

ANNUAL REPORT 2008

Banca Popolare di Sondrio (suisse)

Banca Popolare di Sondrio (SUISSE) SA
Capital: CHF 50 000 000

General Management and City agency
Via Giacomo Luvini 2a, 6900 Lugano
Tel. +41 58 855 30 00
Fax +41 58 855 30 15

BOARD OF DIRECTORS

Piero Melazzini

Chairman

Flavio Pedrazzoli

Vice Chairman

Plinio Bernardoni

Secretary

Giovanni Ruffini

Kurt Spinnler

GENERAL MANAGEMENT

Brunello Perucchi

Chief Executive Officer

Mauro De Stefani

Deputy Chief Executive Officer
Head of Credits, Controlling and Market Division

Paolo Camponovo

Member of the Executive Committee
Head of Logistics Division

Roberto Rossi

Member of the Executive Committee
Head of Retail, Corporate and Branches Division

Enrico Vitali

Member of the Executive Committee
Head of Private Banking and Asset Management Division

INTERNAL AUDITING

Alberto Bradanini

President

EXTERNAL AUDITOR

KPMG SA

Zurich





*What I do in theatre can be seen as a kind of outline, as contours.
The goal is always there. We reach it for just an instant and then it's lost.
What's important is that we always strive to regain it.'*

This report is available in
Italian, German, English and French.
In the German version the
president's preface is also translated
into Romansh.

CONTENTS

FOREWORD FROM THE CHAIRMAN

9

REPORT OF THE BOARD OF DIRECTORS
AS AT DECEMBER 31, 2008

15

2008 FINANCIAL STATEMENTS

21

BALANCE SHEET AS AT DECEMBER 31, 2008

22

INCOME STATEMENT FOR THE YEAR AS AT DECEMBER 31, 2008

24

CASH FLOW STATEMENT FOR THE YEAR AS AT DECEMBER 31, 2008

26

NOTES TO THE 2008 ANNUAL ACCOUNTS

29

INDEPENDENT AUDITORS' REPORT

56

OUR PRODUCTS AND SERVICES

59

GIORGIO STREHLER
THE ART OF MAKING THEATRE, BETWEEN INTUITION
AND INTELLECT

I

By Rita Levi Montalcini

III

Giorgio Strehler: a theatre professional par excellence

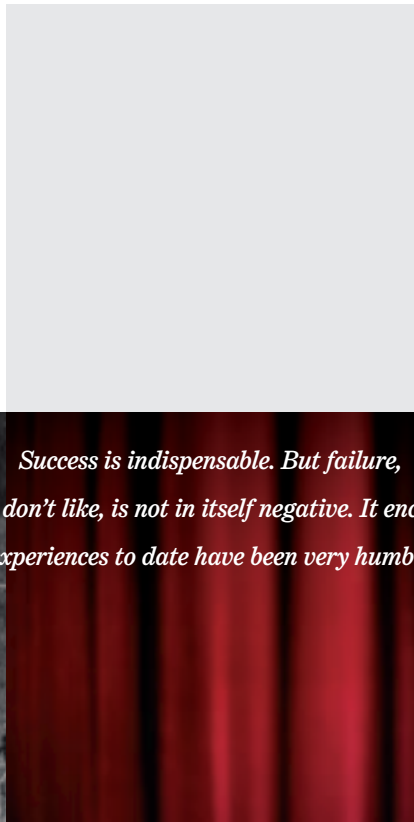
V

Lugano: a place to stop and think for Giorgio Strehler

XVII

My memories of Giorgio Strehler

XXIX



Success is indispensable. But failure, which of course I don't like, is not in itself negative. It encourages humility. My experiences to date have been very humbling.²



1.
Giorgio STREHLER,
Quote from *Non chiamatemi maestro*,
by Stella Casiraghi,
Skira, Milan, 2007.

Illustrations:
Ezio FRIGERIO,
Room in the home of Calogero Spelta,
sketch for
La grande magia (1984-85).

2.
Giorgio STREHLER,
Non sono umile: è grave?,
article in "Oggi" (27 April 1979).

Illustrations:
Gianni RATTO,
Cellar, sketch for
The Lower Depths (1947).
Photo by Claudio Emmer.

FOREWORD FROM THE CHAIRMAN

The year in prospect has begun inauspiciously, reminding us of the premonition of a Sicilian writer: "We shall spiral downwards, without ever reaching the bottom". Fortunately, that is merely a gloomy prophecy, although the economic crisis is certainly affecting everyone to a greater or lesser extent. We should therefore look to the future and not to the past, except to avoid repeating its mistakes. Let us look outwards and not shut ourselves off from the wider world, taking advantage, with determination and confidence, of all available opportunities.

In that vein, we are pleased to note that the Confederation has joined the Schengen area, which implies the free movement of people to and from all neighbouring States.

The Swiss economy, although it has managed to keep in step with the international environment, is now producing zero growth; all sectors are on a downward trend, including construction, which had shown some resilience in recent months.

The banking industry is suffering erosion of both volumes and profits, with financial repercussions being felt by Cantons and Communes alike, particularly in the current year. The crisis of confidence is fuelling acute tensions in the interbank markets, to which the central bank has responded by boosting liquidity. Share prices have fallen sharply, in line with the depressed trend of global markets.

The financial system is of vital importance for the economy; its stability is therefore a public asset. That is why banks are regulated and supervised.

It is encouraging to see that confidence in the Swiss banking system overall is largely undiminished.

The Swiss National Bank, like its counterparts in other countries, has repeatedly cut its benchmark interest rate during the year. Furthermore, helped by an inflation rate that is once again under control, it has shown its determination to manage policy proactively. Everyone knows that 2008 was not an easy year, and that 2009 is unlikely to give cause for celebration either. As regards our Bank, deposits held up well, assets posted a significant rise and net profits were slightly lower.

As regards the branch network, with the opening in February 2008 of the Gross-Basel branch we reached a total of twenty outlets, with Berne expected to come on stream in June and the Paradiso branch in Ticino in September. Major extension works are in progress in other branches.

All parts of the Bank, under the astute leadership of the general management, have coped with the increased workload in all areas of the business with great administrative ability, professional skill and enthusiasm. Our thanks and gratitude go to all our staff. We should also like to thank our colleagues in the Board of Directors for their unwavering, responsible and diligent support. The same applies to our auditors, KPMG, who took the place of Deloitte SA – whom we remember with great appreciation – when the latter's term of office ended.


We retain a close relationship with the Federal Banking Commission, with absolute respect for and scrupulous compliance with its supervisory regulations and directives. We would also like to express our gratitude for the loyalty of our clients, whose numbers continue to grow significantly.

In the cultural section of this report, we offer a retrospective by several influential commentators on the theatre director Giorgio Strehler, born in Barcola, Trieste, in 1921 and buried in Lugano in 1997.

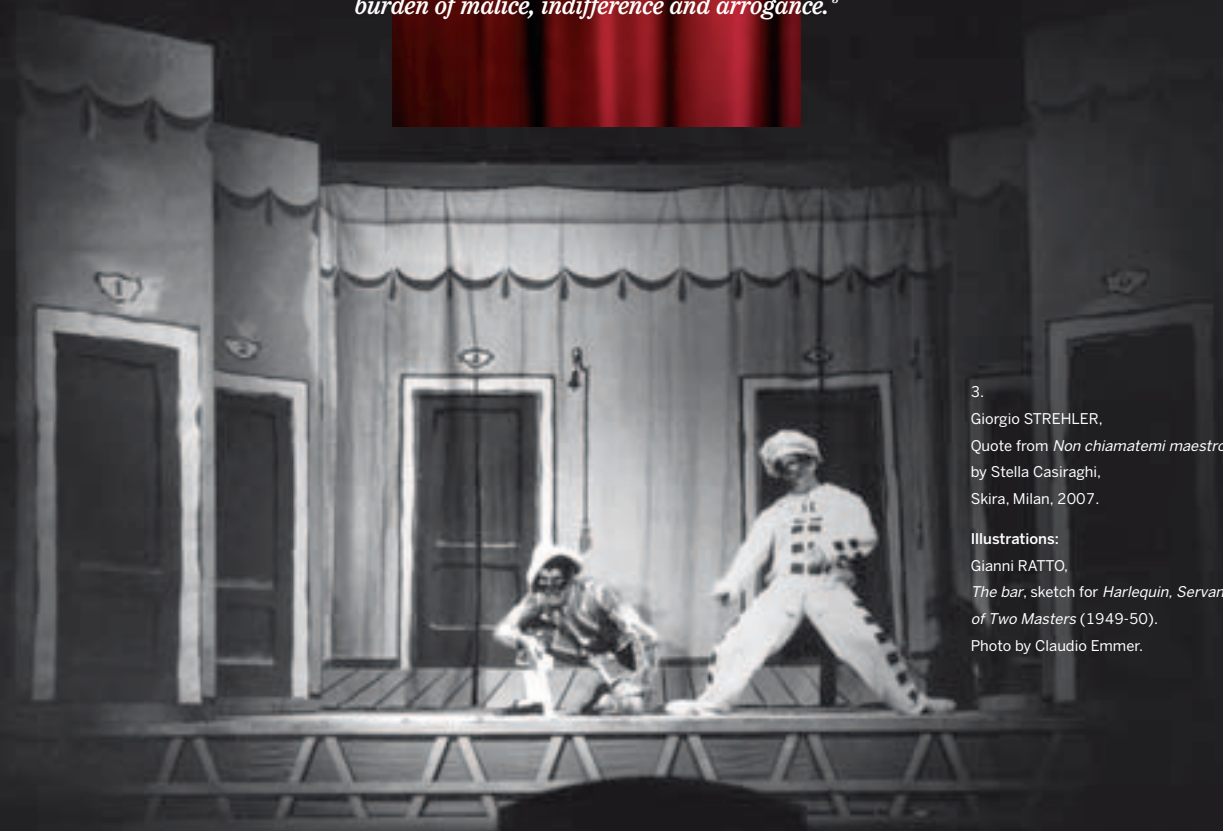
Finally, we salute the Swiss Confederation, and in particular Canton Graubünden, for the prestigious designation of the “Little Red Train” of the Rhaetian Railways as a UNESCO World Heritage Site.

Lugano, 1 January 2009

The Chairman
Piero Melazzini

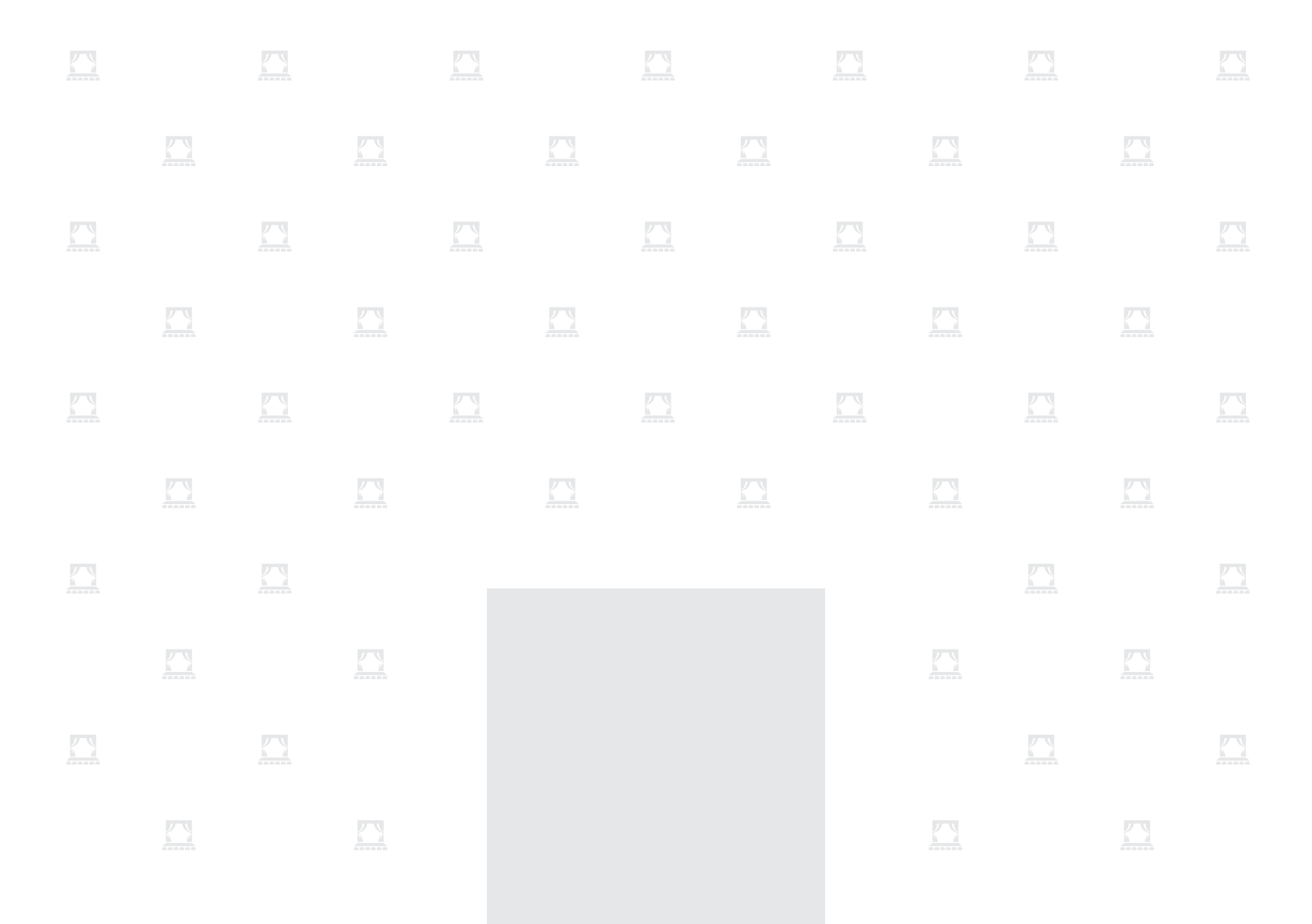


*All of us involved in this desperate yet beautiful and necessary “thing”,
i.e. theatre, need to ponder this human quality, this richness.
It’s not entirely lost yet, but in the process of being lost.
We’ve all got to be like humble, quiet, untiring guardians of a flame that’s flickering,
to ensure it doesn’t go out in the icy winds that surround it with their
burden of malice, indifference and arrogance.³*



3.
Giorgio STREHLER.
Quote from *Non chiamatemi maestro*,
by Stella Casiraghi,
Skira, Milan, 2007.

Illustrations:
Gianni RATTO.
The bar, sketch for *Harlequin, Servant
of Two Masters* (1949-50).
Photo by Claudio Emmer.



*Remember, Andrea, the light on the stage is not thanks to the spotlights,
but to our imagination. Of all the lights, this is the truest and most captivating!*⁴



4.
Giorgio STREHLER,
Quote from *Dedica della moglie*
[Andrea Jonasson] in *Non chiamatemi
maestro*, by Stella Casiraghi,
Milano, Skira, 2007.

Illustrations:
Ezio FRIGERIO,
Polly, model for
The Threepenny Opera (1955-56).
Photo by Alfredo Camisa.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

The past year will be remembered for the financial crisis which initially flared up in the USA and then spread virtually across the globe.

With global financial markets so interconnected, the crisis in the US banks had widespread repercussions across the European banking system where uncertainty surrounding the liquidity of the leading institutions increased. Switzerland was not spared. Governments and central banks intervened – with some success – to avoid the collapse of the financial system. It is difficult to make forecasts but, at the time of writing, the international press is suggesting that the worst is perhaps behind us.

However, in the meantime fresh clouds have gathered over the hedge fund industry, and over highly-leveraged vehicles in general, where the complexity of structures or products and the absence of appropriate controls make any valuation of exposure impossible. The indirect repercussions of the Madoff case will be difficult to assess (the direct ones, alas, were rapidly quantified), thereby increasing the uncertainty; these effects will take a long time to be fully understood. Our traditional prudence has meant that our Clients have remained unaffected by this event.

Risk aversion has taken on the appearance of a mass exodus, affecting retail clients, institutional investors, banks and even public bodies.

From its origins in the financial sector, the crisis has moved into the real economy, affecting consumption and investment; in other words, in an economy that has long been globalized no sector is exempt or able to 'buck' the trend. Although traditionally measured in quarters, the recession seems likely to be a long drawn-out affair. In Switzerland, the estimate of zero growth appears optimistic, at least until the first signs of a reversal of the trend begin to materialize – possibly from the USA but probably not for several months.

The new paradigms based on "modern" financial engineering instruments now seem to be disappearing. Indeed, there is now a strong demand for banks to revert to their traditional role which (for those who, unlike us, may have forgotten) is to provide a conduit linking savings to productive or 'real' investment. Thus, the future is now likely to see a 'return to basics'.

With tradition once again being viewed as a source of strength, Switzerland should be relatively well placed on an international comparison, with its public accounts in order, its economy robust and its ability to offer an attractive environment for global leaders. However, we hope this strength is not going to be overly reflected in the franc, which is once again acting as a safe haven despite near-zero interest rates.

Global equity markets have closed the book on one of the most disastrous years on record – the worst year ever in some cases – with key indices having fallen by an average of almost 50%. Volatility remains high, with the potential once again to see leading shares, and even the indices themselves, posting daily movements in double digits.

Liquidity is now the key resource, the only problem being to decide how and where to allocate it. Those holding liquidity are in the fortunate situation of being able to capitalize

on attractive opportunities. However, given the prevailing uncertainty, liquidity is mainly lying un-used, seeking maximum security until the situation improves and not being re-injected into the system to contend with an adverse economic cycle.

In this difficult environment, we are proud to see that confidence in the Bank on the part of our clients, including important public and private institutions, has never wavered; indeed, in some instances it has increased. We also feel that this trust is warranted. Our aims are the same as ever: to raise deposits and on-lend them to families and businesses operating, like us, in Switzerland. The figures set out below are the best possible comment on our business. The support provided by our parent company has again proved its worth, particularly during this period of exceptional turbulence. The ability to rely upon the strategic continuity of a robust, sound and transparent group has made a vital difference – perhaps more in this period than at any time in the past. In addition to our official statements, we should like to show tangible signs of confidence in the future, such as concrete steps to support the economy using the means available to us.

In order to enhance the collegiate nature of our decision-making and synergy in the Bank's business, the General Management committee was formally established during the first quarter of the 2008 financial year. The necessary amendments to the Articles of Association were approved at an Extraordinary General Meeting of Shareholders.

Our regional coverage, with the opening of a branch in Basel, now consists of 20 branches, to which a further two will shortly be added: the first in Berne and the second in Paradiso (TI). We are determined to be increasingly seen as a bank of the Confederation. This is another way of showing the gratitude of our parent company for everything Switzerland has consistently done in the past, welcoming large numbers of Italian workers.

As well as carrying out major works to expand the space available to clients in our branches, we plan to make further investments in computerization in order to provide the appropriate tools to support development of our business. For the same reason, our staff, which currently stands at 331 (an increase of 28) will also be further increased. The Bank intends to proceed with implementation of its medium-term development plan, which will be ratified with any adaptations needed to cater for the new situation.

Our Luxembourg SICAV, Popso (SUISSE) Investment Fund, proved extremely resilient in the tough market conditions, although the value of funds under management has fallen as a result of the sharp drop in prices.

The Life Benefit Foundation, which manages individual third-pillar pension funds, saw a substantial increase in funds managed (+70%), wholly invested in liquid assets at particularly attractive rates.

Sofipo Fiduciaire SA, our affiliated fiduciary company, increased both profits and, above all, operational synergy with the Bank. However, by agreement with our fellow shareholders, we disposed of our shareholding in Sofipo Austria GmbH, Vienna, owing to difficulties in developing the business as planned, also having due regard for the challenging economic situation and its outlook.

We continued to collaborate strongly with Generali Schweiz in the insurance field, and with Fortis Lease Svizzera in corporate leasing.

Our GoBanking electronic banking service posted double-digit growth in the area of domestic and international payments.

Important projects in the field of computer security will be undertaken in the next few years as part of the Business Continuity Management process.

Figures for the past financial year show that the Bank produced excellent results, particularly in the context of the challenging situation described above.

Total funds raised from clients were CHF 5,478,331,082 (-2% compared to the previous financial year), of which CHF 3,885,062,050 (-10%) were raised indirectly. The latter category of funds was impacted by negative market conditions, exacerbated by the revaluation of the Swiss franc against the other leading currencies. The inflow of new funds – referred to as 'net new assets' – was, however, comfortably positive.

Direct new funds raised were CHF 1,593,269,032 (+23%) consisting of "Amounts owing on savings and investment accounts" totalling CHF 370,888,334 (+13%), "Other amounts owing to clients" totalling CHF 1,032,444,698 (+34%) and "Medium-term notes" totalling CHF 189,936,000 (-7%). This excellent trend enabled the bank to achieve a satisfactory level of internal refinancing.

Loans to clients totalled CHF 1,830,022,249 (+25%), the largest increase in absolute terms in the Bank's history. These comprised "Mortgage loans" of CHF 1,250,767,408 (+26%), mainly for residential property, and "Other amounts due from clients" of CHF 579,254,841 (+24%). These figures exceeded our expectations and sharply outperformed the average for the sector and the average level of market demand, confirming the Bank's strong commitment to its lending activity, without compromising its prudential approach to risk assessment.

As regards the profit & loss account, certain targets were exceeded while others were not achieved. Our overall opinion is, however, highly positive, as the results were in line with the exceptionally strong previous financial year and significantly exceeded those for the year before that (2006).

Looking in detail, the figure for "Net interest" was CHF 31,885,581 (+10%), thanks to the expansion of the Bank's loan book.

"Net commission and service income", despite the substantial impact of the market situation, totalled CHF 49,219,614 (-1%). We regard this virtual repetition of the figure achieved in the previous year, despite the larger volume of funds under management, as a satisfactory outcome.

The "Net trading result", which covers foreign exchange operations for clients, boosted by the effect of internal refinancing operations in the various currencies, came to CHF 13,220,654, a sharply increased figure (+76%).

Total "Net ordinary banking income" stood at CHF 91,620,782 (+7%).

"Personnel expenses" were CHF 40,380,333 (+12%), a figure consistent with the increase in staff numbers. With the revision of benefits under our pension scheme (LPP, second pillar) now taken fully into account, the coverage is undoubtedly in line with best market practice.

"Other operating expenses" were CHF 22,706,151 (+8%), a figure in line with budget.

Total "Operating expenses" came to CHF 63,086,484 (+11%).

"Gross profit" was CHF 28,534,298 (-2 %).

Net profit after depreciation, provisions and corporation tax for the year came to CHF 12,666,619 (-9%).

The Board of Directors is recommending to the General Meeting of Shareholders that the entire net profit for the year should be placed to General Legal Reserve, in accordance with Article 22 of the Bank's Articles of Association. This increase in reserves follows the decision implemented in the final quarter of the financial year under review, to transfer the sum of CHF 15 million from "Other Provisions" to "Other Reserve for General Banking Risks".

Net shareholders' funds, assuming approval of the resolution by the General Meeting, will therefore be CHF 163,055,235, a figure that will enable the Bank to press ahead with its development plans while posting a solvency ratio far above the legal minimum.

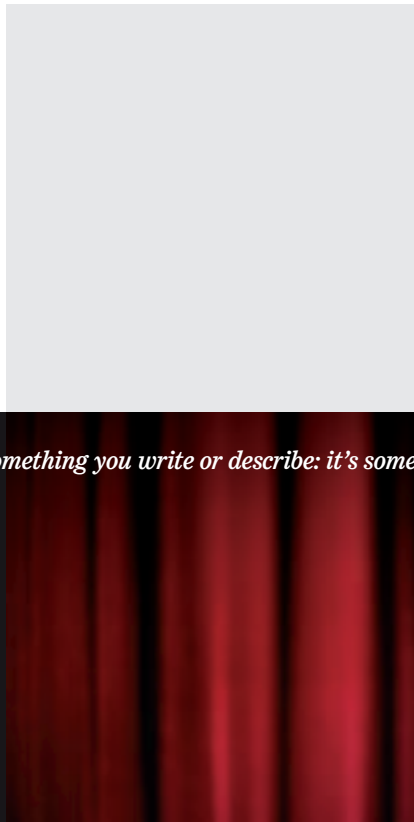
We should like to thank, above all, our clients for their continued loyalty, the new supervisory authority, FINMA, which recently took over from the prestigious Federal Banking Commission, for its valued support, and our external auditor KPMG, following the first year of highly fruitful cooperation. Particular thanks also go to our employees, the company's most valuable resource.

Lugano, 26 January 2009

The Board of Directors



*Theatre is not something you write or describe: it's something you make.*⁵



5.
Giorgio STREHLER,
Teatro tempio delle Muse o tribunale,
typed manuscript with handwritten
date (27 May 1996).

Illustrations:
Gianni RATTO,
sketch for *Nights of Wrath* (1947).
Photo by Giuseppe Signorelli.

2008 FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2008

ASSETS

in CHF	Note	2008	2007	Change
Cash		47 154 715	53 698 115	(6 543 400)
Due from banks		319 838 937	248 854 580	70 984 357
Due from clients	3.1	579 254 841	468 552 290	110 702 551
Mortgage loans	3.1	1 250 767 408	996 350 129	254 417 279
Financial investments	3.2	56 535 222	63 473 758	(6 938 536)
Participating interests	3.2, 3.3, 3.4	653 138	803 943	(150 805)
Fixed assets	3.4	34 540 124	31 029 058	3 511 066
Accrued income and prepaid expenses		14 774 878	14 273 475	501 403
Other assets	3.17	19 526 727	10 922 221	8 604 506
Total assets		2 323 045 990	1 887 957 569	435 088 421
Total amounts receivable from group companies and significant shareholders		257 873 161	168 105 276	89 767 885

LIABILITIES

in CHF	Note	2008	2007	Change
Money market instruments		1 240	221 132	(219 892)
Due to banks		461 901 630	371 560 303	90 341 327
Due to clients in savings and investment accounts		370 888 334	327 918 581	42 969 753
Other amounts due to clients		1 032 444 698	768 804 246	263 640 452
Cash bonds	3.8	189 936 000	203 230 000	(13 294 000)
Accrued liabilities and deferred income		16 517 240	15 367 415	1 149 825
Other liabilities	3.18	57 982 267	25 529 164	32 453 103
Valuation adjustments and provisions	3.9	30 319 346	39 938 112	(9 618 766)
Reserve for general banking risks	3.9	15 000 000	-	15 000 000
Share capital	3.10, 3.11	50 000 000	50 000 000	-
General legal reserve	3.11	85 388 616	71 516 789	13 871 827
Profit of the period	3.11	12 666 619	13 871 827	(1 205 208)
Total liabilities		2 323 045 990	1 887 957 569	435 088 421
Total liabilities to group companies and significant shareholders		375 627 886	279 712 051	95 915 835

OFF-BALANCE-SHEET TRANSACTIONS AS AT DECEMBER 31, 2008

in CHF	Note	2008	2007	Change
Contingent liabilities	3.1, 4.1	131 363 134	121 020 057	10 343 077
Additional payment liabilities	3.1	6 350 000	2 804 000	3 546 000
Irrevocable commitments	4.2	1 441 586 698	1 099 665 572	341 921 126
Positive replacement values		6 793 698	6 850 451	(56 753)
Negative replacement values		41 894 076	3 901 785	37 992 291
Fiduciary transactions	4.3	1 059 460 230	1 194 810 137	(135 349 907)

INCOME STATEMENT FOR THE YEAR 2008

in CHF	Note	2008	2007	Change
Interest income:				
- interest and discounts		80 925 583	61 108 381	19 817 202
- interest and dividends on financial investments		1 625 616	1 328 633	296 983
Interest expense		(50 665 618)	(33 423 143)	(17 242 475)
Net interest income		31 885 581	29 013 871	2 871 710
Commission income:				
- on credit transactions		985 867	837 988	147 879
- on transactions for the brokering of stocks and investments		47 523 781	50 775 063	(3 251 282)
- on other services		6 035 387	5 363 995	671 392
Commission expenses		(5 325 421)	(7 493 017)	2 167 596
Net income from commission business and services fee activities		49 219 614	49 484 029	(264 415)
Net income on trading operations	5.2	13 220 654	7 496 621	5 724 033
Net income from disposal of financial investments		382 083	59 702	322 381
Income from participating interests		25 000	36 690	(11 690)
Profits from real estate		310 748	15 023	295 725
Other ordinary income		1 307 418	554 363	753 055
Other ordinary expenses		(4 730 316)	(644 836)	(4 085 480)
Other ordinary results		(2 705 067)	20 942	(2 726 009)
Net operating income from ordinary banking activities		91 620 782	86 015 463	5 605 319
Operating expenses:				
Personnel expenses	5.3	40 380 333	36 001 084	4 379 249
Other operating expenses	5.4	22 706 151	20 944 526	1 761 625
Total operating expenses		63 086 484	56 945 610	6 140 874
Gross profit		28 534 298	29 069 853	(535 555)

INCOME STATEMENT

PROFIT OF THE PERIOD

in CHF	Note	2008	2007	Change
Depreciation/write-offs of fixed assets	3.4	(8 032 838)	(7 756 904)	(275 934)
Valuation adjustments, provisions and losses		(4 717 573)	(2 400 000)	(2 317 573)
Profit before extraordinary items and taxes		15 783 887	18 912 949	(3 129 062)
Extraordinary income	5.5	2 664 166	89 878	2 574 288
Extraordinary expenses	5.5	(1 886 434)	-	(1 886 434)
Taxes		(3 895 000)	(5 131 000)	1 236 000
Profit of the period		12 666 619	13 871 827	(1 205 208)

PROPOSAL FOR EMPLOYMENT OF THE PROFIT
IN THE BALANCE SHEET

in CHF	Note	2008	2007	Change
Profit of the period		12 666 619	13 871 827	(1 205 208)
Profit carried forward		-	-	-
Available earnings at the end of period		12 666 619	13 871 827	(1 205 208)
The Board of Directors proposes to allocate the profit in the balance sheet on December 31, 2008 of CHF 12 666 619 for the general legal reserve		12 666 619	13 871 827	(1 205 208)
Retained earnings carried forward		-	-	-

CASH FLOW STATEMENT AS AT DECEMBER 31, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008 (WITH 2007 COMPARATIVE FIGURES)

CASH FLOW (STATEMENT) ON THE BASIS OF THE OPERATING RESULT (INTERNAL FINANCING)

CHF in thousands	2008		2007	
	Source	Utilization	Source	Utilization
Profit of the period	12 667	-	13 872	-
Depreciation write-offs of fixed assets	8 033	-	7 757	-
Valuation adjustments and provisions	5 381	-	2 663	-
Accrued income and prepaid expenses	-	502	-	3 088
Accrued liabilities and deferred income	1 149	-	4 504	-
Other assets	-	8 604	-	3 737
Other liabilities	32 453	-	7 114	-
Net operating cash flow	50 577		29 085	


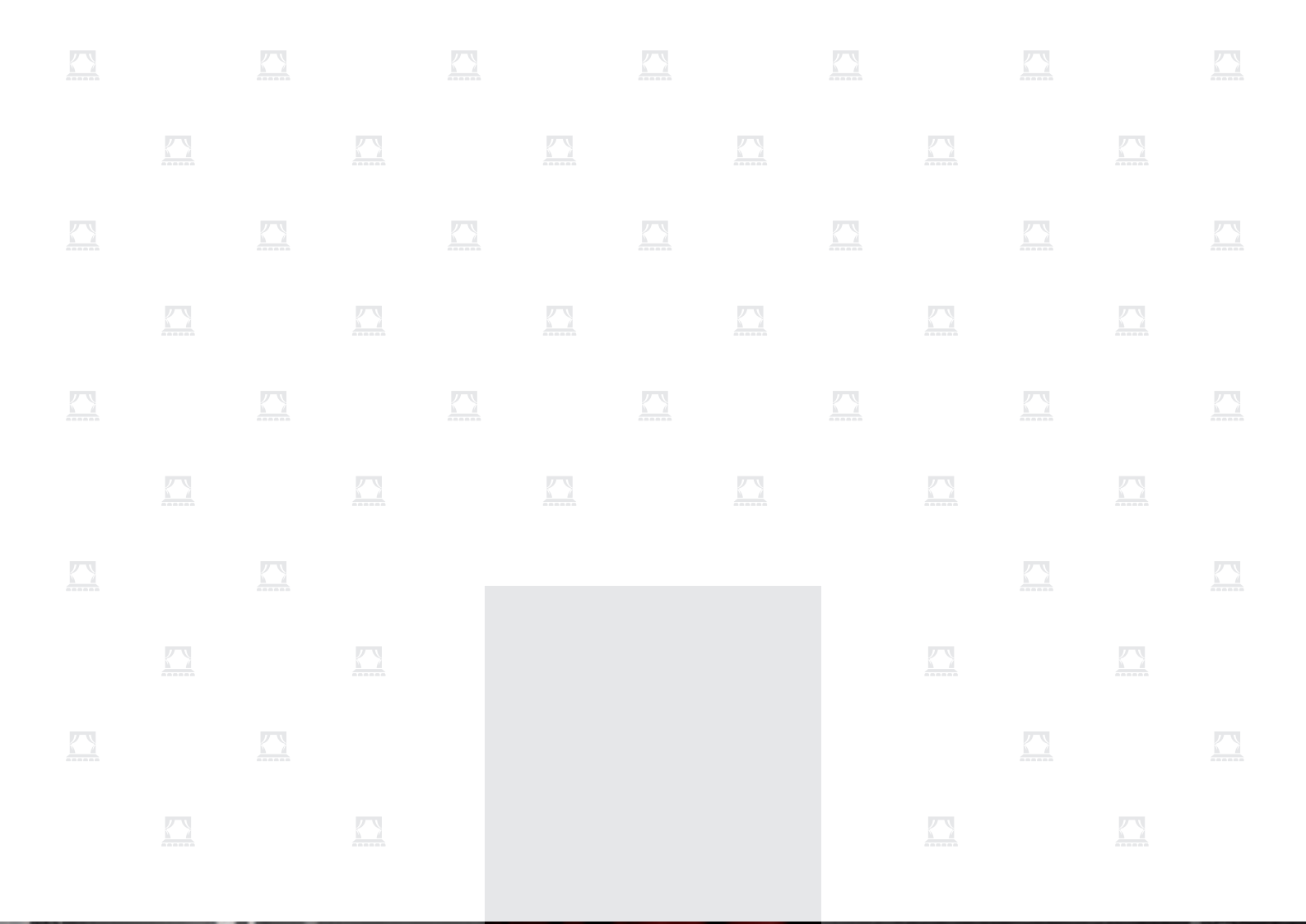
CASH FLOW (STATEMENT) RESULTING FROM CHANGES IN FIXED ASSETS

Participating interests	151	-	-	392
Bank buildings	-	1 017	-	6 131
Other fixed assets	-	7 314	30	6 502
Intangible fixed assets	-	3 213	-	1 853
Net cash flow from investment activities		11 393		14 848

CASH FLOW STATEMENT

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2008		2007	
	Source	Utilization	Source	Utilization
Balance brought forward	50 577	11 393	29 085	14 848
Non-current operations (> 1 year)				
Due to clients - savings	-	-	-	-
Due to clients - other	-	-	-	6 200
Medium-term note issues	-	13 532	33 193	-
Client loans	13 633	-	-	6 376
Mortgage loans	30 903	-	28 155	-
Financial investments	7 181	-	-	4 950
Current operations				
Liabilities under money market instruments	-	220	94	-
Due to banks	90 341	-	120 537	-
Due to clients	263 640	-	58 163	-
Cash from client savings	42 970	-	-	8 519
Medium-term note issues	238	-	33 171	-
Due from banks	-	70 984	42 131	-
Due from clients	-	124 335	-	9 818
Mortgage loans	-	285 320	-	264 373
Financial investments	-	242	-	1 923
Securities trading portfolio	-	-	-	-
Net cash flow from banking activities		45 727	13 285	
Total cash flow	6 543		27 522	
Variation in cash		6 543		27 522



*We all know how little it takes to get
applause and approval.*

*It's one of the greatest opportunities in our line of work to be dishonest
without anyone realising it.⁶*

6.
Giorgio STREHLER,
Letter to the "L'Avanti" newspaper
(1 January 1966).

Illustrations:
Giulio COLTELLACCI,
Turkish baths, sketch for
The Skin of our Teeth (1948-49).
Photo by Farabola.

NOTES TO THE 2008 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 mainly active in providing portfolio management, trading in securities and granting loans.

Apart from a main office, an agency and a branch in Lugano, the Bank's current network includes 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, in Chiasso with an agency in Mendrisio, in Chur with an agency in Davos and in Basel with an agency in the city, as well as branches in Locarno, St. Gallen, Zurich, and the Principality of Monaco.

At the end of the period, overall staff amounted to 331, compared to 303 in 2007, for a total of 316.10 full time employees (2007: 291.10 employees).

The Bank does not outsource any activities as defined in the CFB Circular 99/2 "Outsourcing".

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

The accounts, their presentation and the valuations made are in compliance with the directives of the Swiss Federal Banking Commission and in particular those of the BAG-SFBC dated December 14, 1994 (in force on December 21, 2006). The transactions carried out by the Bank are recorded in the books on the value date. Cash transactions that have not been settled as of the balance sheet date are included in the forward transactions.

ACCOUNTING PRINCIPLES

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS

Loans are recorded in the balance sheet at face value.

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

Interests at risk are treated in accordance with the law. Accrued interests not collected within 90 days when falling due are not recognized in the profit and loss but are deferred through the item "Valuation adjustments and provisions".

FINANCIAL INVESTMENTS

Securities purchased by the Bank on a proprietary basis which are not intended for trading and not held until maturity (in case of interest/dividend bearing securities) are valued on a single basis, according to the principle of the lower of cost or market (LOCOM).

PARTICIPATING INTERESTS

The valuation is made at purchase cost, that is cost less any necessary economic writedowns.

FIXED ASSETS

Tangible fixed assets are recorded in the balance sheet at purchase price, less a deduction reflecting the economic justified depreciation, applied according to the linear method and quantified according to the estimated working life of the items.

	2008	2007
Own real estate	33.3 years	33.3 years
Offices restructuring	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

ACRRUALS, PREPAYMENTS AND DEFERRED INCOME

Interest income and expense, assets management fees, staff costs and other operating expenses are accrued at year-end in time.

TAXES

The Bank records provisions for the federal, cantonal and council taxes according to the result of the period and on the basis of the tax regulations in force.

DUE TO BANKS AND DUE TO CLIENTS, BANK'S BONDS

Amounts due to banks and due to clients, as well as bank's bonds are recorded at their nominal values.

VALUE ADJUSTMENTS AND PROVISIONS

Individual valuation adjustments and provisions are made in respect of all risks identifiable on the balance sheet date. Potential credit risks are covered by global valuation adjustments calculated for each rating class, with the exception of non-performing loans, for which individual provisions are made. For further information please refer to the "Credit risks" section.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are purchased on behalf of the clients and for the Bank's asset and liability management (hedging). Positive and negative replacement values of derivative financial instruments generated by the clients and open at the balance sheet date are valued at market prices. If such prices are not available, they are valued at cost and recorded as "Other assets" or "Other liabilities". The result of the valuation is recorded in the income statement. Hedging transactions are valued on the same basis as the underlying hedged transactions. The result arising from the difference of the replacement values is recorded in the compensation account "Other assets" or "Other liabilities", without any effects on the income statement.

If the hedging operations refer to products which bear interest, such is recorded as interest income or expense.

TRANSLATIONS OF FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are converted at the exchange rates at the balance sheet closing date. Operations in foreign currencies 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 income statement in "Net income on trading operations".

Forward contracts (outright) and part of the foreign exchange swap operations are converted using the exchange rates in force at the balance sheet closing date for the remaining maturity. The result of the valuation is recorded as "Net income from trading" in the accounts. The yearend conversion rates used for the main foreign currencies are: EUR 1.4877 (2007: 1.6562); USD 1.0586 (2007: 1.1257).

FOREIGN CURRENCIES TRANSLATION: MONACO BRANCH

Assets, liabilities and income statement positions are converted at the exchange rate applicable at the closing date of the accounts. Discrepancies in exchange resulting from this conversion are classified in the income statement in the corresponding items (interest, commissions, etc.).

REPURCHASE AGREEMENTS (REPO)

Securities are given as collateral for REPO transactions to support refinancing activities. These operations are recorded as deposits received, whereas securities are given as pledge. The securities remain in the balance sheet of the Bank, while the financing is recorded as a liability in the item "Amount due from banks". The result of these operations is recorded in "Net interest income".

IRS

Income and expenses connected to these contracts are entered in the income statement in "Net interest income".

Positive and negative replacement values of the existing operations are calculated every six months. The difference is recorded in a compensation account under "Other assets" or "Other liabilities".

CHANGE IN ACCOUNTING PRINCIPLES RELATING TO THE PRESENTATION

Compared to the year closed at 31 December 2007, there were no changes in the accounting principles used.

LIABILITIES TO OWN PENSION PLANS

The Bank does not have its own pension scheme but entirely relies on a private insurance company (Swiss Life's Fondazione Collettiva LPP) for this purpose. Two pension plans have been underwritten: one for all employees and the other for senior management. Details on the risk coverage are described in the annex to the financial statements.

The pension funds operate on a defined contribution basis. Thus, the Bank's sole liability is to pay for the premiums, calculated by the insurance company, which are recorded under personnel expenses ("social security contributions"). There is no economic liability or benefit for the Bank pursuant to Swiss GAAP 16.

SIGNIFICANT SUBSEQUENT EVENTS

After the balance sheet date, no significant events have occurred that might have an impact on the balance sheet or income statement figures at 31 December 2008.

RISK MANAGEMENT

RISK ASSESSMENT

The Board of Directors has performed an analysis of the main risks to which Banca Popolare di Sondrio (SUISSE) SA is exposed. The analysis is based on the risk management data and techniques implemented by the Bank, as described below, and on an estimate of potential future risks. The internal control system, designed to manage and reduce exposure, was duly taken into account by the Board of Directors.

GENERAL INFORMATION ON RISK MANAGEMENT

The Bank's policy reflects that one of the parent bank which handles group-wide orientation and coordination.

Risk management, which aims to preserve the Bank's wealth, to improve profitability and to increase overall the Bank's value, is an integral part of the Bank's corporate policy.

The policy is built on the Bank's strategy, objectives and regulations, along with the laws and ethical standards that govern Swiss banking operations. It is commensurated with the Bank's willingness to accept certain risks, strictly dependent on its organizational and financial structure. The Bank is committed to promulgating a business culture that is sensitive to risk at every level of the organization. The Board of Directors establishes the Bank's tolerance to risk and is responsible for approving the risk policy, as proposed by General Management. The identification of risks and their consideration in the management, control and reporting systems are the responsibility of General Management, which then reports on these matters to the Board of Directors.

For the supervision and enforcement of the financial risk policy, the General Manager relies on the Assets and Liabilities Management Committee (A.L.CO.), whose functions are detailed in internal regulations.

A risk management unit has been set up to monitor, measure and analyze the risks assumed by the Bank and to ensure compliance with the risk policy and risk limits, in synergy with other auditing and control departments.

SPECIFIC RISKS RELATED TO THE BANK'S ACTIVITY

In this respect the Bank considers the risks of credit, market, liquidity and re-financing, operating, legal, reputation and compliance.

CREDIT RISKS

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

In case of default, a bank generally sustains a loss equal to the amount of the debt due, net of any amount recovered from the liquidation of any collateral.

The Bank's exposure is principally related to the credit activity with its clients. The Bank mainly grants mortgage loans, primarily comprised of residential construction loans, lombard loans and commercial credit.

Prudent collateral security margins are set for all secured loans. For lombard credit, margins depend on the type and the market value of the pledged assets, while for mortgages loans they are based on the liquidation value of the property (calculated on internal or external estimates) or the rental value.

Risk is assessed by grouping customers into 10 risk classes (according to default risk or probability of insolvency) and setting recovery rates on the basis of the coverage provided. The risk class is assigned by an office which is independent from the front office, and is based on the Bank's internal criteria. These are differentiated for retail customers (simplified criteria) and corporate customers, based on quantitative criteria (financial statement analysis), qualitative factors and performance. Recovery rates are established as flat rates according to the type of collateral (mortgage, lombard or unsecured) and the amount of security margins.

Risk assessments are updated through regular monitoring activities, file reviews, and regular monitoring of the debt status. At these occasions, changes can be made in the loan's rating or recovery rate.

Provisions which are economically necessary in order to counter credit risk are calculated on a lump-sum basis by rating class, using a data processing support that adds up the individual risk positions, weighted by default rate and recovery rate. For non-performing loans, individual provisions are made which take into account the estimated realizable value of the guarantees provided.

MARKET RISKS

Risk of value losses due to a decrease of the asset value/increase of liabilities caused by adverse trends of the financial markets, and therefore related to interest rate, foreign exchange and price risks.

INTEREST RATE RISKS

The Bank's exposure is strongly related to with the time discrepancy between the operations of collection and employment of funds.

The Bank hedges significant medium- and long-term exposures. Interest rate swap operations (micro and macro hedges) are arranged exclusively with its parent bank.

These help prevent the risk of interest rate fluctuation on the refinancing of medium- and long-term fixed-interest loans.

In these transactions, the Bank acts as payer swap by paying the fixed portion to the parent bank and receiving the variable (LIBOR-based) portion in return.

The effectiveness criteria are those defined by the parent bank (80-125%). Any ineffective portions of hedge transactions are recognized in "Net income on trading operations".

FOREIGN EXCHANGE RISK

The Bank's exposure is limited, as transactions are only performed on behalf of clients.

In order to minimize any residual risk, the Bank has defined maximum exposure limits. The treasury function manages on a daily basis positions that are not individually balanced.

LIQUIDITY AND REFINANCING RISKS

Liquidity is supervised according to the legal provisions. Refinancing activity is supported by the Bank's own capital, by customers deposits, by the parent bank and by deposits from other financial intermediaries.

REPO operations with banking counterparts are carried out to decrease refinancing costs.

OPERATIONAL RISKS

These concern the risks of direct and indirect losses caused by human or technological error, shortcomings in internal procedures or extraneous events.

The risk exposure is minimized by the introduction of an international control system and by different bank functions responsible for monitoring the activities according to the applicable and regulations.

In order to guarantee IT security, the Bank has set up a control network which relies on support from external specialized companies.

LEGAL RISKS

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

The Bank regulates its own activities, especially those liable to external impact, in order to prevent these risks. This is performed in compliance with legal rules and duties in force for banking pursuits and by ensuring the understanding and transparency of operating and contractual conditions for clients.

For this purpose the bank has an internal legal department that can collaborate with external firms specialized in particular fields or geographical regions.

REPUTATION AND COMPLIANCE RISKS

The Bank limits its exposure by, on the one hand, investing in training and increasing awareness among staff which is in direct contact with clients (obligations of diligence, confidentiality and prevention of money laundering) and, on the other, by monitoring the correct application of the investment policy.

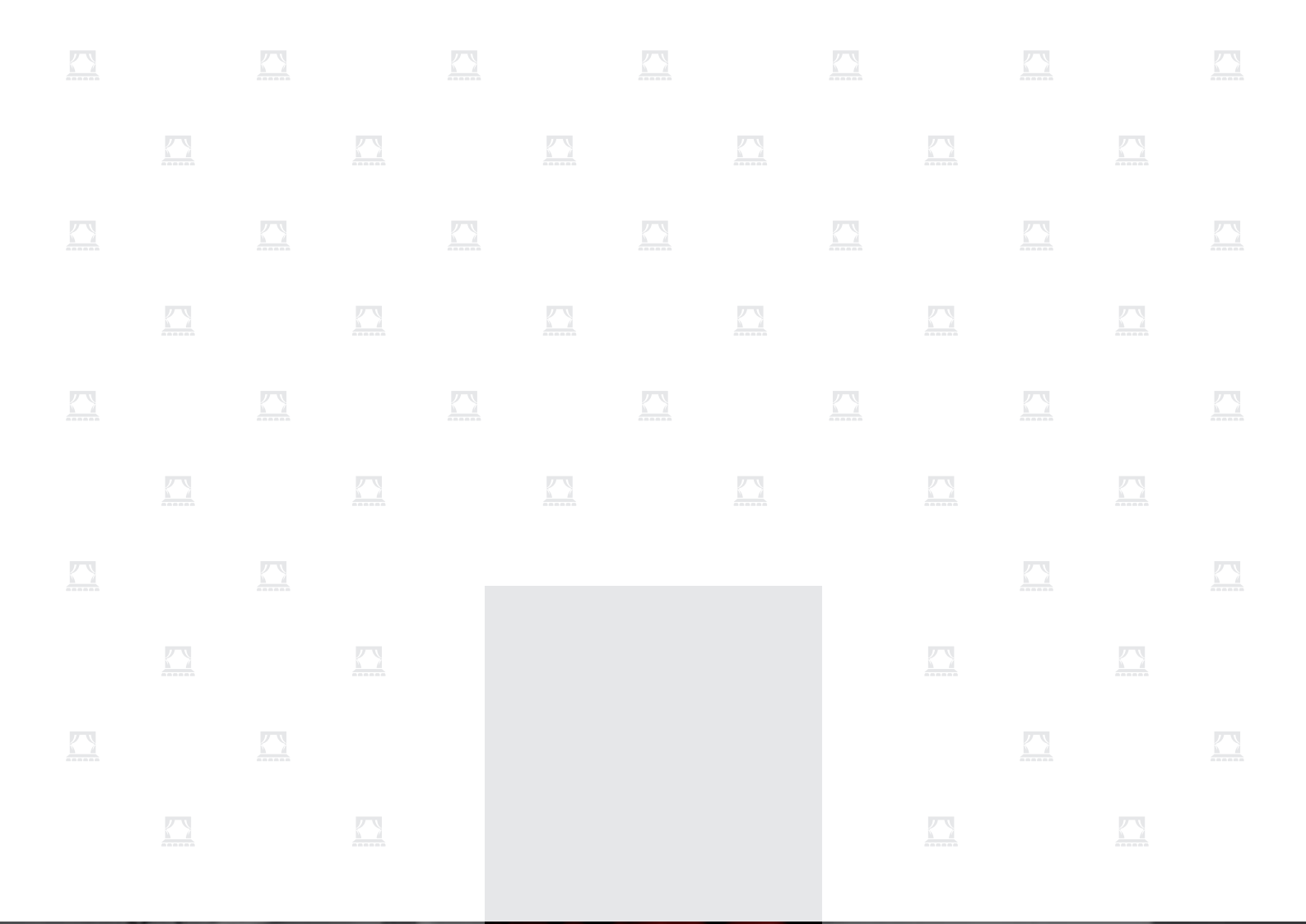
With regard to the compliance activities, which should ensure the adherence to all rules and regulations, the Bank has a control system based on verification of internal procedures. This task is allocated to an internal department under the responsibility of the General Management and the Board of Directors.

BANK POLICY FOR THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are, for the most part, held on behalf of clients. For the asset and liability management of the balance sheet, the Bank makes use of "interest rate swaps to cover" to core its interest rate risk.

3. INFORMATION ON THE CALCULATION OF CAPITAL ADEQUACY

Regarding the disclosures required by the third pillar of Basel II, as addressed in Art. 35 of the Capital Adequacy Ordinance (CAO) and formalized in SFBC Circular 06/4, (corresponding to the new FINMA Circular 08/22 "Disclosure requirements in respect of capital adequacy") for the Banking sector. Please refer to the upcoming 2008 annual report of our parent bank, Banca Popolare di Sondrio.



*It's terrible to think that I'll never be happy again, because, of course,
I'll never be a child again.
How I wish I could be a child again, always full of wonder! ⁷*



7.
Giorgio STREHLER,
Letter to his mother
(30 June 1942).

Illustrations:
Sergio TOFANO,
Houses with washing lines,
sketch for *Qui comincia la sventura*
del Signor Bonaventura
(1954-55).

Photo by Del Vecchio.

3. BALANCE SHEET INFORMATION

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

in CHF	Type of collateral			
	Mortgage collateral	Other collateral	Unsecured	Total
Credit				
Due from clients	233 994 556	212 749 841	132 510 444	579 254 841
Mortgage loans				
Residential property	1 115 801 431	-	-	1 115 801 431
Commercial property	134 965 977	-	-	134 965 977
Others	-	-	-	-
Current year	1 484 761 964	212 749 841	132 510 444	1 830 022 249
Previous year	1 121 420 226	230 683 740	112 798 453	1 464 902 419
Off-balance-sheet				
Contingent liabilities	991 084	54 204 840	76 167 210	131 363 134
Commitments of payments and additional deposits	-	-	-	-
Irrevocable commitments	-	-	6 350 000	6 350 000
Current year	991 084	54 204 840	82 517 210	137 713 134
Previous year	550 215	57 352 988	65 920 854	123 824 057

IMPAIRED LOANS

in CHF	Gross amount of debt	Estimated liquidation value of collateral	Net amount of debt	Individual
				value adjustment
Current year	5 734 370	986 000	4 748 370	4 748 370
Previous year	5 899 134	1 310 000	4 589 134	5 293 707

3.2. FINANCIAL INVESTMENTS AND PARTICIPATING INTERESTS

Financial investments

in CHF	2008	2007	2008	2007
	Carrying value		Market value	
Debt instruments	46 009 443	47 880 483	46 454 594	48 395 244
of which: own bonds or medium-term notes	-	-	-	-
of which: held to maturity	-	-	-	-
of which: valued at lower of cost or market	46 009 443	47 880 483	46 454 594	48 395 244
Instruments	5 516 779	10 584 275	5 517 088	11 912 204
qualified participating interests	-	-	-	-
Deposit bonds (purchase value)	5 009 000	5 009 000	5 009 000	5 009 000
Precious metals	-	-	-	-
Real estate	-	-	-	-
Total financial investments	56 535 222	63 473 758	56 980 682	65 316 448
Securities pledgeable in accordance with liquidity regulations	41 219 339	41 159 826	-	-

Information on treasury shares included in financial investments

in CHF	2008	2007	2008	2007
	Number		Carrying value	
Balance at 01.01.08	-	-	-	-
Purchases (additions)	-	-	-	-
Disposals	-	-	-	-
Writedowns	-	-	-	-
Upward revaluations	-	-	-	-
Balance at 31.12.08	-	-	-	-

Participating interests

in CHF	2008	2007
With stock market value	-	-
Without stock market value	653 138	803 943
Total participating interests	653 138	803 943

3.3. COMPANY NAME, REGISTERED OFFICE, ACTIVITY, SHARE CAPITAL AND PERCENTAGE OF INTEREST (PERCENTAGE OF CAPITAL AND VOTING RIGHTS, AND ANY CONTRACTUAL RESTRICTION) OF 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 100%.

In accordance with Art.23a of the Banking Ordinance, there is no obligation to present consolidated accounts at 31 December 2008.

3.4. ANALYSIS OF FIXED ASSETS

in CHF	Purchase price	Accumulated depreciation & writedowns	Book value 2007	Reclassification	Additions	Disposals	Depreciation & writedowns	Book value 2008
Participating interests								
Minority holding	1 403 943	(600 000)	803 943	-	91 185	(241 990)	-	653 138
Majority holding	-	-	-	-	-	-	-	-
Total	1 403 943	(600 000)	803 943	-	91 185	(241 990)	-	653 138
Fixed assets								
Properties used by the Bank	20 122 557	(1 164 654)	18 957 903	-	1 016 719	-	(879 685)	19 094 937
Other tangible fixed assets	51 212 696	(40 320 611)	10 892 085	-	7 313 690	-	(4 783 007)	13 422 768
Intangible fixed assets	23 045 146	(21 866 076)	1 179 070	-	3 213 495	-	(2 370 146)	2 022 419
Total	94 380 399	(63 351 341)	31 029 058	-	11 543 904	-	(8 032 838)	34 540 124
Insurance value								
Properties used by the Bank			11 800 000					15 923 000
Other tangible fixed assets			18 535 000					27 750 000

3.5. FOUNDATION, CAPITAL INCREASE AND ORGANIZATION COSTS

No comments.

3.6. ASSETS PLEDGED AS SECURITIES FOR OWN LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE (BOOK VALUE)

in CHF	2008	2007
Deposits pledged for "Engpassfinanzierung"	3 513 861	3 486 219
Deposits pledged in schemes run in association with other banks	4 002 011	3 982 027
Debt instruments (financial investments) used as collateral for REPO operations	33 703 467	33 691 580
Part for which the right to sell or to subsequently pledge placed on pledge was granted without restrictions	-	-
Total	41 219 339	41 159 826

3.7. LIABILITIES TO OWN PENSION PLANS

in CHF	31.12.2008	31.12.2007
Liabilities to own pension plans	-	-
Pension costs included in personnel expenses (social security contributions)	2 232 281	3 274 543

With regard to pension and social security, the Bank has covered its employees through the Swiss Life's "Fondazione Collettiva LPP", with two defined-contribution plans:

- the first plan covers all employees, including senior management, whose annual salaries for AHV purposes exceed the limit for the basic old-age pension
- the second plan covers all senior managers who have completed a 36-month waiting period and who have passed their 40th birthday

For both plans, the amount of pension benefits depends on the savings accumulated up to retirement age and on the annuity rate, based on the collective insurance tariff.

Capital benefits in the event of death and annuity benefits for the disabled, widowed or orphaned children of pensioners are also insured by the plans. The plans are financed one third by the employee and two thirds by the Bank. All liabilities of the social security institution are covered in full and at all times by the insurance company. There are neither economic commitments nor economic benefits for the bank.

Information on pension plans

Employer's contributions (reserve)	CHF 282 174 at 31 December 2008 (2007: CHF 1 600 000). The utilizations took place on 1 January 2008 and 1 July 2008 to improve the content and benefits of the plans.
Commitments arising from employment termination if there is no specific provision	There are no particular obligations except for vested benefits from previous plans.
Present value of future reductions of contributions currently existing on pension fund equity	Not applicable.

3.8. DEBENTURES

On the balance sheet date there were no debentures outstanding.

The following cash bonds were, however, outstanding.

CHF in thousands

Interest rate	Maturity										Total	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
1.000 %	70											70
1.375 %		180										180
1.500 %	81		81									162
1.625 %	591	210										801
1.750 %	4 785	652		60								5 497
1.875 %	705	2 282	38									3 025
2.000 %	1 240	3 654			65	10						4 969
2.125 %	1 312	4 625	363	33		50						6 383
2.250 %	4 304	1 130	600	120	336			120				6 610
2.375 %	19 173	1 754	522	385								21 834
2.500 %	3 938	4 727	764	520	395			50				10 394
2.625 %	1 929	1 074	10 998	500	209	10						14 720
2.750 %	1 008	28 537	1 494	1 616	275	124	20					33 074
2.850 %	31											31
2.875 %	5 697	4 585	2 138	300	82	65						12 867
3.000 %	8 928	1 074	7 115	2 485	2 494	484						22 580
3.125 %		5 147	832	1 826	204	20		10				8 039
3.250 %	7		5 817	395		604	111	2				6 936
3.375 %	50		530	4 237	600	48			10	4		5 479
3.500 %	83	55	25 000		150	667	140					26 095
3.750 %	13		150									163
4.000 %	17											17
4.250 %	10											10
Totale	53 972	59 686	56 442	12 477	4 810	2 082	271	182	10	4	189 936	

3.9. VALUATION ADJUSTMENTS AND PROVISIONS

in CHF	Balance as at 31.12.07	Utilization and release consistent with specific purpose	Change of purpose	Recoveries of doubtful interests, currency differences	New provisions income statement	Release credited to income statement	Balance as at 31.12.08
Provisions for latent taxes	-	-	-	-	-	-	-
Valuation adjustments and provisions for default and other risks:							
Valuation adjustments and provisions for default and other risks (credit and country risks)	13 353 072	(947 906)	-	900 608	4 481 109	(792 922)	16 993 961
Valuation adjustments and provisions for other business risks	-	-	-	-	-	-	-
Restructuring provisions	-	-	-	-	-	-	-
Provisions for pension liabilities	-	-	-	-	-	-	-
Other provisions	26 585 040	-	(15 000 000)	-	1 740 345	-	13 325 385
Subtotal	39 938 112	(947 906)	(15 000 000)	900 608	6 221 454	(792 922)	30 319 346
Total value adjustments and provisions	39 938 112	(947 906)	(15 000 000)	900 608	6 221 454	(792 922)	30 319 346
Less:							
Valuation adjustments set off directly against assets	-	-	-	-	-	-	-
Total valuation adjustments and provisions as per balance sheet	39 938 112	(947 906)	(15 000 000)	900 608	6 221 454	(792 922)	30 319 346
Reserves for general banking risks	-	-	15 000 000	-	-	-	15 000 000

In 2008 the hidden reserve of CHF 704 573 existing at 31 December 2007 under "Valuation adjustments and provisions for default and other risks" was released to the income statement (see Table 3.1, "Impaired loans").

The reserve for general banking risks is not taxed.

3.10. SHARE CAPITAL

in CHF	Par value	Number of shares	Par value holding
Share capital	50 000 000	500 000	50 000 000

The share capital has not changed compared to 31 December 2007.

Banca Popolare di Sondrio Scpa, Sondrio (Italy) holds 100% of the share capital and voting rights of the Bank.

Banca Popolare di Sondrio Scpa, Sondrio (Italy), is a limited cooperative by shares and as such, subject to specific regulations concerning the shareholders' profile. Based on regulatory provisions, a shareholder may not hold more than 0.5% of share capital; the inclusion in the shareholders register is subject to an approval clause. At the General Meeting of Shareholders, each shareholder is entitled to one vote, irrespective of the size of the participant's quota (size of his or her shareholding). The shares are listed on the Espandi market at the Milan Stock Exchange.

The situation remains the same compared to 31 December 2007.

3.11. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF	2008	2007
Total shareholders' equity at the beginning of the period		
Paid-up share capital	50 000 000	50 000 000
General legal reserve	71 516 789	61 409 595
Balance sheet profit	13 871 827	10 107 194
Total	135 388 616	121 516 789
Allocation to general legal reserve	(13 871 827)	(10 107 194)
Dividend and other payments deducted from the profit of prior year	13 871 827	10 107 194
Profit for current financial year	12 666 619	13 871 827
Reserve for general banking risks	15 000 000	-
Total shareholders' equity	163 055 235	135 388 616
of which:		
Share capital	50 000 000	50 000 000
General legal reserve	85 388 616	71 516 789
Reserve for general banking risks	15 000 000	-
Balance sheet profit	12 666 619	13 871 827
Total	163 055 235	135 388 616

3.12. MATURITY STRUCTURE OF CURRENT ASSETS OF FINANCIAL INVESTMENTS AND OF THIRD PARTY LIABILITIES

in CHF	Maturities							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	Without maturity	
Current assets								
Cash	47 154 715	-	-	-	-	-	-	47 154 715
Due from banks	245 653 464	-	72 940 269	1 245 204	-	-	-	319 838 937
Due from clients	224 766 176	-	283 620 699	41 732 470	15 817 000	13 318 496	-	579 254 841
Mortgage loans	11 572 872	834 068 686	7 828 000	67 880 400	230 286 350	99 131 100	-	1 250 767 408
Financial investments	4 770 778	-	-	17 989 635	33 774 809	-	-	56 535 222
Current financial year	533 918 005	834 068 686	364 388 968	128 847 709	279 878 159	112 449 596	-	2 253 551 123
Previous financial year	353 256 957	518 085 863	342 144 708	173 396 722	304 358 852	139 685 770	-	1 830 928 872
Third party liabilities								
Money market instruments	1 240	-	-	-	-	-	-	1 240
Due to banks	9 170 649	-	327 549 599	125 181 382	-	-	-	461 901 630
Due to clients in savings and investment accounts	370 888 334	-	-	-	-	-	-	370 888 334
Other amounts due to clients	703 544 821	-	222 337 958	106 561 919	-	-	-	1 032 444 698
Medium-term notes	-	-	10 262 000	43 710 000	135 497 000	467 000	-	189 936 000
Current financial year	1 083 605 044	-	560 149 557	275 453 301	135 497 000	467 000	-	2 055 171 902
Previous financial year	885 175 482	-	515 308 921	121 753 859	146 059 000	3 437 000	-	1 671 734 262

3.13. LOANS AND LIABILITIES TOWARDS GROUP COMPANIES AND LOANS GRANTED TO THE BANK'S GOVERNING BODIES

in CHF	2008	2007	Change
Loans to governing bodies	7 608 875	3 198 092	4 410 783

Loans to governing bodies are mortgage-based or Lombard credit and have been granted in compliance with usual loan-to-value rates. The credit and commitments shown in the footnote of the balance derive solely from inter-bank operations with the head office. The conditions of these transactions reflects those of the market.

3.14. BREAKDOWN OF ASSETS AND LIABILITIES BY GEOGRAPHICAL AREA

CHF in thousands	2008		2007	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Cash	45 838	1 317	53 150	548
Due from banks	9 112	310 727	44 355	204 500
Due from clients	416 796	162 459	334 580	133 972
Mortgage loans	1 250 767	-	996 350	-
Financial investments	12 274	44 261	8 284	55 190
Participating interests	653	-	804	-
Fixed assets	34 012	528	30 278	751
Accrued income and prepaid expenses	14 572	203	13 719	554
Other assets	14 872	4 654	8 478	2 444
Total assets	1 798 896	524 149	1 489 998	397 959
Liabilities				
Money market instruments	1	-	221	-
Due to banks	28 757	433 144	25 742	345 818
Due to clients in savings and investment accounts	247 959	122 929	215 975	111 944
Other amounts due to clients	530 554	501 891	411 083	357 721
Cash bonds	189 936	-	203 230	-
Accrued liabilities and deferred income	14 227	2 290	13 878	1 489
Other liabilities	45 335	12 647	23 898	1 631
Valuation adjustments and provisions	30 117	202	39 928	10
Reserve for general banking risks	15 000	-	-	-
Share capital	50 000	-	50 000	-
General legal reserve	85 389	-	71 517	-
Profit of the period	12 667	-	13 872	-
Total liabilities	1 249 942	1 073 103	1 069 344	818 613

3.15. BREAKDOWN OF ASSETS AND LIABILITIES BY COUNTRY OR GROUP OF COUNTRIES

CHF in thousands	2008		2007	
	Total	in %	Total	in %
Switzerland	1 798 896	77	1 489 998	79
OECD countries	480 584	21	364 849	20
Other countries	43 565	2	33 110	1
Total assets	2 323 045	100	1 887 957	100

3.16. BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

CHF in thousands

Assets	CHF	EUR	USD	Other	Total
Cash	38 573	8 101	389	92	47 155
Due from banks	208	272 513	33 496	13 622	319 839
Due from clients	404 370	143 824	24 767	6 294	579 255
Mortgage loans	1 250 767	-	-	-	1 250 767
Financial investments	29 960	24 447	1 570	558	56 535
Participating interests	653	-	-	-	653
Fixed assets	34 012	528	-	-	34 540
Accrued income and prepaid expense	12 859	1 773	128	15	14 775
Other assets	13 407	1 640	3 417	1 062	19 526
Total assets in the balance sheet	1 784 809	452 826	63 767	21 643	2 323 045
Off-balance-sheet claims from foreign exchange spot, forward and option transactions	18 014	578 213	160 639	53 364	810 230
Total assets	1 802 823	1 031 039	224 406	75 007	3 133 275
Liabilities					
Money market instruments	1	-	-	-	1
Due to banks	71 881	361 335	25 462	3 223	461 901
Due to clients in savings and investment accounts	278 729	92 114	45	-	370 888
Other amounts due to clients	441 885	459 470	104 644	26 446	1 032 445
Cash bonds	189 936	-	-	-	189 936
Accrued liabilities and deferred income	12 753	3 318	348	98	16 517
Other liabilities	51 752	4 528	1 353	349	57 982
Valuation adjustments and provisions	30 117	202	-	-	30 319
Reserve for general banking risks	15 000	-	-	-	15 000
Share capital	50 000	-	-	-	50 000
General legal reserve	85 389	-	-	-	85 389
Profit for the period	12 667	-	-	-	12 667
Total liabilities in the balance sheet	1 240 110	920 967	131 852	30 116	2 323 045
Off-balance-sheet from foreign exchange spot, forward and option transactions	577 564	98 588	90 067	44 011	810 230
Total liabilities	1 817 674	1 019 555	221 919	74 127	3 133 275
Net position for debt	(14 851)	11 484	2 487	880	-

3.17. OTHER ASSETS

in CHF	2008	2007	Change
Tax prepayments and recoverable VAT	1 820 843	1 892 277	(71 434)
Positive replacement values of derivative financial instruments	7 399 224	7 495 628	(96 404)
Compensation account	8 839 709	-	8 839 709
Other	1 466 951	1 534 316	(67 365)
Total	19 526 727	10 922 221	8 604 506

3.18. OTHER LIABILITIES

in CHF	2008	2007	Change
Administration of federal contributions	10 684 535	9 510 714	1 173 821
Negative replacement values of derivative financial instruments	42 499 602	4 549 385	37 950 217
Compensation account	-	3 862 965	(3 862 965)
Suppliers	3 012 124	4 067 558	(1 055 434)
Other	1 786 006	3 538 542	(1 752 536)
Total	57 982 267	25 529 164	32 453 103

4. OFF-BALANCE-SHEET INFORMATION

4.1. CONTINGENT LIABILITIES

in CHF	2008	2007
Credit guarantees and similar instruments	90 317 674	83 413 795
Documentary credit	41 045 460	37 606 262
Total contingent liabilities	131 363 134	121 020 057

4.2. OUTSTANDING DERIVATIVE FINANCIAL INSTRUMENTS

in CHF	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volumes	Positive replacement value	Negative replacement value	Contract volumes
Interest rate derivatives						
Forward contracts, including FRAs	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	8 839 709	297 500 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Currencies/Precious metals						
Forward contracts	6 419 402	32 680 071	807 636 155	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	374 296	374 296	20 470 611	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Equities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	315 979 932	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total before impact of netting contracts						
As at December 31, 2008	6 793 698	33 054 367	1 144 086 698	-	8 839 709	297 500 000
As at December 31, 2007	2 987 486	3 901 785	759 065 572	3 862 965	-	340 600 000

4.2. (CONTINUATION)

in CHF	Total after impact of netting contracts	
	Cumulative positive replacement value	Cumulative negative replacement value
2008	6 793 698	41 894 076
2007	6 850 451	3 901 785

Regarding interest rate swaps used for hedging purposes, the internal effectiveness criteria, as described in the Risk Management section, are those defined by the parent bank (80-125%). Any ineffective portion of hedge transactions is recognized in "Net income on trading operations".

The replacement values of "Forward contracts" derive mainly from currency swaps conducted without forex risk for the Bank.

4.3. FIDUCIARY TRANSACTIONS

in CHF	2008	2007	Change
Fiduciary investments with other banks	108 186 688	774 751 386	(666 564 698)
Fiduciary investments with the parent company	951 273 542	420 058 751	531 214 791
Total	1 059 460 230	1 194 810 137	(135 349 907)

4.4. CLIENT'S ASSETS

CHF in million	2008	2007	Change
Client assets by type			
Assets in own managed funds	667.8	881.1	(213.3)
Assets with discretionary mandate	1 062.5	1 380.4	(317.9)
Other client's assets	4 416.3	4 222.4	193.9
Total client's assets (including assets double counted)	6 146.6	6 483.9	(337.3)
Double counted	423.4	507.7	(84.3)
Net increase/(decrease) (including assets double counted)	743.6	831.6	(88.0)

The line "Other client's assets" refers to the total amount of assets on deposit by customers, for which the Bank performs any services including services of an administrative nature. The Bank does not have any assets related to the concept of "custody-only".

Loans to clients are not deducted from "Total client assets".

Net deposits/(withdrawals) by clients 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. REFINANCING INCOME BOOKED UNDER INTEREST AND DISCOUNT INCOME

Not applicable.

5.2. ANALYSIS OF THE RESULT FROM TRADING OPERATIONS

in CHF	2008	2007	Change
Foreign exchange trading	13 172 380	7 498 857	5 673 523
Security trading	48 274	(2 236)	50 510
Total	13 220 654	7 496 621	5 724 033

5.3. ANALYSIS OF PERSONNEL EXPENSES

in CHF	2008	2007	Change
Salaries	31 966 618	27 946 206	4 020 412
Social security contributions	5 340 204	6 224 432	(884 228)
Other expenses	3 073 511	1 830 446	1 243 065
Total	40 380 333	36 001 084	4 379 249

5.4. ANALYSIS OF OTHER OPERATING EXPENSES

in CHF	2008	2007	Change
Premises expenses	7 143 062	6 284 174	858 888
Expenses for IT, machinery, furnishings, vehicles and other equipment	3 962 324	4 257 821	(295 497)
Other operating expenses	11 600 765	10 402 531	1 198 234
Total	22 706 151	20 944 526	1 761 625

5.5. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income includes an amount of CHF 1 687 090 arising from the release of a commitment, previously recorded under "Other liabilities", which did not occur.

At the same time the Bank created a provision of the same amount which was recorded as an extraordinary expense.

In addition an amount of CHF 704 573 arose from the release of the hidden reserve existing at 31 December 2007 under "Valuation adjustments and provisions for default and other risks" (see Table 3.9).

5.6. REVALUATION OF FIXED ASSETS UP TO A MAXIMUM OF THE PURCHASE PRICE (ART. 665 AND 665A OF THE SWISS CODE OF OBLIGATIONS)

No revaluation performed.

5.7. SPLIT OF THE INCOME AND COSTS OF ORDINARY BANKING ACTIVITY BETWEEN SWITZERLAND AND ABROAD

in CHF	2008		
	Switzerland	Abroad*	Total
Net on interest income	30 244 866	1 640 715	31 885 581
Net income from commission business and service fee activities	47 271 560	1 948 054	49 219 614
Net income from trading operations	13 085 838	134 816	13 220 654
Other ordinary results	(2 705 067)	-	(2 705 067)
Net operating income from ordinary banking activities	87 897 198	3 723 585	91 620 782
Operating expenses	59 431 190	3 655 294	63 086 484
Gross profit	28 466 007	68 291	28 534 298

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

INDEPENDENT AUDITORS' REPORT



KPMG SA
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurigo

Casella postale
CH-8026 Zurigo

Telefono +41 44 249 31 31
Telefax +41 44 249 23 19
Internet www.kpmg.ch

Rapporto dell'Ufficio di revisione sul conto annuale all'Assemblea generale della

Banca Popolare di Sondrio (SUISSE) SA, Lugano

In qualità di Ufficio di revisione abbiamo verificato il conto annuale (pagine 21 a 54) della Banca Popolare di Sondrio (SUISSE) SA, costituito da bilancio, conto economico, conto del flusso dei fondi e allegato per l'esercizio chiuso al 31 dicembre 2008.

Il conto annuale dell'esercizio precedente è stato verificato da un altro Ufficio di revisione che ha fornito, nel suo rapporto datato 24 gennaio 2008 un'opinione di revisione senza limitazioni.

Responsabilità del Consiglio d'amministrazione

Il Consiglio d'amministrazione è responsabile dell'allestimento del conto annuale in conformità alla legge e allo statuto. Questa responsabilità comprende la creazione, l'implementazione e il mantenimento di un sistema di controllo interno relativamente all'allestimento di un conto annuale che sia esente da anomalie significative imputabili ad irregolarità o errori. Il Consiglio d'amministrazione è inoltre responsabile della scelta e dell'applicazione di appropriate norme di presentazione del conto annuale, nonché dell'esecuzione di stime adeguate.

Responsabilità dell'Ufficio di revisione

La nostra responsabilità consiste nell'esprimere un giudizio sul conto annuale in base alle nostre verifiche. Abbiamo effettuato la nostra verifica conformemente alla legge svizzera e agli Standard svizzeri di revisione, i quali richiedono che la stessa venga pianificata ed effettuata in maniera tale da ottenere sufficiente sicurezza che il conto annuale sia privo di anomalie significative.

Una revisione comprende l'esecuzione di procedure di verifica volte ad ottenere elementi probatori per i valori e le altre informazioni contenuti nel conto annuale. La scelta delle procedure di verifica compete al giudizio professionale del revisore. Ciò comprende una valutazione dei rischi che il conto annuale possa contenere anomalie significative imputabili a irregolarità o errori. Nell'ambito della valutazione di questi rischi il revisore tiene conto del sistema di controllo interno, nella misura in cui esso è rilevante per l'allestimento del conto annuale, allo scopo di definire le procedure di verifica richieste dalle circostanze, ma non per esprimere un giudizio sull'efficacia del sistema di controllo interno. La revisione comprende inoltre la valutazione dell'adeguatezza delle norme di allestimento del conto annuale, dell'attendibilità delle stime eseguite, nonché un apprezzamento della presentazione del conto annuale nel suo complesso. Siamo dell'avviso che gli elementi probatori da noi ottenuti costituiscano una base sufficiente ed adeguata per la presente nostra opinione di revisione.

Opinione di revisione

A nostro giudizio il conto annuale per l'esercizio chiuso al 31 dicembre 2008 è conforme alla legge svizzera e allo statuto.



*Banca Popolare di Sondrio (SUISSE) SA, Lugano
Rapporto dell'Ufficio di revisione
sul conto annuale
all'Assemblea generale*

Rapporto in base ad altre disposizioni legali

Confermiamo di adempiere ai requisiti legali relativi all'abilitazione professionale secondo la Legge sui revisori (LSR) e all'indipendenza (art. 728 CO e art. 11 LSR), e che non sussiste alcuna fattispecie incompatibile con la nostra indipendenza.

Conformemente all'art. 728a cpv. 1 cifra 3 CO e allo Standard svizzero di revisione 890 confermiamo l'esistenza di un sistema di controllo interno per l'allestimento del conto annuale concepito secondo le direttive del Consiglio d'amministrazione.

Confermiamo inoltre che la proposta d'impiego dell'utile di bilancio è conforme alla legge svizzera e allo statuto e raccomandiamo di approvare il presente conto annuale.

KPMG SA



Patrizio Aggio
*Esperto revisore autorizzato
Revisore responsabile*



Daniel Senn
Esperto revisore autorizzato

Zurigo, 26 gennaio 2009

OUR PRODUCTS AND SERVICES

CURRENT ACCOUNTS

DEPOSIT AND INVESTMENT ACCOUNTS
AND BOOKS

FIDUCIARY AND FORWARD DEPOSITS

MEDIUM-TERM NOTE ISSUES

FOREX

PAYMENT TRANSFERS

INVESTMENT ADVICE

ASSET MANAGEMENT

SECURITIES CUSTODY

FOREIGN CURRENCY TRANSACTIONS

PRECIOUS METALS

TREASURY

COMMERCIAL LOANS

DOCUMENTARY CREDITS AND COLLECTIONS

MORTGAGE LOANS

LOMBARD LOANS

GUARANTEES AND SURETYSHIPS

INVESTMENT FUNDS
POPSO(SUISSE) INVESTMENT FUND SICAV

INSURANCE PRODUCTS
GENERALI (SCHWEIZ)

TRUSTEE BUSINESS IN ASSOCIATION WITH
SOFIPO FIDUCIAIRE SA

PERSONAL BENEFIT

LIFE BENEFIT (3RD PILLAR)

GOBANKING

VIRTUAL BRANCH
FREE CALL 00 800 800 767 76

FOREWORD

The idea of including a cultural supplement each year with our Annual Report featuring a person of international reputation who connects Switzerland with other countries around the world has met with growing enthusiasm and positively reflects the activities of Banca Popolare di Sondrio.

Initially, we wondered if enough suitable candidates would be found whom we could feature. However, we quickly discovered there are many outstanding personalities to choose from. Making a selection and deciding what criteria to apply is the hard part. And we have Switzerland itself to thank for this. A country widely associated with the ideal of freedom - freedom described "as a tree with many roots" by the Italian patriot Carlo Cattaneo, who was born in Milan and buried in Castagnola di Lugano, and to whom our January 2002 volume accompanying the 2001 Annual Report was dedicated.

Like many others at the time, Giorgio Strehler found refuge in Switzerland during the Second World War. This year we intend to look at his life and work. A world-famous theatre director, Strehler was born in Barcola (Trieste) in 1921. His vocational calling to the theatre can be described in these words he himself wrote: "...I know and yet don't know why I work in the theatre, but what I do know is that I must do it, that I must and desire to do it by devoting myself entirely to theatre: all aspects of myself, as a politician and private individual, ideologist, poet, musician, actor, clown, lover and critic. Investing in theatre all that I am and believe I am and all that I believe and think life is about. I know so little, but what little I do know, I express..."

A graduate of Milan's Accademia dei Filodrammatici, in 1947 Strehler set up the Piccolo Teatro in Milan together with Paolo Grassi, and over the years it became one of Italy's major permanent theatres. It is now also known as the Teatro Strehler in his honour. This is where Strehler made his name as one of the top European directors of the school that unites a critical reading of scripts with great technical and poetic creativity and meaning.

This great director from Trieste wanted his productions to be readily appreciated by all, as he believed that everyone has the right to enjoy art and culture. He treated both contemporary works and the classical repertoire equally.

In July 2008, eleven years after Strehler passed away while working on the staging of Mozart's *Così fan tutte* which was to be performed at the inauguration of the new Piccolo Teatro, Milan honoured Strehler by renaming the street where he had lived and worked for so many years in his memory.

Since the beginning of history, the role of theatre and the other arts has been to impart happiness to people, and therein lies a certain dignity. We therefore owe Giorgio Strehler, the great Italian theatre director, who died in Lugano at the age of 76, our thanks and appreciation.

We would also like to thank everyone who was involved in producing this volume dedicated to Giorgio Strehler, in particular the German scholar and author Claudio Magris, also of Trieste, and all the other contributors for their thorough research and fine exposition.

Lugano, January 2009

The Chairman
Piero Melazzini