8 042
Total	51 286	24 780	51 812	25 005	52 466	26 020

of which securities worth CHF 1 002 (CHF 2 003 in 1999) that were eligible for discounting or as collateral with the Central Bank.

3.3. INFORMATION ON PARTICIPATING INTERESTS

SOFIPO FIDUCIAIRE SA, LUGANO

The Bank holds a participating interest, reported at its purchase cost of CHF 390 000 (CHF 180 000 in 1999), corresponding to 30% (30% in 1999) of the share capital and voting rights of Sofipo Fiduciaire SA, with head offices in Lugano. The object of this company - which is not a listed one - is to carry out all business of a fiduciary nature and to perform any service that is part of the business of a fiduciary company.

Sofipo Fiduciaire SA was granted a credit line totalling CHF 550 000, of which CHF 300 000 (CHF 357 143 in 1999) is drawn down, and in respect of which the Bank entered into a subordination agreement. This loan has been re-classified under ‡Participating interests.

The Bank has allocated a specific provision, reported among liabilities under "Valuation adjustments and provisions", equal to the reported value of the holding (CHF 390 000) plus the subordinated loan (CHF 300 000).

In the absence of the conditions for a dominant influence or the significance of the participation from the consolidated accounts angle, no obligation exists as to its consolidation or the corresponding preparation of group accounts.

POPSO(SUISSE) ADVISORY SA, LUXEMBOURG

The Bank holds a participating interest, reported at its book value of CHF 113 225 (119 361 in 1999), of 100% of the equity and voting rights in Popso(Suisse) Advisory SA, with registered offices in Luxembourg. The object of this subsidiary company - which is unlisted - is to provide advisory services to Popso(Suisse) Investment Fund SICAV on the management of its assets and on its promotion.

No obligation exists as to the consolidation of this subsidiary company, or to the corresponding preparation of group accounts, given that the company would not be significant in any such accounts.

WISECA CARD SERVICES SA

During the year the Bank paid out CHF 50 000 for a participating interest of 0.25% in Visa Card Services SA, a company operating in credit card services. Concurrent with this interest the Bank also assumed its share in the loan to the company made by the latter's shareholders (maturing in 2003, and remunerated at 6.5%).

3.4. MOVEMENTS IN PARTICIPATING INTERESTS AND FIXED ASSETS

CHF in thousands value	At cost	Accumulated depreciation/ writedowns	Book value at 31.12.99	Additions	Depreciation/ writedowns	Book at 31.12.00
Participating interests						
	of which minority	180	-	180	560	
- 740						
	of which majority	119	119	-	6	113
Total participating interests	299	-	299	560	6	853
Other tangible fixed assets	9 066	6 352	2 714	5 876	4 106	4 484
Others	4 829	3 504	1 325	2 068	2 034	1 359
Total tangible fixed assets	13 895	9 856	4 039	7 944	6 140	5 843

The investments under minority participating interests include the subordinated loan of CHF 300 to Sofipo Fiduciaire SA of Lugano, given that this loan pursuant to tax legislation qualifies as shareholders' equity.

The insurance value against fire to 'Other tangible fixed assets' is CHF 10 750 (CHF 7 150 in 1999)

Future commitments arising from operating leases are CHF 72 (CHF 0 in 1999)

3.5. CAPITALISED EXPENSE FOR ESTABLISHMENT, CAPITAL INCREASES, AND ORGANISATION

The costs arising from the capital increase in 1999 were fully amortised during the previous year.

3.6. ASSETS PLEDGED OR CEDED TO SECURE OWN LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE

At the balance sheet date the following assets were non-available (classified by security type and reason for deposit)

CHF in thousands	2000	1999
Bonds with the Central Bank		
for Lombard loan (not used)	1 002	1 000
as collateral	-	500
Bonds with schemes run in association with other banks	3 990	-
Total	4 992	1 500

3.7. LIABILITIES TO INTERNAL PENSION FUNDS

At the balance sheet date, as at the end of the previous financial year, there were no outstanding amounts payable by the Bank to the pension funds.

3.8. MEDIUM-TERM NOTES OUTSTANDING AT 31 DECEMBER 2000

During 2000 issues of medium-term notes by the Bank totalled CHF 3 579 and redemptions CHF 200.

CHF in thousands

Maturity	Interest rate	Amount
2001	2.00 %	960
2001	2.25 %	505
2001	3.00 %	150
2001	3.25 %	150
2001	3.50 %	85
2001	3.75 %	60
2001	4.00 %	20
2002	2.25 %	2 300
2002	2.50 %	40
2002	2.75 %	75
2002	3.00 %	131
2002	3.25 %	23
2002	3.50 %	2 194
2003	2.25 %	45
2003	2.75 %	20
2003	2.75 %	5 000
2003	3.25 %	135
2003	3.75 %	170
2003	4.00 %	350
2004	3.00 %	50
2004	3.50 %	20
2004	4.00 %	424
2005	3.25 %	2 000
2005	3.50 %	100
2005	4.00 %	20
2005	4.25 %	115
2006	2.50 %	100
2006	3.00 %	150
2007	2.25 %	50
2007	3.75 %	10
2007	4.25 %	20
Total		15 472

3.9. VALUATION ADJUSTMENTS AND PROVISIONS

CHF in thousands	Balance at 31.12.99	Applications and reversals consistent with specific purpose	New provisions charged to income statement	Reversals credited to income statement	Balance at 31.12.00
Valuation adjustments and provisions for default risks					
(credit and country risks)	700	-	3 760	(90)	4 370
Reserves for taxes and deferred taxes	2 860	2 255	1 979	-	2 584
Other provisions	12 180	-	687	-	12 867
Total valuation adjustments and provisions	15 740	2 255	6 426	(90)	19 821
Total valuation adjustments and provisions on balance sheet		15 740	2 255	6 426	
(90) 19 821					

3.10. CAPITAL STOCK

CHF in thousands	1999	1999	1999	1998	1998	1998
	Total par value	Number of shares	Dividend- bearing capital	Total par value	Number of shares	Dividend- bearing capital
Share capital	50 000	500 000	50 000	50 000	500 000	50 000
Total capital stock	50 000	500 000	50 000	50 000	500 000	50 000

There is no conditional capital, nor are there any shareholders without voting rights

Substantial shareholders	Par value	% Shareholding	Par value	% Shareholding
Banca Popolare di Sondrio Scarl, Sondrio (Italy)	50 000	100	50 000	100

The Banca Popolare di Sondrio, in Sondrio, is a limited liability co-operative company and, as such, the shareholdings in it are subject to special rules. In compliance with statutory provisions no shareholder may hold more than 0.5% of the capital stock. Entry in the shareholders' register is subject to an acceptance clause. At members' meetings, each member is entitled to one vote, regardless of the shareholding they have. The shares are listed on the second-tier unlisted securities market (Mercato Ristretto) of the Milan Stock Exchange.

3.11. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHF in thousands

Paid-up share capital	50 000
General statutory reserve	7 160
Balance sheet profit	6 942
Total shareholders' equity at beginning of period (before distribution of profit)	64 102
+ Profit for the period	8 435
Total shareholders' equity at end of period (before distribution of profit)	72 537
of which:	
Paid-up share capital	50 000
General statutory reserve	14 102
Balance sheet profit	8 435

3.12. MATURITY STRUCTURE OF CURRENT ASSETS, OF FINANCIAL INVESTMENTS, AND OF LIABILITIES

CHF in thousands

	Maturity of capital						Total
	At sight	Redeemable by notice	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	
Current assets							
Cash	13 367	-	-	-	-	-	13 367
Due from banks	16 315	-	90 546	-	-	-	106 861
Due from clients	16 571	24 749	47 804	21 879	9 815	14 000	134 818
Mortgage loans	1 882	56 316	1 269	7 535	13 312	-	80 314
Securities trading portfolio	994	-	-	-	-	-	994
Financial investments	13 746	-	999	5 345	31 196	-	51 286
Total current assets	62 875	81 065	140 618	34 759	54 323	14 000	387 640
At 31 December 1999	99 723	163 914	26 458	43 481	1 000	443	335 019
Liabilities							
Money market instruments	3	-	-	-	-	-	3
Due to banks	4 994	-	21 078	29 651	-	-	55 723
Due to clients in savings and investment accounts	-	39 242	-	-	-	-	39 242
Other amounts due to clients	176 658	-	9 211	440	1 400	-	187 709
Medium-term notes	-	-	5	1 925	13 212	330	15 472
Total liabilities	181 655	39 242	30 294	32 016	14 612	330	298 149
At 31 December 1999	181 098	38 612	5 000	20 273	9 493	2 400	256 876

3.13. LOANS AND COMMITMENTS TO GROUP COMPANIES AND LOANS TO THE BANK'S GOVERNING BODIES

At 31 December 2000, as at end-1999, there were no loans or commitments to group companies.

CHF in thousands	2000	1999	Change
Loans to Bank's governing bodies	638	-	638

3.14. BREAKDOWN OF ASSETS AND LIABILITIES BY SWISS AND FOREIGN ORIGIN

CHF in thousands

Assets	Switzerland	Abroad	Total
Cash	13 368	-	13 368
Due from banks	67 224	39 637	106 861
Due from clients	64 197	70 621	134 818
Mortgage loans	80 314	-	80 314
Securities trading portfolio	-	994	994
Financial investments	1 002	50 284	51 286
Participating interests	740	113	853
Fixed assets	5 843	-	5 843
Accrued income and prepaid expense	1 977	-	1 977
Other assets	11 471	-	11 471
Total assets	246 136	161 649	407 785

Liabilities	Switzerland	Abroad	Total
Money market instruments	3	-	3
Due to banks	15 406	40 317	55 723
Due to clients in savings and investment accounts	22 182	17 060	39 242
Other amounts due to clients	65 258	122 451	187 709
Medium-term note issues	15 472	-	15 472
Accrued liabilities and deferred income	4 079	3	4 082
Other liabilities	13 196	-	13 196
Valuation adjustments and provisions	19 821	-	19 821
Share capital	50 000	-	50 000
General statutory reserve	14 102	-	14 102
Profit for the period	8 435	-	8 435
Total liabilities	227 954	179 831	407 785

3.15. GEOGRAPHICAL ANALYSIS OF ASSETS

CHF in thousands	2000	%	1999	%
OECD countries	110 590	27	113 381	31
Other countries	450	0	13 498	4
Total foreign countries	111 040	27	126 879	35
Switzerland	296 745	73	234 910	65
Total assets	407 785	100	361 789	100

3.16. BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

CHF in thousands

Assets	CHF	USD	EURO	Others	Total
Cash	9 160	336	3 652	220	13 368
Due from banks	11 495	9 374	81 025	4 967	106 861
Due from clients	72 726	26 338	26 922	8 832	134 818
Mortgage loans	80 314	-	-	-	80 314
Securities trading portfolio	137	838	19	-	994
Financial investments	33 971	1 217	14 914	1 184	51 286
Participating interests	740	-	113	-	853
Fixed assets	5 843	-	-	-	5 843
Accrued income and prepaid expense	1 421	126	352	78	1 977
Other assets	5 593	2 821	553	2 504	11 471
Total assets	221 400	41 050	127 550	17 785	407 785
Forward currencies	1 497	71 556	114 485	57 612	245 150
Long position	222 897	112 606	242 035	75 397	652 935
Long position at 31 December 1999	233 338	83 978	213 613	98 396	629 325
Liabilities	CHF	USD	EURO	Others	Total
Money market instruments	3	-	-	-	3
Due to banks	36 012	8 351	282	11 078	55 723
Due to clients in savings and investment accounts	36 598	3	2 641	-	39 242
Other amounts due to clients	51 910	19 519	111 670	4 610	187 709
Medium-term note issues	15 472	-	-	-	15 472
Accrued liabilities and deferred income	4 072	3	3	4	4 082
Other liabilities	7 274	322	5 582	18	13 196
Valuation adjustments and provisions	19 821	-	-	-	19 821
Share capital	50 000	-	-	-	50 000
General statutory reserve	14 102	-	-	-	14 102
Profit for the period	8 435	-	-	-	8 435
Total liabilities	243 699	28 198	120 178	15 710	407 785
Forward currencies	1 442	79 016	105 556	59 220	245 234
Short position	245 141	107 214	225 734	74 930	653 019
Short position at 31 December 1999	231 217	81 585	212 944	102 951	628 697
Long (short) position, net	(22 244)	5 392	16 301	467	(84)
Long (short) position, net at 31 December 1999	2 121	2 393	669	(4 555)	628

4. OFF-BALANCE-SHEET INFORMATION

4.1. BREAKDOWN OF CONTINGENT LIABILITIES

CHF in thousands	2000	1999	Change
Guarantees and similar instruments	26 358	32 623	(6 265)
Documentary credits	1 309	-	1 309
Total contingent liabilities	27 667	32 623	(4 956)

4.2. BREAKDOWN OF FIDUCIARY TRANSACTIONS

CHF in thousands	2000	1999	Change
Fiduciary investments with others	411 022	307 219	103 803
Total fiduciary investments	411 022	307 219	103 803

4.3. DERIVATIVE INSTRUMENTS OUTSTANDING AT YEAR END

CHF in thousands	Positive replacement value	Negative replacement value	Contract volume
Interest-rate instruments			
Swaps	236	180	14 000
Foreign exchange contracts			
Forward contracts	5 474	5 686	245 151
Options (OTC)	252	252	43 468
Equity/Index contracts			
Exchange-traded options	2 547	2 547	60 869
Commodities			
Exchange-traded options	2	2	77
Others	-	-	62 519
At 31 December 2000	8 511	8 667	426 084
At 31 December 1999	20 148	19 377	692 039

Included in the item "Others" are transactions concluded by 31 December 2000 for settlement during 2001, in accordance with due date accounting.

OTHER INFORMATION

Transactions are entered into mainly on behalf of clients. Limits are set for positions taken on a proprietary basis. The relative valuations are made on the assumption that outstanding contracts must be re-negotiated at current market conditions.

Accordingly, the positive replacement value indicates the potential costs that would arise if all the counterparties were to default on outstanding contracts.

The effective risk, however, is substantially lower in that transactions are entered into with counterparties of high standing.

The average maturity of outstanding contracts is appreciably less than a year.

The two interest rate swaps outstanding at 31 December 2000 were entered into with the aim of hedging interest rate exposure on two loan transactions.

5. INFORMATION ON THE INCOME STATEMENT

5.1. EARNINGS FROM REFINANCING UNDER INTEREST AND DISCOUNT INCOME

The Banca Popolare di Sondrio (Suisse) SA has not adopted this method of reporting.

5.2. BREAKDOWN OF INCOME FROM TRADING OPERATIONS

CHF in thousands	2000	1999	Change
Currency trading	4 093	4 846	(753)
Options trading	(33)	390	(423)
Securities trading	(602)	50	(652)
Securities trading Total from trading operations	3 458	5 286	(1 828)

5.3. BREAKDOWN OF PERSONNEL EXPENSES

CHF in thousands	2000	1999	Change
Salaries and fees	9 953	6 406	3 547
Social Security Contributions	1 702	1 248	454
Other personnel expenses	195	211	(16)
Total personnel expenses	11 850	7 865	3 985

5.4. BREAKDOWN OF OTHER OPERATING EXPENSES

CHF in thousands	2000	1999	Change
Occupancy expenses	2 219	1 551	668
IT expenses	1 601	1 392	209
Costs of machinery, furniture, vehicles, and other equipment	999	1 083	(84)
Other operating expenses	4 153	2 738	1 415
Total other operating expenses	8 972	6 764	2 208

5.5. OTHER INFORMATION ON THE INCOME STATEMENT

During the period there were no significant losses or extraordinary revenues in connection with the income statement.

Banca Popolare di Sondrio (suisse)



Banca Popolare di Sondrio (suisse)



INDEPENDENT AUDITORS' REPORT



**Report of the statutory auditors
to the general meeting of
Banca Popolare di Sondrio (Suisse) SA, Lugano**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statements of income and retained earnings and notes) of Banca Popolare di Sondrio (Suisse) SA for the year ended December 31, 2000.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements (and the proposed appropriation of available earnings) comply with the Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

ARTHUR ANDERSEN SA

A handwritten signature in black ink, appearing to read "Adriano P. Vassalli".

Adriano P. Vassalli *

A handwritten signature in black ink, appearing to read "Guido Gianetti".

Guido Gianetti

Lugano, February 5, 2001

Banca Popolare di Sondrio (suisse)



OUR SERVICES

CURRENT ACCOUNTS

DEPOSIT, SAVINGS,
AND INVESTMENT ACCOUNTS

FIDUCIARY AND FORWARD DEPOSITS

MEDIUM-TERM NOTE ISSUES

FOREX

PAYMENT TRANSFERS

INVESTMENT ADVICE

ASSET MANAGEMENT

SECURITIES CUSTODY

FOREIGN CURRENCY TRANSACTIONS

PRECIOUS METALS

TREASURY

COMMERCIAL LOANS

DOCUMENTARY CREDITS AND COLLECTIONS

MORTGAGE LOANS

LOMBARD LOANS

GUARANTEES AND SURETYSHIPS

INVESTMENT FUNDS
POPSO(SUISSE) INVESTMENT FUND SICAV

INSURANCE PRODUCTS
HELVETIA PATRIA

TRUSTEE BUSINESS IN ASSOCIATION WITH
SOFIPO FIDUCIAIRE SA

PREMISS

Annual reports consist of numbers, tables and dry technical comments.

In order to make ours less dry than a mere recital of facts and figures, this Bank has recently taken to including chapters of cultural interest relating to Italy and Switzerland, where we and our parent company have our head offices.

Recalling previous reports and starting with 1996, in that year our cultural supplement dealt with the Italian sociologist and economist, Vilfredo Pareto, who moved to Switzerland and for many years taught at the University of Lausanne, where he elaborated the theories that made him famous, based on mathematical laws. Our report for the year 1997, which marked the bicentenary of the cession to the Cisalpine Republic of the Valtellina and the districts of Bormio and Chiavenna, till then ruled over by the Free State of Graubünden*, consisting of Three Leagues, featured an article on this specific subject. For the year 1998, we published a report on the proceedings of the special event, held at the Milan offices of our parent company on 9th June of the same year, to mark the presentation of the Pareto Archive. The 1999 Report was enhanced by an essay on Giuseppe Prezzolini, the founder of the Italian journal "La Voce", who spent more than two years of his childhood in Sondrio and the last years of his life in Switzerland in Lugano, to be exact in and with whom I had many encounters and a most cordial exchange of correspondence. Incidentally, I keep in my office, as a treasured memento, a postcard dated 3rd February 1982 that he sent me to acknowledge my message of good wishes on the occasion of his hundredth birthday. Not long after, on 14th July, he died in Lugano. Lastly, in this report on the year 2000, marking the end of a century, we devote attention to a personage who lived between the 16th and 17th centuries, a man of great strength of character and determination: a man of religion who lived for his faith. He was Don Nicolò Rusca, born in April 1563 in Bedano in what is now Canton Ticino, of a distinguished family from the Como area. He died in Thusis, near Chur, on 4th September 1618.

As the parish priest of Sessa, he had so impressed Bishop Feliciano Ninguarda with his outstanding qualities that he was chosen by him to occupy the post of Archpriest of Sondrio in June 1590, at a time when Protestantism was on the increase and the local clergy seemed unable to combat it.

The authors of the essays that go to make up our article are: Monsignor Alessandro Botta, Archpriest of Sondrio; Paolo Tognina, formerly a Protestant Pastor in Locarno and currently in charge of religious broadcasts for his church on Italian Swiss Radio and TV; Claudia di Filippo Bareggi, a Lecturer at Milan State University; and Pier Carlo Della Ferrera, our consultant on cultural matters, to all of whom I should like to express my pleasure and gratitude for the excellent job they have done.

In the hope that the Archpriest of Sondrio of long ago, Nicolò Rusca, who stood up courageously for his belief in Christ, for which he suffered martyrdom, may be officially proclaimed "blessed", let me close by wishing all our readers happiness throughout the coming year.

Lugano, January 2001

Piero Melazzini
Chairman