

FOREWORD FROM THE CHAIRMAN

We welcome the new year with a comforting statement. Signs of stability predominate in the national economic, social and political landscape. Switzerland - renowned for its orderly conduct of business in compliance with the law and democratic principles and for its great natural beauty - is attracting ever more people and capital.

In this context, the Swiss economy, on the recovery since Spring 2003, has grown at an increasing pace. It should be recalled that growth worldwide has suffered from the slowing down of the US economy, offset by a good recovery in the Euro zone and consistent growth in Japan, and even more so, China and India. Inflation, that economic and social scourge, remains moderate.

As for monetary policy, taxes which have increased, are showing an upwards trend. On the exchange rate front, the Swiss Franc weakened slightly against the Euro, and there were concerns over fluctuations in the US currency. The Bank ended the financial year with increased profits, proof of real measured growth in all balance sheet headings, guaranteed by ongoing reinforcement of the organisational structure, reflected in the increasingly consistent equilibrium of the income statement. The aim of the bank is not to increase rates and reduce liabilities but rather to assist its growing number of customers and so boost the economy, by stimulating the use of credit - the driving force for the flexible growth of employment.

The strategy of gradual territorial extension was maintained with the aim of remaining a very Swiss bank, seeking to raise awareness and reciprocate the specific characteristics of the parent company, with a co-operative model. We are thus bound to expand - including by supporting and promoting every sound initiative.

Currently, with the opening in April at Biasca and in July at Pontresina respectively of two new branches, there are eighteen operational units: seventeen in five Cantons and one in the Principality of Monaco. Company goodwill, an important yet invisible heading, is in the hands of 268 people, increased during the financial year by 23; an invaluable capital of trained and experienced Human Resources.

This financial year will see implementation of the new parameters of Basle II, which governs the calculation of economic capital vis-à-vis banking risks. Concerning the investment fund sector, our Sicav complies with the European regulations, as set out in the Luxembourg Law, known as UCITS III. Growth is satisfactory, supported by the increasing contribution of our parent company. An industrial leasing cooperation agreement was finalised with Fortis Lease Svizzera, the third-ranking national operator and the initial results appear promising.

Sofipo Fiduciaire SA Lugano enjoyed consistent expansion in line with the set programmes; as for Sofipo Austria GmbH Vienna, the initiative is in process of deployment, with the aim of assisting businesses seeking consultancy services for management and expansion of trade in Eastern Europe.

Note that we have joined the SFA (Swiss Fund Association).

With interest and some trepidation we are monitoring technology, notably Internet and the significant growth in the GoBanking service.

I would like to express a spontaneous and very big thank you to all members of the personnel, managed with authority and benevolence by Corporate Management, for their willing, flexible and efficacious collaboration. Specific reference should be made to the Internal Audit office for its intelligent, consistent and strong commitment, recalling that inadequate or absence of vigilance is the cause of most incidents.

I would also like to express gratitude to my fellow Directors for their strong commitment, in the belief that Banca Popolare di Sondrio (SUISSE) SA has the Board it merits. We are also satisfied with Deloitte SA for work carried out with the company's customary professionalism and promptitude.

We would also like to confirm our commitment to operate in accordance with high expectations to the Swiss Federal Banking Commission, which we regard with consideration and respect.

Finally - but always uppermost in our thoughts - the customers, who provide our work. We devote all our attention to them and we are committed to achieving that which other banks do not.

The cultural supplement we are offering you comes from the world of sport: cycling. The true cycling countries are Latin ones. We were motivated by the Mapei Day event, held last summer at the initiative of our parent company and the Italian industrialist, Giorgio Squinzi, with the participation of more than two thousand athletes, both on foot and cycling the climb from Bormio to the Stelvio Pass, in the memory of two great Swiss cyclists, Hugo Koblet and Ferdinand Kübler. The supplement is dedicated to these two great historical champions who remain firmly in our memory.

Lugano, January 1, 2007

The Chairman
Piero Melazzini







*The stopwatches talk, and kerbstones pass by the bends that bite into
the mountains with their jaws following one after the other.
Why align figures, when the strength of a heart and the will of a spirit
are measured with secret numbers that, even in the most elementary world,
resemble the figures of poetry?
Why make calculations of a victorious muscle when,
in reality, it is the spirit that wins?³*

3.
Orio VERGANI,
"Corriere della Sera",
June 2, 1953

Details of the poster
"Criterium Bicycle"



*I like waiting here on the dusty road;
But if you want to go ahead, go ...
Go, but I'm staying here to wait for Bartali,
pawing the ground with my sandals.
From that bend,
the sad nose of the joyful Italian
will soon emerge.⁴*

4.
Paolo CONTE,
Bartali, 1979

Details of the poster
"Cicli Stucchi Milano"
Artist: E. Malerba

REPORT OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2006

2006 proved satisfactory, both in terms of the economy and the major international financial markets. Concerning the latter, except for the significant correction occurring mid-year, the various concerns related to fears about inflation, an increase in the price of energy and the slowing-down of the economy were in fact unfounded.

Swiss economic growth was vigorous. The gross domestic product, enjoying constant acceleration, exceeded analysts' expectations. Industry in general, above all for export, was in good health, reaching the limits of production capacity. Consumption increased at a sustained rate.

Interventions by the Swiss Central Bank which on four occasions raised interest rates, in total by a percentage point, were satisfactorily absorbed by the market. Concerning currency, the Swiss Franc remained basically stable. Fluctuations on the dollar were, however, a source of concern, whereas the slight weakening against the Euro increased the competitiveness of Swiss goods.

The globally positive scenario was characterised amongst other things, by a soft landing for potentially negative events, generating optimism including for the immediate future. On the prospects for further growth of the financial markets, some caution is needed. The problems related to the obvious economic imbalances in America have simply been "carried forward" in the belief a sustainable long-term solution can be found.

Switzerland is more than ever, a Siren attracting capital in search of protection. During its long history of independence and peace, assets management has taken centre stage. With the objective of increasing capacity to cope with the ever more complex risks of the banking industry, from 1st January 2007 the renowned 'Basle II' accord finally came into effect. This generated a multiplicity of interventions, the adopting of positions and also, resistance. The adjustments made, some introduced by individual States and limited to their territory, and the massive information campaign conducted by the competent authorities, banks and various entrepreneurial and professional sectors helped to overcome concerns.

The Swiss institutions managed the problem with their usual determination and pragmatism, generally adopting positive attitudes - which we shared. The Bank was ready to meet the deadlines, thanks largely to invaluable support from our Parent Company.

Concerning operations, the Luxemburg law Popso(Suisse) Investment Fund Sicav, which will soon be enhanced with new components, recorded a substantial increase in subscriptions.

Synergy with the holding Sofipo Fiduciaire SA received fresh impetus. Notably, there was great interest in the start-up of Sofipo Austria GmbH, with its registered office in Vienna, where personnel of proven experience assisted Customers of our Group with entrepreneurial initiatives in Eastern Europe, probably one of the areas with greatest potential for future development.

To supplement the domestic offer of services and finance for small to medium size companies, we concluded a collaboration agreement with Fortis Lease Svizzera, active in the field of industrial leasing.

“Life Benefit”, our foundation for management of the third pillar, has attracted many members - in just over a year since its creation. Over the next few months, we will offer the option of subscribing to investment funds with a risk profile chosen by the customer, as an alternative to the traditional holding liquidity in the account - which we nonetheless remunerate at particularly favourable interest rates.

The sale of insurance products continued satisfactorily in collaboration with Generali (Schweiz).

Customers' use of the GoBanking computer system, above all in the business sector, experienced strong growth, clearly exceeding the working volumes of the traditional channels.

Concerning the structure, following the opening of branches in Biasca (TI) and Pontresina (GR) the Bank now comprises eighteen units located in five Swiss Cantons (17) and the Principality of Monaco (1). With twenty-three new members of personnel, the payroll now numbers 268. Looking beyond the statistics, our objective remains continuing as a serious, well-prepared bank, mindful of the needs of individuals, families and businesses.

The results recorded in 2006 demonstrate reassuring and harmonious growth, both for the balance sheet and the income statements, with percentages in many cases above and in any event in line with market averages.

The global receipts from Customers were CHF 4'962'795'610.- (+21%), of which CHF 3'772'651'168.- (+19%) in the indirect form of fiduciary investments and Customers securities on deposit or under management and administration. Direct receipts were CHF 1'190'144'442.- (+28%), recording the expansion of all components: current account deposits CHF 716'840'898.- (+39%), savings and investments deposits CHF 336'437'544.- (+10%), deposit bonds CHF 136'866'000.- (+30%), notwithstanding major maturity dates during the financial year, with almost all being reinvested.

The commitments to Customers totalled CHF 1'212'489'876.-. Growth was strong, both in absolute and percentage terms (+32%); the mortgage component, equivalent to CHF 760'131'860.- (+32%), is primarily constituted of dwellings. Particular attention was paid to the quality, diversification and spread of credit.

The objective is to maintain a stable equilibrium between direct receipts and commitments to Customers, thus supporting local economies.

The effects on the income statements of activities set out in the balance sheet and off-balance sheet items, were for the financial year concerned, positive, in line or sometimes in excess of the main projections.

The margin on interest was CHF 21'239'621.- (+26%). The erosion of differentials in the mortgage sector did not have any impact, thanks to the quality of credit, to our satisfaction.

The results for commission operations, the main source of income of the Bank, were equivalent to CHF 47'686'901.- (+8%), whereas those for negotiation, almost all attributable to exchange transactions on behalf of Customers, were CHF 6'577'803.-, thus growth of 27%.

The total net income deriving from ordinary banking operations was positive, standing at the considerable sum of CHF 75'668'666.- (+13%).

Continued deployment of the Bank's strategic orientations, that is gradual geographical expansion in Switzerland and a constant broadening of the range of high quality products and services offered to Customers called for fresh investments, and this impacted on costs.

Personnel costs increased to CHF 30'376'098.- (+14%). Maximum attention was paid to training through courses intended to increase the skills of management Personnel and more generally, to ensure ongoing updating at various levels of personnel. The Bank is fully aware that investment in its own Human Resources represents one of the major factors for achieving its ambitious goals, notably in the medium and long term.

Other operating costs were CHF 19'037'601.- (+9%), a source of congratulation considering the increase in productivity. The total costs for the year were CHF 49'413'699.- (+12%), a figure below budget.

Gross profit was CHF 26'254'967.- (+14%). Net of depreciation appropriate allocations to contingency funds and taxes, the result for the financial year was CHF 10'107'194.- (+16%). The income statement vindicates the results, with harmonious expansion of all balance sheet headings.

In conformity to article 22 of the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting allocating the entire profit to the general reserve, to reinforce the Bank's assets, given its expansion in terms of both size and business.

We would thank our Customers for their loyalty and our appreciation to the Swiss Federal Banking Commission for its authoritative and constant support and also, the external auditors, Deloitte SA.

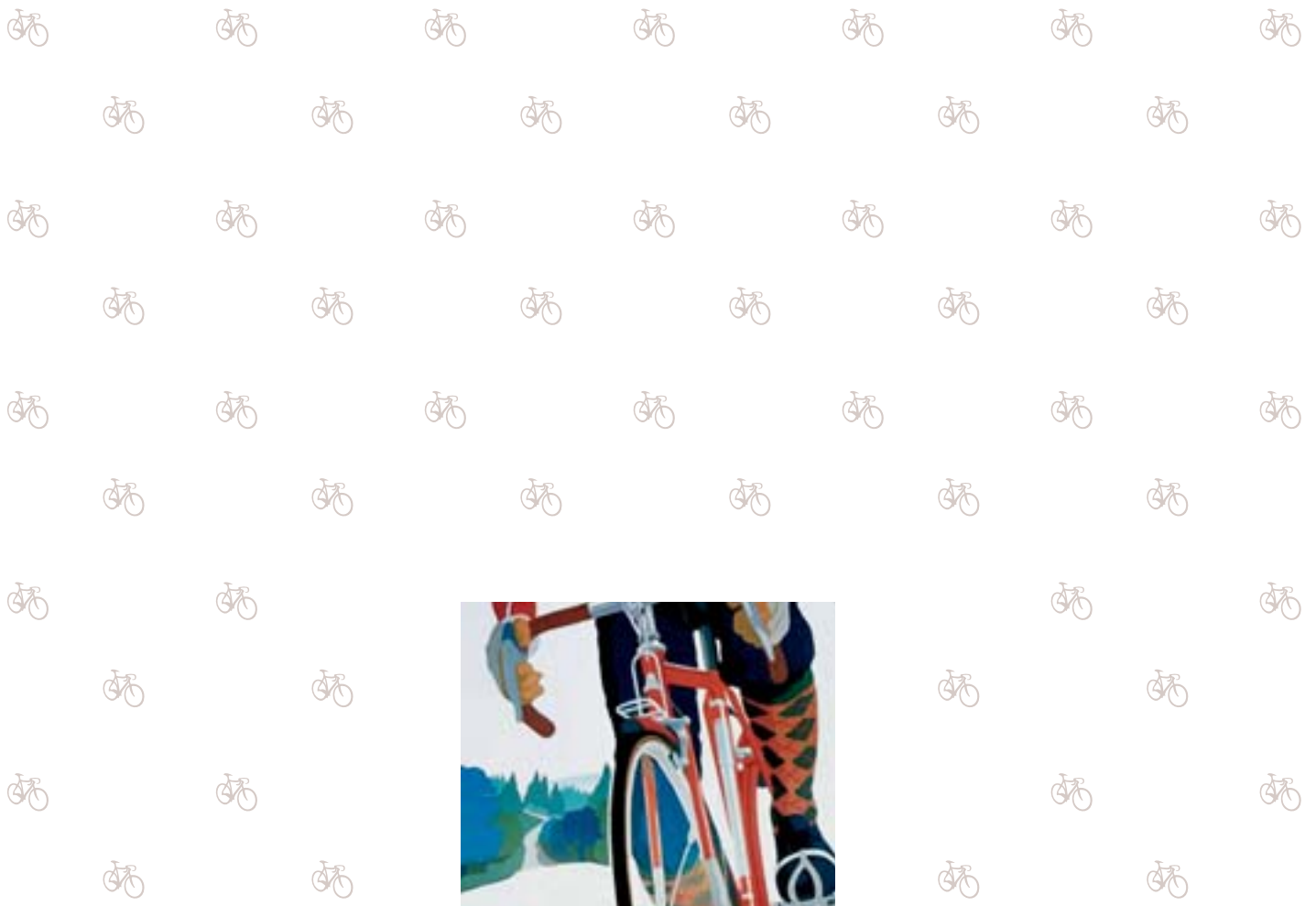
The increased volume of work was handled by our personnel, and primarily the Board of Directors, with enthusiasm, professionalism and diligence. This justifies our statement: the bank flourishes when everyone shares a common purpose.

We are publishing a balance sheet which confirms the satisfaction to which we have become accustomed. Next year will not be easy, since many notable economists, including Swiss ones, have stated that 2007 will probably see a slowing-down. Let us hope this is a wrong prediction, and remember, it is a wise policy to assume that no-one can foresee everything.

Lugano, January 22, 2007

The Board of Directors





*A racing cyclist grits his teeth and goes it alone;
into the distance on a road touching the sky. And for a moment, the rider too
touches the sky and then, curling over the handlebars, he relaxes before
plummeting down a descent that
totters around the mountain like a drunkard.⁵*

5.
Marcello VENTURI,
Ho visto anch'io i girini!
(I also witnessed the Giro racers!),
in "L'Unità",
May 16, 1955

Detail of the poster
"Michelin, Elan Bicycle Tyre"

BALANCE SHEET AS AT DECEMBER 31, 2006

ASSETS

in CHF	Note	2006	2005	Change
Cash		26 176 069	21 485 451	4 690 618
Due from banks		290 987 404	210 877 684	80 109 720
Due from clients	3.1	452 358 016	343 271 962	109 086 054
Mortgage loans	3.1	760 131 860	574 580 019	185 551 841
Financial investments	3.2	56 600 397	53 329 045	3 271 352
Participating interests	3.2, 3.4	411 500	408 362	3 138
Fixed assets	3.4	24 329 760	24 917 328	(587 568)
Accrued income and prepaid expense		11 185 532	13 721 058	(2 535 526)
Other assets	3.16	7 184 584	7 917 917	(733 333)
Total assets		1 629 365 122	1 250 508 826	378 856 296
Total amounts receivable from group companies and significant shareholders		93 278 650	73 018 448	20 260 202

LIABILITIES

in CHF	Note	2006	2005	Change
Money market instruments		127 000	26 000	101 000
Due to banks		251 022 913	150 707 036	100 315 877
Due to clients in savings and investment accounts		336 437 544	307 131 862	29 305 682
Other amounts due to clients		716 840 898	516 743 496	200 097 402
Medium term notes	3.7	136 866 000	105 068 000	31 798 000
Accrued liabilities and deferred income		10 863 644	11 093 827	(230 183)
Other liabilities	3.17	18 415 108	15 611 260	2 803 848
Valuation adjustments and provisions	3.8	37 275 225	32 717 750	4 557 475
Share capital	3.9, 3.10	50 000 000	50 000 000	-
General statutory reserve	3.10	61 409 596	52 724 688	8 684 908
Profit for the period	3.10	10 107 194	8 684 907	1 422 287
Total liabilities		1 629 365 122	1 250 508 826	378 856 296
Total liabilities to group companies and significant shareholders		197 688 113	130 198 351	67 489 762

OFF-BALANCE-SHEET TRANSACTIONS AS AT DECEMBER 31, 2006

in CHF	Note	2006	2005	Change
Contingent liabilities	4.1	101 946 684	79 464 999	22 481 685
Additional payment liabilities		300 000	300 000	-
Irrevocable liabilities	4.2	1 862 000	-	1 862 000
Derivative instruments	4.3	1 096 712 275	972 858 386	123 853 889
Positive gross replacement values		1 991 648	4 083 821	(2 092 173)
Negative gross replacement values		3 015 011	5 741 485	(2 726 474)
Fiduciary transactions	4.4	714 052 015	498 891 856	215 160 159

INCOME STATEMENT FOR THE YEAR AS AT DECEMBER 31, 2006

PROFIT & LOSS STATEMENT ON THE PERIOD AS AT DECEMBER 31, 2006

in CHF	Note	2006	2005	Change
Interest and discount income		44 144 420	33 413 062	10 731 358
Interest and dividend income on financial investments		919 666	578 796	340 870
Interest expense		(23 824 465)	(17 094 198)	(6 730 267)
Net interest income		21 239 621	16 897 660	4 341 961
Proceeds from commissions:				
- on credit transactions		464 365	385 744	78 621
- on transactions for the brokering of stocks and investments		48 928 571	45 114 648	3 813 923
- on other provisions of services		4 726 870	4 235 004	491 866
Commission expenses		(6 432 905)	(5 669 766)	(763 139)
Net income on fee and commission business		47 686 901	44 065 630	3 621 271
Net income on trading operations	5.1	6 577 803	5 159 893	1 417 910
Net income from disposal of financial investments		323 295	355 062	(31 767)
Income from participating interests		18 630	10 000	8 630
Profits from real estate		-	(1 703)	1 703
Other ordinary income		285 790	578 122	(292 332)
Other ordinary expenses		(463 374)	-	(463 374)
Other ordinary results		164 341	941 481	(777 140)
Net operating income from ordinary banking		75 668 666	67 064 664	8 604 002
Personnel expenses	5.2	30 376 098	26 561 151	3 814 947
Other operating costs	5.3	19 037 601	17 513 716	1 523 885
Total operating expenses		49 413 699	44 074 867	5 338 832
Gross profit		26 254 967	22 989 797	3 265 170

INCOME STATEMENT

PROFIT FOR THE PERIOD				
in CHF	Note	2006	2005	Change
Depreciation/write-offs of fixed assets	3.4	(7 667 713)	(9 379 233)	1 711 520
Valuation adjustments, provisions and losses		(5 398 828)	(2 200 000)	(3 198 828)
Extraordinary income	5.4	399 768	9 343	390 425
Taxes		(3 481 000)	(2 735 000)	(746 000)
Profit for the period		10 107 194	8 684 907	1 422 287
PROPOSAL FOR EMPLOYMENT OF THE PROFIT IN THE BALANCE SHEET				
in CHF		2006	2005	Change
Profit for year		10 107 194	8 684 907	1 422 287
Profit carried forward		-	-	-
Profit available		10 107 194	8 684 907	1 422 287
The Board of Directors proposes to set aside the profit in the balance sheet sheet on December 31, 2006, of CHF 10 107 194 for the general legal reserve		10 107 194	8 684 907	1 422 287
Retained earnings carried forward		-	-	-

CASH FLOW STATEMENT FOR THE YEAR AS AT DECEMBER 31, 2006

FLOW FUNDS ACCOUNT FOR THE PERIOD AS AT DECEMBER 31, 2006

FLOW OF FUNDS ON THE BASIS OF THE OPERATING RESULT (INTERNAL FINANCING)

CHF in thousands	2006		2005	
	Source	Application	Source	Application
Profit for the year	10 107	-	8 685	-
Depreciation and write-offs of fixed assets	7 668	-	9 379	-
Valuation adjustments and provisions	4 557	-	760	-
Accrued income and prepaid expenses	2 536	-	-	4 888
Accrued liabilities and deferred income	-	230	-	1 649
Other assets	733	-	8 717	-
Other liabilities	2 804	-	-	6 426
Net cash flow	28 175		14 578	

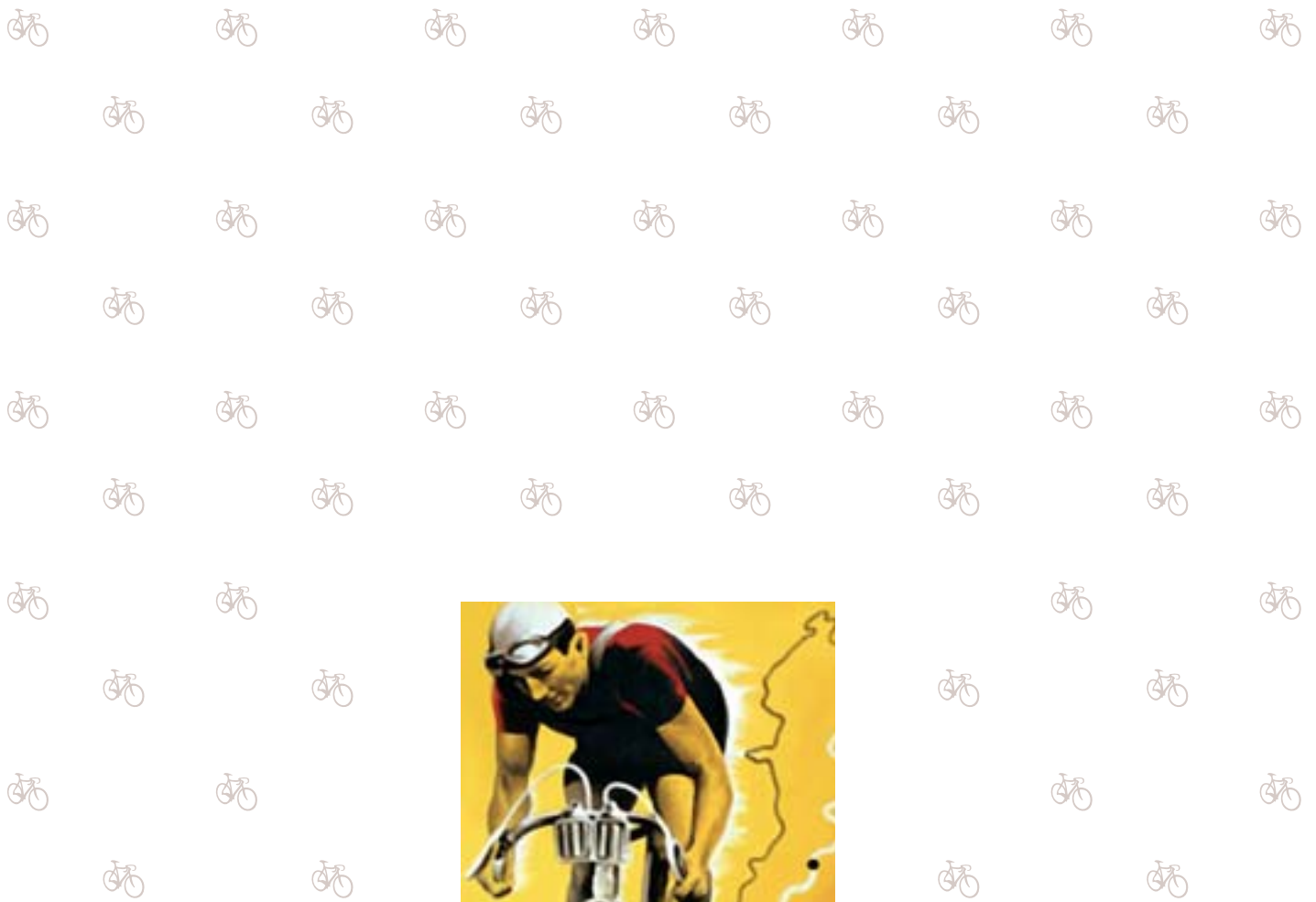
FLOW OF FUNDS RESULTING FROM CHANGES IN FIXED ASSETS

Participating interests	-	3	-	58
Bank buildings	37	79	-	2 942
Other fixed assets	41	5 103	15	4 468
Intangible fixed assets	-	1 976	13	2 152
Net cash flow		7 083		9 592

CASH FLOW STATEMENT

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2006		2005	
	Source	Application	Source	Application
Balance brought forward	28 175	7 083	14 578	9 592
Non-current operations (> 1 year)				
Due to clients - savings	-	-	-	-
Due to clients - other	6 000	-	-	200
Medium-term note issues	27 009	-	43 987	-
Client loans	-	3 895	1 709	-
Mortgage loans	-	20 481	-	63 546
Financial investments	-	36 006	350	-
Current operations				
Liabilities under money market instruments	101	-	-	175
Due to banks	100 317	-	-	81 687
Due to clients	194 097	-	127 680	-
Cash from client savings	29 306	-	53 939	-
Medium-term note issues	4 789	-	-	2 030
Due from banks	-	80 110	32 247	-
Due from clients	-	105 191	-	53 459
Mortgage loans	-	165 071	-	53 173
Financial investments	32 734	-	-	9 461
Securities trading portfolio	-	-	-	-
Net cash flow		16 401		3 819
Total cash	4 691		1 167	
Variation in cash		4 691		1 167



*Straining, he bends forward to loosen the straps,
then, with one leg folded in and the other stretched out,
he thrusts himself forward.*

*In this way he risks the bends gripping the handlebars like the reins
of a rebellious colt, while inertia induces him to etch the precipice.*

*Brakes screech as he grazes the kerbstones and his
spirit burns as he emerges from a bend.⁶*

6.
Gianni BRERA,
Coppi e il diavolo
(*Coppi and the devil*),
1981

Details of the poster
"Peña Ciclista Amposta"
Artist: Donat

NOTES TO THE 2006 ANNUAL ACCOUNTS

1. DESCRIPTIONS OF SECTORS AND INFORMATION ON PERSONNEL

Banca Popolare di Sondrio (SUISSE) S.A., a universal bank founded in Lugano on May 3, 1995, is chiefly active in services to manage assets, negotiations over securities and the brokering of credit.

Apart from a main office, an agency and a branch in Lugano, its current network amounts to a branch in St. Moritz, with three agencies in Poschiavo, Castasegna and Pontresina, a branch office in Celerina and branches in Bellinzona with an agency in Biasca, Chiasso with an agency in Mendrisio, Locarno, Chur, St. Gallen, Basle, Zurich and Monaco (Principality of Monaco).

By the end of the period, overall staff amounted to 268, compared to 245 in 2005.

The Bank does not resort to outsourcing as that is defined in the CFB Circular 99/2 called "Outsourcing".

2. ACCOUNTING, PRESENTATION AND VALUATION PRINCIPLES OF THE FINANCIAL STATEMENT

The accounts, their presentation and the valuations made are in compliance with the directives of the Swiss Federal Banking Commission, in particular those in DEC-CFB dated December 14, 1994 (as in force on December 21, 2006).

SPECIFICATION OF ACCOUNTING PRINCIPLES

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS

Loan accounting is based on the nominal value of loans.

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

FINANCIAL INVESTMENTS

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

PARTICIPATING INTERESTS

Valuation is made according to cost, that is cost less any economically necessary writedowns.

FIXED ASSETS

Tangible fixed assets are entered in the balance sheet at cost price, after making a deduction to reflect the economically justified depreciation, which is applied according to the linear method and quantified according to the estimated working life of the items.

	2006	2005
Own real estate	33.5 years	40 years
Restructuring offices	5 years	5 years
Equipment	10 years	10 years
Furniture	8 years	8 years
Office machinery	5 years	5 years
Motor vehicles	5 years	5 years
Hardware	3 years	3 years
Software	3 years	3 years

ACCRUALS AND DEFERMENTS

Costs and earnings from interest, commissions from the management of assets, costs of staff and other operating costs are identified in time.

TAXES

The Bank proceeds to record reserves set aside for municipal and federal taxation and the dues of the Canton according to the result of the period and fiscal regulations in force at the time.

COMMITMENTS TO BANKS AND THE CLIENTELE AND BANK BONDS

Commitments to banks, the clientele and cash bonds have been assessed at their nominal value.

VALUE ADJUSTMENTS AND PROVISIONS

Compatible with prudence, separate valuation adjustments and provisions are made in respect of all the risks identifiable on the balance sheet date. Potential risks are covered by lump-sum valuation adjustments and provisions.

DERIVED FINANCIAL INSTRUMENTS

Derived financial instruments are negotiated on behalf of the clientele and according to the Bank's structural management of the balance sheet (hedging).

The positive and negative replacement values of derivative financial instruments generated by the clientele and open at the closing of accounts were valued at market prices. If such prices are not available, they are valued at cost price and entered in the accounts under the headings "Other assets" and "Other liabilities". The result of the valuation is entered in the accounts in the profit and loss statement. On the other hand, hedging operations are valued according to the covered instruments to which they refer. The result after fixing the replacement values is entered in the accounts in the set-off account (Other assets or Other liabilities), without any ramifications for the profit and loss statement.

If the hedging operations happen to refer to products which attract interest, they are entered in "Result of operations on interest".

CONVERSION OF FOREIGN CURRENCY

Assets and liabilities in foreign currency are converted at the exchange rates in force on the day when the balance sheet is closed. Operations in foreign currency carried out during the year are converted at the exchange rate that applies on the day of the transaction (average rate / course of exchange).

The result of the valuation is entered in the accounts and in the profit and loss statement among the "Result from negotiation operations".

Time bargains (outright) and part of the time swap operations have been converted by using the residual rates of exchange in force on the day when the balance sheet closed. The result of the valuation is entered in the accounts under "Result of negotiation operations". The end of year conversion rates used for the main foreign bills are: EUR 1.6079 (2005: 1.5547); USD 1.2205 (2005: 1.3180).

CONVERSION OF FOREIGN CURRENCY: MONACO BRANCH

The assets and liabilities and the items in the profit and loss statement are converted by the exchange rate that applies on the day the accounts are closed. Any discrepancies in exchange resulting from this conversion are classified in the profit and loss statement and in the corresponding headings (interest, commissions, etc.).

REPURCHASE AGREEMENTS (REPO)

The main purpose of securities that the Bank negotiates in the sphere of REPO operations is to support financing activities. These operations are entered in the accounting as deposits, with the creation of pledges of securities. The securities remain in the balance, while the financing joins the liabilities in the heading "Obligations to banks". The result of these operations is found in the "Result from operations on interest".

IRS

Income and costs connected to these contracts are entered in the accounting in the profit and loss statement among "Result from operations on interest".

The positive and negative figures for replacement for operations currently underway are fixed every six months. The gap that emerges is allocated to a set-off account under the heading "Other assets" or "Other liabilities".

CHANGE IN ACCOUNTING PRINCIPLES RELATING TO THE PRESENTATION DURING 2005

Compared to the accounting period that closed on December 31, 2005, no changes have been made to the accounting principles for presentation.

INTEREST AT RISK

Interest of doubtful collection is handled in accordance with the law. Interest that matures and is not collected within the following 90 days is not recorded in the profit and loss statement but deferred via the entry for "Rectifications to values and funds set aside".

RISK MANAGEMENT

Risk management is a key aspect of the Bank's corporate policy.

It is geared to preserve the Bank's own means, encourage profitability and increase the corporate value.

At all organisational levels, the Bank is committed to propagating a corporate culture that is sensitive to risk.

The strategy, objectives and internal regulations of the Bank, accompanied by the legal rules and duties that govern banking in Switzerland, are the foundations of the policy.

The identification of risks and their integration in the systems for management, control and reporting are the responsibility of the General Management, which is expected to report to the Board of Directors in this connection.

Moreover, an Assets and Liabilities Management Committee (A.L.C.O.) exists to oversee and apply the Bank's financial risk policy.

TYPES OF RISK THAT CHARACTERISE THE BANK'S ACTIVITY

The risks have been sub-divided into credit, market, liquidity and re-financing, operating, legal, reputation and compliance.

CREDIT RISKS

This concerns the risk of losses owing to the insolvency of the other party.

When default occurs, a bank generally sustains a loss equal to the amount of debt due, net of any amount recovered from the liquidation of any cover supplied.

The Bank's exposure mainly revolves around credit activity vis-à-vis the clientele. For the most part, the Bank grants mortgage credit, Lombard credit and commercial credit.

Prudent margins are fixed for guaranteed credit. For Lombard credit, margins depend on the type and the market value of the pledged assets, while for mortgage credit they are dictated by the sale value of the property (established from an internal or external expert report) or the rental value.

For commercial credit, the analysis relates to qualitative and quantitative factors and trends. The results of this analysis are reflected in the maintenance of the exposure and the originally agreed conditions.

The risk is assessed by following a methodology which classifies the clientele into different classes of risk (default risk or probability of insolvency) and fixes recovery rates according to the cover given. A unit that is separate from applications to buy and sell carries out periodic checks. The purpose of these checks is to identify any signs of deterioration in creditworthiness and foresee situations that could result in default. Checks are made by monitoring precise compliance with the contractual terms of the credit. Special attention is paid to the correct use and prompt service of debt.

Economically necessary reserve funds are established when the analyses are completed.

MARKET RISKS

Risk of losses in value owing to diminished assets / increased liabilities induced by adverse trends on the financial markets – these can consequently be attributed to risks on "interest", "exchange" and "price".

RATE RISKS

The Bank's exposure is strongly bound up with the discrepancy in time between operations to collect and employ funds.

Interest rate Swap (micro and macro Hedge) operations are performed with the head office to cover significant mid and long-term exposure.

RISKS ON EXCHANGE

The Bank's exposure is limited, as operations depend on the demands of the clientele.

In order to minimise residual risks, prudent ceilings are fixed as maximum exposure. The treasury manages on a daily basis positions that are not individually balanced.

RISKS OF LIQUIDITY AND REFINANCING

The level of liquidity is supervised by heeding the legal provisions. Refinancing from the Bank derives from own funds, customers' credit deposited at the Bank, deposits of other financial brokers and from the head office.

REPO operations with banking counterparts are carried out to minimise the costs of refinancing.

OPERATING RISKS

These concern the risks of direct and indirect losses caused by bankruptcies or the inadequacy of internal procedures, human resources, technological systems or extraneous events.

Risk exposure is kept to a minimum owing to the introduction of a system to control the creation and running of offices geared to verifying the application of rules and procedures.

In order to guarantee informational security, the Bank has set up a control network that relies on support from specialist external firms.

LEGAL RISKS

These concern the risk of losses bound up with potential legal proceedings.

With risk prevention in mind, the Bank regulates its own activities, especially those liable to external impact. It does so in compliance with legal rules and duties in force for banking and by ensuring the understanding and transparency of operating and contractual conditions for the clientele.

The legal service is guaranteed by a department of the Bank that can resort to collaboration from external firms that specialise in particular fields or geographical regions.

RISKS OF REPUTATION AND COMPLIANCE

The Bank limits its exposure by, on the one hand, investing in training and increasing awareness among Staff placed in direct contact with the clientele (obligations of diligence, confidentiality and prevention in the recycling of capital) and, on the other, by monitoring in the correct application of the investment policy.

In the sphere of compliance and activities geared to guarantee the respect of legal regulations in force, the Bank operates a control system based on internal procedures for checking.

That task is allocated to a department from the Bank, but without prejudice to the powers reserved for the Board of Directors and General Management.

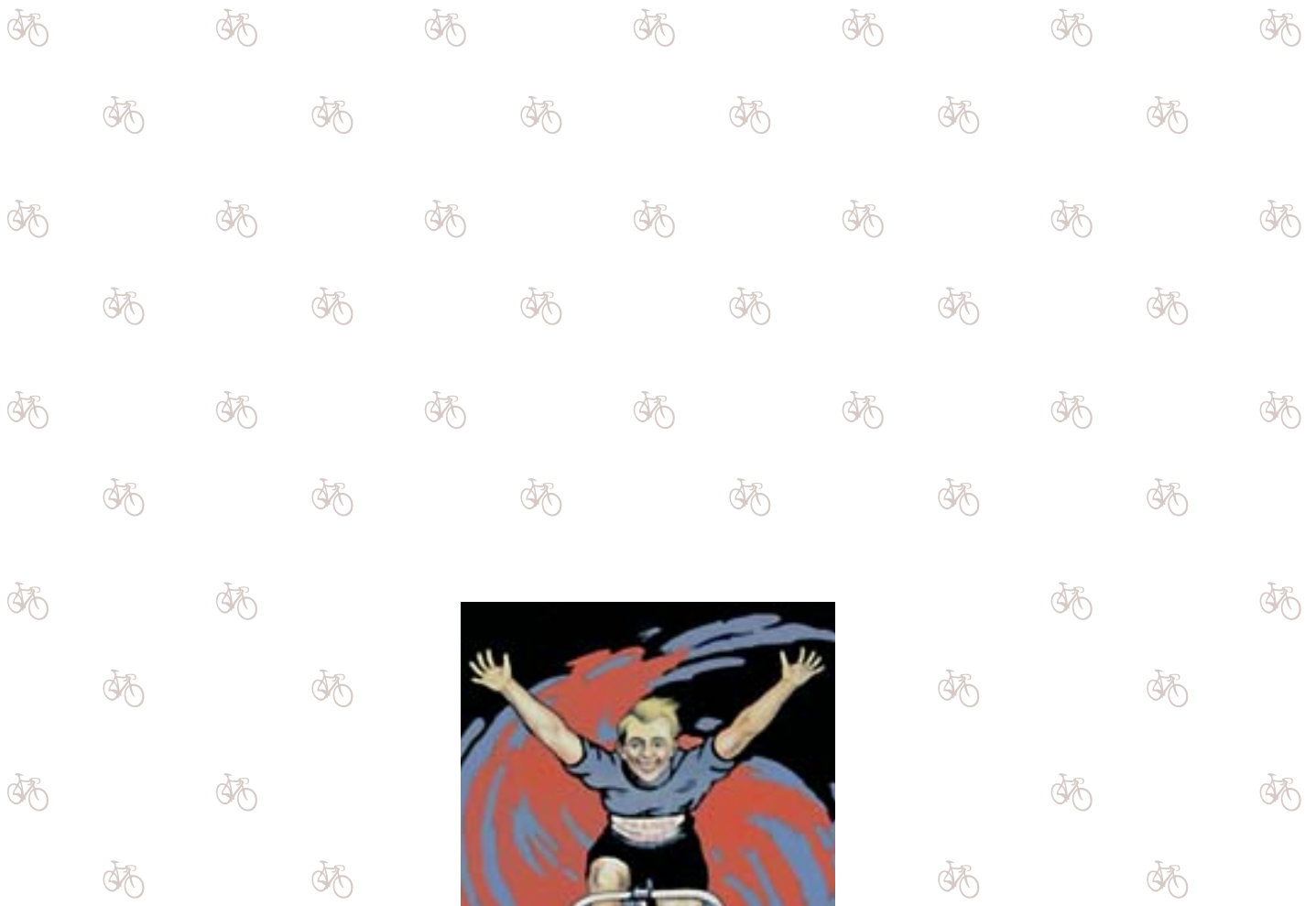
BANK POLICY ON USE OF DERIVATIVE INSTRUMENTS

The positions in derivative instruments are, for the most part, held on behalf of clients. For the structural management of the balance, the Bank resorts to operations to cover the risk on interest rates via "Interest Rate Swap".

PRINCIPLES FOR RECORDING OPERATIONS

Operations carried out by the Bank are recorded according to the principle of accounting by virtue of the currency date. Operations in cash which had still not been regulated at the moment of closure are included among the time bargains.





*The Giro and the Tour are a long and harsh millstone.
And there is no inspiration other than patience and exertion.
Nevertheless, the heroes, whatever the final outcome, must and do have a day
that makes them worthy of that solitude in which the victor or vanquished
confronts himself and feels the lightness or weight of his grandeur.⁷*

7.
Alfonso GATTO,
Questo Giro ha il cuore in alto
(*The heart ranks in this tour*),
in "Il Giornale del Mattino",
May 16, 1959

Details of the poster
"Bicycle. Premier Tour"

3. BALANCE SHEET INFORMATION

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

in CHF	Type of Collateral			
	Mortgage Guarantee	Other Collateral	Unsecured	Total
Credit				
Due from clients	50 138 429	302 831 809	99 387 778	452 358 016
Mortgage loans				
Residential property	693 719 414	-	-	693 719 414
Commercial property	19 923 700	-	-	19 923 700
Others	46 488 746	-	-	46 488 746
Current year	810 270 289	302 831 809	99 387 778	1 212 489 876
Previous year	620 352 510	214 754 393	82 745 078	917 851 981
Off-balance-sheet				
Contingent liabilities	-	89 096 521	12 850 063	101 946 584
Commitments to make payments and additional depositing	-	-	300 000	300 000
Irrevocable liabilities	-	1 862 000	-	1 862 000
Current year	-	90 958 521	13 150 063	104 108 584
Previous year	-	75 798 469	3 966 530	79 764 999

ARRANGED CREDIT

in CHF	Gross figure	Estimated value of enforcing guarantees	Specific reserve fund	
			Net figure	Specific reserve fund
Current year	4 792 298	985 000	3 807 298	4 026 992
Previous year	4 556 615	769 643	3 786 972	3 736 061

3.2. SUB-DIVISION OF FINANCIAL INVESTMENTS AND PARTICIPATING INTERESTS

Financial investments

in CHF	2006	2005	Change
Non equity investment securities, valued at lowest value	43 914 719	47 436 302	(3 521 583)
cost price	44 356 942	47 672 995	(3 316 053)
market value	44 162 992	47 675 558	(3 512 566)
own bonds or bank bonds	-	-	-
Equities	7 676 678	5 892 743	1 783 935
market value	8 673 317	6 498 871	2 174 446
qualified holdings	-	-	-
Deposit bonds (acquisition value)	5 009 000	-	5 009 000
Total financial investments	56 600 397	53 329 045	3 271 352
Including securities as collateral in accordance with the regulations on liquidity	27 039 060	7 469 500	19 569 560

Participating interests

in CHF	2006	2005	Change
With no market value	411 500	408 362	3 138

3.3. COMPANY NAME, REGISTERED OFFICE, ACTIVITY, SHARE CAPITAL AND PERCENTAGE INTEREST (PERCENTAGE OF CAPITAL AND VOTING RIGHTS, AND ANY CONTRACTUAL RESTRICTIONS) IN THE MAIN PARTICIPATING INTERESTS

Company name	Reg. office	Activity	Share capital	% interest
SOFIPO Fiduciaire SA	Lugano	Fiduciary services	2 000 000	30 %

The share capital has been paid-up at 50%.

In conformity to the provisions of art. 23a OB, there is no obligation to present the Group accounts as of December 31, 2006.

3.4. SCHEDULE OF INVESTMENTS

in CHF	At cost	Depreciation &- Writedowns to Date	Book value 2005	Reclassifi- cation	Additions	Disposals	Depreciation &- Writedowns	Book value 2006
Participating interests								
Of which minority	1 008 362	(600 000)	408 362	-	3 138	-	-	411 500
Of which majority	-	-	-	-	-	-	-	-
Total	1 008 362	(600 000)	408 362	-	3 138	-	-	411 500
Fixed assets								
Property used by the Bank	21 289 103	(7 399 242)	13 889 861	(13 889 861)	-	-	-	-
Property used by the Bank since 01.01.06	-	-	-	13 889 861	78 782	(37 287)	(443 315)	13 488 041
Other tangible fixed assead	39 738 014	(30 737 767)	9 000 247	-	5 103 419	(40 727)	(4 499 991)	9 562 948
Intangible fixed assets	19 216 177	(17 188 957)	2 027 220	-	1 975 958	-	(2 724 407)	1 278 771
Total	80 243 294	(55 325 966)	24 917 328	-	7 158 159	(78 014)	(7 667 713)	24 329 760
Insurance value								
Property used by the Bank			11 800 000					11 800 000
Other tangible fixed assets			16 605 000					18 535 000

3.5. ASSETS PLEDGED OR CEDED TO SECURE OWN LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE (BOOK VALUE)

in CHF	2006	2005
Deposits as guarantee for "Engpassfinanzierung"	3 482 400	3 491 500
Security deposits in schemes run in association with other banks	3 954 000	3 978 000
Credit instruments (financial fixed assets) used to guarantee REPO operations	19 602 660	-
Part for which the right to alienate or subsequently place on pledge was granted without restrictions	-	-
Total	27 039 060	7 469 500

The credit line for "Engpassfinanzierung" has replaced the one in place for Lombard credit at BNS, in line with the instructions given, and is backed up by the deposit of stocks as guarantees set up in its favour at SIS Segaintersettle AG. By 31/12/2006, the credit line had not been used (2005; CHF 0.-).

3.6. COMMITMENTS TO WELFARE INSTITUTIONS

in CHF	31.12.2006	31.12.2005
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Commitments to welfare fund	-	-
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The Bank is the registered holder of two welfare plans. All employees, including the Management Team, belong to the first, which is “general” in nature. The second was created for just the Management Team.

Both welfare plans are dictated by the record of contributions.

General Plan

Information	2006
-------------	------

Ring of insured/rights	<p>All employees (including the Management Team) with an annual salary – AVS – above the maximum of the basic AVS pension. Pension credits range from 6% of the insured salary to 13% and vary according to gender and age group.</p> <p>The amount of pension income depends on the pension capital available at retirement age and the rate for the transformation of capital into income based on the tariff for collective insurance. This plan also envisages capital in the event of death and income for the disabled, widows / widowers, orphans and the offspring of pensioners.</p> <p>Forty per cent of the financing for the plan comes from the employee, while the Bank contributes 60%.</p>
Existing reserves of contributions	The employer has no contribution reserves.
Commitments arising from termination of employer-employee relations when there is no specific reserve fund	No special obligations apart from “Free passage services”.
Current amount of future reductions in existing contributions to free funds	No free funds.

Plan for Management Team

Information	2006
-------------	------

Ring of insured/rights	<p>All members of the Management Team, at the end of a waiting period of 24 months but not before reaching 40th birthday. The amount of the pension depends on the pension capital available at retirement age and the rate for the transformation of capital into income based on the tariff for collective insurance. This plan also envisages capital in the event of death and income for the disabled, widows / widowers, orphans and the offspring of pensioners.</p> <p>The Bank bears all the costs of financing this plan.</p>
Existing reserves of contributions	The employer has no contribution reserves.
Commitments arising from termination of employer-employee relations when there is no specific reserve fund	No special obligations apart from “Free passage services”.
Current amount of future reductions in existing contributions to free funds	No free funds.

3.7. DEBENTURE LOANS

On the day the balance sheet was closed, no bond issues existed.

The bank bonds indicated below were circulating instead.

CHF in thousands

Interest rate	Maturity									Total
	2007	2008	2009	2010	2011	2012	2013	2014		
1.125 %	1 621									1 621
1.250 %	105									105
1.375 %	2 669	1 115								3 784
1.500 %	7 174	10								7 184
1.625 %	955	5 927	591	10						7 483
1.750 %	4 579	25 357	4 815	652						35 403
1.875 %	2 310	662	693	2 282	38					5 985
2.000 %	60	3 765	1 305	3 634						8 764
2.125 %		1 000	1 372	4 651	363	33				7 419
2.250 %		11 030	2 263	1 150	550	120	336			15 449
2.375 %		1 263	14 301	30	490	320				16 404
2.500 %	510	310	3 251	2 281	242	210	275			7 079
2.625 %			100	612	10 698	40	209	10		11 669
2.750 %			90		462	285	40	4		881
2.875 %					428	132	57	65		682
3.000 %	165		20	150	210	784	1 048	350		2 727
3.125 %	73					300				373
3.250 %	242	51	7							300
3.375 %		50	50							100
3.500 %			83	55						138
3.750 %	10									10
4.000 %	70	2 684	17							2 771
4.250 %	20	505	10							535
Total	20 563	53 729	28 968	15 507	13 481	2 224	1 965	429		136 866

3.8. VALUATION ADJUSTMENTS AND PROVISIONS

in CHF	Balance as at 31.12.05	Applications & reversals consistent with specific purpose	Change of purpose	Recoveries, overdue interest, forex differ	New provisions charged to earnings	Reversals credited to income statement	Balance as at 31.12.06
Loss risk adjustments and provisions (del credere and country risks)	9 633 792	(651 227)	-	260 892	2 515 364	(398 828)	11 359 993
Other provisions	23 083 958	-	-	-	2 831 274	-	25 915 232
Total value adjustments and provisions	32 717 750	(651 227)	-	260 892	5 346 638	(398 828)	37 275 225

3.9. CAPITAL STOCK

in CHF	Par value	% Share-holding	Par value holding
Capital stock	50 000 000	500 000	50 000 000

The share capital has not changed compared to December 31, 2005.

The Banca Popolare di Sondrio Scpa, Sondrio (Italy), is a cooperative limited by shares and as such, subject to specific regulations concerning the profile of its shareholders. On the basis of the legislative provisions, no shareholder may hold more than 0.5% of share capital; inclusion in the shareholders register is governed by an approval clause.

The situation remains the same compared to December 31, 2005.

3.10. STATEMENT OF CHANGES IN EQUITY TRANSACTIONS

in CHF	2006	2005
Total shareholders' equity at start of period		
Paid-up share capital	50 000 000	50 000 000
General statutory reserve	52 724 688	45 055 155
Balance sheet profit	8 684 907	7 669 533
Total	111 409 595	102 724 688
Allocation to general statutory reserve	(8 684 907)	(7 669 533)
Dividend and other payments deducted from profit for previous year	8 684 907	7 669 533
Profit for current financial year	10 107 194	8 684 907
Total shareholders' equity	121 516 789	111 409 595
of which:		
Share capital	50 000 000	50 000 000
General statutory reserve	61 409 595	52 724 688
Balance sheet profit	10 107 194	8 684 907
Total	121 516 789	111 409 595

3.11. MATURITY STRUCTURE OF CURRENT ASSETS OF FINANCIAL INVESTMENTS AND OF LIABILITIES

in CHF	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	Without maturity	
Current assets								
Cash	26 176 069	-	-	-	-	-	-	26 176 069
Due from banks	107 208 291	-	183 779 113	-	-	-	-	290 987 404
Due from clients	115 832 606	-	241 571 924	58 561 486	35 342 000	1 050 000	-	452 358 016
Mortgage loans	6 016 354	236 169 040	32 649 000	96 821 620	331 887 075	56 588 771	-	760 131 860
Financial investments	7 676 698	-	3 000 000	9 918 001	32 960 698	3 045 000	-	56 600 397
Current financial year	262 910 018	236 169 040	461 000 037	165 301 107	400 189 773	60 683 771	-	1 586 253 746
Previous financial year	176 676 523	181 018 597	280 298 886	165 057 847	370 510 825	29 981 483	-	1 203 544 161
Borrowed funds								
Money market instruments	127 000	-	-	-	-	-	-	127 000
Due to banks	1 151 827	-	239 871 086	10 000 000	-	-	-	251 022 913
Due to clients in savings and investment accounts	336 437 544	-	-	-	-	-	-	336 437 544
Other amounts due to clients	498 491 782	-	196 235 652	15 913 464	6 200 000	-	-	716 840 898
Medium-term notes	-	1 112 000	1 459 000	17 992 000	111 685 000	4 618 000	-	136 866 000
Current financial year	836 208 153	1 112 000	437 565 738	43 905 464	117 885 000	4 618 000	-	1 441 294 355
Previous financial year	737 509 000	88 164 439	137 211 583	27 297 372	85 654 000	3 840 000	-	1 079 676 394

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

in CHF	2006	2005	Change
Loans to Bank's governing bodies	3 695 456	3 707 483	(12 027)

Credit to the organs are mortgage-based or Lombard credit and are agreed while complying with the usual prior parameters. The credit and commitments shown at the foot of the balance sheet derive solely from inter-bank operations with the head office. The conditions of these transactions mirror those on the market.

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

CHF in thousands	2006		2005	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Cash	24 073	2 103	20 993	493
Due from banks	137 367	153 620	91 391	119 487
Due from clients	271 579	180 779	176 122	167 150
Mortgage loans	760 132	-	574 580	-
Financial investments	8 329	48 271	3 320	50 009
Participating interests	412	-	408	-
Fixed assets	23 507	823	24 255	662
Accrued income and prepaid expense	11 007	178	13 598	123
Other assets	6 956	229	7 824	94
Total assets	1 243 362	386 003	912 491	338 018
Liabilities				
Money market instruments	127	-	26	-
Due to banks	24 834	226 189	18 217	132 490
Due to clients in savings and investment accounts	226 211	110 226	215 839	91 293
Other amounts due to clients	433 947	282 894	265 961	250 783
Medium-term note issues	136 866	-	105 068	-
Accrued liabilities and deferred income	10 057	807	10 488	606
Other liabilities	18 098	317	15 261	350
Valuation adjustments and provisions	37 236	39	32 599	118
Share capital	50 000	-	50 000	-
General statutory reserve	61 410	-	52 725	-
Profit for the period	10 107	-	8 685	-
Total liabilities	1 008 893	620 472	774 869	475 640

3.14. BREAKDOWN OF ASSETS AND LIABILITIES BY COUNTRIES OR GROUPS OF COUNTRIES

CHF in thousands	2006		2005	
	Total	in %	Total	in %
Switzerland	1 236 638	76	912 490	73
OECD Countries	376 764	23	318 372	25
Other Countries	15 963	1	19 647	2
Total assets	1 629 365	100	1 250 509	100

3.15. BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

CHF in thousands

Assets	CHF	EUR	USD	Other	Total
Cash	15 897	9 563	563	153	26 176
Due from banks	8 455	234 726	24 228	23 578	290 987
Due from clients	232 647	165 486	50 009	4 216	452 358
Mortgage loans	760 000	131	-	-	760 131
Financial investments	34 147	19 772	1 869	812	56 600
Participating interests	412	-	-	-	412
Fixed assets	23 526	804	-	-	24 330
Accrued income and prepaid expense	9 581	1 381	214	10	11 186
Other assets	4 601	1 325	760	499	7 185
Total assets in the balance sheet	1 089 266	433 188	77 643	29 268	1 629 365
Applications for delivery derived from operations in cash, at-term and on options on debt	40 129	484 386	189 136	43 561	757 212
Total assets	1 129 395	917 574	266 779	72 829	2 386 577
Liabilities					
Money market instruments	127	-	-	-	127
Due to banks	73 072	135 211	42 736	4	251 023
Due to clients in savings and investment accounts	267 005	69 387	3	43	336 438
Other amounts due to clients	359 040	280 557	57 710	19 534	716 841
Medium-term note issues	136 866	-	-	-	136 866
Accrued liabilities and deferred income	8 776	1 750	257	81	10 864
Other liabilities	13 825	4 240	237	112	18 414
Valuation adjustments and provisions	37 236	39	-	-	37 275
Share capital	50 000	-	-	-	50 000
General statutory reserve	61 410	-	-	-	61 410
Profit for the period	10 107	-	-	-	10 107
Total liabilities in the balance sheet	1 017 464	491 184	100 943	19 774	1 629 365
Commitments arising from operations in cash, at-term operations and on options on debt	130 298	420 187	162 958	49 411	762 854
Total liabilities	1 147 762	911 371	263 901	69 185	2 392 219
Net position for debt	(18 367)	6 203	2 878	3 644	(5 642)

3.16. MAKE-UP OF OTHER ASSETS

in CHF	2006	2005	Change
Down-payments on tax and VAT to recover	1 922 673	1 490 684	431 989
Positive replacement values of derived financial instruments	2 169 279	4 160 762	(1 991 483)
Set-off account	1 837 215	2 131 624	(294 409)
Other	1 255 417	134 847	1 120 570
Total	7 184 584	7 917 917	(733 333)

3.17. MAKE-UP OF OTHER LIABILITIES

in CHF	2006	2005	Change
Federal administration of contributions	7 081 192	3 447 793	3 633 399
Negative replacement values of derived financial instruments	3 192 642	5 774 718	(2 582 076)
Suppliers	5 208 873	3 968 577	1 240 296
Other	2 932 401	2 420 172	512 229
Total	18 415 108	15 611 260	2 803 848

4. OFF-BALANCE-SHEET INFORMATION

4.1. CONTINGENT LIABILITIES

in CHF	2006	2005
Guarantees and similar instruments	92 347 244	78 563 919
Documentary credit	9 599 440	901 080
Total contingent liabilities	101 946 684	79 464 999

4.2. IRREVOCABLE COMMITMENTS

in CHF	2006	2005
Guarantees on deposit	1 862 000	-
Total irrevocable commitments	1 862 000	-

4.3. DERIVATIVE INSTRUMENTS OUTSTANDING AT YEAR END

in CHF	Positive replacement value	Negative replacement value	Contract volume
Hedging			
Interest-rate instruments			
Swap (OTC) - IRS	-	1 837 215	346 161 250
Negotiation			
Foreign exchange contracts			
Forward contracts (OTC) - Swap	1 965 903	1 152 051	338 612 952
Options (OTC)	25 745	25 745	1 577 000
Others			
Forward contracts (OTC)	-	-	410 361 073
As at December 31, 2006	1 991 648	3 015 011	1 096 712 275
As at December 31, 2005	4 083 821	5 741 485	972 858 386

The item "Others" reflects transactions concluded by December 31, 2006, but to be settled in 2007 according to the accounting principle dictated by the currency date.

4.4. FIDUCIARY TRANSACTIONS

in CHF	2006	2005	Change
Fiduciary investments with other banks	519 226 666	402 281 661	116 945 005
Fiduciary investments with Group banks	194 825 349	96 610 195	98 215 154
Total	714 052 015	498 891 856	215 160 159

4.5. MANAGED ASSETS

CHF in million	2006	2005	Change
Type of managed assets			
Assets in own administrated funds	860.6	706.6	154.0
Assets with mandate to manage	1 460.6	1 307.1	153.5
Other managed assets	3 502.2	2 799.3	702.9
Total managed assets (including assets considered twofold)	5 823.4	4 813.0	1 010.4
Considered twofold	581.8	499.1	82.7
Net increase / (decrease) (including assets considered twofold)	812.0	598.1	213.9

The item "Other managed assets" refers to the total amount of assets on deposit by customers, for which the Bank performs services including of an administrative nature. Assets on simple deposit were not presented.

Net deposits/(withdrawals) by customers were calculated by the Bank without including matured interest, exchange rate differences, variations in rates, commission and debited expenses.

5. INFORMATION ON THE INCOME STATEMENT

5.1. BREAKDOWN OF INCOME FROM TRADING OPERATIONS

in CHF	2006	2005	Change
Currency trading	6 593 303	5 174 397	1 418 906
Options trading	(15 500)	(14 504)	(996)
Total	6 577 803	5 159 893	1 417 910

5.2. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	2006	2005	Change
Salaries	24 648 651	21 669 931	2 978 720
Social Security Contributions	4 413 147	3 744 798	668 349
Other expenses	1 314 300	1 146 422	167 878
Total	30 376 098	26 561 151	3 814 947

5.3. BREAKDOWN OF OTHER OPERATING EXPENSES

in CHF	2006	2005	Change
Occupancy expenses	5 501 511	5 122 960	378 551
Expenses for IT, machinery, furnishings, vehicles and other equipment	4 043 063	4 158 707	(115 644)
Other expenses	9 493 027	8 232 049	1 260 978
Total	19 037 601	17 513 716	1 523 885

5.4. EXTRAORDINARY INCOME AND EXPENSE

The extraordinary income are constituted, in the amount of CHF 398'828.- from the dissolution of the valuation adjustments and provisions on due from clients that are no longer economically necessary.

5.5. INCOME AND COSTS OF ORDINARY BANKING ACTIVITY BETWEEN SWITZERLAND AND ABROAD

in CHF	2006		
	Switzerland	Abroad*	Total
Result from operations on interest	20 396 369	843 252	21 239 621
Result from operations on commission and provisions of services	45 429 683	2 257 218	47 686 901
Result from operations of negotiation	6 482 405	95 398	6 577 803
Result from other ordinary proceeds	164 341	-	164 341
Net result of ordinary banking operations	72 472 798	3 195 868	75 668 666
Running costs	45 721 389	3 692 310	49 413 699
Gross profit	26 751 409	(496 442)	26 254 967

* "Abroad" data refer to the Principality of Monaco.



INDEPENDENT AUDITORS' REPORT



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AUDITORS' REPORT

To the General Meeting of the shareholders of
Banca Popolare di Sondrio (SUISSE) SA, Lugano

As statutory auditors, we have audited the accounting records and the financial statements (pages 21 to 51) of Banca Popolare di Sondrio (SUISSE) SA for the year ended December 31, 2006.

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 the Swiss Auditing Standards and with the International Standards on Auditing (ISA), 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, 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.

Deloitte SA



Stephan Schmidli



Herbert Ott
Auditor in charge

Lugano, January 25, 2007



OUR PRODUCTS AND SERVICES

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AND BOOKS

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ASSET MANAGEMENT

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INSURANCE PRODUCTS
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TRUSTEE BUSINESS IN ASSOCIATION WITH
SOFIPO FIDUCIAIRE SA

PERSONAL BENEFIT

LIFE BENEFIT (3RD PILLAR)

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