

FOREWORD FROM THE PRESIDENT

Two events of world-wide significance necessarily begin this foreword, which we will try to keep brief and relevant. The first event is macabre and arose from an act of terrorism. It caused a festering wound to the economy whose precise impact is difficult to foresee, partly because projections based on human folly lie beyond the range of the crystal ball. The second, though, is pleasant to relate and encouraging, since it marks the moment the sun goes down on the currencies of 12 countries that have adopted the single currency of the Euro. Their decision represents a giant step in the process of European integration.

The Euro stands alongside our own franc. As Europeans, we give it a warm welcome and look forward to a peaceful and amicable co-existence. Currency is an essential instrument that speaks a language common to all nations. However, it teaches us to try to see beyond it and focus on reality and the problems of production and consumption.

Switzerland still suffers from the diabolical virus that has slowed down economic development all over the world. Analysts forecast that GDP will grow by just 1.50 to 2%. It should recover this year, but only slightly.

At the moment, there is evidence that the commercial climate is showing signs of decline. There has been a slump in consumption and investment has come to a standstill. On the other hand, despite the announcement by major corporations of rounds of job cuts, unemployment has been contained to below 2%. At the same time, inflation hovers at around 1% and continues to fall short of expectations.

The franc, which identifies itself through its semantic meaning, continues to be a strong currency and we hope that it will continue to be stable in comparison to the Euro. We seek moderation, not excess. As far as the franc is concerned, "the very best is the natural enemy of good". The franc represents the faith of the market. The market will show its faith for as long as the State functions and while civic and moral consciousness and social control remain strong and vigorous.

Monetary policy has acted as the standard bearer in the endeavour to maintain economic growth in a climate free from threats of inflation. The fact that rates have been cut without the intervention of the European Central Bank is not just a mere coincidence. Rates have been kept below those that prevail elsewhere in Europe.

Amidst the chaos of the financial market, the Zurich Exchange has suffered one blow after another. The Swiss stock exchange list has been in constant freefall almost throughout the year. Some consolation can be found in the familiar maxim "Solamen miseris socios habuisse malorum" (Roughly, "every cloud has a silver lining").

To close this foreword, I am obliged to remind you of two other painful tragedies, though they are different in origin and aspect. I refer to the calamities of Zug and St. Gothard, which bring to our minds the loss of many innocent lives, and the fall from grace of the illustrious airline that had proudly borne the Swiss flag.

In our case, although we still lack the data on the national bank system for the close of the year, we are confident that we have achieved results in terms of assets and economic performance that are still a source of satisfaction.

A brief pause should be made at this juncture to recall that the year was a difficult one for the system as a whole, above all owing to the decline in the demand for financial services. Despite this fact, the banking system was “enriched” by a significant number of new premises in Lugano. Regardless of their mutual influence, it is difficult to rule out the notion that the increased concentration has contributed to the same widespread impoverishment.

At this stage, let's return to our own back garden. Certainly, the past year has been trying and exhausting. Although the figures suggest healthy “pluses”, the pace of work has not been steady. Sometimes the course has been truncated and at some points along the way we have had to pause to catch our breath. Naturally these observations are made from a critical viewpoint, yet the same difficulties have not prevented us from keeping rigidly to our path of direction. Our own management and the results achieved are proof of this.

We should re-emphasise that the year in question has been by no means easy and no bugler has yet sounded the reveille to wake us from current reality. The daily correspondence between circumstances and our own labour manifests itself in the results that we give and submit for screening by our home mother.

We have toiled more and earned more, yet our commitment actually deserved richer rewards.

There has been a sharp rise in the cost of Staff, owing to the significant boost to the number of our collaborators, who have surged from 131 to 162 (+24%).

Collection of funds, which constitutes the life-blood for the bank and the catalyst for our actual activity, has expanded slightly.

Investment has grown and the trend is perfectly healthy.

Inter-bank activity has been in tune with routine activity and has reflected the discrepancy over time between the values for the collection of funds and investment.

As I have already hinted, even we have felt the effects of the diminished volume of trade in brokering: work with exchange rates, securities and services in general.

At this stage, I will make some strategic observations on the fact that in the very heart of Lugano we have acquired attractive premises destined to serve as the bank's head office. Please forgive the bellicose references that tend to slip from my pen, the rambling of which is now read and studied on a daily basis.

Following the opening in early October of the branch office at Basel, we now have a presence in four Cantons. In that city of major fairs and pharmaceutical giants which acts as a cradle for trade and culture, our dawn has been propitious.

We have an economic observatory in the Principality of Monaco, or more precisely at Monte-Carlo. We believe that we can be an asset to both its economy and inhabitants. The banking group has a distinguished tradition in the provision of services and in assistance to international trade.

We have continued to make progress in the sector that specialises in information technology and the automatic handling of data. The alternative channel represented by the “Call Center” and the “GoBanking” service is available on request.

We have drawn up an agreement with Generali Insurances, the leader on the Swiss market in life insurances combined with investment funds, geared to modern insurance products.

Carlo Cattaneo, the great thinker from Lombardy who lived in exile in Ticino, occupies a distinct place in the cultural part covered by the balance sheet for the 2001 period. Among the authoritative voices that pay him homage, the lofty, animated and peerless tones of the doyen of Italian journalism is conspicuous. I refer, of course, to the late Indro Montanelli. He wrote: “In human terms, Cattaneo was perhaps the most eminent figure of his time. He was the most upright, courageous, and consistent, the most resistant to compromise, personal gain or the craving for power”.

I would like to thank our clientele for choosing us and for being the chief promoter of our development action. Similarly, I should pay tribute to the Staff, the faithful vehicles and committed protagonists of our strategic lines of business.

I also want to express my appreciation for the Board of Directors for the members’ constant hands-on exercise of their mandate. They have implemented the powers conferred on them with wisdom and the utmost professionalism.

Grateful thanks are due to the Federal Banking Commission for its valuable advice and the generous understanding it has shown.

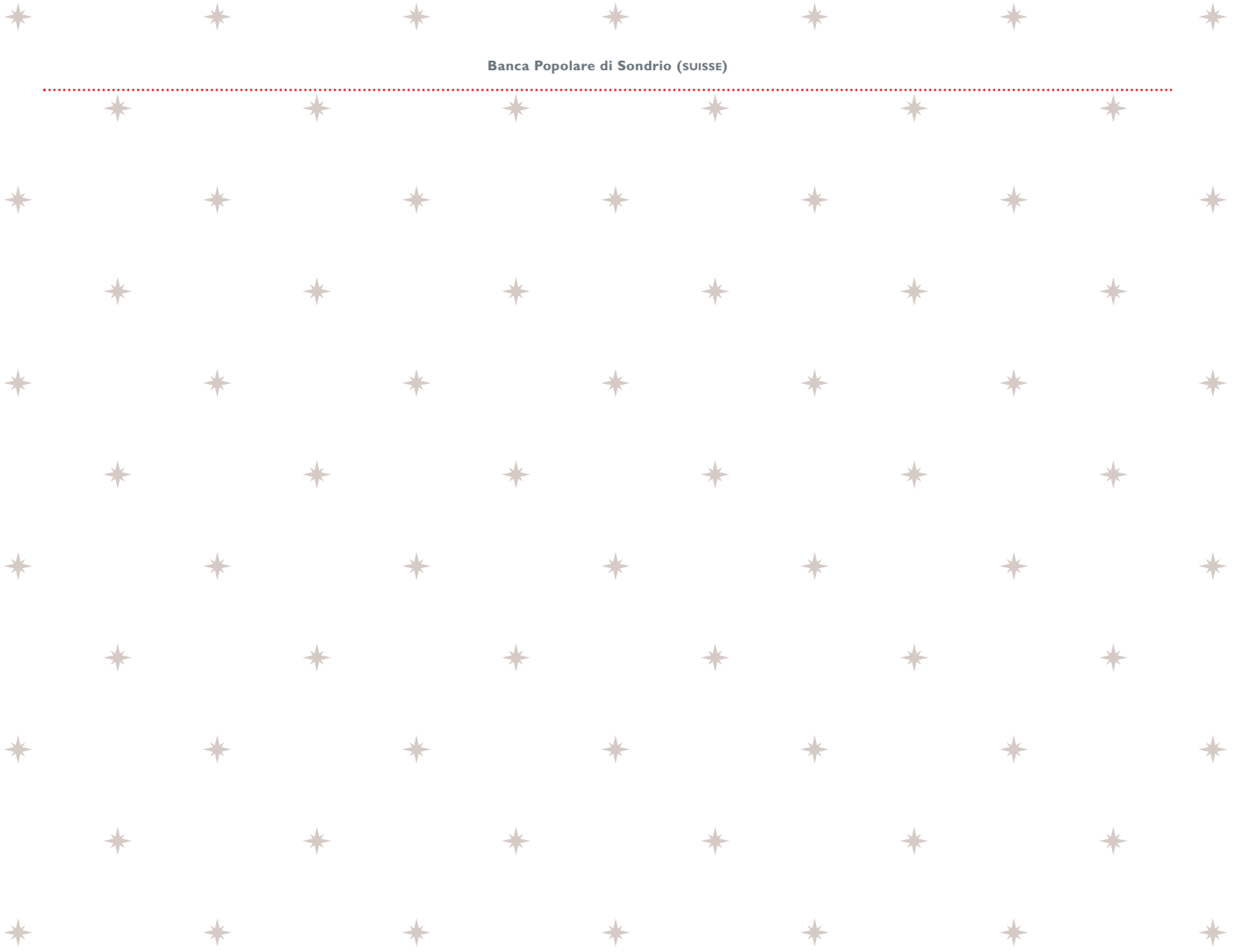
The auditing carried out by Arthur Andersen SA affords room for ample dialogue and we have benefited from ideas originating out of the firm’s long and considerable experience.

It is not enough to have the beauties of nature on your doorstep. Nature needs and deserves our protection. For this reason, Mother Nature in Switzerland has always been a generous provider. The Swiss Confederation is the custodian of that ample largesse.

Lugano, 1st January 2002

The President
Piero Melazzini

Banca Popolare di Sondrio (suisse)

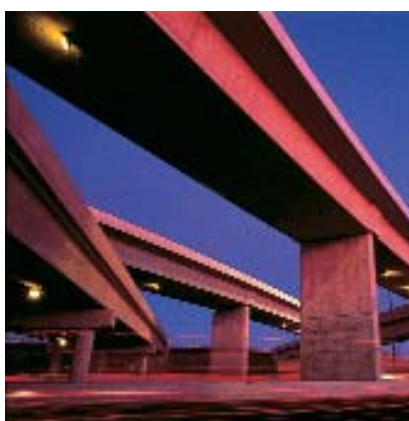




*In order not to trust totally in the guides and the tracks left
by passing herds, it was necessary to mount a hillock
so as to seek signs of grass or water with our telescope.³*

3.

New explorations in Southern Africa,
in "Crepuscolo",
art. 9, no. 19 (9 May 1858); no. 20
(16 May 1858); no. 21 (22 May 1858)



*Our cities are the ancient centres of all the communications
of a broad and populous province; all the roads lead there,
they are like hearts in a system of veins; they are an intersection, or rather,
centres of gravity that cannot be allowed to fall on others taken at will.⁴*

4.

Research on the project for a railroad from
Milan to Venice,
in "Annali universali di statistica", vol. 48,
no. 144 (Jun 1836)

REPORT OF THE BOARD OF DIRECTORS AT 31st DECEMBER 2001

The physical launch of the euro, successfully welcomed by member countries, was also viewed positively by Switzerland which followed this historic event with great interest. The effects on economic activity within the Confederation – completely surrounded by “Euroland” were obvious; in future Swiss business will be in a position to reap the benefits of transparent European prices and increased exchange rate stability.

It is to be hoped the international economy will again take off under the impetus of a driving force (after the era of Japan and more recently the USA, surely it is Europe’s turn!), generating jobs, income and the accumulation of wealth. The way the cake is divided up will depend on the competitiveness of individuals, businesses and governments. In this context, there is no doubt that Switzerland, as an organizational structure and country – together with its financial players – will as always be in the forefront.

Leaving aside the macro-economic aspects which have been exhaustively dealt with by more authoritative writers, let us now concentrate on the situation of our Bank. Last year was complex in nature and thus testing, with a slowing down of economic growth. The markets, volatile but with a downward trend “played against us”. Nevertheless, we were able to implement major initiatives, strengthen our organizational structure and achieve satisfactory results in terms of assets and income.

As testimony of our determination to participate fully at all times in the economic reality in which we operate, was the significant decision to acquire permanent premises in the center of Lugano, at 2 via Luvini – just a few steps from the Piazza della Riforma. Following the necessary refurbishment, these new premises will house the head office. This investment, substantial in financial terms, was even more important in the context of its intrinsic and strategic value, allowing us amongst other things, to enjoy a prestigious operational presence at the very heart of the city.

Once again venturing beyond the Canton borders, in October we opened a new branch equipped with three up to date Bancomat machines, in the important city of Basle, the culmination of the excellent preparatory work achieved by our representative office during the previous year.

On the basis of its favored geographical location, opening the way to a rich economic reality, we propose serving Swiss and foreign customers in the “Regio Basiliensis” from this new operational unit.

Our attention to foreign business was also manifested by the opening of a representative office in Monte-Carlo, in the Principality of Monaco. This is a renowned international center for prestigious social and sporting events, and in addition, a major economic location with a wealth of banking and financial services. In such a well-structured context the office will, thanks to experience gained in the field and through appropriate market surveys, be in a position to evaluate the real potential for our bank, which maintains close relations both with major personalities and the financial players, since we are members of a banking Group with a strong tradition of offering operational and consultancy services in international trade.

This opening-up to the international scene will not prevent us concentrating our greatest efforts on the domestic market: the bank’s prime objective is to operate in the con-

text of local realities, primarily in those regions where we have a presence, paying particular attention to attracting all forms of savings in Switzerland, including by recourse to methods now considered “archaic” such as savings accounts – which nonetheless savers continue to appreciate. These constitute the essential raw material for satisfying families’ needs for mortgages, to acquire their first home, and the loans constituting the vital life-blood of an economy based on small to medium sized enterprises, who will find our Bank a truly “made to measure” partner, capable of understanding, advising and supporting.

To complement the “solid” and ever stronger base constituted by our network of branches, still the preferred formula of most customers, during the second half of the year we also established an alternative channel, the “Call Center”.

This can be reached from anywhere in the world simply by calling the free phone number +800 800 76776. Trained personnel speaking the different national languages as well as English are able to offer all customers, current and future, a wide range of operational and consultancy services. The objective is obviously to offer additional access facilities, above all to private savers and families, facilitating the initiation and development of a business relationship, in total collaboration and synergy with personnel in the relevant local branch offices.

In a further move in the same direction, also oriented to satisfying customers’ needs; towards the end of the year the “GoBanking” Service became fully operational. This was formerly a pilot scheme tested by selected customers in a helpful atmosphere of collaboration, for managing their relations with the bank via Internet.

Established in conformity with the latest security criteria, to protect the integrity of the bank and customer’s data, this welcome facility can easily be accessed by all our customers, whether private or business. For our part, we very much hope this reliable service will act as the locomotive for the growth of business, confident it can expand our potential market almost to infinity.

Our bank is now visible to the public at large thanks to the potential of Internet, through our site www.popso.ch. For us this represents a major incentive to become increasingly competitive and attractive, in the knowledge that if our shop window is not an enticing one, the customer will turn to the shop next door (and on the net, there are plenty of alternatives!).

Of particular interest was the signing of an agreement with Generali Insurances, leader on the Swiss life market combined with Mutual Funds, allowing us to offer modern insurance products linked to our Popso(Suisse) Investment Funds. Initiated under the best auspices, we hope this prestigious partnership will encounter future success and satisfy the structural needs of customers: from portfolio diversification to inheritance planning, from mortgage protection to fiscal saving.

Management of our Popso(Suisse) SICAV Investment Fund, shortly to be enhanced by new components, allowed Popso(Suisse) Advisory Holding SA (a company offering consultancy services in which we have a shareholding) to pay a substantial dividend (the first) as will be detailed below. We will not attempt to hide our satisfaction since, although recorded on a separate balance sheet, this is nonetheless “grist to our mill”, linked to the sales efforts of our banking Group.

The activity of Sofipo Fiduciaire SA (in which we also have a holding), that is specialized in customized services of the fiduciary and fiscal fields, is developing in a positive direction with substantial synergy and collaboration with the organizational structure.

We now come to comment on the summary of assets and income, as depicted in the statements of assets and income.

News from the banking sector is uniformly of reduced income and profits, primarily on account of negative market trends and the economic slow down, coupled with the climate of uncertainty generated by the terrorist attacks now familiar to us all – and their political and military implications.

In this difficult context, our Bank nonetheless recorded satisfactory maintenance of income, thanks to the extended customer base, geographical expansion and in general, the policies implemented over previous years; taking into account the medium and long term horizons in a world over-focused on the short term or even the immediate future. We believe that as entrepreneurs, we must make sacrifices today in order to ensure optimum results tomorrow. Although the costs have increased physiologically, they have also been contained.

Establishing human relations – even in these “virtual” times – requires people. During the last financial year our family grew significantly. The 131 employees at the start of the period increased to 162 (+24%). Others reinforcements are being recruited, as we implement the geographical expansion, provide new services and exploit the potential linked to the welcome upturn in business. The rule remains that of equilibrium: no redundancy and no unfilled posts. Management of the Bank is a measured and considered process: “Est modus in rebus” (roughly, “moderation in all things”).

The balance sheet total, the traditional indicator of the weight of an enterprise in the market, its credit rating and evolution of its business, is in the case of a Bank, also an expression of the confidence placed in it by depositors and savers.

Compared with the initial CHF 407 784 755.-, the figure at the end of the trading year was CHF 526 627 892.-, a notable increase of 29%.

The winning over of new customers was positive: savings and investment commitments were CHF 68 632 442.- (+75%), with commitments to customers totaling CHF 228 837 821.- (+22%). Our own notes issues, maturing in the medium and long term, increased significantly, to CHF 27 441 000.- (+77%).

Loans business increased throughout the entire financial year. Mortgage loans increased to CHF 135 637 664.-, thus an upturn of 69% compared with the previous period. Other loans to customers totaled CHF 146 469 107.- (+9%).

Inter-bank business developed at a satisfactory rate, in harmony with the normal business of the bank, covering the time lapses between the increase of assets and liabilities. Turning to the income statement, we have already referred to the positive trend of income over the year.

The result of interest operations, in conjunction with the increase in loans business was particularly gratifying: CHF 10 575 392.- (+18%, compared with the previous financial year).

Commission, generated primarily by trading in shares and investments, despite reduced market activity, earned CHF 33 479 873.- (+10%).

With regard to interest and commission, we underline the fact that the revaluation of the Swiss franc against the euro has produced, in the account headings expressed in the single currency, a nominal falling back which does not always “do justice” to the volume of work and the results achieved.

Trading, primarily intended to provide a service to customers and anchored, in relation to operations on the Bank's own account, to criteria of sound and prudent management, generated a result of CHF 3 829 141.- (+11%).

As already stated our Popso (Suisse) Advisory Holding SA paid out an advance dividend of CHF 2 550 000.-, recorded under the heading “Other ordinary income”. The total, equivalent to CHF 1 599 878.-, suffered from the negative influence of the fall in value of financial investments; in line with our accounting principle, these are recorded at the lesser value, cost or market price.

Costs reflected the programs implemented: personnel costs increased to CHF 16 126 497.- (+36%), in proportion to the increase in payroll numbers, and the operating expenses to CHF 10 010 391.- (+12%).

The gross profit increased to CHF 23 347 396.-, compared with CHF 21 822 764.- in the previous trading year (+7%). Net profit, after ordinary and accelerated depreciation and the constitution of appropriate contingency funds, totaled CHF 9 025 396.-, with an increase of 7% compared with the end of the previous year (CHF 8 434 886.-).

The Board of Directors will propose to the Shareholders' General Meeting, in implementation of art. 22 of the Articles of Association, transferring the entire profit to the general statutory fund, in the perspective of further strengthening the balance sheet structure.

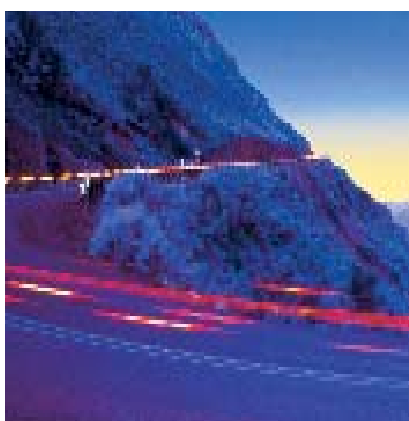
In conclusion, I would like to thank our customers for the increased confidence they have placed in us; our personnel, always distinguished by their dedication and professionalism, with special praise for the C.E.O. Brunello Perucchi; the Swiss Federal Banking Commission, for its helpful guidance and authoritative support, and finally, the Auditors for their diligent work and much valued collaboration.

Lugano, 16th January 2002

The Board of Directors

Banca Popolare di Sondrio (suisse)





Roads need to meet people and products. Roads are made to bring together, not to separate. Roads are an undertaking of economics and not one of pronunciation or dialect. Roads are a means of earning money for the individual and prosperity for the country.⁵

5.
*On a new line for the
Lombard-Veneto railroad,*
in "Bollettino di notizie statistiche
ed economiche",
vol. 52, no. 154 (Apr 1837)

BALANCE SHEET AT 31 DECEMBER 2001

ASSETS

CHF	2001	2000	Change
Cash	11 581 832	13 367 495	(1 785 663)
Due from banks	150 297 801	106 860 419	43 437 382
Due from clients	146 469 107	134 818 047	11 651 060
Mortgage loans	135 637 664	80 314 339	55 323 325
Securities trading portfolio	902 969	994 332	(91 363)
Financial investments	49 067 267	51 286 015	(2 218 748)
Participating interests	459 800	853 225	(393 425)
Fixed assets	16 703 237	5 843 007	10 860 230
Accrued income and prepaid expense	1 442 636	1 977 232	(534 596)
Other assets	14 065 579	11 470 644	2 594 935
Total assets	526 627 892	407 784 755	118 843 137
Total subordinated assets	12 914	300 722	(287 808)
Total amounts receivable from group companies and significant shareholders	6 157 835	26 276 871	(20 119 036)

LIABILITIES

CHF	2001	2000	Change
Money market instruments	-	2 487	(2 487)
Due to banks	70 715 902	55 723 228	14 992 674
Due to clients in savings and investment accounts	68 632 442	39 242 191	29 390 251
Other amounts due to clients	228 837 821	187 708 919	41 128 902
Medium term-notes	27 411 000	15 472 000	11 939 000
Accrued liabilities and deferred income	2 173 054	4 082 121	(1 909 067)
Other liabilities	24 411 261	13 195 397	11 215 864
Valuation adjustments and provisions	22 883 823	19 821 219	3 062 604
Share capital	50 000 000	50 000 000	-
General statutory reserve	22 537 193	14 102 307	8 434 886
Profit for the period	9 025 396	8 434 886	590 510
Total liabilities and shareholders equity	526 627 892	407 784 755	118 843 137
Total liabilities to group companies and significant shareholders	25 733 011	26 035 371	(302 360)

OFF-BALANCE-SHEET TRANSACTIONS

CHF	2001	2000	Change
Contingent liabilities	27 089 261	27 666 937	(577 676)
Derivative instruments			
Contract volume	797 402 630	426 084 625	371 318 005
Positive gross replacement values	11 355 030	8 511 578	2 843 452
Negative gross replacement values	11 559 208	8 667 334	2 891 874
Fiduciary transactions	455 259 573	411 021 826	44 237 747

INCOME STATEMENT FOR THE YEAR AS AT 31 DECEMBER 2001

INCOME STATEMENT

INCOME AND EXPENSES

FROM ORDINARY BANKING ACTIVITIES

CHF	2001	2000	Change
Interest and discount income	15 067 157	14 347 387	719 770
Interest and dividend income on trading portfolios	31 816	3 084	28 732
Interest and dividend income on financial investments	1 477 808	949 795	528 013
Interest expense	(6 001 389)	(6 331 408)	330 019
Net interest income	10 575 392	8 968 858	1 606 534
Commission income on lending activities	941 337	1 162 685	(221 348)
Commission income on securities and investment transactions	32 371 829	33 148 060	(776 231)
Commission income on other services	2 655 580	1 560 005	1 095 575
Commission expenses	(2 488 873)	(5 519 670)	3 030 797
Net income on fee and commission business	33 479 873	30 351 080	3 128 793
Net income on trading operations	3 829 141	3 458 010	371 131
Net income from disposal of financial investments	551 183	74 316	476 867
Other ordinary income	2 559 886	48 887	2 510 999
Other ordinary expenses	(1 511 191)	(256 035)	(1 255 156)
Other ordinary results	1 599 878	(132 832)	1 732 710
Net operating income from ordinary banking	49 484 284	42 645 116	6 839 168
Personnel expenses	16 126 497	11 850 077	4 276 420
Other operating expenses	10 010 391	8 972 275	1 038 116
Total operating expenses	26 136 888	20 822 352	5 314 536
Gross profit	23 347 396	21 822 764	1 524 632

INCOME STATEMENT

PROFIT FOR THE PERIOD			
CHF	2001	2000	Change
Depreciation/write-offs of non-current assets	(7 500 000)	(6 140 000)	(1 360 000)
Valuation adjustments, provisions and losses	(4 600 000)	(4 500 000)	(100 000)
Extraordinary income	690 000	90 539	599 461
Extraordinary expenses	(600 000)	(42 417)	(557 583)
Taxes	(2 312 000)	(2 796 000)	484 000
Profit for the period	9 025 396	8 434 886	590 510
ALLOCATION OF RETAINED EARNINGS			
CHF	2001	2000	Change
Retained earnings brought forward	-	-	-
Retained earnings at the end of the period	9 025 396	8 434 886	590 510
Balance sheet profit	9 025 396	8 434 886	590 510
Recommendation of the Board as to the allocation of retained earnings			
Allocation to the general statutory reserve	9 025 396	8 434 886	590 510
Retained earnings carried forward	-	-	-

CASH FLOW STATEMENT FOR THE YEAR AS AT 31 DECEMBER 2001

CASH FLOW STATEMENT

CASH FLOW BASED ON OPERATING RESULT (INTERNALLY GENERATED)

CHF in thousands	Source of funds 2001	Application of funds 2001	Source of funds 2000	Application of funds 2000
Profit for the year	9 025	-	8 435	-
Depreciation and write-offs on non-current assets	7 500	-	6 140	-
Depreciation of participating interests	3	-	6	-
Valuation adjustments and provisions	3 063	-	4 081	-
Accrued income and prepaid expenses	535	-	-	1 264
Accrued liabilities and deferred income	-	1 909	3 235	-
Other items	8 621	-	-	779
Net cash flow	26 838	-	19 854	-

CASH FLOW FROM EQUITY TRANSACTIONS

Capital Increase	-	-	-	-
Net Cash Flow	-	-	-	-

CASH FLOW FROM INVESTMENT ACTIVITIES

Participating interests	390	-	-	560
Other fixed assets	-	18 360	-	7 944
Intangible assets	-	-	-	-
Net cash flow	-	17 970	-	8 504
Balance carried forward	26 838	17 970	19 854	8 504

CASH FLOW STATEMENT

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	Source of funds 2001	Application of funds 2001	Source of funds 2000	Application of funds 2000
Balance brought forward	26 838	17 970	19 854	8 504
Non-current operations (> 1 year)				
Medium-term note issues	13 869	1 930	3 579	200
Cash from client savings and investment accounts	29 390	-	9 630	-
Mortgage loans	-	55 323	-	30 249
Financial investments	2 218	-	-	26 506
Net cash flow	-	11 776	-	43 746
Current operations				
Liabilities under money market instruments	-	2	-	25
Due to banks	14 992	-	23 518	-
Due to clients	41 129	-	4 771	-
Due from banks	-	43 437	30 136	-
Due from clients	-	11 651	-	33 098
Securities trading portfolio	91	-	-	688
Net cash flow	1 122	-	24 614	-
Cash				
Cash and cash equivalents	1 786	-	7 782	-
Net cash flow	29 746	29 746	52 250	52 250



It is like an astronomical curve, in which the certain and exact note of a certain number of points, leads to plotting the orbit completely even where it is not accessible to sight [...], we, without forgetting all that concerns the earth and the animals, will point out with predilection all that concerns the supreme subject of human nature. ⁶

6.

New explorations in Southern Africa, in "Crepuscolo", art. 9, no. 19 (9 May 1858); no. 20 (16 May 1858); no. 21 (22 May 1858)

NOTES TO THE 2001 ANNUAL ACCOUNTS

1. DESCRIPTION OF SECTORS

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

The Bank can distribute in Switzerland, in a professional capacity, shares in Popso(Suisse) Investment Fund SICAV, Luxembourg. It also acts 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 agencies at Poschiavo and Castasegna and a branch office at Celerina, as well as main branches at Chiasso, Locarno, Chur, St. Gallen and Basel, plus prestige offices in Zurich and Monte-Carlo.

By the end of the financial year the overall number of personnel employed stood at 162 (131 at the end of 2000).

Fee and commission business, especially that connected with asset management, is the prime source of income for the Bank and generating 68% (71% in 2000) of net operating income.

Net income from trading accounts for some 8% of the same total (77% in 2000) with net interest income contributing about 21% (21% in 2000).

CREDIT

Credit is given against adequate guarantee.

Indeed, loans secured by guarantees represent over 81% of the total (81% in 2000).

Of unsecured loans, 41% are granted to government bodies.

As regards off-balance sheet business, guaranteed liabilities stand at 98% of the total (77% in 2000), 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.

Operations in the above-mentioned sectors are performed using primarily technical forms of a traditional kind.

These operations are handled by professional dealers working at our head office, 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 the 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 St. Moritz, Chiasso, Locarno, Chur and Basel and at our agencies 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 exchange contracts and it hedges interest rate exposure through interest rate swaps.

2. ACCOUNTING AND VALUATION PRINCIPLES OF THE FINANCIAL STATEMENT

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. 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 are not to be held until maturity (in the case of interest/dividend-bearing securities) and are valued at the lower 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 of 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 "Valuation adjustments and provisions" 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 rate 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 2001, are included in with forward transactions.

CHANGE IN ACCOUNTING PRINCIPLES RELATING TO PRESENTATION DURING 2001

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



*But it is equally true that in the same circumstances,
we would always have to prefer the line that produced the greatest
amount of business; because the purpose is not so much to move speedily
as to make this same speed lucrative.⁷*

7.

Research on the project for a railroad from
Milan to Venice,
in "Annali universali di statistica",
vol. 48, no. 144 (Jun 1836)

3. BALANCE SHEET INFORMATION

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

CHF in thousands	Type of Collateral			Total
	Mortgage Guarantee	Other Collateral	Unsecured	
Loans				
Due from clients	14 389	79 005	53 075	146 469
Mortgage Loans	135 638	-	-	135 638
Residential property CHF 74 344 (2000: 63 371)	-	-	-	-
Commercial property CHF 42 672 (2000: 16 828)	-	-	-	-
Others CHF 18 622 (2000: 115)	-	-	-	-
Total loans	150 027	79 005	53 075	282 107
At 31 st December 2000	89 216	84 247	41 669	215 132
Off-balance-sheet transactions				
Contingent liabilities	-	26 576	513	27 089
Total off-balance-sheet transactions	-	26 576	513	27 089
At 31 st December 2000	-	21 435	6 232	27 667

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

Securities trading portfolio

CHF in thousands	2001	2000	Change
Equities (unlisted)	903	994	(91)
Total securities trading portfolio	903	994	(91)
of which eligible for discounting or as collateral with the Central Bank	-	-	-

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

Profit/Loss on them is shown under "Net income on trading operations"

CHF in thousands	2001	2000	Change
Positive replacement value on forward foreign exchange contracts (other assets)	9 470	5 474	3 996
Negative replacement value on forward foreign exchange contracts (other liabilities)	9 100	5 686	3 414
Total	370	(212)	582

3.3 FINANCIAL INVESTMENTS

CHF in thousands	Book Value		At Cost		Market Value	
	2001	2000	2001	2000	2001	2000
Non-equity investment securities	46 673	47 303	48 030	47 730	47 011	47 665
Evaluated according to the lower value principle	46 673	47 303	48 030	47 730	47 011	47 665
Equities	2 394	3 983	3 031	4 082	2 569	4 801
Total	49 067	51 286	51 061	51 812	49 580	52 466

of which securities CHF 1 002 (CHF 1 002 in 2000) that were eligible for discounting or as collateral with the Central Bank.

3.4 INFORMATION ON PARTICIPATING INTERESTS

SOFIPO FIDUCIAIRE SA, LUGANO

The Bank holds a participating interest, reported at its purchase cost of CHF 300 000.- (CHF 390 000.- in 2000), corresponding to 30% (30% in 2000) 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.

In 2001 the share capital was reduced then reconstituted. The restructuring did not modify the Bank's percentage interest. This operation was implemented by the combined dissolution followed by the reconstitution of the previously existing provision (on participating interests and deferred credit).

The Bank has allocated a specific provision, reported among liabilities under "Valuation and provisions", equal to the reported value of the holding (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 HOLDING SA, LUXEMBOURG

The Bank holds a participating interest, reported at its book value of CHF 109 800.- (CHF 113 225.- in 2000) of 100% of the equity and voting rights in Popso(Suisse) Advisory Holding 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%).

3.5 MOVEMENTS IN PARTICIPATING INTERESTS AND FIXED ASSETS

CHF in thousands	At cost	Depreciations & Writedowns to date	Book value end of previous year	Additions	Disposals	Depreciations & Writedowns	Book value end of period
Participating interests							
of which minority	740	-	740	210	-	(600)	350
of which majority	119	(6)	113	-	-	(3)	110
Total participating interests	859	(6)	853	210	-	(603)	460
Other tangible fixed assets	14 942	(10 458)	4 484	17 182	(787)	(5 901)	14 978
Intangible fixed assets	6 897	(5 538)	1 359	2 876	(911)	(1 599)	1 725
Total fixed assets	21 839	(15 996)	5 843	20 058	(1 698)	(7 500)	16 703

During the period, the Bank acquired a property for CHF 10 000 000.-. This investment is subject to mortgages valued at CHF 8 000 000.-.

The insurance value against fire to "Other tangible fixed assets" is CHF 15 250 000.- (CHF 10 750 000.- in 2000).

Future commitments arising from operating leases are CHF 54 000.- (CHF 72 000.- in 2000).

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	2001	2000
Bonds with the Central Bank (nominal value)		
for Lombard loan (not used)	1 002	1 002
as collateral	-	-
Bonds with schemes run in association with other banks	3 987	3 990
Total	4 989	4 992

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 2001

During 2001 issues of medium-term notes by the Bank totalled CHF 13 869 and redemption CHF 1 930.

CHF in thousands

Maturity	Interest rate	Amount
2002	2.250 %	2 300
2002	2.500 %	70
2002	2.750 %	75
2002	3.000 %	101
2002	3.250 %	23
2002	3.500 %	2 194
2003	2.625 %	109
2003	2.750 %	5 000
2003	3.000 %	20
2003	3.125 %	647
2003	3.250 %	1 592
2003	3.500 %	831
2003	3.750 %	230
2003	4.000 %	350
2004	2.875 %	124
2004	3.000 %	50
2004	3.250 %	442
2004	3.500 %	1 211
2004	3.750 %	1 629
2004	4.000 %	512
2005	3.250 %	2 100
2005	3.375 %	496
2005	3.625 %	589
2005	4.000 %	2 470
2005	4.250 %	115
2006	3.125 %	70
2006	3.500 %	250
2006	3.625 %	30
2006	4.000 %	465
2007	3.750 %	10
2007	4.000 %	70
2007	4.250 %	20
2008	4.000 %	2 684
2008	4.250 %	505
2009	4.000 %	17
2009	4.250 %	10
Total		27 411

3.9 VALUATION ADJUSTMENTS AND PROVISIONS

CHF in thousands	Balance at 31.12.00	Applications & reversals consistent with specific purpose	New provisions charged to income statement	Reversals credited to income statement	Balance 31.12.01
Loss risk adjustments and provisions (del credere and country risks)	4 370	(51)	927	(690)	4 556
Provision for taxes and latent taxes	2 584	(2 115)	1 319	-	1 788
Other provisions	12 867	-	3 673	-	16 540
Total valuation adjustments and provisions	19 821	(2 166)	5 919	(690)	22 884
Total valuation adjustments and provisions on balance sheet	19 821	(2 166)	5 919	(690)	22 884

3.10 CAPITAL STOCK

CHF in thousands	2001	2001	2001	2000	2000	2000
	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	% Share- holding	Par value	Par value holding
Banca Popolare di Sondrio Scarl, Sondrio (Italia)	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 shareholders may hold more than 0.5% of the capital stock. Entry in the shareholders' register is subject to an acceptance clause. At membership meetings, each member is entitled to one vote, regardless of any 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 EQUITY TRANSACTIONS

CHF in thousands

Paid-up share capital	50 000
General statutory reserve	14 102
Balance sheet profit	8 435
Total shareholders' equity at beginning of period (before distribution of profit)	72 537
+ Profit for the period	9 025
Total shareholders' equity at end of period (before distribution of profit)	81 562
of which:	
Paid-up share capital	50 000
General statutory reserve	22 537
Balance sheet profit	9 025

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 with- in 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	
Current assets							
Cash	11 582	-	-	-	-	-	11 582
Due from banks	20 792	-	129 506	-	-	-	150 298
Due from clients	11 092	28 955	51 509	27 513	7 900	19 500	146 469
Mortgage loans	1 347	98 663	922	5 183	28 988	535	135 638
Securities trading portfolio	903	-	-	-	-	-	903
Financial investments	11 235	-	2 955	6 992	27 885	-	49 067
Total current assets	56 951	127 618	184 892	39 688	64 773	20 035	493 957
At 31 st December 2000	62 875	81 065	140 618	34 759	54 323	14 000	387 640
Liabilities							
Money market instruments	-	-	-	-	-	-	-
Due to banks	2 944	-	38 366	29 406	-	-	70 716
Due to clients in savings and investment accounts	-	68 633	-	-	-	-	68 633
Other amounts due to clients	217 114	-	10 211	113	1 400	-	228 838
Medium-term notes	-	-	246	4 517	19 332	3 316	27 411
Total liabilities	220 058	68 633	48 823	34 036	20 732	3 316	395 598
At 31 st December 2000	181 655	39 242	30 294	32 016	14 612	330	298 149

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

At 31st December 2001, as at end of 2000, there were no loans or commitments to group companies.

CHF in thousands	2001	2000	Change
Loans to Bank's governing bodies	3 600	638	2 962

Loans to organisations are of a mortgage type and are granted in compliance with the normal parameters concerning advances.

3.14 BREAKDOWN OF ASSETS AND LIABILITIES BY SWISS AND FOREIGN ORIGIN

CHF in thousands

Assets	Switzerland	Abroad	Total
Cash	11 582	-	11 582
Due from banks	130 391	19 907	150 298
Due from clients	67 997	78 472	146 469
Mortgage loans	135 638	-	135 638
Securities trading portfolio	-	903	903
Financial investments	7 392	41 675	49 067
Participating interests	350	110	460
Fixed assets	16 703	-	16 703
Accrued income and prepaid expense	1 158	285	1 443
Other assets	8 470	5 595	14 065
Total assets	379 681	146 947	526 628

Liabilities	Switzerland	Abroad	Total
Money market instruments	-	-	-
Due to banks	22 479	48 237	70 716
Due to clients in savings and investment accounts	39 419	29 214	68 633
Other amounts due to clients	61 583	167 255	228 838
Medium-term note issues	27 411	-	27 411
Accrued liabilities and deferred income	1 898	275	2 173
Other liabilities	18 720	5 691	24 411
Valuation adjustments and provisions	22 884	-	22 884
Share capital	50 000	-	50 000
General statutory reserve	22 537	-	22 537
Profit for the period	9 025	-	9 025
Total liabilities	275 956	250 672	526 628

3.15 GEOGRAPHICAL ANALYSIS OF ASSETS

CHF in thousands	2001	%	2000	%
OECD countries	137 524	26	110 590	27
Other countries	9 423	2	450	-
Total foreign countries	146 947	28	111 040	27
Switzerland	379 681	72	296 745	73
Total assets	526 628	100	407 785	100

3.16 BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

CHF in thousands

Assets	CHF	USD	EURO	Others	Total
Cash	7 212	299	4 020	51	11 582
Due from banks	17 402	9 109	114 937	8 850	150 298
Due from clients	91 312	18 672	26 035	10 450	146 469
Mortgage loans	135 638	-	-	-	135 638
Securities trading portfolio	195	385	323	-	903
Financial investments	35 638	1 342	12 087	-	49 067
Participating interests	350	-	110	-	460
Fixed assets	16 703	-	-	-	16 703
Accrued income and prepaid expense	1 124	84	226	9	1 443
Other assets	3 618	68	3 448	6 931	14 065
Total assets	309 192	29 959	161 186	26 291	526 628
Forward currencies	12 532	110 430	309 844	79 907	512 713
Long position	321 724	140 389	471 030	106 198	1 039 341
Long position at 31 st December 2000	222 897	112 606	242 035	75 397	652 935
Liabilities	CHF	USD	EURO	Others	Total
Money market instruments	-	-	-	-	-
Due to banks	38 674	10 824	6 369	14 849	70 716
Due to clients in savings and investment accounts	59 883	-	8 750	-	68 633
Other amounts due to clients	64 984	16 149	143 844	3 861	228 838
Medium-term note issues	27 411	-	-	-	27 411
Accrued liabilities and deferred income	2 148	12	8	5	2 173
Other liabilities	14 317	6 908	2 673	513	24 411
Valuation adjustments and provisions	22 884	-	-	-	22 884
Share capital	50 000	-	-	-	50 000
General statutory reserve	22 537	-	-	-	22 537
Profit for the period	9 025	-	-	-	9 025
Total liabilities	311 863	33 893	161 644	19 228	526 628
Forward currencies	11 947	111 130	293 893	80 519	497 489
Short position	323 810	145 023	455 537	99 747	1 024 117
Short position at 31 December 2000	245 141	107 214	225 734	74 930	653 019
Long (short) position, net	(2 086)	(4 634)	15 493	6 451	15 224
Long (short) position, net at 31 December 2000	(22 244)	5 392	16 301	467	(84)

4. OFF-BALANCE-SHEET INFORMATION

4.1 BREAKDOWN OF CONTINGENT LIABILITIES

CHF in thousands	2001	2000	Change
Guarantees and similar instruments	26 576	26 358	218
Documentary credits	513	1 309	(796)
Total contingent liabilities	27 089	27 667	(578)

4.2 BREAKDOWN OF FIDUCIARY TRANSACTIONS

CHF in thousands	2001	2000	Change
Fiduciary investments with others	455 260	411 022	44 238
Total fiduciary investments	455 260	411 022	44 238

4.3 DERIVATIVE INSTRUMENTS OUTSTANDING AT YEAR END

CHF in thousands	Positive replacement value	Negative replacement value	Contract volume
Interest-rate instruments			
Swaps	-	574	37 710
Foreign exchange contracts			
Forward contracts	9 470	9 100	512 713
Options (OTC)	875	875	230 437
Equity/Index contracts			
Exchange-traded options	1 010	1 010	16 543
Commodities			
Exchange-traded options	-	-	-
Others	-	-	-
At 31 December 2001	11 355	11 559	797 403
At 31 December 2000	8 511	8 667	426 084

Included in the item "Others" are transactions concluded by 31 December 2001 for settlement during 2002, in accordance with value 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 renegotiated at current market conditions. Accordingly, the positive replacement value indicates the potential costs that would arise if all the counter parties were to default on outstanding contracts.

The effective risk, however, is substantially lower in that transactions are entered into with counter parties of high standing. The average maturity of outstanding contracts is appreciably less than a year.

To cover itself against the risks of interest rate exposure exceeding 12 months deriving from the balance sheet structure, the Bank has conducted hedging operations through interest rate swaps.

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	2001	2000	Change
Currency trading	3 779	4 093	(314)
Options trading	-	(33)	33
Securities trading	50	(602)	652
Total from trading operations	3 829	3 458	371

5.3 BREAKDOWN OF PERSONNEL EXPENSES

CHF in thousands	2001	2000	Change
Salaries and fees	13 575	9 953	3 622
Social Security Contributions	2 311	1 702	609
Other personnel expenses	240	195	45
Total personnel expenses	16 126	11 850	4 276

5.4 BREAKDOWN OF OTHER OPERATING EXPENSES

CHF in thousands	2001	2000	Change
Occupancy expenses	2 984	2 219	765
IT expenses	2 578	2 600	(22)
Other operating expenses	4 448	4 153	295
Total other operating expenses	10 010	8 972	1 038

5.5 OTHER INFORMATION ON THE INCOME STATEMENT

The heading "Other ordinary income" equal to CHF 2 559 886.- incorporates a profit of CHF 2 550 000.- generated by the distribution of dividend for the participating interest Popso(Suisse) Advisory Holding SA, Luxembourg.

The extraordinary costs of CHF 600 000.- correspond to the reduction in value of the participating interest Sofipo Fiduciaire SA. On the other hand, the extraordinary income of CHF 690 000.- corresponds to the dissolution of the provision set aside in the past for the liabilities of these participating interests.

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, cash flow statement and notes) of Banca Popolare di Sondrio (Suisse) SA for the year ended December 31, 2001.

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


Stefan Fuchs


Louis Alzati

Lugano, January 24, 2002

OUR SERVICES

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AND INVESTMENT ACCOUNTS

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SOFIPO FIDUCIAIRE SA

FOREWORD

The cultural focus accompanying the report of the balance sheet for the financial year 2001 and referring to an Italian-Swiss personality, was chosen more easily because of an anniversary: the bicentenary of the birth of Carlo Cattaneo.

Many have spoken and written about this great Lombard reformer and, albeit modestly, we would like to add our own comments, which, discreetly, aim to be equally mindful and appreciative.

Carlo Cattaneo, the Italian historian and economist, man of politics and philosopher, was born in Milan in 1801 and died at Castagnola di Lugano in 1869; he lived in Switzerland for the last twenty years of his life, having taken out Swiss citizenship.

It is not my intention – indeed it would be beyond me – to take the place of the excellent writers of these articles, especially since figuring among them is Professor Sergio Romano, for whose invaluable contribution I extend my warmest thanks. The essay by this respected ambassador, historian and writer, is a rapid fresco of the oeuvre of Carlo Cattaneo, a thinker of great topicality. The late lamented Indro Montanelli, who on the human plane, was perhaps the finest figure of his time, said of him: “The most upright, courageous, and consistent, the most resistant to compromise, personal gain or the craving for power”.

I would like to express particular gratitude for his competent contribution to the Lawyer, Franco Masoni, who inter alia is Chair of the Carlo Cattaneo Association and the Italian-Swiss Committee for the publication of Cattaneo’s works.

My sincere thanks for his customary diligent and intelligent collaboration are given to Mr Pier Carlo Della Ferrera, consultant to the parent company for cultural matters.

This monograph too has been published so that the past should not be lost from view.

Lugano, January 2002

The President
Piero Melazzini