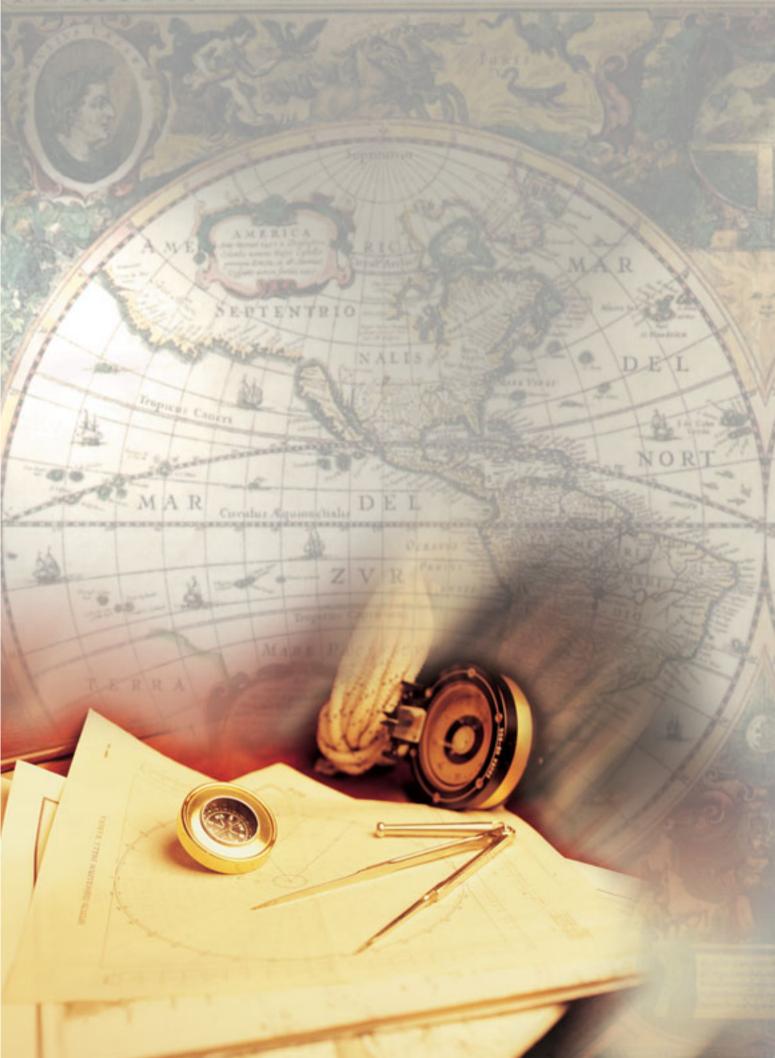


Banca Popolare di Sondrio



ANNUAL REPORT 2002







Banca Popolare di Sondrio

Founded 1871

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON 1 MARCH 2003

Limited liability co-operative bank
Head office in Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. (0342) 528.111 – Fax (0342) 528.204 – Telex 341424 POPSOTE I
Internet address: http://www.popso.it – e-mail: popso@popso.it

Sondrio Companies Register no. 00053810149 – Official List of Banks no. 842
Parent Company of the Banca Popolare di Sondrio Group –
Official List of Banking Groups no. 5696.0 – Member of the Interbank Deposit Protection Fund
Fiscal code and VAT number: 00053810149
Share capital: € 412,698,192 – Reserves: € 359,987,797

Banca Popolare di Sondrio

BOARD OF DIRECTORS

Chairman and Chief Executive Officer PIERO MELAZZINI*

Deputy Chairman SALVATORE BONOMO*

Directors ALDO BALGERA

GIANLUIGI BONISOLO* FEDERICO FALCK GIUSEPPE FONTANA MARIO GALBUSERA CARLO GRASSI**

NICOLÒ MELZI DI CUSANO

MILES EMILIO NEGRI

ALDO ROSSI RENATO SOZZANI* LINO ENRICO STOPPANI

BRUNO VANOSSI

FRANCESCO VENOSTA*

BOARD OF STATUTORY AUDITORS

ChairmanEGIDIO ALESSANDRIAuditorsPIERGIUSEPPE FORNI

ROBERTO SCHIANTARELLI

Substitute Auditors PIO BERSANI MARIO VITALI

ADVISORY COMMITTEE

Advisors ALBERTO CRESPI

GIUSEPPE GUARINO ANDREA MONORCHIO

Substitute Advisors SUSANNA AGNELLI

ANTONIO LA TORRE

GENERAL MANAGEMENT

General Manager MARIO ALBERTO PEDRANZINI

Deputy General Managers GIOVANNI RUFFINI

GIOVANNI CARLO MASSERA GIUSEPPE FRANCO PAGANONI

^{*} Members of the Chairman's Committee

^{**} Secretary to the Board of Directors and member of the Chairman's Committee

BRANCH NETWORK

MANAGEMENT AND HEAD OFFICE

SONDRIO, piazza Garibaldi 16

BRANCH OFFICES

- SERVICE CENTRE «F. Morani» via Ranée 542 S. Pietro Berbenno (So) INTERNATIONAL UNIT lungo Mallero Cadorna 24 Sondrio
- COMMERCIAL BANKING, PUBLIC ENTITIES & TREASURIES, SUPPLY OFFICES, TECHNICAL OFFICE, SAFETY & SECURITY corso Vittorio Veneto 7 Sondrio

PROVINCE OF SONDRIO

Head office: SONDRIO, piazza Garibaldi 16

Sondrio: • Agenzia n. 1, via Bernina 1 • Agenzia n. 2, via Nani 32 • Agenzia n. 3, via Stelvio 25, ingresso Ospedale Civile • Agenzia n. 4, piazzale Bertacchi 57 ang. via N. Sauro • Agenzia n. 5, Galleria Campello 2

- Albosaggia Aprica Ardenno Bormio Campodolcino Chiavenna Chiesa in Valmalenco Chiuro Colorina Delebio
- Gordona Grosio Grosotto Isolaccia Valdidentro Lanzada Livigno, via Sant'Antoni 135 Livigno, Agenzia n. 1, via Saroch 160 Madesimo Madonna di Tirano Mazzo di Valtellina Montagna in Valtellina Iocalità Al Piano Morbegno, piazza Caduti della Libertà 10 Morbegno, Agenzia n. 1, via V Alpini 172 Novate Mezzola Nuova Olonio Passo dello Stelvio Piantedo Ponte in Valtellina Regoledo di Cosio San Cassiano Valchiavenna San Nicolò Valfurva San Pietro Berbenno Semogo Sondalo Talamona Teglio Tirano Traona Tresenda Villa di Chiavenna Villa di Tirano

PROVINCE OF BERGAMO

• BERGAMO, via Broseta 64/b ang. via Zendrini

Bergamo: • Agenzia n. 1, via Vittore Ghislandi 4

• Carvico • Cisano Bergamasco • Gazzaniga • Grumello del Monte • Osio Sotto • Romano di Lombardia

PROVINCE OF BRESCIA

• BRESCIA, via Benedetto Croce 22

Brescia: • Agenzia n. 1, via Crocifissa di Rosa 59 • Agenzia n. 2, via Solferino 61

- Berzo Demo Bienno Breno Darfo Boario Terme Edolo Gardone Val Trompia Lumezzane Ospitaletto Palazzolo sull'Oglio
- Pisogne Ponte di Legno Sale Marasino

PROVINCE OF COMO

• COMO, viale Innocenzo XI 71 ang. via Benzi

Como: • Agenzia n. 1, via Giulini 12 • Agenzia n. 2, via Statale per Lecco 70 (fraz. Lora) • Agenzia n. 3, via Asiago 25 (fraz. Tavernola)

- Arosio Bellagio Bregnano Campione d'Italia Cantù Carimate Carlazzo Domaso Dongo Gera Lario Gravedona
- Lurago d'Erba Menaggio Merone Sala Comacina San Fedele Intelvi San Siro località Santa Maria Villa Guardia

PROVINCE OF CREMONA

- CREMONA, via Dante 149/a
- Pandino Rivolta d'Adda

PROVINCE OF LECCO

• LECCO, corso Martiri della Liberazione 65

Lecco: • Agenzia n. 1, viale F. Turati 59 • Agenzia n. 2, piazza XX Settembre 11 • Agenzia n. 3, corso E. Filiberto 91 (fraz. Maggianico) • Bosisio Parini • Casatenovo • Colico • Dervio • Mandello del Lario • Nibionno • Oggiono • Pescate • Primaluna • Valmadrera

PROVINCE OF LODI

• LODI, via Gabba 5

PROVINCE OF MANTOVA

MANTOVA, via Arrivabene 2

PROVINCE OF MILAN

Head office: MILAN, via S. Maria Fulcorina 1

Milan: • Agenzia n. 1, via Porpora 104 • Agenzia n. 2, viale Faenza 22 • Agenzia n. 3, AEM, corso Porta Vittoria 4 • Agenzia n. 4, Ente Regione Lombardia, via F. Filzi 22 • Agenzia n. 5, via degli Imbriani 54 ang. via Carnevali • Agenzia n. 6, via Marco d'Agrate 11 • Agenzia n. 7, via Principe Eugenio 1 • Agenzia n. 8, via Lessona ang. via Trilussa 2 • Agenzia n. 9, c/o ALER, viale Romagna 24 • Agenzia n. 10, via Solari 15 • Agenzia n. 11, Università Bocconi, via F. Bocconi 8 • Agenzia n. 12, via delle Forze Armate 260 • Agenzia n. 13, viale Monte Santo 8 ang. via Galilei • Agenzia n. 14, via privata Cesare Battisti 2 • Agenzia n. 15, via Gioacchino Murat 76 • Agenzia n. 16, Ortomercato, via Cesare Lombroso 54 • Agenzia n. 17, Uffici del Territorio, via Manin 29 • Agenzia n. 18, via Belisario 1 ang. via Tiziano • Agenzia n. 19, via Giambellino 39 ang. via Vignoli • Agenzia n. 20, via Canova 39 ang. corso Sempione • Agenzia

n. 21, Politecnico, via Edoardo Bonardi 4 • Agenzia n. 22, via Santa Sofia 12 (opening soon)

• Albiate • Bernareggio • Carate Brianza • Cinisello Balsamo • Lissone • Monza, via G. Galilei 1 ang. via M. Buonarroti • Monza, Agenzia n. 1, via Manzoni 33/a • Segrate • Seregno • Villasanta

PROVINCE OF NOVARA

• NOVARA, via Andrea Costa 7

PROVINCE OF PAVIA

• PAVIA, piazzale Ponte coperto Ticino 11 (opening soon)

Pavia: • Agenzia n. 1, corso Strada Nuova 75

Voghera

PROVINCE OF PIACENZA

• PIACENZA, via Roma 164

PROVINCE OF ROME

Head office: ROME, viale Cesare Pavese 336

Roma: • Agenzia n. 1, viale Val Padana 2 • Agenzia n. 2, via Silvestro Gherardi 45 • Agenzia n. 3, via Trionfale 22 • Agenzia n. 4, piazza Biagio Pace 1 • Agenzia n. 5, piazza S. Maria Consolatrice 16/b • Agenzia n. 6, via Cesare Baronio 12 • Agenzia n. 7, viale di Valle Aurelia 59 • Agenzia n. 8, viale Somalia 255 • Agenzia n. 9, località Casal Palocco, piazzale Filippo il Macedone 70/75 • Agenzia n. 10, via Laurentina 617/619 • Agenzia n. 11, via Carlo Alberto 6/a • Agenzia n. 12, Circonvallazione Cornelia 295 • Agenzia n. 13, via Foligno 51/a • Agenzia n. 14, largo delle Sette Chiese 6 ang. via della Villa di Lucina • Agenzia n. 15, via della Farnesina 154 • Agenzia n. 16, via Nomentana 925/a ang. via Trissino • Agenzia n. 17, piazza dei Sanniti 10/11 • Agenzia n. 18, località Infernetto, via W. Ferrari 348 ang. via Franchetti • Agenzia n. 19, piazza Filattiera 24 • Agenzia n. 20, via Caio Canuleio 29 • Agenzia n. 21, via Famiano Nardini 25

PROVINCE OF VARESE

• VARESE, viale Belforte 151

Varese: • Agenzia n. 1, piazza Monte Grappa 6

• Bisuschio • Busto Arsizio • Carnago • Castellanza • Lavena Ponte Tresa • Luino • Malpensa 2000 • Marchirolo

PROVINCE OF VERBANO-CUSIO-OSSOLA

Gravellona Toce

REPRESENTATIVE OFFICES

• GENEVA, rue du Cendrier 12/14 • HONG KONG*

* With other banking partners

MOBILE BRANCH Autobanca

FOREIGN SUBSIDIARY

BANCA POPOLARE DI SONDRIO (SUISSE) SA

Confederazione Elvetica

Head office: LUGANO, via Maggio 1

• Basel, Greifengasse 18 • Bellinzona, viale Stazione 26 • Castasegna, località Farzett • Celerina, via Maistra 104 • Chiasso, corso S. Gottardo 30 • Chur, Bahnhofstrasse 9 • Locarno, piazza Muraccio • Lugano - Cassarate, piazza E. Bossi 2 • Poschiavo, strada S. Bartolomeo • St. Gallen, Teufenerstrasse 3 • St. Moritz, via Dal Bagn 9 • Zurich, St. Annagasse 16 (Representative office)

Principality of Monaco

Monaco, 3 Princesse Florestine

FIDUCIARY OFFICES

• Unione Fiduciaria spa (Milan) • Sofipo Fiduciaire SA (CH Lugano)

TREASURY OFFICES

Abbadia Lariana (Lc) ● Albano S. Alessandro (Bg) ● Albiolo (Co) ● Appiano Gentile (Co) ● Bariano (Bg) ● Barzago (Lc) ● Bellano (Lc)
Bianzone (So) ● Binago (Co) ● Bonate Sotto (Bg) ● Bovisio Masciago (Mi) ● Brembate (Bg) ● Briosco (Mi) ● Brusimpiano (Va) ● Buglio in Monte (So) ● Bulgarograsso (Co) ● Canzo (Co) ● Carate Urio (Co) ● Carugo (Co) ● Casnate con Bernate (Co) ● Cassago Brianza (Lc)
Castellanza-2 (Va) ● Castelmarte (Co) ● Cedrasco (So) ● Cilavegna (Pv) ● Coccaglio (Bs) ● Colle Brianza (Lc) ● Collebeato (Bs) ● Como A.C.S.M. ● Corte Franca (Bs) ● Cortenedolo (Bs) ● Cugliate Fabiasco (Va) ● Desio (Mi) ● Erbusco (Bs) ● Fino Mornasco (Co) ● Garzeno (Co) ● Gianico (Bs) ● Guanzate (Co) ● Lanzo d'Intelvi (Co) ● Lomagna (Lc) ● Lonate Pozzolo (Va) ● Lonato (Bs) ● Macherio (Mi)
● Malgrate (Lc) ● Marone (Bs) ● Maslianico (Co) ● Milano IULM (Mi) ● Montagna in Valtellina (So) ● Monte Isola (Bs) ● Monticello (Lc) ● Montorfano (Co) ● Mozzanica (Bg) ● Ossuccio (Co) ● Pian Camuno (Bs) ● Pianello del Lario (Co) ● Ponte di Legno – Passo del Tonale (Bs) ● Porlezza (Co) ● Rivanazzano (Pv) ● Salò (Bs) ● Samolaco (So) ● San Nazzaro Val Cavargna (Co) ● Sarezzo (Bs) ● Schignano (Co) ● Segrate – Milano 2 (Mi) ● Seregno – Sportello A.M.S.P. (Mi) ● Seveso (Mi) ● Solbiate Olona (Va) ● Somma Lombardo (Va) ● Suello (Lc) ● Toscolano Maderno (Bs) ● Turate (Co) ● Valdisotto (So) ● Valsolda (Co) ● Varenna (Lc) ● Verceia (So) ● Verdellino (Bg) ● Vezza d'Oglio (Bs) ● Viggiù (Va) ● Vilminore di Scalve (Bg) ● Zone (Bs)



SONDRIO



BERGAMO



BRESCIA



СОМО



CREMONA



LECCO



LODI





MILAN



NOVARA



PAVIA



PIACENZA



ROME



VARESE



VERBANO CUSIO OSSOLA







SUMMARY OF THE BANK'S GROWTH

(1992/2002)

(in millions of euro)	1992	1997	2002
Customer deposits:			
direct	1,333	3,106	7,349
indirect	1,979	4,759	11,640
Shareholders' equity (excluding net profit for the year)	199	354	752
Customer loans:			
cash loans	1,203	2,486	6,247
overdraft facilities	391	655	1,528
Own securities	363	1,037	1,803
Income from banking activities	93	210	312
Operating profit	42	95	136
Net profit for the year	16	21	47
Number of branches	66	117	178
Personnel	895	1,356	1,878

NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The shareholders of Banca Popolare di Sondrio are called to the annual general meeting (ordinary part) at the head office in Piazza Garibaldi 16, Sondrio, at 10.00 a.m. on Friday, 28 February 2003 and, if necessary, on second calling in Bormio (So) at Centro Polifunzionale Pentagono, via Alessandro Manzoni no. 22, at 10.30 a.m. on Saturday, 1 March 2003 to discuss the following

AGENDA

- 1) Presentation of the financial statements as of 31/12/2002: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;
- 2) Determination of directors' emoluments;
- 3) Appointment of directors;
- 4) Appointment of acting and substitute statutory auditors and chairman of the board of statutory auditors for the three-year period 2003-2005; determination of annual emoluments.

The meeting can be attended by:

- Shareholders who lodge their shares at the head office or at branches of the bank at least five days before the date of the meeting;
- Shareholders who hold the appropriate certification issued by brokers who are members of the Monte Titoli S.p.A. centralized management system pursuant to article 85 of Legislative Decree 58 of 24 February 1998.

Shareholders have the right to vote at the meeting if they have been recorded in the shareholders' register for at least three months.

Each shareholder has the right to only one vote, however many shares they hold.

Shareholders with the right to vote may be represented at the meeting by another shareholder, by means of a proxy ballot drawn up in accordance with article 2372.4 of the Italian Civil Code. No shareholder can be a proxy for more than one other shareholder.

Shareholders who are minors can be represented by whoever is their legal representative.

With reference to point 4) of the agenda, the following is the text of art. 47 of the articles of association.

Art. 47 – Presentation of candidate lists

The Board of Statutory Auditors is elected on the basis of lists presented by the shareholders, in which the candidates are progressively numbered. Each list is made up of two sections: one for the candidates to the position of acting statutory auditor, the other for the candidates to the position of substitute statutory auditor. Each list has to contain three candidates for acting auditor and two candidates for substitute auditor.

The lists have to be deposited at head office at least ten days prior to that set for the Annual General Meeting at first calling.

Each shareholder can be involved in the presentation of one list only and no candidate can be presented on more than one list.

Lists can be presented by as many shareholders as have the requisites laid down in art.1.a) above, representing at least 0.75% of all shareholders with the right to vote.

By the deadline for presenting these lists, candidates also have to file at head office the declarations with which they accept their candidature and confirm, under their own responsibility, that there is no reason why they should be ineligible or incompatible, as well as the fact that they have the prerequisites prescribed by law and by the articles of association for the position of statutory auditor.

Sondrio, 30 January 2003

Piero Melazzini CHAIRMAN OF THE BOARD OF DIRECTORS

Note: The figures in this report are in euro, and all changes expressed as percentages refer to comparable data from the end of 2001 unless otherwise specified. Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of amounts expressed in different units.

REPORT ON PERFORMANCE

SUMMARY OF RESULTS

Shareholders,

During 2002 we felt a bit like a cinema-goer being shown the first half of the same thriller over and over again. We kept waiting for the

second half for the riddle to be solved, getting fed up of seeing the same things over and over again, but we were always disappointed, and the wait still isn't over.

This is a simile to reflect the sense of a year in which the reasons for worry have steadily increased and the initial forecasts, sustained by a

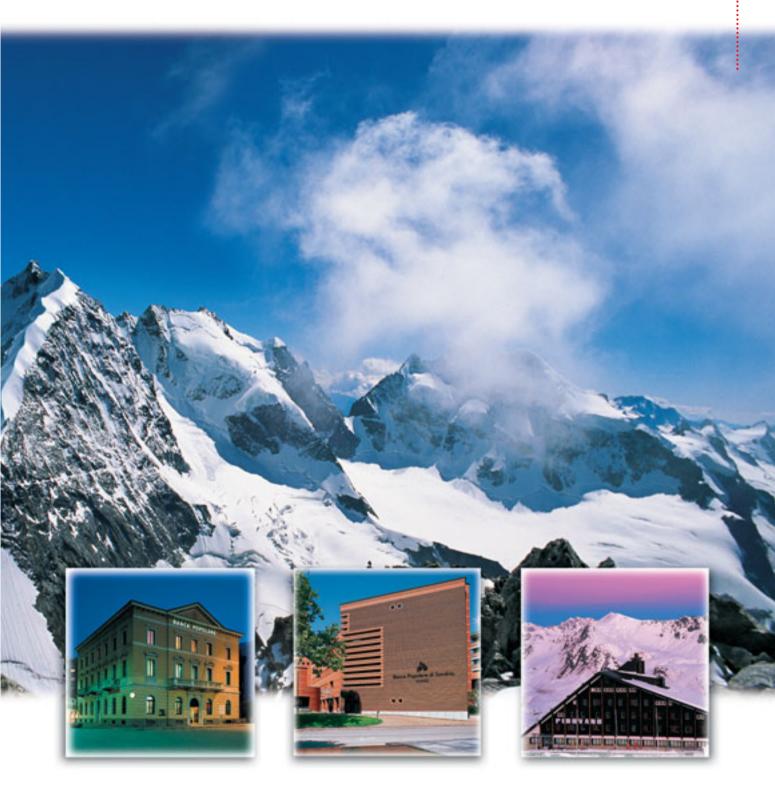
RESULTS IN BRIEF

(in millions of euro)	2002	2001	% change
Balance sheet			
Customer loans	6,247	5,580	11.96
Loans to other banks	1,303	905	43.98
Own securities	1,803	1,613	11.77
Equity investments	112	99	13.10
Total assets	9,909	8,589	15.37
Direct customer deposits	7,349	5,815	26.37
Indirect customer deposits	11,640	12,482	-6.75
Customer assets under administration	18,989	18,297	3.78
Other direct and indirect funding	3,556	4,925	-27.81
Shareholders' equity (excluding net profit for the year)	752	731	2.88
Income statement			
Net interest income	209	195	7.46
Income from banking activities	312	298	4.91
Operating profit	136	136	0.05
Net profit for the year	46.70	46.06	1.39
Key ratios (%)			
Net interest income/total assets	2.11	2.27	
Operating profit/total assets	1.38	1.59	
Administrative expenses/income from banking activities	62.84	60.94	
Net profit/total assets	0.47	0.54	
Net profit/average shareholders' equity (excluding net profit)	6.30	6.94	
Net outstanding overdue loans/customer loans	1.22	0.98	
Capital ratios (%)			
Tier 1 capital/weighted assets	9.70%	10.64%	
Total capital/weighted assets	9.75%	10.74%	
Available margin	215	260	
Other information			
Number of employees	1,878	1,830	
Number of branches	178	163	
Number of treasury offices	77	73	





THE BANKING GROUP IN THE HEART OF THE ALPS



Banca Popolare di Sondrio Banca Popolare di Sondrio (SUISSE) SA





reasonable dose of optimism, soon had their wings clipped by the grim results of the real economy. And unfortunately the hoped-for recovery remained just a hope. We will talk more about this in the part of the report dedicated to the international situation.

Despite this general climate which was anything but favourable, with the constant threat of unseasonable freezes, our commitment was to make the Bank's business grow both in size and in profitability. The extent to which we succeeded can be seen in the summary figures contained in the next table.

Let's start from the end, in other words from the net profit, which is the figure that interests shareholders the most: it came to Euro 46.7 million (+1.39%), while total assets rose from 8,589 to 9,909 million (+15.37%). The different rates of growth in these two figures indicates the leitmotiv of the year: working a lot more to earn very little extra.

Our strong roots in the bank's traditional areas of operations, together with our expansion to new territories and markets, added a dynamic edge to our business, keeping it in constant tension.

The increase in direct deposits was considerable, with an abundant inflow of cash that initially seemed temporary, but at this stage has become stable, no doubt thanks to investors' ongoing lack of faith in the stock exchange. Indirect deposits have therefore been penalised, though our various funds and portfolios, indeed our asset management services in general, have substantially maintained their previous positions.

In the area of credit and loans, the growth in lending volumes has been accompanied by a constant refinement in the professional skills and in-house tools dedicated to the monitoring of risk profiles. For us, quality is a one-way street, and we are all marching down it in step with a view to boosting our balance sheet volumes and earning capacity at the same time.

And it was the traditional banking activity that generated the funds needed to expand our operating profit, otherwise penalised by the low contribution made by services, especially due to the low level of turnover in the field of securities.

Tight control over spending meant that investments were essentially related to expansion of the branch network and business areas, as well as to improvements in work processes.

Our numerous subsidiary and associated companies, particularly Banca Popolare di Sondrio (Suisse) SA, our Swiss subsidiary, guaranteed the bank and above all our customers value-formoney professional assistance in the fields of banking, finance, trusts and insurance. Foreign markets offered new opportunities for the companies that put their faith in us.

Our results, which are undoubtedly satisfactory in a year in which the banking system has had to suffer the rigours of a negative business cycle, allow us to propose a dividend of 0.19 euro per share, an increase of 5.56% on last year.

These results give a synthetic, but significant, picture of how the company is progressing, according to a trend of steady, competitive growth, ever mindful of the need to combine the creation of shareholder value with constant reinforcement of the resources and instruments that the bank needs to support its natural expansion.

GEOGRAPHICAL EXPANSION

Our expansion philosophy is a bit like that of the fisherman who uses bigger and bigger nets to increase the fruits of his labour. In the same way, the bank makes use of a branch network in constant expansion in terms of size, while the mesh is becoming smaller and smaller. But that is not enough. You also have to know where to throw



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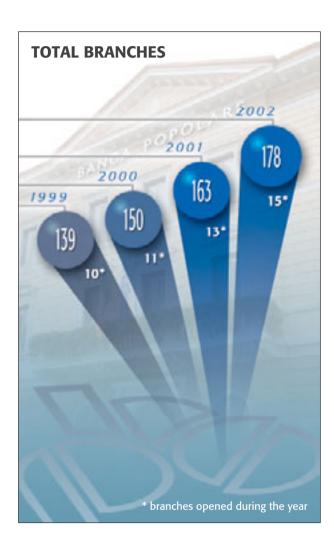
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your nets. Even we, mountain folk, understand that not all seas are equally abundant in fish.

Joking apart, our entry into select new markets and our gradual entrenchment in those entered previously constitute a solid foundation on which to base the bank's expansion in terms of size and operating volumes. We do not look for short-term, temporary business relationships, perhaps linked to a particular type of one-off intervention; rather, we are looking for relationships that will last over time, relationships that involve the territory and the people who live and work there. Our policy of reinvesting the bulk of deposits in the area where they were made

is tangible proof of the relationship of mutual benefit that we have established.

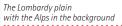
It is our particular approach to banking that makes us stand out, allowing us to serve increasingly large areas without ceasing to be a local bank; in other words, an institution that is sensitive to the particular needs of each community and its local business people. We manage to combine territorial expansion with a local approach in a way that one reinforces the other, making them both more effective.

The new branches open doors to even vaster markets, while at the same time generating investor interest in our stock, making them want to invest in a company in which they have already experienced directly the efficiency of its services, the value of its products, the professional skills of its staff and the rapidity of its decision making.

The action taken by the new banks is of benefit to the entire bank: it can take advantage of constantly rising volumes intermediated or under management, while being able to spread the costs of the central structures, which to a certain extent are fixed, over a wider distribution network. And if it is true that stopping investments for fear of investing or to save money is a bit like stopping the clock in the hope of saving time, this is the reason behind the substantial resources that we have been devoting to our territorial reach.

These are investments that in just a few years have allowed BPS to transform itself from a provincial bank into a regional one. Looking at the position of our branches suggests an Alpine invasion of the Po Valley, particularly towards Milan, which always acts as a magnet. And we are still a regional bank despite our presence in Rome. Indeed, it adds additional prestige – we have all of 21 branches operating in the capital – to a curriculum vitae that has lasted more than 130 years, which is far from being over.

Let's now look at the many important achievements made during the year. Fifteen new





GEOGRAPHICAL EXPANSION



SONDRIO Ag. 5



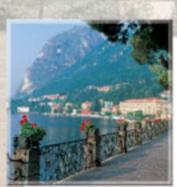
CHIURO (SO)



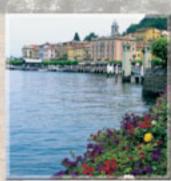
CAMPODOLCINO (SO)



CANTÙ (CO)



MENAGGIO (CO)

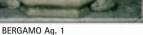


BELLAGIO (CO)

Fifteen new branches, with a total of 178. Quite apart from the numbers, there is an element of symbolic value: we now have a presence in all of the provinces making up our region. A Tour of Lombardy in eleven stages with the finishing line in Mantua, a city of the plains surrounded by lakes. Three new branches in our area of origin: Chiuro, a small town at the centre of Valtellina's most active winegrowing area; Campodolcino, a

resort in Valchiavenna; Branch no. 5 in the heart of Sondrio, in the same position, same piazza, where the bank first opened for business back in 1871. In the Como area there are new branches in Cantu, which flies the flag as Lombardy's capital of quality furniture, Bellagio and Menaggio, two of the Lario's most precious jewels. In the Varese area, we have given preference to Busto Arsizio, the capital of a quadrilateral (along with







MANTUA



NOVARA



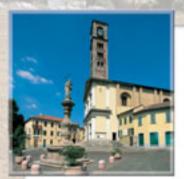
BUSTO ARSIZIO (VA)



MILAN Ag. 21 Politecnico



MONZA (MI) Ag. 1



CARATE BRIANZA (MI)



CREMONA



PIACENZA

Gallarate, Legnano and Castellanza) which constitutes one of Italy's most dynamic industrial agglomerates. In Milan, we have opened a window at the prestigious Politecnico university. Monza's no. 1 agency and the new branch in Carate Brianza extend our presence in the Milan area. The list of the year's inaugurations is completed by those of Bergamo, Cremona, Piacenza and Novara. We have now doubled our presence in

Bergamo; we also have been very well received in Cremona, having already opened two branches in that province; the opportunity to invade Emilia was offered by the need to have a presence in every town where the Milan Politecnico has faculties, as we provide it with treasury services. For our second location in Piedmont, we have chosen Novara, a town with socioeconomic characteristics very similar to those in Lombardy.



branches were opened, reaching a total of 178. Quite apart from the numbers, there is an element of symbolic value: we now have a presence in all of the provinces making up our region. A Tour of Lombardy in eleven stages with the finishing line in Mantua, a city of the plains surrounded by lakes. Rich in culture and art – suffice to mention the name of Virgil and the splendours kept in the historical centre and at Palazzo Tè – Mantua makes available to its territory administrative offices, public and private services, as well as a dynamic commercial sector.

From the mists and waters of the plain to the mountains of Valtellina and Valchiavenna, because it is always a priority to defend one's area of origin. Branch no. 5 in Sondrio is a link between the past and the future. It is located in the heart of the city, same position, same piazza, where the bank first opened for business back in 1871. Its purpose being commercial, it is customer-oriented and therefore equipped in an innovative way: there is a multifunctional ATM open 24 hours a day next to an internet terminal that customers can use, together with two large monitors that transmit all sorts of information. Various spaces for exhibitions, displays and promotional initiatives turn it into a showcase for communicating directly to the general public.

Half a dozen miles east of Sondrio, there is a new branch serving Chiuro, a small town at the centre of Valtellina's most active winegrowing area. Some of the province's most prestigious wineries are based there, and over the years they have done much to ensure that international markets are aware of one of our most typical and most valuable products.

Campodolcino, where we opened a branch towards the end of the year, has seen healthy growth recently, thanks to the construction by one of our affiliates, Spluga Domani SpA, of the Sky Express, an underground funicular railway that takes people to the Motta and Madesimo ski slopes. This state-of-the-art installation has helped

revitalise the entire Valchiavenna ski complex and it has naturally benefited the tourist and commercial activities in Campodolcino, which is on the road that leads to the Spluga Pass.

The new branches in Cantu, Bellagio and Menaggio are in the Como area. The first of these operates in the southern part of that province, introducing our brand to the town that flies the flag as Lombard's capital of quality furniture. Its long-standing artisan tradition has now been combined with a modern furniture industry making above all mid and top of the range products.

Bellagio and Menaggio are two of the Lario's most precious jewels. The former holds a privileged position on the promontory that divides the lake into the Como and Lecco arms and was one of Europe's leading vacation spots up until the end of the 19th century. And today, possibly because it is off the main trunk roads, the town maintains its charm made up not only of its splendid natural environment, but also by its numerous aristocratic country houses and their famous gardens. Menaggio, which can also boast a wonderful position and a long tradition of hospitality, is of particular interest to us. Above all, it represents the completion of our presence on the western bank of Lake Como. Moreover, it is linked to Switzerland, Lugano in particular, where our Swiss subsidiary is located, by the Valsolda, where we also have a very active branch at Carlazzo.

In the Varese area, we have given preference to Busto Arsizio, a city of more than 77,000 inhabitants and the capital of a quadrilateral (along with Gallarate, Legnano and Castellanza) which constitutes one of Italy's most dynamic industrial agglomerates. Our new branch opens the doors to an area that is bound to prove interesting.

In Milan, we have graduated at the Politecnico, which is a way of saying that we have opened a window at this prestigious university to

match the one that we have at the Bocconi University, Milan's business school. Monza's no. 1 agency has now been added to the branch in Via Galileo Galilei which was inaugurated in June 1998. Monza is a city that is well-endowed with businesses and services. Given its size and economic importance, it is the capital of the Brianza, an area where the signs of our branches often shine alongside those of the many companies. This is the case of our new branch in Carate Brianza, a town of 16,000 inhabitants with a considerable number of dynamic firms.

The list of the year's inaugurations is completed by those of Bergamo, Cremona, Piacenza and Novara. We have now doubled our presence in Bergamo after five years of intense activity that have been rewarded by very satisfactory results.

We have been very well received in Cremona, having already opened two branches in that province. Now that we have laid down precise points of reference, our intention for the next few years is to increase our reach over the Lombard Plain, preparing ourselves suitably to meet the particular needs of those territories.

The importance of Piacenza would have sufficient on its own to persuade us to cross the Po River and invade Emilia. The real opportunity to do this, however, arose when we had to have a presence in all of the places where the Milan Politecnico has faculties, as we provide it with treasury services.

For our second location in Piedmont, we have chosen Novara, between the rivers Ticino and Sesia. An expansion that does not contradict our bank's regional character; indeed it reinforces it, given that we are obviously interested in cities and areas with socio-economic characteristics very similar to those of Lombardy.

Completing this process, there are now 258 Bancomat ATMs (+28). In addition to those located at branches, they are also available in places frequented by the general public, a service that is much appreciated.

The treasury offices reinforce the branch network and constitute a solid link with local communities which more and more frequently entrust their finances to our bank: 77 treasury windows, an increase of 4 during the year.

Two new offices were opened in Switzerland during 2002, with Banca Popolare di Sondrio (Suisse) SA combining the creation of local roots and opening up to International relations. This can be seen from the new branch in Bellinzona and the representative office in Zurich. The first is the capital of the Canton Ticino and the gateway to the Alpine passes; while the second is a very important economic and financial marketplace, as well as being a world-class business centre. Our subsidiary can now count on a network of 12 branches, along with representative offices in Zurich and Montecarlo, which is now being transformed into a branch.

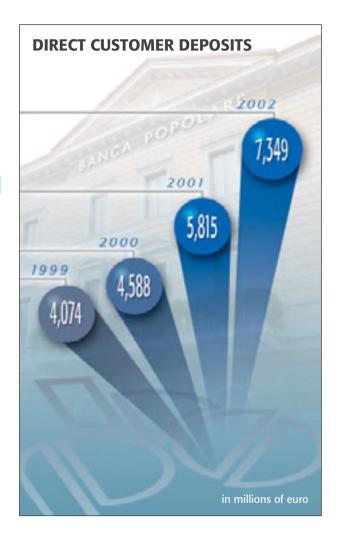
In fact, towards the end of the year BPS Suisse received the official go-ahead from the Banque de France – the supervisory authority of the French banking system and therefore that of Montecarlo as well – to open a branch in the Principality of Monaco. This authorisation attests the validity of our banking group's foreign expansion strategy. As a result, we will be the only Italian cooperative bank to have a branch in that important marketplace.

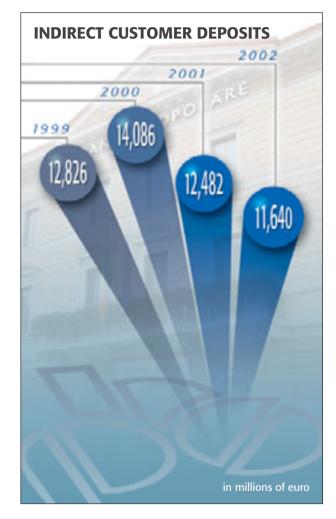
Generally speaking, an expansion that has been reasonably constant and designed to cover territories that are just right for cooperative banks.

FUNDING

A stressful year for investors, caught between the anxiety to anticipate stockmarket trends, the hope of seeing indices rise again, and the desire the unload everything so as to forget, at long last, all about markets that seem to know only one direction: down and yet further down.







In fact, there was certainly no lack of bad news and every opportunity was a good one – so to speak – to depress quotations that in many cases were already extremely low. This downward spiral has ended up affecting practically every sector, slicing prices left and right without distinction. Indeed, as in the nursery rhyme, after the highs and lows, it's now a case of «... all fall down».

After so many imponderable events that have taken place during the course of the year and faced with an irrationality that has often dominated the scene, now that the tools of scientific analysis have been put out of action, in the end of the day who has guessed right?

With hindsight, the ones that got it right were those perhaps those who hurriedly abandoned the stock exchange during an already dreadful 2001, then held tight in a safe corner somewhere without taking any risks, putting their trust in government bonds – which produce interest «slowly but surely» – or in the classic tools of bank savings. One of the few cases where doing nothing turned out to be the right thing. On the other hand, a clock that has stopped still manages to tell the right time twice a day.

It was the most prudent investors – not to mention the least sophisticated – who won the prize; and the banks were able to benefit from this as well, boosting their deposits considerably, though inevitably to varying extents. The trend in interest rates also contributed to this phenomenon, given that the opportunity cost of holding cash was very low.

After a number of lean years, the sources of bank savings, which were already beginning to flow in 2001, turned into a deluge under the pressure of recurrent stock exchange disasters. It was confirmation of an old rule: the more prudent investors get, the more deposits the banks get. But it was also an important swing back towards a just equilibrium between assets and liabilities on which the entire banking system depends.

Taking in deposits to give out loans is in fact the essence of the banking business, and even

more so for a cooperative bank like ourselves, which has always made credit intermediation the lynchpin of its operations. So it is with legitimate satisfaction that we look at the balance sheet figures that indicate a rapid increase in direct deposits and, as a result, a significant rise in the financial assistance given to companies and households.

If on the one hand we are conscious that this sustained growth in funding is at least in part due to external causes and to a certain extent anomalous, above all the trend in stockmarket prices which no one can be happy about, on the other hand, we are convinced that we have done as much as possible to offer the right products at the right moment in time.

DIRECT CUSTOMER DEPOSITS

(thousands of euro)	2002	% of total	2001	% change
Savings deposits	443,906	6.04	405,688	9.42
Certificates of deposit	49,232	0.67	39,913	23.35
Bonds	717,666	9.77	610,451	17.56
Repo transactions	1,264,031	17.20	1,027,766	22.99
Bank drafts and similar	73,268	1.00	71,791	2.06
Current accounts	4,611,913	62.74	3,519,342	31.04
Current accounts in foreign currency	189,283	2.58	140,540	34.68
Total	7,349,299	100.00	5,815,491	26.37

TOTAL FUNDING

(thousands of euro)	2002	% of total	2001	% change
Total direct customer deposits	7,349,299	32.60	5,815,491	26.37
Total indirect customer deposits	11,640,075	51.63	12,482,249	-6.75
Total	18,989,374	84.23	18,297,740	3.78
Due to other banks	1,277,110	5.66	1,559,349	-18.10
Indirect funding from banks	2,278,524	10.11	3,366,104	-32.31
Third-party funds under administration	65	_	114	-42.98
Grand total	22,545,073	100.00	23,223,307	-2.92



Upstream from the products and services that we offer, there is the professional prudence that has always characterised our dialogue with investors. Even if it meant passing for traditionalists, we preferred to warn our customers about the dangers inherent in financial instruments that are too sophisticated to be easily understood and therefore «rich» in unknown quantities; incomprehensible, that is, for normal mortals that do not have at least three degrees in financial engineering and perhaps for this very reason less exposed to the risk of ruinous losses. In the same way, our people have always reminded customers of the link between risk and return, an equation that is as elementary as it is well known, which is perhaps why it is overlooked for some inexplicable reason.

The extreme volatility of the markets has removed many of the traditional points of reference so efforts were made to back up the classic instruments of bank savings with other kinds of intervention designed to limit the risks, and these were also extended to the insurance and pension fields.

Customers also appreciated our ability to personalise the advice that we give, this being an added value that derives from a deep knowledge of their individual circumstances and a natural sensitivity to the varying needs and characteristics of each one. We are helped in this by the corporate structure that we have chosen, as it is designed specifically to recognise and enhance the distinctive elements of each business relationship, big or small.

The figures that are reported and commented on below reflect all of the proficuous work carried out during the year. The difficult, and from certain points of view anomalous, market conditions in which we had to operate can be seen in the varying trends of the individual items.

At 31 December 2002, total funding showed a slight decrease from 23,223 to 22,545 million, -2.92%.

Direct customer deposits rose by 26.37% to 7,349 million, substantially confirming the growth trend that existed previously.

Indirect customer deposits, at market value, amounted to 11,640 million, a decline of 6.75%.

Deposits from other banks came to 1,277 million, down 18.10%, to which have to be added 2,279 million of securities under administration.

Among the various components of direct funding, two items that stand out particularly at the end of 2002 are current accounts and repo transactions. An *andante con brio* that sounds like a hymn in praise of liquidity, a distinct contrast to the requiem being played for investments based on a gamble.

Current accounts, which are now a technical instrument that are becoming more and more versatile and able to respond to the operating needs of small investors as well as large companies, grew by 31.18%, rising to 4,801 million, equal to 65.32% of total direct funding from customers.

Repo transactions also had a strong upward trend, going from 1,028 to 1,264 million, +22.99%. As already mentioned on previous occasions, this instrument has changed from being a temporary parking lot for surplus cash to being an obligatory stopover waiting for better times to arrive.

Certificates of deposit made a minimal contribution to just 49 million, even if they too showed an increase of 23.35%. Savings deposits, on the other hand, are still in favour with certain types of customers, their main strength being their simplicity: 444 million, +9.42%.

Bonds continued their strong growth, with a particular preference on the part of investors for fixed-rate and zero-coupon issues. Total bonds come to 718 million, +17.56%.

Bank drafts amount to 73 million, +2.06%. The number of overdraft accounts has risen considerably to 202,000.

Indirect funding has obviously felt the impact of the negative cycle which almost totally

dominated world financial and stock markets during the year. But at our level, the reduction appears to be quite small. As mentioned, this aggregate comes in at 11,640 million, -6.75%.

The asset management business was affected in turn. Its performance and the results of its various components are discussed in the chapter on Treasury and Trading Operations.

To sum up, the quality of our funding remains good and therefore homogeneous, while volumes are growing constantly.

The substantial contribution to this comes from the branches that were opened in the last five years or so.

The higher vocation for savings continues to be a virtue that distinguishes the Italians, and our customers are a case in point.

LOANS

As one acute observer said, the rate of growth in Italy's GDP in 2002 looks more like a telephone prefix than a genuine process of growth: however much you try to stretch it, it still starts with a zero.

Italy's economy languished, not helped by an extremely complex international situation that felt closer to stagnation than recovery. Similarly, the growth in loans gradually showed signs of slowing down, especially for the short-term component.

Let's say immediately, and with legitimate pride, that we were only partly affected by this phenomenon. Total loans by BPS amounted at the end of the year to 6,247 million, an increase of 11.96% on the previous year.

The reasons for this positive result are easy to explain: we are good at listening to the financing needs of companies and households, proposing solutions for those that merit support, and in any case giving all applicants clear and timely replies. And without having to be chased up.

This is an approach that distinguishes us and which is particularly rewarding in a market situation like the present one, where the process of concentration in the banking sector has made huge progress, resolving in just a few years the «dwarfism» that many thought the Italian banking industry suffered from.

The steady increase in the bank's share of the business available in the local markets that we serve suggests that we made the right decisions. Our ability to repeat elsewhere the model successfully experimented in our traditional territories is a given, and a guarantee for future growth.

This is also reflected in the latest surveys on the mix of companies' external financing. The results showed that small and medium-sized enterprises – the real strength of the national economy – prefer to deal with banks of similar dimensions. Ease of communication, personalised financial assistance, quality services at competitive conditions: these are the factors that make the difference. Like saying that there is more understanding between companies of the same size.

One could add, in our favour, the excellence of the territory that we serve. During our expansion, we have given particularly priority to those areas, mainly in Lombardy, where the backbone of the economy is represented by a hard-working, ingenious and go-ahead group of entrepreneurs, often organised in well-known industrial districts, who have made enterprise, dynamism and ability to innovate their distinguishing features. This was the premise for an incisive and high-quality lending operation. With unit margins getting lower and lower – yet again the trend in interest rates was penalising for the banks during the 2002 - the decision to increase volumes has to be based on the quality of the loans granted, this being an indispensable condition if the operation is to make a profit.

This «specialisation» in small and mediumsized companies not only attracts a considerable



amount of business, but also enables us to evaluate better the credit-worthiness of loan applicants, because having roots in the area gives us access to detailed information. This is a distinguishing feature of our way of working, which adds a solidity to our desire to continue being a local bank for areas in constant expansion.

The chapter on risk management – risks that for us are still largely connected with the granting of loans – relates the progress that has been made in this delicate sector as well as our plans for the immediate future. So all we will say here is that our credit quality remains good, demonstrating that risk profiles are monitored carefully.

Net outstanding overdue loans, in other words net of writedowns, come to 76 million, which is 1.22% of total loans to customers, compared with 0.98% at 31 December 2001. This is again way below the national average. Estimated losses on these overdue loans are covered by adjustments that have been raised from 40 to 48 million, +19.52%.

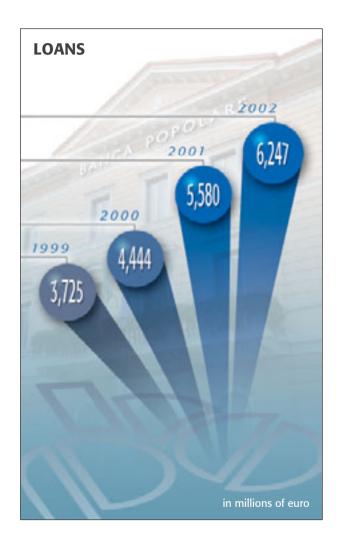
Non-performing loans, in other words those to borrowers in temporary difficulties that are likely to be resolved, amount to 60 million, -1.77%, the equivalent of 0.96% of total loans to customers. The related adjustments come to 11 million, -4.05%.

As always, indeed perhaps more than before, we have carried out not only a detailed analysis to ascertain which positions might be considered doubtful, but also an in-depth critical review. Operating in this way we feel lighter and more relaxed.

An expanding product range that is being constantly refined has assisted the growth in our operations. A key element in this process has been the cooperation with group companies and with many other bodies, both in Italy and abroad, which have made their add-on skills and tools available to us and to our customers. This means that while our territorial development has been independent, it has been enhanced by various kinds of common action able to propose new types of assistance, at the same time reducing investments and costs.

LOANS

	2002	%	2001	%
(thousands of euro)		of total		change
Current account overdrafts	2,330,083	37.31	2,179,952	6.89
Foreign currency loans	881,068	14.10	1,061,574	-17.00
Advances	214,423	3.43	183,967	16.56
Advances subject to collection	99,590	1.59	86,355	15.33
Discounted portfolio	7,598	0.12	8,305	-8.51
Artisan loans	40,925	0.66	40,530	0.97
Agricultural loans	4,820	0.08	3,486	38.27
Personal loans	63,212	1.01	60,627	4.26
Other unsecured loans	1,057,156	16.92	759,640	39.17
Mortgage loans	1,470,738	23.55	1,140,113	29.00
Net outstanding overdue loans	76,495	1.22	54,573	40.17
Items to be settled	627	0.01	425	47.53
Total	6,246,735	100.00	5,579,547	11.96



As we said, the results for the year were positive: the total figure of 6,247 million is made up of a variety of loans, almost all of which have grown.

Mortgage loans grew particularly fast, up 29%, going from 1,140 to 1,471 million and representing 23.55% of total loans. This is confirmation that the demand from households to buy and restructure houses has expanded yet again, helped by the low level of interest rates and the fact that a home is considered a «sheltergood», particularly at a time when there has been a huge increase in rents. Our active cooperation with Banca Woolwich SpA is continuing, allowing

us to qualify our product range and expand it considerably, which is always much appreciated by our customers.

This is a good place to mention the fact that BPS has adhered to the «European Code of Conduct for Home Mortgages». This is a set of rules designed to guarantee that consumers have adequate precontractual information on home purchase loans to improve openness and hence the ability to compare conditions more easily.

There was a significant increase in unsecured loans, which rose +39.17% to 1,057 million.

Current account drawdowns rose by 6.89% to 2,330 million, which is 37.31% of total loans. Loans in foreign currency on the other hand, are down: 881 million, -17%.

Personal loans, including consumer credit, went up to 63 million, +4.26%.

Guarantees given continued their strong trend, increasing by 11.33% to 1,528 million.

The attention with which we follow the business world induced us to further intensify our operations in the area of subsidised loans. Fundamental in this area is the working relationship that we have established with the Loan Guarantee Cooperatives and Consortiums. It is now normal practice for us to contact these bodies as soon as we enter a new area to study and develop possible ways to provide financial support to local entrepreneurs. The year under review has been very positive from this point of view. The various types of subsidy envisaged under Italian and EU regulations are always borne in mind so as to propose interventions, targeted to the financial needs of the customer and structured accordingly, with specialist assistance where necessary.

As always, the other members of the BPS Group have been irreplaceable partners in our dealings with companies, who much appreciate and prefer the assistance that they can provide. Their contribution is explained in further detail



in the section devoted to group companies. Here we would just like to mention the intense activity carried on with Banca per il Leasing-Italease SpA; the effective and professional support given by Factorit SpA; and our ongoing collaboration with Centrobanca in the field of medium and long-term financing.

The convention signed with Banca Europea per gli Investimenti has allowed us to intensify even more our relations with companies. Indeed, the entire amount of 75 million made available to BPS has already been committed, with interventions split between firms belonging to various sectors of the economy.

At the time of the tragic events of May and November 2002, in line with our tradition of solidarity, we set aside another 75 million to grant loans at particularly low rates to the populations and companies in Lombardy that had been particularly hard hit by floods and landslides.

Our desire to strengthen the various forms of indirect financing naturally depends on external organisations, but in order to make these collaborations more effective, we have encouraged the development within the bank of new professional roles who are able to interpret the needs of companies better than we used to, advising and assisting them in the choice of the most suitable and cost-effective instruments. This too forms part of our commitment to grow together with the entrepreneurs who work with us.

We think that we know what our duty is: to work and to work well to make our modest contribution to the nation's progress. Both in the category of large customers and in that of small customers, both meritorious, medium-sized customers are now becoming more and more important. This is a category that resembles us in particular. Not that we neglect the others, but we offer our assistance to them in particular. Assistance that comes with conviction, timeliness and cost-effectiveness.

TREASURY AND TRADING OPERATIONS

2002 has been a year of hoping for the best and fearing for the worst. This summary of the general situation also suits international stock exchanges. Some even closed up shop, like Germany's Neuer Markt; others could only put their faith in statistics or, more modestly, in the weather forecast. The former gives some idea of the probability of a recovery by studying charts and historical series of stock prices; the latter rather more simply helps us to say that how ever long winter is, it is always followed by spring; we are still waiting. But for many, all that is left is to go into mourning.

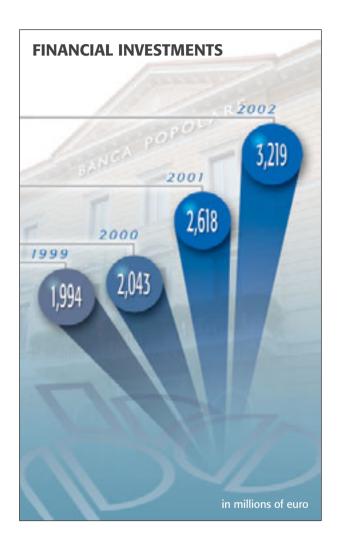
So the words written and read with regard to 2001 are valid here as well: a really tough year for everyone, for the professionals, but also for small investors.

In the midst of sudden drops and technical rebounds, which by their very nature are unable to lift indices back to their starting point, only a few – courageous, crafty and lucky - managed to make a profit. As for the speculators, the times are such that there comes to mind the motto of the wise moralist: «Speculating when you have money is bad enough; speculating when you don't is even worse». For most people investing was an obstacle course with only one way out: destination liquidity, the one that remains. This explains not only the renewed interest in bank savings, but also the revived popularity of government bonds. After the cut in interest rates by the European Central Bank last December, Italian ones are now yielding less than inflation. Which is like saying that to avoid risk at all costs, these investors are happy with little, very little in fact, even a negative net return.

International bond markets generally have had a very positive year, but in at least two cases they have had investors running scared.

The first of these is South American bonds, Argentina to start with.

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The second concerned the bonds of certain industrial companies that are in difficulty, categorised with the eloquent appelation «junk bonds».

Overall, not a pretty picture, the only comfort being our attitude of constant prudence: we can say that we never offered typically speculative stocks, while we have always tried to stimulate customers' critical spirit, trying to explain that it is only in fairy stories that low risk coincides with a high return. With the help of science and our own conscience, let us reiterate what we have always said: the bank, at least as far as we are concerned, gives customers the advice they ask for with the same ordinary diligence of a reasonable and prudent man.

In 2002, the stock markets of Stock markets the Old World burned 2,500 billion, two times Italy's GDP. Piazza Affari somehow distinguished itself by having the lowest losses of all, if it is possible to say that of the Mibtel's -23.50%, compared with London's -24.48%, Zurich's -27.84%, Paris' -33.75% and Frankfurt's whopping -43.94%.

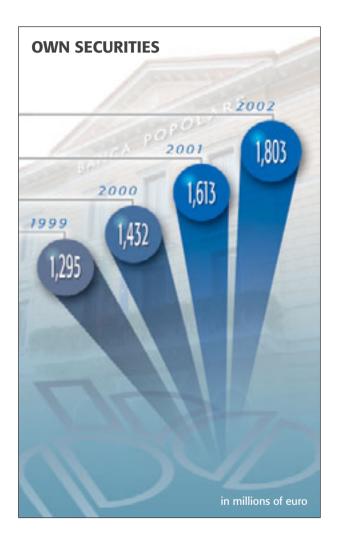
The quality small and medium-sized firms represented by the MibStar index turned in an acceptable -6.5%, demonstrating the vitality of Italy's industrial backbone, «compensating» the results of the Nuovo Mercato which posted an embarrassing -50.12%.

The total capitalisation of Piazza Affari dropped to 458 million, falling as a proportion of Italy's GDP to 36.6% compared with 48.5% in 2001 and 70.2% in long-ago 2000. In any case, the Italian Stock Exchange is still he fist largest in Europe by capitalisation, fourth by trading volumes, and ninth in the world.

The number of listed companies went up by only one, to 295. This more or less reflects the marginal role that the Stock Exchange plays in financing companies in Italy. Confirmation of this slow trend came from the limited number of new quotations during the year: only seven companies that dared to brave to the market. Companies already listed also found it difficult to raise funds: suffice to say that all of the rights issues that went through Piazza Affari in 2002 amounted to 3.7 billion, about half the figure for 2001. Moreover, two thirds of that amount belonged to large companies like Alitalia and FIAT.

2002, on the other hand, was a good year for takeover bids. In fact, takeover bids can turn out to be particularly good value when stock prices are depressed, making it a way of limiting the outlay to gain control of a company. Operations of this type numbered 22 (two more than in 2001), «reimbursing» 2.8 billion euro to a few large industrialists and financiers and some small investors. They offset the impact of the





placements, almost all by companies already listed, for a total of 2.9 billion.

Even though the markets were dominated by uncertainty, worry and, in the best of cases, immobility, the workload of our finance area showed no sign of flagging. Professionalism and dedication made it possible to limit the decline in profitability, moving wherever possible and worthwhile, on new fronts as well.

Let's start from the treasury department: it had to invest the high level of liquidity that was available, intervening all of 7,106 times on the MID (the Electronic Market for Interbank Deposits) for a total of 74,289 million, up by 48.88%.

Our own securities portfolio grew by 11.77% to 1,803 million, The mix confirms the distinct prevalence

Own securities

of Italian government paper, for the most part represented by variable-yield securities and to a lesser extent by short-term fixed-yield securities. The quantity of the latter went up during the first half on expectations of a rate reduction, and then fell once the cuts had taken place, taking the capital gain on the price rise. The portfolio also received 210 million of bonds issued by Società Cartolarizzazione Immobili Pubblici, which have a triple A rating and a reasonable rate of return.

At the end of the year own securities included capital gains of 5.02 million and write-ups on securities previously written down of 0.13 million, while the losses booked during the year, attributable almost entirely to equities and units in Arca funds, amounted to 11.66 million.

Movement in the portfolio was also affected by the general state of stagnation and, above all, by the problem of understanding in which direction the market was going to move next. As a result, volumes fell by 21.71% to 20.8 billion, with repercussions on the trading profit, which fell 14.38% to 13.2 million.

Operations with institutional counterparties on the electronic repo market (MTS/PCT) rose considerably, helped by the high level of liquidity in the market. The total number of transactions, split more or less equally between funding and lending, more than doubled compared with 2001, coming in at 22,900 million.

The difficult moment on financial markets induced customers to prefer repos, being short-term instruments with no risks attached. At the end of the year, there were 1,264 million transactions outstanding, 22.99% more than at the end of the previous year.

These investment decisions then had an impact on the collection and transmission of customer orders. A few figures are sufficient to describe the situation. Average orders fell by 39%,



ASSET MANAGEMENT



Bear dominance of stock markets throughout the world has naturally subtracted raw material from the national asset management industry. This whole sector, and within it above all the mutual fund segment, filed 2002 with negative net funding. Moreover, for the second year in a row, the decline in equity markets has led to a drastic erosion of the value of total funds under management. Despite the adverse moment in the cycle, our actual figures are quite satisfactory. The main reason for this is undoubtedly to be found in the value added expressed by our managers; even though they do not have a crystal ball,

they have still done well, which is much appreciated. The net inflow to Arca funds was extremely positive; this has made it possible to limit the impact of falling share prices. We have started placement of units in "Swissca Lux Fund", a Luxembourgbased, multisector mutual fund, and distribution of our own Luxembourg SICAV, Popso (Suisse) Investment Fund, is also proceeding gradually. In addition, distribution of units in three Etica SGR mutual funds will commence in 2003: operating under the umbrella name of "Valori Responsabili", they are active in the money, mixed-bond and balanced fund sectors.



though there was less of a drop in online trading. This is probably due to the fact that this instrument is used by more sophisticated customers who are able to carry out very short-term speculative deals to exploit the high volatility of stock prices.

Nor was there much business being done on foreign stock exchanges either, also hit by the same contagion, even though IT procedures had been set up for customers to place orders to buy and sell foreign securities. Now that the road has been built and the Telepass installed, the traffic will no doubt start as soon as the markets show the green light.

Bonds markets, and the government bond sector in particular, have benefited from the expansive monetary policies adopted by central banks.

Trading activity has picked up as a result. We had a winner in being able to offer trading in bonds as a direct counterparty through our organised trading system. In this way branches can sell bonds directly to customers in real time without having to go through the official market. All of which benefits in terms of rapidity and lower costs.

Placement activity was carried on following the slow rhythm of equity markets. Many companies decided to postpone their quotation plans till better days. With few exceptions, such Pirelli Real Estate, Astaldi, Fondo Alpha, Banca Lombarda e Piemontese, ASM Brescia and Fiera di Milano. Investor interest tended to be very low, except in the case of Fiera di Milano.

Performance of BPS stock

2002 saw yet another positive performance by our stock: an increase of 1.43%, at first sight not very much,

but quite different when compared with the 23.50% drop in the Mibtel and the 6% decline in the IMR, the Restricted (OTC) Market where BPS is listed. In a year like 2002, where one could joke that it is more important how much you didn't lose than how much profit you made, our stock not only held up, but even gained ground.

This is a very satisfactory result, especially as it reflects the wholehearted trust of our shareholders, who believe strongly in the bank of which most of them are also loyal customers.

So the BPS stock is a solid one, indeed in hard times it is often seen as a shelter-good; alien to the schizophrenic fluctuations of the market, it does in fact express our bank's personality. And the stock's performance reflects a strategy of growth based on silent, tenacious, hard work and on facts, rather than on sensational announcements and astounding promises. An attitude that obviously pays off in the long run. And, above all, one that repays the shareholders for their confidence in the bank.

So even in a year when most people were totally averse so investing in shares, the number of our shareholders has gone up and up. There were all of 8,638 new shareholders for a total of 109,022. A demographic process that goes against the general trend, made up of real people who have an ongoing, dynamic and satisfactory relationship with their bank.

At the end of the year the bank's portfolio contained 58,998 own shares, worth 0.60 million, against a reserve for own shares of 17.50 million. The following table shows the movements in own shares during the year.

	No. shares	Par value	% of share capital	Amount of trade
Balance as of 31/12/2001	86,248	258,744	0.063	873,969
Purchases	979,160	2,937,480	0.712	10,048,714
Sales	1,006,410	3,019,230	0.732	10,368,375
Profit from trading				51,281
Balance as of 31/12/2002	58,998	176,994	0.043	605,589



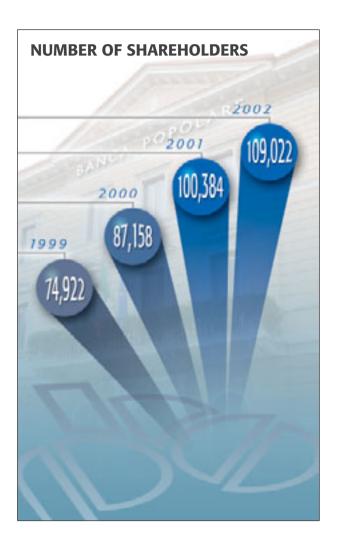
PORTFOLIO MANAGEMENT



Despite the difficult state of the market, our portfolio management service turned in very good results, helped by the extension to the "Tax Shield" provisions.

Our traditional portfolio management activities have been expanded by the introduction of "Balanced 50%". The percentage indicates the maximum investment in equities.





Bear dominance of stock markets throughout the world has naturally subtracted raw material from the national asset management industry, which was heavily involved, given the lack of new resources, in reallocating investors' portfolios towards less volatile and less risky instruments. This is the key to understanding the strong upswing in liquidity and flexible funds, to the detriment of equity and bond funds.

This whole sector, and within it above all the mutual fund segment, filed 2002 with negative net funding. Moreover, for the second year in a row, the decline in equity markets has led to a drastic erosion of the value of total funds under management.

Despite the adverse moment in the cycle – the usual definition, but beginning to sound strange given that it has been lasting a bit too long – our actual figures are quite satisfactory. The main reason for this is undoubtedly to be found in the value added expressed by our managers; even though they do not have a crystal ball, they have still done well, which is much appreciated.

The net inflow to Arca funds is extremely positive: 78.4 million compared with 12.2 in 2001. This has made it possible to limit the impact of falling share prices: at the end of 2002 the total of Arca funds on deposit with our bank therefore came to 1,037 million, compared with 1,061 a year earlier, as well as 103 million in individual managed portfolios.

Our excellent relations with the Swiss Cantonal Banks – 24 institutions with more than 1,000 branches and a market share of more than 32% – facilitated the launch of the placement throughout our network of units in «Swissca Lux Fund», a Luxembourg-based, multisector mutual fund set up by this group of Swiss banks.

Distribution of our own Luxembourg SICAV, Popso (Suisse) Investment Fund, is also proceeding gradually along the same lines, having already taken in 28 million.

Despite the difficult state of the market, our portfolio management service turned in very good results,

Portfolio management

helped by the extension to the «Tax Shield» provisions. At the end of 2002, total funds in portfolio management schemes came to 1,046 million, up 10.43% on the previous year's figure of 947. The various lines of management have been enriched by «Bilanciata 50%», this figure being the maximum percentage that the managers can invest in equities.

To conclude this part of the report, we can say with satisfaction that the volume of funding attributable to the various types of asset management schemes rose to 2,111 million, up 2.60% on 2001.

Lastly, we would like to recall that we have taken on the function of custodian bank for certain closed-end funds promoted by Finlombarda Gestioni SGR SpA and by Investar SGR SpA. They are private equity specialists, which are a way of investing in unquoted companies. And for more than a year we have been the custodian bank for Quadrivio SGR SpA, also a private equity company.

These appointments reaffirm, together with our traditional support to businesses, the professional skills that we have acquired in this delicate sector, where we have been operating positively on behalf of our affiliate Arca SGR SpA for the last ten years or more.

The difficulties that arose during the year are the reverse side of a coin that on one side has several negative marks; while on the other is inscribed by the triad: experience, prudence and wisdom. The difficulties encountered make the results achieved even sweeter.

EQUITY INVESTMENTS

Our corporate policy has always been to have a functional and streamlined structure that concentrates attention and resources on our core business, namely banking. This is why we have always preferred to delegate the handling of other financial, credit and insurance products and services to affiliates that form part of our cooperative world.

Our equity investments are mainly in companies that provide services to our customers. In some cases, they represent our support for worthy initiatives in our province of origin.

Our largest investment is in the subsidiary Banca Popolare di Sondrio (Suisse) SA, which is commented on below.

As for the holdings defined as trade investments, to which our opening remarks were

dedicated, we necessarily have to report that the process of concentration currently underway in the cooperative banking sector – a circumstance that has led to the formation of substantial groups, most with their own product companies – is a reason for reorganising their respective shareholdings.

Having evaluated whether worthwhile or not, we decided to take advantage of the situation, together with other travelling companions, to increase the interests that we held in some of them, convinced of their level of operating excellence. We are confident that these affiliates will attract a stable nucleus of shareholders made up of partners that are convinced of the benefits, also because they themselves will generate sales for these companies, so as to guarantee competitive products and services, as well as profits. This will of course also benefit the smaller cooperative banks or other credit institutions that find, or could find, in our affiliates suitable counterparties to satisfy the needs of their market.

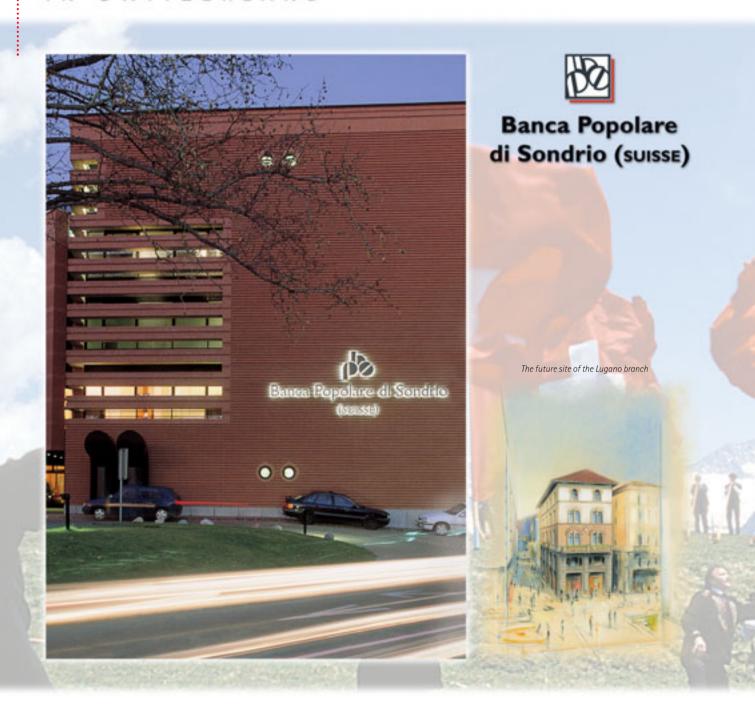
Unfortunately, there are still various unresolved problems in connection with certain these companies, some of them quite thorny. We hope that each participant will reconsider, in the higher interest, the fundamentals that enabled the cooperative movement to affirm itself, fundamentals that we continue to follow. We also hope that strong corporate cultures based on operational independence will be respected.

The various equity investments held by the bank amounted in total at 31 December 2002 to 112 million – of which 33 million referred to Banca Popolare di Sondrio (Suisse) SA – with an increase of 13 million over the previous year, achieved in compliance with the related regulations. During the year under review, the list of our equity investments increased by four companies: InArCheck SpA, Arca Banca di Investimento Mobiliare SpA, Etica SGR ApA and Valtellina Golf Club SpA, while there were no disposals.



Grindelwald

IN SWITZERLAND



The gradual but constant expansion of the distribution network has confirmed its mission from the start to be a cooperative bank in every way: deeply rooted in its territory, sensitive to the local economy; active in taking deposits and granting loans; pro-active in the provision of services.

After the inauguration of the Basel branch at the end of 2001, the company transferred to Zurich the representative office that had operated profitably in that city from April 2000. This unit constitutes a significant outpost in a marketplace of international importance. The opening of the Bellinzona branch



has significantly boosted the presence of BPS Suisse in the Ticino, given that the city is the administrative capital and seat of the cantonal government. Our intention is also to service the communities of the surrounding valleys, as well as our numerous countrymen, the so-called "cross-border workers",

who come mostly from the areas of Lombardy and Piedmont already served by the parent company. Our subsidiary now has thirteen branches, including one in Montecarlo, in the Principality of Monaco, and one representative office.



The following comments are on the bank's main investments, split into subsidiary and associated companies, trade and non-trade.

Subsidiaries:

Banca Popolare di Sondrio (Suisse) S.A. (100%). A Swiss bank with head office in Lugano.

Our subsidiary coped with the well-known problems in the banking sector with determination and under the banner of genuine structural reinforcement. The gradual but constant expansion of the distribution network confirmed its mission from the start to be a cooperative bank in every way: deeply rooted in its territory, sensitive to the local economy; active in taking deposits and granting loans; pro-active in the provision of services.

After the inauguration of the Basel branch at the end of 2001, the company transferred to Zurich the representative office that had operated profitably in that city from April 2000. This unit was opened on 11 February 2002 and constitutes a significant outpost in a marketplace of international importance. The opening of the Bellinzona branch on 4 November 2002 significantly boosted the presence of BPS Suisse in the Ticino, in Sopraceneri to be precise, given that the city is the administrative capital and seat of the cantonal government. Our intention is also to service the communities of the surrounding valleys, as well as our numerous countrymen, the so-called «cross-border workers», who come mostly from the areas of Lombardy and Piedmont already served by the parent company.

Our subsidiary now has twelve branches and two representative offices, including the one in Montecarlo, in the Principality of Monaco. It was authorised by the Banque de France, which also supervises Montecarlo's banking system, and will soon be transformed into a full branch. This is a marketplace that has no need of an introduction and the decision to operate actively in the Principality follows the positive results of a

feasibility study by our representative office, the positive relationships that already exist as part of the commercial and service activity, and the sizeable community of Italians working there.

At the same time as the network was expanded, steps were also taken to reinforce the organisation – the bank now has more than 180 employees – as well as its technology structure, investments that will bear fruit in the current and future years. Marketing campaigns have raised considerably the number of customers, supported among other things not only by progress in the company's traditional banking business, but also by an innovative call centre and by an online banking service called Go Banking. Customers are now protected by «Personal Benefit», a community-oriented insurance cover that is the first of its kind on the Swiss banking market.

Popso (Suisse) Investment Fund Sicav achieved positive results in terms of asset growth, despite the difficult period on world stock markets, launching two new sectors – Japan equity and Europe convertible bond – which will soon be distributed by our own network as well. Popso (Suisse) Advisory Holding SA, a company that provided investment advise to the Sicav, was wound up during the year as it is no longer required for operating purposes.

Sofipo Fiduciaire SA also went well. It is a fiduciary company with an international scope which has increased its turnover and experience, turning in a profit for the first time.

Positive balance sheet trends, with good growth in both deposits and loans, come with a bottom line that is down by 27.3% to CHF 6,558,516. This is clearly the impact on the income statement of a poor trend in the securities brokerage business, together with the general state of the economy. On the other hand, comfort can be drawn from the fact that various provisions have been made as required for prudence sake, while considerable depreciation has been charged given the hefty capital investments made.

Shareholders' equity now amounts to CHF 88,121,105, including CHF 50,000,000 of share capital, an increase of 8.04%.

Pirovano Stelvio S.p.A. (98%). This company, which we acquired in 1985, owns and runs a modern hotel facility at the Stelvio Pass, an area of considerable historical and environmental importance, reached via the legendary Imperial Route over the Alps and renowned above all for its summer skiing.

Pirovano has acted as the «Ski University» for more than half a century, a major player in the success of winter sports at a time when skiing holidays were extremely rare. Even now it is doing all it can to boost a sector that is certainly not secondary in the tourist attractions and economy of our province.

Its website (www.pirovano.it) has been updated, with content that goes beyond its own particular sector, promoting the Stelvio basin in all its aspects.

It seems to us that their promotional efforts have gone – and still go – to the benefit of the whole community, especially that of the Upper Valley's economy; we are happy if that is the case.

The 2002 season confirmed the signs of recovery in the number of visitors that had been felt the previous year. This reflects a renewed interest in summer skiing and, as far as Pirovano is concerned, a sign of appreciation for the fact that it has made improvements to the building and to the services that it provides. The purpose being to combine sporting activity with pleasant moments of relaxation and entertainment. In addition, it promoted the rediscovery of the Stelvio area, not just for skiing, but also for a whole range of other activities: nature, sport, open-air life in general, in other words trekking, mountain biking, hill walking with guided tours of the WWI trenches.

This has made it possible for us to host various initiatives promoted by ski clubs, schools – the latter following the current Protocol of

Intent with the Education Minister which brought more than 1,000 young students to the Stelvio – and various other kinds of institutions, which find the environment ideal for spending days immersed in a natural scenario that is particularly beautiful and full of cultural suggestions. A case of «Anima Sana In Corpore Sano», which from this year is the motto used by ASICS, the leading producer of sports goods which has signed a three year collaboration agreement with Pirovano.

The place where Pirovano operates has also been for years an excellent training ground: athletes from various Italian national teams – downhill skiing, cross-country skiing, leading cyclists, Olympic competitors in various disciplines – are only some of the many sports men and women that go up to Pirovano for high altitude training.

The season closed with Snowfestival, an event that has now reached its third edition. We remember with pleasure the presence of skiing champion Deborah Compagnoni, who together with Banca Popolare di Sondrio, Pirovano and Consorzio di Tutela Vini DOC di Valtellina organised a fund-raising evening on behalf of AIL, for which she acts as testimonial. A thank you to all the connoisseurs of our local wines that made the auction for charity possible.

The considerable improvement in its bottom line, even if it is still negative, means that we can look to the future of Pirovano with moderate optimism, as we are certain that the subsidiary's situation is positive in terms of image and spin-off business.

Sinergia Seconda S.r.l. (100%). The purpose of this company is to manage some properties in Milan and Rome that are not instrumental to the banking business.

The signing of further rent contracts – in addition to the important one stipulated last year with the Revenue Service – means that the company can report positive results. In particular, the largest building, which is in Milan's Via Missaglia, is almost completely rented out.



Ski runs in the Stelvio with a view of the Ortles



Pirovano has acted as the "Ski University" for more than half a century, a major player in the success of winter sports at a time when skiing holidays were extremely rare. Even now it is doing all it can to boost a sector that is certainly not secondary in the tourist attractions and economy of our province. Its website - www.pirovano.it - has been updated, with content



that goes beyond its own particular sector, promoting the Stelvio basin in all its aspects. It seems to us that promotional efforts have gone – and still go – to the benefit of the whole community, especially that of the Upper Valley's economy; we are happy if that is the case.



The market value of these buildings has undoubtedly been enhanced by these rental contracts and by the maintenance that we have performed, also with a view to selling them off.

Indeed, surveys and negotiations are underway, also in connection with the buildings owned by its subsidiaries, Immobiliare San Paolo Srl and Immobiliare Borgo Palazzo Srl. Located in Azzano San Paolo (BG) and in Bergamo, respectively. Disposing of them should be facilitated by the recent upswing in the property market which has recently involved institutional investors and large specialist companies.

Associated companies:

Ripoval S.p.A. (50%). Ripoval, owned jointly with Credito Valtellinese, is the concessionaire for tax collection services.

While normal operations have proceeded according to plan, in terms of volumes and results, financial worries arose during the year under review as the State decided to introduce new ways of remunerating the tax collection service.

To tell the truth, this measure was expected, but there were hopes that when the decree was converted into law (DL 138/2002) it would have incorporated the amendments suggested by Ascotributi, which were designed to soften the impact on earnings. When it came to it, once the so-called «safety clause» has expired, Law 178/2002 provided for the payment to concessionaires of an indemnity only for 2002 and 2003, and of far less than originally mooted.

This means that we will have to reduce costs and consider providing services other than tax collection based on rolls. As for lowering costs, Ripoval has regrettably, but with an eye to the future, launched a process of rationalisation of its branch network as hoped for at a national level.

The company's extraordinary general meeting then approved an extension of its corporate purpose in matters of local taxation and the performance of related activities, such as debt collection, laying the bases for the necessary diversification of working environments.

The company has therefore defined a new range of services to be offered to the 78 municipalities in the province of Sondrio, most of which have entrusted the collection of their local property and refuse taxes to Ripoval. An online application called ICI Internet 2000 helps tax payers fulfil their fiscal duty at a local level, as it allows them to calculate the amount of tax that they have to pay very quickly with suitable guidance.

Careful management enabled the company to make a profit, even if it was a good deal lower than in previous year for the reasons mentioned above.

Servizi Internazionali e Strutture Integrate 2000 S.r.l. (33.333%). This company is jointly owned together with Banca Popolare dell'Emilia Romagna and Veneto Banca, and has a representative office in Hong Kong and an office in Milan that specialises in country risk analysis and in the analysis of banking systems and banks in general.

With a view to rationalising the structure and contain costs, on 30 June 2002 the company closed its representative office in London, a marketplace that has gradually lost its commercial importance in favour of an advanced and specialised financial activity. Attention is now focused on the extremely dynamic Asian market in Hong Kong, a centre of growing mercantile interest.

The shareholders approved a motion to cover the losses incurred during the first two years of operations, which means that the value of our holding was increased by $\leqslant 100,498.23$ and then written down by the same amount.

The structural intervention mentioned above made a substantial improvement to the income statement, though the bottom line is unfortunately still negative. Though marketing efforts suggest that the company has good prospects.

CBE-Service S.p.r.l. (23.30%). This is this is a Belgian company based in Brussels which markets the products of CBE-GEIE, the Coopération Bancaire pour l'Europe-Groupement Européen d'Intêrét Economique.

In the Europe of the euro, CBE-GEIE, an association set up by a series of banks, provides companies, trade associations and public administrations with information, assistance and advice on the programmes of the EU and various international organisations.

The growing number of members confirms that the services being offered are useful and appreciated. They stand out for the quality of their content and the timeliness with which it is updated.

In short, it is like having your own representative in Brussels, who provides feedback on all matters that might interest you, and even writes dissertations on various topics. This year they looked at two topics in some detail: their Vademecum e-Business and Internet concerns the financial instruments used by the European Union to promote electronic commerce and online applications; while Vademecum University analyses EU financial aid in support of higher education.

We are convinced and constant in our support for CBE-GEIE and CBE-Service Sprl, also to pay back through our contribution the trust of the founding members, including the prestigious Sanpaolo IMI SpA, which allowed us to join the club. We are grateful for their valid and specialised collaboration, which we willingly make available to customers who are interested in it.

The affiliate's financial results are positive. Arca Vita S.p.A. (22.50%, formerly 17.503%). This investment is discussed in the context of the «Arca» Group on pages 57 and 58 of this report.

Trade investments:

Centrobanca S.p.A. (1.60%). It belongs to the Banca Popolare di Bergamo-Credito Varesino Banking Group.

We were one of Centrobanca's founding members, and were quite happy to hold on to this interest even when the company was bought by our fellow cooperative bank in Bergamo, with which we are friends. It continues to offer its assistance in the provision of medium/long-term loans to industrial, commercial and service companies, also in application of the Sabatini Law and other subsidised regulations.

In accordance with management's new strategies, which have launched a radical reorganisation of the company, there are now new opportunities for us to work together in favour of the business community. Expansion of the company's activities to include the main areas of interest to industry nowadays, namely corporate finance, related to special operations and structured loans; private equity, where Centrobanca Sviluppo Impresa SGR operates through Sviluppo Impresa, a closed-end investment fund; financial markets, for access to capital markets, for example by issuing corporate bonds and securitisations. The agricultural credit business, on the other hand, has not been retained.

The efficiency of this affiliate and the farsighted decision to provide industry with top quality, therefore competitive, products and services, are guarantees of further growth. The company's financial results repay the efforts made.

Unione Fiduciaria S.p.A. (4.072%). It has been in business for more than forty years, making it the best known and most sophisticated fiduciary company in Italy.

In each of the many complex areas of activity, Unione Fiduciaria SpA stands out for professionalism, efficiency and competitiveness, factors that certainly cannot be improvised, but which derive from a corporate culture that has been shaped over the years, becoming a style.

The merit goes above all to the men and women who work in the company. The



undisputed professional skill, which goes to the benefit of the customers, whatever their requirements, is combined with inventiveness and curiosity about new areas of operations, with that enthusiasm that makes sure that things are done as they should be.

The range of products and services is wide and of high quality. Their fiduciary administration of securities constitutes the company's traditional activity, which exalts Fiduciaria's genetic values of confidentiality and reliability. The sector has of course received a considerable boost from the government's amnesty for funds held illegally abroad (known as «Fiscal Shield»).

The special project finance section handles company needs of an extraordinary financial nature, such as a shareholder reorganisation or increases in capital, delicate situations that are also looked into, from a different point of view, by the tax and corporate planning department. Regulatory assistance, particularly in the field of internal control, is provided by the bank and financial intermediary consulting department.

Last but not least, the IT area, which because of its links with other leading companies in the cooperative world has taken on the role of national leader in the provision of products and packages specifically concerning SIMs and SGRs operating in open-end, closed-end, pension and property funds.

On the international front, the fiduciary and advisory service is guaranteed in a quality fashion by Sofipo Fiduciaire SA based in Lugano, in which both Unione Fiduciaire SpA and our «Suisse» have stakes, while Unione Gestioni SIM SpA handles individual portfolio management. The range is then completed by a series of services provided in outsourcing, such as the company secretariat, personnel administration, bookkeeping, computerised shareholders' register and the single anti-money laundering register.

A vast but well coordinated range of activities, that we thought best to summarise. A

key success factor is undoubtedly management's independence, a factor that ensures the member banks the confidentiality of the business that they bring, based on a consortium-style partnership.

As usual, the bottom line is positive.

Polis Fondi Immobiliari di Banche Popolari SGR.p.A. (7%). With its name abbreviated to Polis Fondi S.G.R.p.A., this affiliate runs a property fund that it set up. The fund has capital of 250 million euro, almost entirely invested in various kinds of real estate – offices, shops, hotels and warehouses – located in various parts of the country.

This initiative was launched in 1998 by Unione Fiduciaria SpA and fourteen cooperative banks when there were signs that the property market was about to pick up again. It certainly hit the mark and has allocated investors' resources well. The year end results are of comfort to the decisions made, while the bottom line reflects a management style that is skilled, prudent and independent.

The market price of the fund is below the placement price, but this reflects the problematic trend in financial markets in general and the fact that trading volumes are low, though this is in line with the inherent long-term nature of this kind of investment. Knowing the company, its management and above all the investments it has made from the inside, we are convinced that subscribers will obtain results in line with their expectations, providing it is seen to be a medium/long-term investment.

Polis Fondi is carefully monitoring the way that the market is evolving and is ready to launch other initiatives of the same kind if the right opportunities arise and it looks worthwhile from an economic point of view.

Banca per il Leasing - Italease S.p.A. (4.95%, formerly 3.80%). For the last thirty years or more, this company has been assisting the business community and helping Italy's production system to grow.

It was set up in December 1968 and began operating in January 1970, when the term leasing was unknown to most people. It is therefore reasonable to say that Italease led where others were to follow, importing an innovative financial tool from abroad and adapting it to local circumstances. From factory to factory, Italease's people have always done their best to understand the needs of the companies, those of the moment and those of the future.

Infused with the cooperative spirit of its banking partners and its knowledge of leasing, our affiliate had a mission, doing its bit both in the fat years and in the lean. Not for nothing did it hold for years the national primacy in this sector, later to be overtaken by companies that were the result of various large mergers. Even though the consortium principle of the founding members seems to some to be superseded, Italease continues to operate effectively alongside its numerous shareholder institutions, at the same time turning in positive results while remaining constantly competitive.

For our part, we have always guaranteed a certain quantity of business on an exclusive basis. Partly because we are shareholders, but mainly because Italease knows how to satisfy the needs of our customers, updating its products and services to new market trends, and sometimes anticipating them. But also because we want to be coherent with the principles that we have always invoked and applied together with our fellow cooperatives.

It goes without saying that the considerable expansion in loans requires an adequate amount of available capital. We are convinced, even in a market logic, that the company has what it takes to deserve the support that its core business requires. This is why we immediately accepted to participate in the second part of the three-year capital reinforcement plan, at the same time raising our stake by subscribing the shares that others did not take up.

Italease is well set to look to the future with balanced optimism. As we said earlier, the

company's results, both in its balance sheet and in its income statement, continue to be good.

Factorit S.p.A. (2.415%). The company is soon to celebrate its first quarter century in the provision of factoring services, reaffirming its role as a «factory» on behalf of a long list of shareholder banks and holding a leading position in its national sector ranking.

This affiliate has the merit of helping to create a separate identity for a business that was long considered merely an add-on to bank financing. Now that the core product has been developed and diversified, it has in fact successfully branched out to provide collateral services that are functional to the assignment of credit.

The core business involves various kinds of without-recourse credit acquisition and financial advances, through a careful and select assumption of risk.

The service area includes the evaluation of borrowers' credit-worthiness using refined automated techniques; managing the delicate procedures linked to the handling of the assigned credits; and guaranteeing credits against the risk of insolvency.

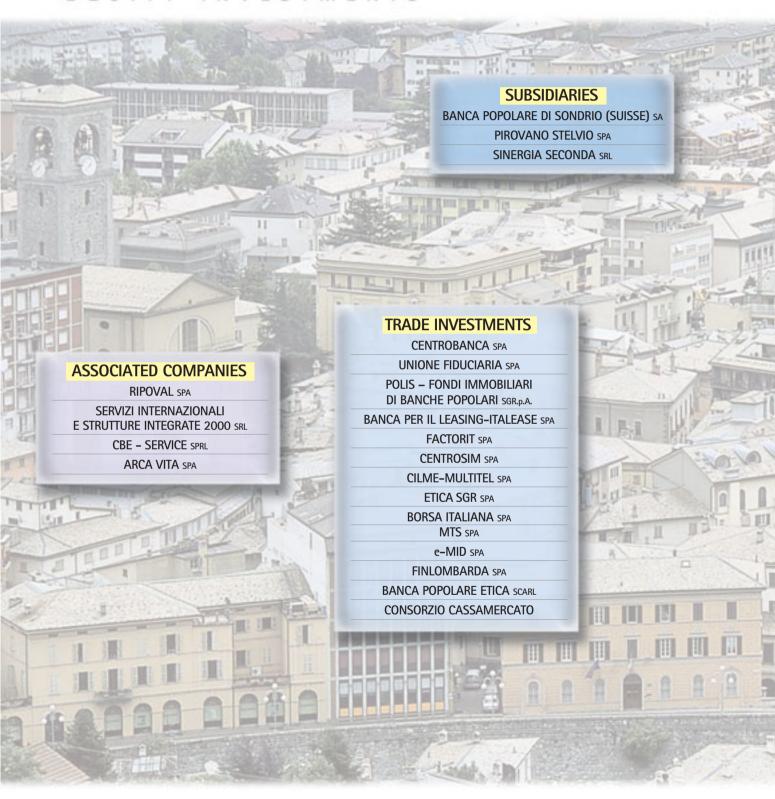
A complex activity, which the shareholder banks delegate on a fiduciary basis in the interest of corporate customers and which Factorit carries on through the competence of its staff. Its organisational, IT and commercial support systems are first rate and being constantly updated, also with regard to the international environment.

Entrusting the collection of ones credits to an institution that does is as a business releases energies and resources in favour of production and marketing. All that companies have to do is follow the procedures, which they can now even do through Web Factoring, a secure home banking application on internet.

The company's success is reflected in its constantly rising turnover and earnings.



EQUITY INVESTMENTS







Centrosim S.p.A. (3.173%, formerly 2%). Securities house.

Another year of sliding stock market indices resulting in inevitable immobility on the part of investors who are still nursing hefty losses has heavily conditioned the operations of all brokers, who feed on turnover. There was no way that our SIM could buck the trend, so after a tiny profit in 2001, it closed 2002 with a loss.

Centrosim's development over time is proof that the founding partners vision was correct, being conscious from the start that the company had to base its business on a substantial volume of transactions to guarantee adequate operating efficiency and effectiveness.

Securities brokerage is a complex and delicate business and for this reason it is subject to strict regulation. This means that it requires substantial investment in organisation and structure, also because it has to be ready to cope when the workload peaks during bull markets.

In accordance with this, over the ten years that the company has existed, growing steadily and giving its shareholders considerable satisfaction, it has worked intensely to build itself a fully developed organisational structure which also envisages operating overseas.

But determination is not sufficient on its own. In addition to adverse market conditions, Centrosim also had to cope with the decision by certain shareholders to build their own brokerage units as part of their own groups. This lowered Centrosim's turnover and hence its market share. It's a bit like when watching a football match at the stadium when everyone decides to stand up. With the result that no one can see properly and you get tired to boot. This applies both to the banks that have left and to those that have remained.

The picture is not idyllic and Centrosim's board has put together a plan to mitigate the rigidity of its costs by concentrating on its core brokerage business.

The results are not immediate, but we trust that they will already be seen during the current year.

We work with this affiliate on an exclusive basis and are convinced that it will have the strength to react to the current situation. The reorganisation is currently in progress will result in BPS taking a higher stake. We hope very much that once it is over it will favour stability of governance by the principal shareholders, which will have to be convinced of this approach, generating as much work as possible for the company.

Cilme-Multitel S.p.A. (5.062% formerly Cilme SpA 7.788%). This company was set up on 8 May 2002 when Cilme SpA and Multitel SpA were merged. We reported in the 2001 financial statements on the reasons and terms of this operation. The ease with which the two companies were integrated and the progress made in the first few months of joint operations suggests that the right decision was taken.

The company's activity is the same as the one that the two companies carried on before they combined, namely the management of electronic retail payments through POS installations, which are constantly increasing and by now in practically every shop; and remote banking, which is being used more and more frequently by companies who see it as an agile and reliable administrative support.

Cilme-Multitel SpA can therefore count on real economies of scale, a factor that is helping to consolidate and develop its leading position in the national market.

Positive economic results right from its first year are a guarantee of solidity; the high level of technology that the company has achieved ensures efficiency and competitiveness, as well as stimulating ongoing research for innovative solutions.

The change compared with the interest held in Cilme SpA relates exclusively to the new parities that emerged after the merger.

Etica SGR S.p.A. (11.364% new). This is an asset management company set up on 5 December 2000 by Banca Popolare Etica to establish and promote ethical mutual funds. One of the purposes of us buying this investment, which was acquired by subscribing to shares as part of an increase in capital, is to consolidate our relationship with Banca Popolare Etica, of which we are a shareholder.

The affiliate is entering this specific market, which is already quite active in more developed financial situations abroad, but still embryonic in Italy, with the firm intention of operating in compliance with strict ethical rules. The objective is to offer so-called «fourth generation» ethical funds, which provide for the evaluation of issuers - companies, state entities and supranational organisations - to ensure that they fully comply with the requisite of overall social responsibility. In other words, ethics in production, correct internal and external management, with particular reference to the quality of the conditions in which employees work, attention to the environment, and responsible economic behaviour.

To achieve this, Etica SGR SpA uses the services of Ethibel, an independent Belgian advisory company that specialises in analysing the social responsibility of companies and governments. The Ethical Committee, the guarantee and representative body vis-à-vis investors, in turn carries out important consultative and proposal-making functions.

This initiative, which has had quite a long gestation period, has only now taken concrete form as it wants to distinguish itself by taking a substantial approach to the problem: not merely an ethical label, but a coherent approach, being well aware that the demarcation line is a question of conviction and culture.

The company's products will be going on sale soon, mainly through the shareholder banks – not just Banca Etica and ourselves, but also

Banca Popolare di Milano and Iccrea Bank SpA, all cooperative banks – with units being sold in three ethical mutual funds (monetary, mixed bond and balanced).

The validity of this project makes it fair to assume that the company will achieve satisfactory growth in both assets and earnings in a reasonable period of time.

Borsa Italiana S.p.A. (0.25%). It was set up in 1997 as part of the process of privatising Italy's stock markets, opening its doors for business on 2 January 1998. It quickly gained a reputation for efficient service, organisation and update capacity. Characteristics that make it one of Europe's best stock exchange management companies.

Borsa Italiana SpA has a delicate function, operating constantly to maintain optimum levels of liquidity, openness and competitiveness on the markets that it runs, guaranteeing their organisation, functioning and development. The company is also responsible for laying down the procedures for admission of issuers and intermediaries to the market, and the rules by which they can remain there; as well as the regulations governing company disclosures and reports. They run five separate markets, each of which is made up of other markets and segments. Another 180 national and international intermediaries are also members.

In order to optimise the various activities of the group that it heads up, Borsa Italiana SpA has taken almost total control of Monte Titoli SpA, a company that has the important function of acting as Italy's central custodian, offering an efficient system of securities settlement, custody and administration.

Numerous initiatives were taken by Borsa Italiana SpA during the year just passed as part of its constant improvement and development of the markets.

Its economic results are positive.

MTS S.p.A. (0.054%, formerly 0.075%). This company is a leader in Europe in the trading



of government securities and repurchase agreements (repos). It operates through a platform that is recognised as being efficient, and through local markets by which it covers the entire euro area. It also has a subsidiary, EuroMTS Ltd, which operates in the London marketplace.

The affiliate managed to take advantage of the boom that followed the introduction of the euro and the enthusiasm for government bond markets in 2002.

This is reflected in the considerable trading volumes that it handled: around 15,500 million for government securities, up 37%; around 11,000 million in repos, up 57%. In other words, an intense activity, repaid in a good results.

MTS is showing a constant desire to grow. Its plans include the introduction of trading in dollars and the launch of a corporate bond trading platform.

The company is an excellent example, even in the delicate segment in which it operates, of an Italian firm making a reputation for itself in an international environment.

The decrease in our interest took place as the result of a reserved increase in capital.

e-MID S.p.A. (1%). The company was set up in 1999 after almost ten years' experience in the institutional domestic market for interbank deposits in lire. It operates in the money market and in the field of short-term interest rate derivatives, managing in particular the market for interbank deposits in euro and in dollars.

The first electronic market of its kind in Europe, e-MID guarantees high levels of service thanks to a secure and reliable technological and organisational set-up.

It has handled a respectable level of business and together with its bottom line, it is clear that the company is a success: the average trading volume on this market comes to 20 million euro and more than 600 million US dollars.

The affiliate operates with a view to improving the liquidity and openness of its

markets in order to raise its competitiveness, all to the advantage of efficient trading.

e-MID SpA has around 200 members, of which around a quarter are foreign. Its objective now is to further strengthen its operations at a European level, thanks to the quality and innovation of its services.

Finlombarda S.p.A. (0.405%). Finlombardia – Finanziaria per lo sviluppo della Lombardia was set up in 1971, the year in which BPS celebrated its centenary. We share the same territorial ambit of operations and the same business of providing support to enterprises, above all those of small and medium proportions. One of the company's institutional roles is to participate in infrastructural projects and initiatives by public entities in Lombardy, many of which are important customers of ours.

This affinity of intent led to our appointment as the custodian bank for the closed-end private equity funds promoted by Finlombarda gestioni SGR SpA, of which the affiliate is the main shareholder. We have expressed the will to buy units in these funds in order to strengthen our relationship with the company and with the Lombard business community.

As regards the operating agreements with Finlombarda SpA based on the specific Regional Laws offering subsidies, in 2002 the convention for access to credit by smaller manufacturing and service companies was updated and extended; a new convention concerned financial support for the modernisation, reinforcement and qualification of tourist and hotel structures and infrastructures. Lastly, operations under Law 1/99 have been revived, encouraging the launch of new entrepreneurial initiatives. This has been met with great favour by operators in Lombardy.

The affiliate made a profit.

Banca Popolare Etica S.c.a.r.l. (0.182%, formerly 0.232%). We originally bought an interest in this company because we shared its principles of cooperation and social solidarity.

Having started up in 1999, Banca Popolare Etica achieved rates of growth that were higher than expected, particularly in terms of assets under management and the number of shareholders. Positive results in the income statement give comfort with regard to the correctness of the bank's strategies and reward the promoters of this courageous initiative, whose vision and enterprise deserve recognition.

The bank manages to maintain its momentum thanks to a structure that is at the same time agile and composite. Its 14 branches are supplemented by the distribution provided by other banks, including ourselves, with which marketing agreements have been signed. It has more than 18,000 shareholders who reaffirm the validity and modernity of the cooperative banking model, and ensure, together with the 70 administrative areas throughout Italy, new business and promotion.

Banca Etica's website suitably illustrates the way that the affiliate operates, the particular nature of the recipients of loans, namely organisations in the so-called «third sector», better known as «not for profit», ethically oriented to social cooperation and protection of the environment. The bank represents a meeting place for investors and these organisations, animated respectively by the desire to invest and use funds in a way that is socially responsible to pursue the common good.

Also with a view to consolidating and strengthening our link with this affiliate, we were happy to participate in the proposal to subscribe part of the capital of Etica SGR SpA, which as explained above, is setting up and promoting mutual funds specialising in ethical investments.

The reduction in our stake depends on the variability of the company's share capital, which increased during the year following an normal issue of shares subscribed by new shareholders.

Consorzio Cassamercato (6.286%). This Consortium was set up based on the idea that it

would a good thing to computerise the payment of merchandise sold in the structures organised by SO.GE.MI SpA, the company that runs Milan's wholesale produce markets. We are involved because we have a branch in Milan's fruit and vegetable market.

The complexity of the technological part of the project, but perhaps more than that, the various problems raised by the future users of the system relating to the characteristics of the integrated mechanised payment system that the planners would like to build, has put a brake on the plan's implementation, which made very little progress during the year.

We hope that it will take off as soon as possible because of the importance of the markets involved.

The Arca Group

Arca SGR S.p.A. (4.816%). For the second year running, the company has had to deal with a drastic slide in world stock markets, a situation that has decimated the resources of many investors and, inevitably, conditioned the asset management industry as a result.

It is a pity to have to commence the report on a highly professional, solid and long-standing firm like Arca on a negative note, and return to a topic that has been debated for some time by the media and in more authoritative places, but the real extent of the problem means that we cannot do otherwise.

After various years that direct or indirect investment in the stock exchange had gradually raised the weight of equities in households' portfolios, arriving at a percentage that had never been reached before, the unexpected duration – not to mention the size – of the price correction triggered off a period of redemptions. Right or wrong, asset management companies found

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themselves with a decline in assets, already eroded as far as equities were concerned.

The emotivity of subscribers accentuated the extent of the phenomenon and an increase in monetary and bond funds was not enough to offset the amount of the reimbursements requested. Talking of which, it is worth underlining the fact that, last year, our own contribution to Arca's overall figure of assets under management remained more or less the same, with a positive balance between new subscriptions and redemptions.

In this difficult situation, the affiliate carried on its management activity according to the principles of equilibrium and reasonable prudence, which form part of its DNA. Its high level of professionalism and organisation, together with the security of its IT system, allowed the company to take on mandates to manage funds on behalf of leading financial counterparties.

Not only. Arca also carved out a significant space for itself in the funds of funds segment, offering ArcaMultiFondo and, in collaboration with Frank Russell Company, ArcaCinqueStelle. Good results have also come from the institutional customer division, which is followed with attention and competence, while the pension fund sector, where the Arca SGR holds second place in the national ranking with Arca Previdenza, is growing slowly in the wait for new regulatory pronouncements which are taking a long time to be announced.

In summary, we can say that Arca SGR continues to be a dynamic, efficient and well managed company, ready to face up to the challenges of the market.

Of Arca's long experience, now of 20 years, we like to remember in particular its initial prudent advice to investors to split their investment 50/50 between the Arca RR bond fund and the Arca BB balanced fund. Today, assuming that all coupons from the bond fund were reinvested, that strategy would have quadrupled your capital.

Arca's team therefore deserves recognition for their vision and their prudence, abilities that make it possible to keep strong nerves even in difficult times, which are faced with the lucidity of professional skill and ethics. At a time when there are fewer and fewer certainties and investors are looking for points of reference, this is no small thing. We, and with us those who have subscribed to Arca funds, have understood this and continue to point it out with renewed faith.

Positive results are a comfort to management's policies and the company's operational efforts.

Arca Merchant S.p.A. (12.841%, formerly 11.604%). This company has been in business for more than 15 years, during which it has gained top level skills and experience. It invests in the risk capital of unquoted companies with the idea of building up the value. Its subsidiary Arca Merchant International SA does the same overseas.

This is a very topical business as various leading players have entered this sector recently, now generally referred to as private equity. Its development is being favoured by the use of closed-end investment funds, for which investors can subscribe to units on the market.

Arca Merchant was an early bird in this market as it gave birth, among other things, to Arca Impresa Gestioni SGR, the asset management company that runs Italy's first closed-end investment fund, launched in 1995, giving it a competitive advantage.

The company, which buys more minority and majority interests, stands out fort he genuinely constructive relationship that it manages to build with the companies in which it invests. The ideal company in which to invest is medium in size, with a solid market position and, obviously, a valid long-term development plan. The nature of the investments excludes short-term interventions, so it is normal practice to identify the most appropriate exit strategy in

advance with the entrepreneur, who maintains his independence on a fiduciary basis.

Arca Merchant wants to be a partner that the owners and managers of the firms involved can bounce ideas off, talking over various possible strategies. This is the entrepreneurial value of the company's approach; because while, on the one hand, its intention is to build up the value of the investment in order to realise the capital gains accumulated, on the other, it is far from being speculative. This is borne out by the many companies that have benefited from Arca Merchant's assistance, now being able to continue autonomously on a stronger foundation. So it is also of benefit to the economy as a whole.

For brevity, we have referred to the company in these comments. But it goes without saying that there are men and women behind every corporate logo. In this particular case, there are invaluable professionals who identify with Arca Merchant's history and give continuity to an entrepreneurial project created with considerable vision by a group of cooperative banks, joint protagonists in the development of territories and companies that make Italy great.

Our trust lies in them, certain that our merchant bank will become even more incisive and effective in its operations. They will always have our support, as usual.

The bottom line, as always, is positive.

Arca Banca di Investimento Mobiliare S.p.A. (12.841% new). This company is known as Arca BIM for short and comes from the transformation of Arca SIM into a bank and its spin-off in various stages from the Arca Merchant Group to which it belonged to the vehicle company Finarca SpA.

Arca BIM, which received control of Arca Impresa Gestioni SGR from Arca Merchant in one of these spin-offs, then merged with the parent company, Finarca, becoming fully visible in its own right. The shareholding structure mirrors that of Arca Merchant SpA exactly.

Its mission is essentially is operate in certain key areas making up the vast securities industry, a business that it already carried on to a certain extent and which the bank wants to enhance and expand.

Four lines of action have been identified, all complementary and synergetic: corporate finance, with a particular focus on medium-sized enterprises with growth potential; private equity using third-party funds, an area in which the company already operates successfully through Arca Impresa Gestioni SGR SpA; trading, a traditional area of activity in which positions of excellence have been achieved in the corporate eurobond sector; and wealth management on behalf of medium/high net worth individuals (a business now known as private banking), a segment in which Arca BIM SpA is operating with interesting counterparties. The range of activities is completed by participation in placement and underwriting syndicates.

The objective is to provide shareholders and companies high quality services and the desire to make a name for itself is very strong. This specific market is growing and has plenty room to do so. So considering that the company has no lack of professional skills, the likelihood of succeeding is good. The starting phase has been comforting and the results already positive.

Arca Vita S.p.A. (22.50%, formerly 17.503%). Already in its fifteenth year, having been set up in 1987 to distribute life and non-life policies through banks, this company acts as the bank's point of reference in the insurance field, together with its group of the same name.

False modesty aside, we were ahead of our time also in bancassurance.

Particular features of the company's approach include rapid response to Market needs, ease of sale over the counter, automatic claim settlement and, in the life sector, the particular care given to the financial and pension component.



The company has churned out modern and competitive products at a very fast rate, given preference during this long bear phase of the stock exchange to policies with capital protection and a guaranteed minimum return, but without precluding the benefits of any rise on the stock market, should that occur. Its pension-oriented products, grouped together in the Linea Pensione package, have also been reviewed and diversified. In the traditional life sector, so-called «temporary death cover», Arca Vita put into practice an idea that we gave them for a «Protezione Azienda» policy to cover the risk of losing a key person in the firm.

A year of intense activity reaffirms, were it needed, the dynamism of our insurance company and of the functional insurance group that it heads up and which includes: Arca Vita International Ltd, an Irish company that in turn operates in the field of life insurance; Arca Assicurazioni SpA in non-life, discussed below; Arca Direct Assicurazioni Srl, support for the activity in internet; Arca Network Sim SpA which brokers the Group's insurance products through money shops; Arca Inlinea Srl, which runs the shared call centre; GAA Services Ltd, which provides services related to the management and administration of unit-linked policies.

Investor prudence has inevitably had an impact on Arca Vita's production, as it did last year, but the income statement is still traditionally positive.

The reorganisation of the shareholding structure gave us a chance to increase our interest in the company significantly.

Arca Vita is our very own insurance company. It was born to sell insurance through banks over the counter and since then has grown because it has interpreted in the best way possible the role of bancassurance; being ahead of its time in non-life as well. The company's operation revolves around the shareholder banks. We are pleased to renew our trust in the managing

director and his team, whose determination and professionalism we know well.

Arca Assicurazioni S.p.A. (9.90%, formerly 7.093%). This company is an integral part of the Arca Vita Group, operating in non-life insurance with rising intensity, strongly equipped with agile and competitive products that have found an excellent outlet in banks' distribution channels.

With a view to enriching its traditional product range which includes In CASA, In FAMIGLIA, In SALUTE and In AUTO, Arca Assicurazioni successfully launched «Solouna!», a modular and flexible multirisk policy designed to protect individuals and their possessions.

Having overcome the start-up phase, the affiliate then started issuing policies in the credit and guarantee deposit areas, deciding that it was worth extending the company's purpose to cover pecuniary loss as well. These initiatives, which reflect the company's dynamism, form part of the plan to rearrange the product portfolio in sectors other than motor insurance. This is an inevitable move on the part of a new company, because after its considerable but unexpected success in selling motor insurance, it now has to diversify its risks.

The improvement in its accounts, which are now positive, lays the basis for the future development of the company which should continue to be profitable. This trend shows that it was correct to implement the repositioning plan decided last February, when the share capital was first reduced and then recapitalised. The increase in our interest derives from the fact that we took up our option rights as well as the shares that were not taken up by others; and in part by purchasing the shares that came available when the ownership structure was rearranged.

B. & A. Broker S.p.A. (14.286%). This is an insurance broker and advisor which integrates the bank's services in the important field of risk coverage.

Its reason for being lies in the growing need for companies to understand better the parts of

their businesses that are subject to risk. B. & A. Broker works with qualified operators to evaluate the possible impact of particular risks and the suitability of insuring against them. This is an aspect that is now of interest to small and medium companies as well, and they are in greater need of assistance than large companies.

The affiliate operates successfully in this favourable market context, steadily increasing the number and quality of its mandates helped by the momentum given by its shareholder banks.

B. & A. Broker SpA carries out the analysis required to identify the areas of a business that are most at risk, also in relation to specific internal and EU regulations; it explains the steps needed to protect the company's assets and revenues; it locates on the market the most suitable insurance products for the company's requirements, also with the best value for money; it monitors constantly the changes taking place in the insurance market in terms of the products on offer, proposing new opportunities on a timely basis; it also handles claims. A complex and prestigious activity which is gradually gaining ground, making more dynamic an important aspect of any company's operations, its insurance cover, until recently considered merely a simple and costly administrative obligation.

The company's bottom line is positive.

Non-trade investments:

AvioValtellina S.p.A. (7.422%, formerly 8.226%). This company manages the airstrip at Caiolo (So).

After the interventions made over the years that permitted the structure to take on its current functions – tourist traffic in fixed-wing aircraft and the helicopter ambulance service, even at night – the affiliate now intends to evaluate the implementation stage of the development plan prepared by SEA, the company that runs Milan Linate and Malpensa airports. The purpose is to upgrade the airstrip so that planes holding 50-60

people will be able to take off and land. This would mean extending the runway from the current 1,050 to 1,260 metres, as well as adding indispensable safety features.

The related investment would be justified above all by the support it would give tourism, which is the leading sector of the economy for our Valleys, which suffer above all from poor communications. It would also be very useful for civil protection purposes, not only for our own territories, but also for the whole of the Alps, given that Valtellina lies right in the middle of them.

So there are plenty reasons to look favourably on the development plans that AvioValtellina SpA is about to look into. The projects are undoubtedly of considerable interest to our entire province, but they are a considerable economic commitment. And if the plans are to implemented, they will need a broad base of convinced supporters.

Our interest has decreased because the majority shareholder subscribed a new issue of shares.

The financial statements show positive results.

Spluga Domani S.p.A. (1.49%). Spluga Domani runs most of the structures in the Spluga Valley ski complex, including the highly modern underground funicular railway connecting Campodolcino and Motta.

For those for whom snow is a living, the 2001-02 season is best forgotten. The lack of the vital raw material at times meant that slopes without artificial snow machines could not be used. Just imagine that in the area operated by Spluga Domani SpA, the slopes in the Val di Lei were only useable from the beginning of March 2002, despite the fact that they are at an altitude of 3000 metres.

The affiliate, determined and reactive as ever, faced up to this difficult situation by making massive (and expensive) use of snow-guns, which produced enough so that people could ski, but it



could not make up for the high proportion of skiers who deserted the slopes. The bottom line inevitably suffered as a result, even more in the red that before. In the meantime, Spluga Domani is continuing to strengthen its structures, following a detailed long-term investment plan. Among other things, work has started on a new four-seater skilift with automatic cable connection on the Madesimo-Lago Azzurro stretch, while other substantial interventions have involved maintenance and upgrading of existing structures.

The environmental importance of the Valle Spluga ski area is a key element of the provinces tourist services and deserves adequate support. We will continue to do our part, while it is only right that we recall the considerable grants paid by various public entities under current laws.

Società di Sviluppo Locale S.p.A. (5.714%). The debate among the shareholders as to the role that the company was to play is now behind us and action was at long last taken during the year on some real topics.

As part of the EU initiative Leader+, the Lombardy Region has identified Società di Sviluppo Locale as a suitable structure to implement in Valtellina and Valchiavenna the plan to enhance the value of Europe's rural areas. The affiliate has therefore taken on the role of Local Action Group, undertaking with the Mountain Communities in the province to cofinance interventions that the Group decides to promote. Also in connection with Interreg and Objective 2 projects, the company is acting as the local coordinator of initiatives that can be financed by the European Commission.

A second ambit concerns the feasibility study of a broadband telecommunications system for the province of Sondrio. Still has to be looked into more closely are the potential technical and economic aspects of cabling the area so as to provide advanced services to the population, the business community and the public administration.

We trust that the affiliate – which is making a profit – will be able to achieve its objectives.

AEM S.p.A. (0.333%). Of all the companies mentioned in this chapter, this is the only one that is quoted. It owes its notoriety to the historical role it had as one of Milan's main municipal utilities and its ability to interpret how the market was evolving: from electricity to the various segments now covered by public utilities.

Apart from being a solid financial investment worth holding on to over time, our stake in AEM expresses the strong relationship of affection and of territory that we have with a prestigious enterprise that, like us, was born and bred in Lombardy and which has chosen as the critical points of its industrial development the city of Milan and the province of Sondrio. Of course, while the road is the same, we have travelled it in the opposite direction and in different periods.

But this is why we share principles and values. This is why we have created strong working relationships: among other things, we have had a branch inside AEM's Milan head office for the last 20 years or more. But above all, this is why there is a reciprocal desire to work towards the economic growth of the areas where we go to operate.

The company's historical origins give an idea of the extent to which AEM is deeply rooted in our province: the decrees in favour of the Municipality of Milan to use the waters of the River Adda from Tirano to Cepina and of the Roasco, a stream, date back to 1908 and 1909 respectively. The considerable investments that the company is making in our area – the new Viola canal, which runs in tunnels for fifteen kilometres; Premadio Due, a high-pressure conduit parallel to the existing one; a fourth generator at the Grosio power station – are all confirmation of a story that continues.

AEM SpA, which heads up a group of companies operating both in electricity and in telecommunications, is obviously not just Valtellina. Suffice to think of the modern thermo-

electric power station at Cassano d'Adda, of considerable technological and environmental importance and now being upgraded; the acquisition through its subsidiary AEM Distribuzione Energia Elettrica SpA of the ENEL grid in the municipalities of Milan and Rozzano; its shareholding in Edipower SpA, the company that took over Eurogen SpA, the largest of the generating companies sold off by ENEL, with plants also in Valchiavenna; the cabling of the city of Milan by Metroweb SpA.

There is more than enough to reaffirm what AEM has always represented for us: solidity, work, considerable capital investment, engineering works and profit, while we will leave it to the experts to analyse and comment on its robust balance sheet and income statement.

InArCheck (15.385% new). This is a service company that controls and certifies constructions. It was set up on 25 February 2002.

The initiative, with BPS as one of the founding shareholders, was promoted by the majority shareholder Cassa Nazionale di Previdenza ed Assistenza per gli Ingegneri ed Architetti Liberi Professionisti - Inarcassa, with which we have a close working relationship, given that we are their «cashier» since 1 July 1999. Another shareholder is the Cassa Italiana di Previdenza ed Assistenza dei Geometri, which is also an important counterparty for us.

InArCheck SpA, which is certified SINCERT (acronym for Sistema Nazionale per l'Accreditamento degli Organismi di Certificazione), provides quality services in the field of civil and industrial constructions, such as support for the validation of building plans; the inspection and control of works and installations; checking and certifying the quality of management systems, products and components; assistance for project managers, training.

To summarise, the affiliate intends to provide a valid instrument for the construction industry, with a view to raising the margins of

economic and quality satisfaction on the part of the end user, whether public or private. Participating in an initiative carried out with rigour and substance by professionals for professionals and entrepreneurs in the same sector is a undoubtedly source of pride. Our commitment is also that of creating among our customers a greater awareness of this modern and qualified support system and facilitating access to it.

The contracts acquired in the first few months that the company was open for business are indeed comforting.

Teleriscaldamento – Coogenerazione Valcamonica, Valtellina-Valchiavenna S.p.A. (2.302%). Now that five years have passed since this company was founded, on 20 October 1997, and after its second full year of operations, the positive results that it has achieved, in terms of both turnover and earnings, allow us to affirm that the initiative is living up to expectations. In other words, the production of heat and energy by burning scrap wood is a reality that is industrially feasible, economically advantageous for users and of real benefit to the environment, which in this day and age is no bad thing.

In the municipalities of Tirano and Sondalo, where district heating is operative, around 600 buildings that have been hooked up, representing around 60% of their two populations, which gives an idea of how well this idea has been received.

The proven validity of the project – in which various others have expressed an interest, including some leading national institutions – makes it possible to approach the implementation of the revised development plans with a reasonable safety margin. In detail, the projects involve upgrading the capacity of the system, the development of the distribution networks in Tirano and Sondalo and the installation of new plants – directly or with the participation of companies set up specifically for this purpose – in other residential communities or individual structures of a certain size. The installation of a third boiler at the Tirano power



SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND THE GENERAL MANAGER

First and last name	Company in which shares are held	No. of shares held as of 31/12/2001		No. of shares allocated and purchased in 2002		No. of shares sold in 2002		No. of shares held as of 31/12/2002	
Directors		Shar Directly	es held: Indirectly	Share Directly	s held: Indirectly	Share Directly	s held: Indirectly	Share Directly	s held: Indirectly
PIERO MELAZZINI	Banca Popolare di Sondrio scarl	105,000	24,616					105,000	24,616
SALVATORE BONOMO	Banca Popolare di Sondrio scarl	22,000	21,000					22,000	21,000
ALDO BALGERA	Banca Popolare di Sondrio scarl	122,504	12,631	_	_	_	_	122,504	12,631
GIANLUIGI BONISOLO	Banca Popolare di Sondrio scarl	2,360	1,074	_	_	_	1,000	2,360	74
ALBERTO CREDARO (*)	Banca Popolare di Sondrio scarl	1,200	4,800	_	_	_	_	1,200	4,800
GIUSEPPE FONTANA	Banca Popolare di Sondrio scarl	200,000	_	_	_	_	_	200,000	_
MARIO GALBUSERA	Banca Popolare di Sondrio scarl	2,400	2,400	_	2,600	_	_	2,400	5,000
CARLO GRASSI	Banca Popolare di Sondrio scarl	400	81,200	_	_	_	-	400	81,200
MILES EMILIO NEGRI (**)	Banca Popolare di Sondrio scarl	40,000	40,000	_	_	_	_	40,000	40,000
NICOLÒ MELZI DI CUSANO	Banca Popolare di Sondrio scarl	33,000	900	4,000	_	4,000	_	33,000	900
ALDO ROSSI	Banca Popolare di Sondrio scarl	25,000	30,000	_	_	_	_	25,000	30,000
RENATO SOZZANI	Banca Popolare di Sondrio scarl Pirovano Stelvio spa	15,060 a 8,000	15,060	- -	- -	- -	- -	15,060 8,000	15,060 -
LINO ENRICO STOPPANI	Banca Popolare di Sondrio scarl	15,000	9,500	_	5,500	_	_	15,000	15,000
MARIO TESTORELLI (***)	Banca Popolare di Sondrio scarl	12,056	7,531	_	_	_	-	12,056	7,531
BRUNO VANOSSI	Banca Popolare di Sondrio scarl	25,070	29,474	_	_	_	_	25,070	29,474
FRANCESCO VENOSTA	Banca Popolare di Sondrio scarl	12,688	1,115	_	100	_	-	12,688	1,215
Statutory Auditors									
EGIDIO ALESSANDRI	Banca Popolare di Sondrio scarl	909	681	_	_	_	_	909	681
PIERGIUSEPPE FORNI	Banca Popolare di Sondrio scarl	6,080	14,860	361	_	_	_	6,441	14,860
ROBERTO SCHIANTARELLI	Banca Popolare di Sondrio scarl	13,200	_	_	_	12,200	_	1,000	_
PIO BERSANI (****)	Banca Popolare di Sondrio scarl	500	_	_	_	_	_	500	_
MARIO VITALI	Banca Popolare di Sondrio scarl	17,000	3,000	_	_	_	_	17,000	3,000
General Manager									
MARIO ALBERTO PEDRANZINI (*)	Banca Popolare di Sondrio scarl	10,000	_	_	_	_	_	10,000	_

^(*) up until 2/3/2002. (**) from 2/3/2002. (***) died 10/12/2002. (****) from 2/3/2002.

station has launched the production not only of heat, but also of electricity, becoming the first cogenerative plant run on vegetable biomass in Italy.

We are duty bound to recall that all of this has been achieved thanks to the determination of the company's directors and above all the financial support of the Lombardy Region, which is keen on projects that promote the use of alternative sources of energy.

Valtellina Golf Club SpA (2.874% new). The company runs the golf club in Caiolo, in the province of Sondrio.

The club meets the needs of a growing number of enthusiasts. Whether it is a fashion, or because it is a sport that can be played at any age, golf is now becoming popular in Italy as well. The fact that it is spreading throughout the world proves that it is a sport worth following.

For Valtellina, it is an initiative that takes on considerable importance in terms of raising the quality of the services offered to tourists in the area. The course, which may well be expanded from nine to eighteen holes depending on a study that is currently underway, is located on the edge of the airstrip used by amateur pilots, making it an interesting pole of attraction.

We decided to participate in this project to express our support for a local initiative that helps to promote and enhance the value of our territory.

The required information on intercompany transactions can be found in the notes. These transactions have always been carried out in the interest of the companies concerned and at arm's-length conditions. The table entitled «Intercompany assets and liabilities with Group companies» shows assets of 168.670 million and liabilities of 181.374 million. The guarantees given on behalf of Banca Popolare di Sondrio (Suisse) SA amount to 0.512 million.

Related party transactions as identified in accordance with CONSOB Communication no. DEM/2064231 of 30 September 2002, form part of

the bank's ordinary operations and are regulated at market conditions or, in the absence of suitable parameters, on the basis of the costs incurred.

Part D of the notes, «Other Information», gives details of the fees paid to the Directors, Statutory Auditors and the General Manager, as well as any loans and guarantees given, in compliance with art. 136 of Legislative Decree no. 385 of 1 September 1993.

During 2002 as well as during the current year there have been no atypical or unusual transactions that might have a significant effect on the bank's economic or financial standing.

In accordance with Art. 79 of CONSOB Resolution no. 11971 of 14 May 1999, as amended, we have prepared a separate table reporting the shares of the bank and its subsidiaries held by directors, statutory auditors and the general manager (or by their spouses unless legally separated and their minor children), whether directly or through subsidiaries, fiduciary companies or third parties.

In implementation of the rules on internal dealing contained in the Regulations governing the markets organised and run by Borsa Italiana SpA, approved by CONSOB Resolution no. 13655 of 9 July 2002, the bank's Board of Directors issued the Code of Conduct as envisaged at the board meeting held on 4 December 2002.

INTERNATIONAL UNIT

Our international unit has always been known for massive foreign transactions with an innovative approach. Known therefore for specialist payment services, for exchange transactions and for promoting links between operators in its territories and those in foreign lands.

In other words, the unit has always been at the forefront, exploring and making contacts both on this side of the frontier and on the other.



For the past several years, our people have had to tackle a new phenomenon with farreaching effects that have become even more evident in recent times: globalisation. This, indeed, has been responsible for progressively blurring the political, cultural, economic and even physical frontiers between the various regions of the world. The consequences of this are not entirely positive and, at any rate, they are not so for everyone. Accordingly, it is necessary to direct or at least guide the processes under way, without merely accepting them in a supine fashion.

With regard to that which most affects us Europeans, the Euro – a currency born to unite and not to divide – is just the latest, if most evident and significant, step along a journey that commenced half a century ago and whose final mission is rather more than just the mere creation of a continental common market. The next challenges have been on the programme for some time now: indeed the further expansion of the Union sees as many as ten new member nations knocking on the door.

Our international unit, equipped ahead of time, has found these briefly-mentioned but substantial changes in the operating environment to be highly stimulating, and has progressively broadened its horizons. For example, the introduction of the single currency was seen as a chance to expand our scope of action, not just to offset the loss of earnings from transactions between currencies that no longer exist, but also to help those who, like us, have understood the importance of the «moment». These are the stimuli that drive our activities: sharp jabs of desire for growth.

In short, if on the one hand the progressive blurring of borders and frontiers makes the concept of «foreign» more ethereal, on the other, the more immediate and direct contact with new economic realities forces businesses to seek banking partners equipped to help them grasp economic opportunities that, until a short time ago, were unattainable.

We have even measured up to this task in the new territories that have only recently adopted a market economy, offering as ever topnotch services. This represents our platform for the launch of direct services available in all nations.

Quality is a fixation of ours, in that we consider it a value that must grow steadily over time. As such, once again our ISO 9002 quality system was successfully checked this year – in April and December – by Det Norske Veritas, a leading certification firm. At this time, we are the only Italian bank with such certification for cross-border payments, foreign pensions, correspondent banking products and documentary credits. This is an important visiting card, but also a stimulus to move ahead day after day.

Our people have focused strongly on three areas over the year under review: the consolidation of traditional areas of operation, the development of new opportunities, and the improvement of the technological and organisational aspects of our business.

On the first point, in addition to the start of new working relations with highly prestigious counterparts, we have also been appointed to pay in Italy the pensions earned in Belgium by our nationals. In this regard, the survey conducted to gauge the degree of satisfaction of Italian pensioners who receive services on behalf of foreign banks and entities reported entirely satisfactory results.

In June, we signed an agreement in Lausanne to extend our on-going collaboration with the Group of the 24 Swiss Cantonese Banks. In particular, earlier understandings were formalised and extended to include assistance for Swiss citizens wishing to obtain mortgages for the purchase of property in Italy.

This development of new business opportunities was made possible by paying close attention to the changes that are taking place in the sectors concerned, and by the desire to







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respond on a timely basis to the needs of our counterparts, who vary greatly in terms of scale - from private citizens, to small businesses, multinationals and institutions, and to operational requirements.

In a world in which everything changes and evolves with surprising rapidity, new needs arise as a result of technological developments, life-style changes, the transformation of the workplace and the increased mobility of assets and people. Since history repeats itself, migratory flows are again affecting our nation, even though in an opposite sense with respect to the past. Remittances from emigrants who work in Italy now make a significant contribution to the incomes of numerous other countries. This has led to an expansion of relations and to the tuning of tools for the effective and appropriate management of the related massive financial flows. Profitable co-operation with Western Union continues in this sense, together with focused contacts with banks in those States with a significant number of citizens present in Italy.

With regard to risk management on behalf of suitably qualified counterparts, we have arranged operations of significant value, demonstrating our project-management capability with a view to diversifying our sources of revenue.

Our commitment to improving all technological and organisational aspects of the sector has been decisive, given irresistible pressure deriving from the constant development of EDP and telematic applications, not to mention the broader range of work performed. We now have a new intranet system to monitor payments traffic through both the central and peripheral international units. By referencing a single database, this system makes operators' queries both quick and extremely easy, thus increasing the level of control, security and automation, and avoiding the print-out of numerous reports and documents, with consequent savings in terms of both time and money.

The final objective is to respond to correspondent banks, institutional clients and businesses in real time, thus enabling them to monitor in full their respective transactions.

Our on-going co-operation with SACE, the public agency for the insurance of foreign trade, has seen positive developments. For example, we have been selected, together with 4 other banks, as «test pilots» for «Credoc on line» a new internet product. Using this system, it is possible via the Internet to ask SACE to cover the risks on documentary credits relating to a large number of foreign counterparts, i.e. on a rapid and standardised basis. This product has been available from us since last autumn.

The chapter dedicated to our investments describes the invaluable contributions made by Servizi Internazionali e Strutture Integrate 2000 srl and by CBE Service Sprl, without failing to mention that the latter, in additional to its established services regarding EC programmes and financing, has also published «Vademecum Università» and «Vademecum e-Business ed Internet» - interesting and complete studies that were immediately distributed by us.

Published on time, as ever, to a waiting audience of operators, «Cambi & Tassi» provides useful data and statistical information at the start of every year.

Turning to look at the numbers, we now have rather more than 13,000 clients, following an increase of about 12%. More clients, but also more clients with clients. We have a substantial network of correspondent banks throughout the world – 1,280 banks in 105 nations – all well chosen and tested over time, able to respond in full to our needs and to those of our clients and the institutional entities that turn to us.

Our international systems carried out more than 1.5 million transactions during the year, slightly more than in 2001, despite the loss of work related to the bank notes of countries belonging to the Monetary Union. There was also a noticeable increase in use of the Swift system, which now links 6,800 financial institutions in 190 countries. The number of messages sent and received by us during the year reached 810,000, up more than 9%. Swift, well known as the fastest and most used international circuit for payments and business transactions, will soon be used for domestic transactions as well.

The volumes traded also made good progress. Currency transactions increased on both current account (goods and services), up more than 15%, and in relation to capital movements, up about 7%.

Foreign exchange transactions fell by around 16% due to the introduction of the single currency.

There was also good growth in the volume of exchange, interest-rate and commodity derivatives. Activity with regard to precious metals, always strong, highlighted a marked rise in the sale of gold with a slight reduction in the related gold loans.

In terms of the balance sheet parameters, currency and foreign euro deposits from customers rose strongly to 250 million, up 18%. Conversely, currency deposits from banks declined to 1,003 million, down 28%.

The 17% reduction in currency loans to customers, to 881 million, reflects the transformation of loans previously denominated in currencies that were converted into euro.

These brief notes conclude with some thoughts dedicated to our people in the international unit. The weight of the knowledge and experience that accompanies them in their travels around the world, although increasingly heavy and voluminous, is not a burden but rather enables them to develop contacts and business relations and, therefore, additional work for the bank. Accordingly, we are committed to their professional growth via courses, secondments, onthe-job training etc. in order to steadily improve their knowledge of languages, commerce, banking

techniques and computing. Ahead of this, however, comes their sensitivity and attitude when dealing with counterparts and the desire of our people to be at their service, proposing solutions to their problems and needs. These are innate qualities. Via careful selection we identify those with such qualities, and take steps to cultivate their development and refinement.

This is a task that we are happily prepared and equipped for, both in general and with regard to the international unit, where the confident enthusiasm of our staff abounds.

SERVICES, PROJECTS AND STRUCTURE

Sales, Marketing, Corporate Loans, Public Entities and Treasuries

It is fair to say that, from the start of banking, the weight of importance in terms of the profitability of the eternal trinity – deposits, loans, services – has shifted over time in favour of services. Banking efficiency struggles to keep up with the growing demand for these important activities. More clients, more specialists. Customers have also evolved and become more demanding.

Every business has among its primary objectives the growth of its business relations and volume of activity, and this is particularly so in our case since we have sought to expand our territorial presence for many years. Accordingly, there is a need to enter new areas quickly and efficiently, and to consolidate activities in centres that have already been served for a long time. This represents a major commitment for the entire organisation, supported with intelligence and tenacity by the ideas and assistance provided by the sales and marketing team.

Increasingly, our people guide clients through the labyrinth of products, some featuring wondrous anglicisms, that meet their requirements.



THE VIRTUAL BANK



There has been steady development of the virtual banking applications available through SCRIGNObps, the users of which, tens of thousands of them, are growing fast. Principal innovations during the year: on-line prepayment of mobile phone charges, with Vispopay direct debit; the loans section; expansion of the part dedicated to bank transfers; updated SCRIGNOGesTes information and a new tool for those entities who use our treasury and cashier services; information regarding the Popso (Suisse) Investment Fund. SCRIGNOFacile

is also worthy of mention, being a version designed for persons with physical or sensorial disabilities. This application was developed thanks to the collaboration of a blind psychologist, expert in "access" problems. Our virtual unit opened during the year, managing client relations by telephone and via the Internet in support of and going beyond branch activity. At the heart of this service lies our call centre, where young operators interact with those on the other end of the line requesting advice or help.

Established commercial channels have been joined by new methods of distribution deriving from the application of modern technology. This leads to a requirement to keep traditional offerings up to date, while also preparing innovative products and services.

In both cases, we have sharpened our senses to identify – direct from the horse's mouth – the wishes of both current and potential clients; to look around and understand what other are doing and what technology can offer; to share ideas and projects, leaving room for creativity and the initiative to take action.

Our daily activities are guided by a desire to establish and develop close collaborative ties, founded on reciprocal trust and designed to last efficiency over time. Demonstrable effectiveness, supported by excellent interpersonal relations, add value to an otherwise dry user/ supplier relationship. Our virtual unit opened during the year is an example of this, managing client relations by telephone and via the Internet in support of and going beyond branch activity. At the heart of this service lies our call centre, where young operators interact with those on the other end of the line requesting advice or help. This initiative is aimed at both the individuals and communities for whom we perform specific services.

SCRIGNObps Vispopay

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reflects the steady

This service

sensorial disabilities. This application was developed thanks to the collaboration of a blind psychologist, expert in «access» problems. This contribution to improving the quality of life will be followed by others in 2003, European Year of the Handicapped. As in the past, this represents meaningful solidarity among members of the same community.

An agreement has been reached with Mercato Impresa spa, part of the Banca Popolare di Bergamo - Credito Varesino Group, which operates in the so-called virtual Internet market under the Coralis name. The objective is to promote profitable links between customers and suppliers via, for example, buying groups, offers on advantageous and personalised terms, and participation in auctions.

This innovative service is offered in collaboration with local trade associations and early results have been encouraging. This new way of working offers savings on purchases and faster procedures which, by the way, are clearer to understand, while also enabling businesses to promote the sale of their products. Setting up stall in the town square, so to speak, invites comparison but also opens up unexplored markets and, as is well known, strength comes from competition.

Our «bancassurance» activities have consolidated and strengthened their position. This success must be shared with Arca Vita spa and Arca Assicurazioni spa, our affiliates.

In the life sector, where the financial component dominates, the offering – in its various forms of unit linked, index linked and index funds – has focused on protecting capital invested and on various peculiarities of an insurance nature. Even among regular premiums business the possibility to choose between the various product lines has been expanded to allow for different risk propensities. Each product has a name that summarises its key features. For example, «Protezione Azienda», a

Milan, Piazza Duomo



BANCASSURANCE



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features. For example, "Protezione Azienda", a policy created for us by Arca Vita spa, is available to businesses wishing to take out "key person" cover. Volumes have risen in loss insurance. In addition to the well known In AUTO, In CASA, In FAMIGLIA and In SALUTE, Arca Assicurazioni has also launched Solouna!, a modular and flexible multi-risk policy covering the person and his assets. B. & A. Broker spa, an affiliate, completes our insurance offering, specialising in consultancy and broking with mandates from businesses.

Brescia, view from the Castle



SUPPLEMENTARY PENSIONS



Supplementary pensions, featured virtually every day in the press, given the significant interest aroused, are gradually taking hold despite a need for clearer signals from the legislator. We are following the trends. While Arca Previdenza, an open

pension fund managed by Arca SGR spa, continues at the top of national rankings, Linea Pensione by Arca Vita spa gives savers considerable flexibility to personalise their plans. policy created for us by Arca Vita spa, is available to businesses wishing to take out «key person» cover.

In AUTO In CASA In FAMIGLIA-In SAI LITE Solouna!

Volumes have risen in loss insurance. In addition to the well known In AUTO, In CASA, In FAMIGLIA and In SALUTE, Arca Assicurazioni has also launched Solouna!, a modular and

flexible multi-risk policy covering the person and his assets.

Insurance brokerage

B. & A. Broker spa, an affiliate, completes our insurance offering, specialising in consultancy and broking with mandates from businesses.

Arca Previdenza Linea Pensione

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Popso (Suisse) Investment Fund Sicav

With regard to managed savings, battered by events on the stockmarket, we took our usual measured approach

and achieved net inflows in every sector: in the management of securities and funds, including a new 50% balanced fund; in Arca mutual funds, promoted by a leading and long-established savings management company; in Sicavs with our own Popso (Suisse) Investment Fund Sicav, available in Swiss francs and offering new lines -Japanese shares and European convertible bonds – that will soon be available in Italy.

Obviously enough, the downturn in equities had a more than slight effect on portfolio decisions.

We have also started placement of Swissca Lux Fund Swissca Lux Fund, a multi-segment mutual fund operated by the group of Swiss Cantonese Banks.

The share of savers' financial assets entrusted to institutional investors has increased markedly in Italy over recent years. Although we represent a small part of this sector, we have played and continue to play our «part».

Our accounts for young people, 1° Conto POPSOWeb and Conto Student POPSOWeb, continue to be well received. LEONARDO Theorema and LEONARDO Theorema zero

1° Conto **POPSOWeb** Conto Student **POPSOWeb LEONARDO** Theorema

spese have been devised this year for students attending the Milan Politecnico. A common feature is their easy access to Scrigno, our Internet banking service.

With a view to assisting Conto Corrente Solidarietà deserving institutions, we have added AVIS Associazione Volontari Italiani Sangue, and AMDO Associazione Donatori Midollo Osseo, to the list of established beneficiaries of proceeds deriving from our Conto Corrente Solidarietà.

Among the first banks in Italy, we have been issuing for some months now prepaid PagoBANCOMAT cards

Prepaid cards **PagoBANCOMAT** Carta Lira

in two forms: rechargeable and disposable. These cards fill a gap in the electronic money sector, where our Carta Lira card, devised a while back together with the State financial authorities, is making progress and expanding its coverage. Servizi Interbancari has updated its products for top-end customers. CartaSi Business Oro and CartaSi Platinum are both new, while CartaSi Oro has been revised.

With regard to bulk settlements, **BANKPASS** Web we promptly joined the BANKPASS Web project, a simple and secure system to make on-line payments for electronic shopping, promoted by the Italian Banking Association (ABI).

The unstoppable spread of plastic money means that POS readers are present everywhere. We have installed a total of 6,903 units, up by 1,023 during the year. With regard to remote Cremona, Piazza Duomo



PAYMENT CARDS





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making progress and expanding its coverage. Servizi Interbancari has updated its products for top-end customers. CartaSi Business Oro and CartaSi Platinum are both new, while CartaSi Oro has been revised. banking facilities that enable businesses to make transactions at a distance, we have installed a further 390 systems thus raising the total to 1,452.

Corporate Loans

The corporate loans unit, created in 2000, is working successfully - as demonstrated by both the business

concluded and that in progress. This rewards the professionalism of our staff and confirms our positioning close to producers that are making major decisions for the future in the new, expanded market. Business is especially focused on support for entrepreneurs facing delicate decisions, such as those seeking fresh capital or managing a generation change. Consultancy for project financing has also been of particular importance. Action has included optimisation of the financial structure of firms, by finding them the best mix of equity capital and debt. The unit also packages loans granted out of European Investment Bank funds, with a view to making them as appropriate as possible.

These services are among those least visible; they have low visibility since they are included in the products produced and traded by clients, to whom the bank then makes loans. Such services contribute to the development of the bank and the professional growth of our staff.

Consistent with the role of a bank committed to supporting the economies of local territories, we pay close attention not only to families and businesses, but also to public institutions and to those of this type that have now been privatised. The objective is to offer advantageous collaboration to counterparts and provide citizens with efficient and effective services. Aware of our civic responsibility, our aim is to generate additional direct and indirect business in areas of significant interest.

Public Entities and Treasuries

The public entities and treasuries unit, acting with tenacious commitment and experienced professionalism, supervises and takes care of operations deriving from more than 400 contracts, some of which are particularly important, with a high volume of payments traffic. Teamwork is a key success factor in satisfying the needs of counterparts which, sometimes, can be rather complex.

The importance of this unit stems from the quality, quantity and variety of its services. An office that enjoys competing with itself and with increasingly aggressive competitors.

The rise in the number of mandates justifies the continuing investment in people and technology that has sustained our rapid growth over the years. 2002 was another year of confirmations and acquisitions, the most significant of which are mentioned below.

We took over as cashiers for Milan's Politecnico from 1 July 2002, including an internal branch at its piazza Leonardo da Vinci headquarters. Towards the end of the year we also won contracts for Pontificio Ateneo Salesiano, Rome, and Libera Università di Lingue e Comunicazione IULM, Milan. Together with Bocconi - Milan, Insubria di Varese e Como, San Pio V and Pontificia Lateranense - Rome, this raises the total number of Universities served by the bank to seven.

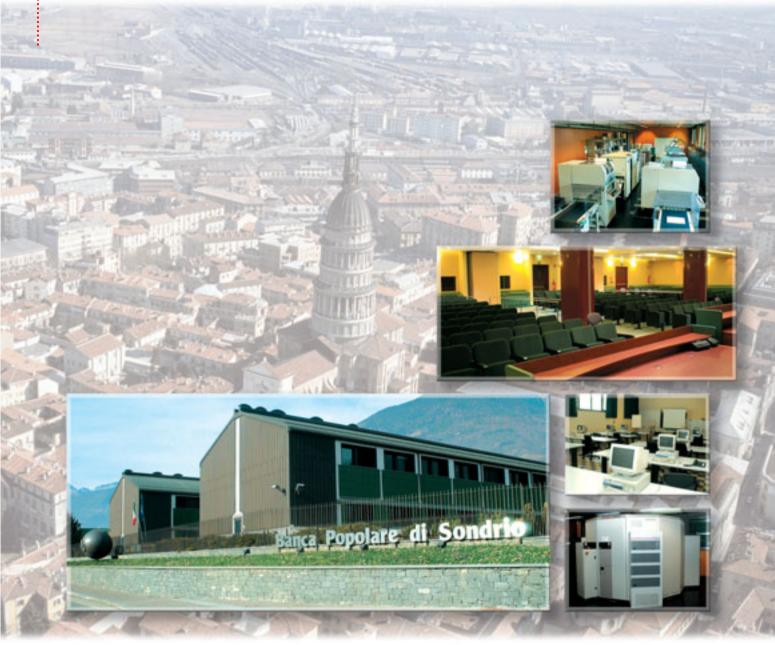
With regard to «Pension Funds», our extensive list of clients now also includes the Cassa Nazionale di Previdenza ed Assistenza for accountants and bookkeepers.

Finally, it is worth noting the acquisition of cash management services for Camera di Commercio Industria Artigianato e Agricoltura, Lecco; Azienda Sondriese Multiservizi spa – an efficient and profitable company - and the treasury of the hard-working municipality of Desio (Milan).

At the end of 2002, there were 77 treasury branches resulting from public competitions and the renewal of agreements, an increase of four. New openings took place at Cilavegna (Pavia), Suello (Lecco), Mozzanica (Bergamo), Vezza d'Oglio (Brescia) and Montagna in Valtellina



F. MORANI SERVICE CENTRE



SOSI – Servizio Organizzazione e Sistemi Informativi (information systems and procedures) – is the central nervous system that sends out impulses along fibre optic cable to all parts of the bank. The team, well guided and trained, demonstrates tenacity, ideas and the ability to implement them. Following the challenges to become year 2000 compatible and the arrival of the Euro, this department has tackled a wide range of traditional and innovative tasks. In this regard, SOSI helped to create the virtual

unit; developed our intranet, which has added content and become well liked by employees for its high degree of flexibility and practical usefulness. In the more traditional areas, SOSI has been active everywhere, ensuring that the "machine" continues to work well by constantly updating the technology used and the related organisational processes. The quality of the department, which primarily benefits our clients, confirms the decision to retain all data processing activities as an in-house service.

(Sondrio), while the services of the unit previously at Piantedo (Sondrio) are now provided by the local branch.

At the close of this analysis, which confirms our initial statement i.e. services «multum et multa», we are truly prepared to affirm that the real product of a bank is the services it provides.

Central offices

Just as in team sports, where those that complete the action need all the support they can get from their valiant henchmen, so our branches need the backing of the central offices in order to conclude their commercial and operational transactions. Accordingly, we will now review the activities of these offices, whose invaluable work is hidden to most of us.

sosi

Starting with SOSI – Servizio Organizzazione e Sistemi Informativi (information systems and procedures)

– the central nervous system that sends out impulses along fibre optic cable to all parts of the bank. The team, well guided and trained, demonstrates tenacity, ideas and the ability to implement them. Following the challenges to become year 2000 compatible and the arrival of the Euro, this department has tackled a wide range of traditional and innovative tasks. In this regard, note that the virtual unit mentioned earlier was produced in the SOSI workshops by, in particular, the innovative systems team.

The development of our intranet was also progressed, adding content and becoming well liked by employees for its high degree of flexibility and practical usefulness. Active both in the central offices and at branches, the system provides such widely used services as electronic forms and the on-line consultation of documentation. Practicality combines with low cost and the ability to communicate in real time throughout the whole of the bank.

In the more traditional areas, SOSI has been active everywhere, ensuring that the «machine» continues to work well by constantly updating the technology used and the related organisational processes. The quality of the department, which primarily benefits our clients, confirms the decision to retain all data processing activities as an in-house service.

The Planning and Control Department continues to grow in importance and functions, with a Planning and Control Department

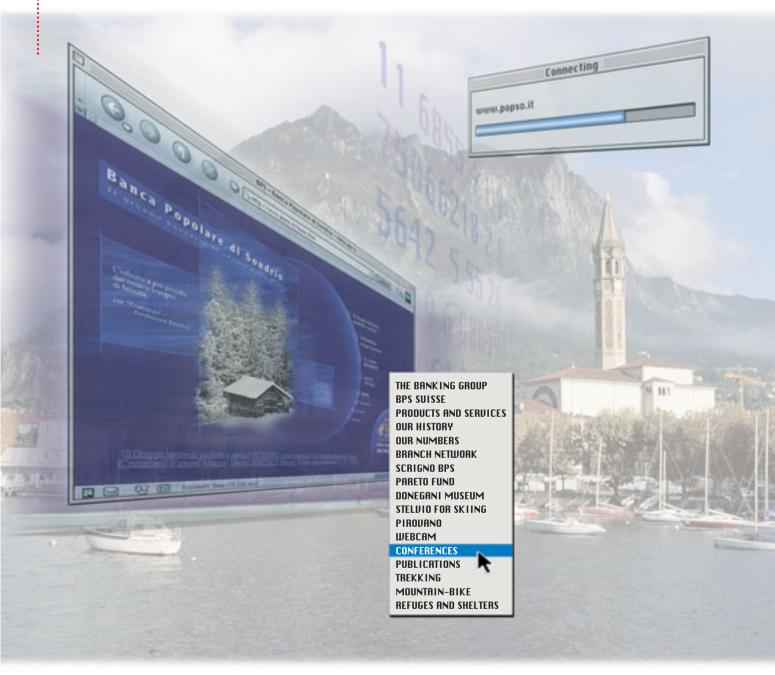
view to casting light on the darkest corners of our activities, which are increasingly affected by variables of all kinds. Indeed, world economic conditions and the closer integration of Europe, including the market for loans, are sending warning signals to the banking system, as well as calls for change. In addition, new questions are posed by updated regulations, technological and organisational innovation, and the diversification of both products and distribution channels. These questions require timely and rigorous answers in a chase without respite. On the other hand, balanced management relies on the adequacy of the system of internal controls, a fundamental and ever-present element, in perfect harmony with the development of the business.

Accordingly, with the primary objective to continue to create value, actuals must be produced in real time which, together with reliable and detailed budget information, enable rapid and consistent assessments to be made. In substance, budgeting, management control, analysis of the profitability of clients and products, statistics on particular aspects of daily business, comparisons with outside and much more, represent tasks performed by this department with growing professionalism, thanks to the quality of its staff and the refinement of its methods and tools.

The Planning and Control Department also provides essential and skilled support with regard to the measurement and prevention of



OUR WEBSITE



Our website is updated regularly. An agreement has been reached with Mercato Impresa spa, part of the Banca Popolare di Bergamo - Credito Varesino Group, which operates in the so-called virtual Internet market under the Coralis name. The objective is to promote profitable links between customers and suppliers via, for example, buying groups, offers on advantageous and personalised terms, and participation in

auctions. This innovative service is offered in collaboration with local trade associations and early results have been encouraging. This new way of working offers savings on purchases and faster procedures which, by the way, are clearer to understand, while also enabling businesses to promote the sale of their products.

risks. This subject is discussed elsewhere in this report.

Technical. Prevention and Safety Office

Territorial coverage requires functional and proper locations, and the technical, prevention and safety office

ensures that this requirement is fulfilled with passion and skill. Decisive growth in the bank's external network puts this office under considerable pressure to ensure consistent quality work with attention to costs, a challenge that is effectively met in true banking style, while of course complying with the regulations governing health and safety at work.

The summary of activities performed during 2002 highlights more than anything else the intensity of this commitment: 28 new units fitted out, counting both branches and treasury offices set up or moved to more suitable locations; 14 sites on the go; completion of design work for 13 projects, with administrative processes and calls for bids already in progress; while work on other projects is also under way; a vast number of technical inspections were also made. The office has also collaborated with our subsidiaries Banca Popolare di Sondrio (Suisse) SA and Pirovano Stelvio spa.

The property of the bank occupies a surface area of 111,179 sq.m. and a volume of 331,774 cu.m.; available land extends over 83,405 sq.m. The net book value of property is 54.64 million – following additions during the year of 0.67 million and depreciation charges of 2.91 million - while its market value is considerably higher. Ownership comprises 40 buildings and 31 units within condominiums. Banking activity is conducted in 49 properties owned by the bank and in 212 rented locations, included 14 that are leased.

The «furniture and fittings» category within tangible fixed assets amounts to 12.90 million. Additions of 9.26 million related to new investment, while the depreciation charge for the year was 7.50 million.

The Security Department is fully Security functional and effective in its task of governing, together with the other offices involved, the entire security process. Activity is aimed at implementing suitable organisational and training activities designed to safeguard the bank's assets, including in particular its employees, clients and data. The installation at branches of innovative safes and sensors for biometric data is especially noteworthy.

Supply Office

The growth of the bank reflects on the Supply Office which, with the help of a fully automated system for the management of payments – about 24,000 invoices processed, with more than 71,000 accounting entries - and inventories, can dedicate maximum attention to complex contractual issues. It does this and it does it well, following the imperative: obtain the best terms at an appropriate level of value for money. In other words, spending the right amount with those suppliers which, in an above board and competitive manner, prove to be the most reliable and efficient.

The scope of action is vast: almost 700 revenue earning and cost bearing rental contracts; the difficult insurance sector to cover risks related. to employees and the bank's substantial assets; all supplies of various kinds; security, the transportation of valuables and safety in general, this last in collaboration with the other functional areas. Not to mention the maintenance of property and furnishings, as well as the timely and distasteful settlement of an avalanche of taxes and dues. In short, this is detailed and patient work covering the outgoings to support and improve the level of earnings. To ensure further savings, the office has taken full advantage of the intranet and has joined an electronic purchasing platform that has already been used to make substantial purchases.

On the legal front, unfortunately there is no news regarding the forced recovery of non-performing loans, an

Legal Department



activity that keeps this important function fully occupied and whose economic impact is considerable. We have complained for years about the excessive delays and costs of ordinary, executive and court-supervised procedures, which significantly erode the benefits of the action taken. This battle has become open warfare when it comes to the amounts reclaimed by the liquidators of bankrupt businesses. This is a subject of vast proportions that occupies and worries the entire banking system. There is no point in heaping coals, except to hope once again that, in the higher or common interest, the legislator will take decisive steps to introduce appropriate and effective measures. department gains some relief by delegating to notaries certain procedures regarding claims over property.

These concerns do not reflect on the recognised professionalism of our lawyers, who are also «victims», forced to use a calendar of years to note the dates of legal proceedings. Their work also covers other important out-of-court areas, regarding both the safeguarding and recovery of loans – the management of loans under observation and those written off, as well as settlements – and various activities that have become increasingly important.

This last category includes significant, intensive and expert consultancy provided to central offices and branches; true and complete collaboration with the various authorities empowered to make inspections; and the management of complaints, which occur at a physiological level and are dealt with promptly.

Internal Audit Department Last but not least, the control activities of the Internal Audit Department are at the forefront of our minds.

Inspection work has greatly increased to cover not only the traditional areas, but also those sectors that have become more sensitive due to technological developments and changes in the scale of the bank, including the infrastructure of

our information systems, the new virtual unit, investment services and the treasury.

Although a complex system of remote controls is gathering momentum, on-site verification resulted in 505 visits to branches and central offices – 442 last year – of which 94 were conducted by the Board of Statutory Auditors with necessary assistance from the department. In the meantime, the support provided to branches – particularly during the delicate transition to the Euro – confirmed the department's role as a provider of assistance and advice, as part of the prevention of anomalous behaviour.

This department, which is an integral part of the organisation to measure the different types of risk, is working to identify and prevent operational risks.

This is a delicate job, fundamental to the proper functioning of management activities, that our staff carry out with laudable commitment and flexibility, ever ready to adopt increasingly advanced and effective tools of the trade.

Finally, we were pleased to host an inspection by the Italian Exchange Office between 11 June and 26 July 2002, which covered money laundering and the reporting of currency transactions. This resulted in precious suggestions for improving data capture and reporting. This visit remains in our minds as an excellent example of how to work together – checkers and checked – for a common purpose and in the higher interest.

The department also co-operated with the Bank of Italy's inspectors tasked to check compliance with the regulations on banking transparency.

RISK MANAGEMENT

Being a business means accepting risks. Indeed, uncertainty is inherent in entrepreneurial activity; not least in banking, where there is



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RISK MANAGEMENT

Being a business means accepting risks. Indeed, uncertainty is inherent in entrepreneurial activity; not least in banking, where there is absolute uncertainty regarding liabilities, but only reasonable assurance regarding the successful outcome of loans granted and investments made.

Knowledge of the exposure faced on a daily basis is therefore a fundamental part of the responsible and effective management of every business.

In a banking context, the various types of risk are linked to the volatility of the financial markets and the making of loans, in addition to the operational risks which, as defined by the Basel Committee, derive from inadequate or erroneous internal processes, human factors and external events.

This section looks at the management of risks, which has essentially three aspects:

- analytical, to precisely chart the various threats faced by the bank;
- assessment, being the quantitative measurement of the different risk factors, considering the probability of the event and the related economic impact;
- decisional, regarding selection from among the various types of action to avoid adverse events and reduce their impact.

The approach adopted by the bank is fully consistent with the guidelines and recommendations issued by the Supervisory Authorities. It also meets the requirement, ever more necessary in times of economic uncertainty with unstable and unpredictable markets, to establish adequate safeguards by adopting sophisticated systems capable of determining the acceptable level of risk for each operational area.

This briefly summarises the reasoning that underpins our decision to establish a dedicated and efficient business function. However, we are approaching the issue in stages, one step at a time, consistent with the professional resources and skills available, given

the complexity, pervasiveness and, sometimes, the mystery surrounding the subject matter, not to mention its unpredictability. The increasing awareness of risk, and the risk culture at various levels within the organisation, confirm our decision to work with internal resources in this area.

This said, although not perfect or even capable of fully satisfying our requirements, the bank's overall system of internal control does appear to be line, as far as we are given to understand, with those adopted by banks that are similar in terms of scale and type of business. Furthermore, we are aware of the work that must be done, how to do it and, in broad terms, the time needed.

We should add that the system is recent and therefore at differing stages of development in the various sectors: in some, the approach has been formalised and consolidated, although there is always room for improvement, while in others the race has only just begun. This is a process with itineraries that makes sound and constant progress.

Let us now review, in accordance with common practice, the principal areas of risk: financial, lending and operational.

Market risks regarding financial activity (interest rate, exchange rate and equities) are measured every day using the well-know VAR (Value-at-Risk) methodology, with a time horizon of one day and a confidence interval of 99%.

The VAR data for 2002 is set out in the following table.

RISK FACTORS

Total	1,742	1,720	1,025	2,599
Exchange rate	7	9	5	14
Equities	1,835	1,920	1,112	2,883
Interest rate	294	737	278	1,198
(in thousands of euro)	At 31/12/02	Average	Minimum	Maximum



The average total VAR (1.720 million) is in line with last year (1.751 million) while, with regard to the various types, there has been a further increase in equity risk (from 1.715 million to 1.920 million) and a slight decrease in interest rate risk (from 0.805 million to 0.737 million); exchange rate risk remains marginal (0.009 million) and is restricted to securities denominated in foreign currencies.

On the other hand, there has been a sharp contraction in the maximum values, both with regard to total VAR (from 3.592 million to 2.599 million), and in relation to the various types. This was due to the fact that, after the events of 11 September, there was a marked increase in volatility which resulted in exceptional peaks being identified in 2001.

Year-end values are essentially in line with the averages, except with regard to interest rate risk, which has decreased to 0.294 million following the disposal of fixed-interest securities.

The VAR calculations are made together with those concerning capital absorption, which determined by converting the daily VAR into a term VAR, that takes account of the number of working days until the end of the year, and adding to this the absolute value of net losses and any net capital losses incurred since the beginning of the year. This capital absorption peaked on 23 July at 29.530 million and, accordingly, remained well below the limit of 60 million (maximum acceptable loss) expressly set by the Board of Directors for 2002 and confirmed for 2003.

With regard to the lending risks (counterpart and issuer) inherent in financial activity, a number of daily measurements are made including, in particular, capital absorption and maximum capital absorption which are determined by weighting, respectively, the actual uses and the agreed credit lines using coefficients linked to the lending classes of counterparts/issuers. The resulting statistics demonstrate broad

compliance with the limits set by the bank and, more importantly, the highly prudent approach adopted.

Turning to analyse the financial risks (interest rate risk) associated with the overall activity of the bank, these are monitored by the ALM (Asset & Liability Management) procedure that employs a dual methodology and, for an interest rate increase of 1%, provides a measure of the immediate change in the net value of assets and liabilities (analysis of the average financial duration) and of the change in the interest margin (analysis of spread).

The monthly analyses during 2002 reported averages of -5.560 and 9.020 million, respectively.

The information provided up to now relates to processes and analytical tools that have been in use for some time concerning the bank's lending risk with regard to ordinary customers. In addition, a somewhat complex project is underway with a view to determining the probability of insolvency, and the related economic impact, regarding both individual positions and the entire portfolio - which is analysed into such segments as «large firms», «small and medium-sized firms», «micro businesses», «private customers» and «small traders».

Effort during 2002 mainly focused on the first aspect, with specific reference to counterparts included in the «small and medium-sized firms» and «micro businesses» segments, which represent the principal sectors of lending for the bank.

In this context, following on from the work started in 2001, the various models were first recalibrated to take account of methodological changes decided for strategic reasons. In particular, the definition of insolvency was expanded from just non-performing loans to include those on the watch list.

Then, having recalculated the rating at December 2000, the historical performance was analysed by comparing the expected probability

of insolvency within one year with the actual situation at the end of 2001: this was 1.05%, not far from the forecast of 1.16%, which supports the validity of the models used.

In the meantime, work also continued to design and enhance the architecture of the new information system which, deploying the most advanced techniques, is able to perform many analytical and control functions, organising the data obtained from operational systems in a data warehouse.

Starting from a retrospective analysis of suitably extracted data, we have arrived at a system that, once run in, will enable us to systematically monitor at planned time intervals the trends in banking aggregates.

The constant ability to monitor the probability of insolvency within one year is particularly important. For the portfolio mentioned, the probability is estimated to be 1.23%, which demonstrates the low level of our lending risk.

With regard to operational risks, this can almost be regarded as a new topic, in that there has been a recent rise in awareness within the banking system and by the Supervisory Authority of the need to tackle them with a new and more effective managerial approach.

We have not yet launched a formal project in this context, but a feasibility study was carried out last October together with a leading firm of consultants. The result, not in doubt from the start, was that the objective can only be reached by applying a complete and rigorous methodology, supported by significant investment in equipment, software and, more importantly, specialist knowledge and professionalism.

Referring back to the start and convinced that the necessary is never risky, we are well aware that our profession – or art, as well identified by academics – is not just an activity with risks: it is, par excellence, the activity with risks of all types. Accordingly, we hereby confirm our commitment

to continuously enhance all our tools for the control of risk. In this regard, we are always ready to make whatever organisational changes are needed to constantly improve the control of risks.

HUMAN RESOURCES

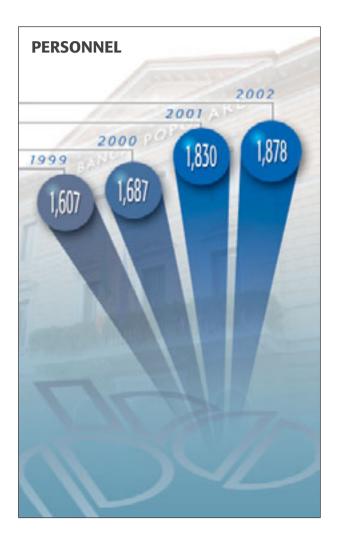
Constant technological developments have reduced the differences between organisations. This is also true in commercial terms, where the updating of products and prices means that players can only differentiate themselves for short periods of time.

Given this broad summary of the environment in which all banks operate, and where the products on offer are essentially equivalent, the difference is made by the role played by our human resources.

The availability of efficient and effective tools of the trade is essential for all businesses, not just in banks. Here however, as with other service businesses, success is determined by the quality and professionalism of our staff. Although technology has made giant leaps, as already mentioned, the professional ethic and loyalty of our people have remained unchanged. The unwritten duty of everyone is to transmit to our new recruits, in large numbers every year, the rules of the house. Year after year the same principles are renewed, finding fertile ground in the young people who join our group and fuel the virtuous circle that has been established over time. The result is seen in human and professional growth: benefiting individuals, the bank and our counterparts; representing a guarantee for the future.

The management of human resources requires care and attention. While the important subject of training will be discussed later, here we take a look at the stimuli for our people deriving from the rapid growth in our business.





Over the last decade, to take a significant period, the number of bank branches has risen from 66 to 178: growth by internal means, since we have not been involved in any form of aggregation.

Consistent with this, the number of employees has increased by 983, while continuing to defend the established principle of recruiting school leavers and new graduates with an excellent record direct from education. Of course, we have willingly welcomed the occasional experienced colleague, but it has never been our style to poach from the competition even when this deplorable

phenomenon, now tamed for obvious reasons, was at its height.

Our deserving young people are therefore invited, within a reasonably short period, to take on roles of responsibility, stepping into the limelight in the higher interest of progress by the bank. They work in a lively environment packed with professional challenges, where learning on the job benefits from the variety of topics tackled each and every day.

We have reason to believe that this approach helps to grow each individual and therefore our entire community, as well as being important from a social point of view in terms of the contribution we make to employment.

Over the past year the number of employees rose by 48, up 2.62%, to 1,878 persons, of whom 72% work within the commercial network. The average age is 34 years and 2 months, while the average length of service is 9 years and 10 months, both statistics are up by 8 months with respect to last year.

We continue to benefit from the activities of temporary workers and those on fixed-term contracts, which involved about 130 people during the year. The result of new legislation some years ago, these resources offer additional flexibility with regard to employment.

The quantitative aspects of the work force, which move in harmony with the expansion of our business, cannot be separated from the qualitative characteristics of individuals. There are many obvious reasons for giving maximum attention to the delicate phases of employee recruitment and selection, since this nursery – as mentioned – supports the process by which the bank achieves internal growth.

In addition to moral standards and a good scholastic record, candidates are required to display the motivation to develop, through their work, a thinking approach and ability that will enable them to relate to others, understand their needs and express themselves clearly. These

abilities, if well cultivated, will generate the range of skills required in today's developed professional world.

There is no doubt that the successful integration of new recruits, right from the start, is key to enabling them to be effective immediately in compliance with regulations and normal practices. It is therefore the bank's responsibility to provide training and professional development paths designed to cover the functions required. All this takes place within an overall view of the entire organisation, to ensure complete consistency of approach. Once, schools prepared young people for their future work; however, for many years now this role, including the provision of information, has been largely taken over by the employer: this is as true for our profession as it is for others.

The introduction of new training technology has paved the way for designing an integrated system for training and human resource management that is applicable at an operational level, thereby stimulating the conversion of theory into practice.

Cross-functional skills have become increasingly important in the planning of training at various levels, since they contribute to the enhancement of performance. Widening the thought horizons of employees, beyond the technical skills and organisational knowledge they need to perform their specific tasks, generates significant flexibility and eases the daily dialogue between offices and, of course, with clients.

During the year, 6,964 man/days of training took place, which only on the surface was less than the 7,308 mandays provided last year when appropriate knowledge and instructions were imparted, on an intensive and exceptional basis, to the entire organisation in preparation for the definitive introduction of the Euro.

In substance, more than 150 employees recruited in 2001 took part in five-week theory

courses designed to provide them with fundamental knowledge and notions regarding basic banking activities. New recruits also benefit from multimedia access to additional modules regarding the organisation of the bank and branch operations. The related end-of-course assessments evidenced the satisfaction of those, many, who took part.

More expert employees benefited from more detailed examination of such important topics as the lending sector, communications and certain regulatory aspects.

The lending sector is subject to close and constant attention. Here, various sessions were conducted – with support from Bocconi University (SDA) – to provide detailed skills regarding the analysis of financial statements and the examination of loan applications; the management and control of loan positions; the valuation of businesses and symptoms of crisis.

We have continued to hold successful meetings aimed at refining the communication and decision-making processes and making them more incisive. Similar events also involved financial promoters and employees of the virtual unit working in the call centre.

Numerous employees attended highstandard courses, with the presence of external professionals, regarding the timely application of money-laundering regulations and those regarding financial intermediaries, the importance and topicality of which is well-known to us all.

We are also pleased to recall our close cooperation with the scholastic world, involving 198 work experience places to guide the career choices of university students and pupils of technical high schools. For young people, this represents a chance to see at first hand the world of work; while for us it is an opportunity to preselect potential recruits, with many examples of subsequent employment.

The bank also has a significant number of «mature» employees, whose exemplary work is of



great importance to the professional and human growth of our younger people: a worthwhile symbiosis between knowing and knowledge. This lies at the root of the decisions and actions taken by all those working in the bank and who, day by day, year after year, create our history.

Trade union relations have continued with respect for the reciprocal institutional roles involved and, with great satisfaction, the bank's new Supplementary Labour Agreement was signed on 11 April 2002. No significant new legislation affected the sector during the year.

We always dedicate a specific and extensive section of the annual report to our human resources, covering not just the bare numbers but also the positive features that distinguish our people, in terms of their professional efficiency and loyalty. A part from duly recognising the efforts of individuals and the group, this also represents proper information for the shareholders who, from the quality of our human capital, derive both satisfaction and significant indicators regarding the years to come.

PROMOTIONAL AND CULTURAL ACTIVITIES

Our activities speak both for us and about us. This motto has stood us in good stead for many a year and expresses our conduct particularly well.

Although the world runs on images, we are convinced that «doing» counts for much more than «saying» or «appearing» and, accordingly, the philosophy found in the other operational sectors of our business is also apply to the promotional area.

Focus on local territories and awareness of our limitations encourage us to produce publicity with a local reach, with a view to direct and meaningful communication of information about our products and services.

This takes place alongside intensive cultural activity full of events promoting themes that are consistent not only with our business, but also with the interests of our clients and the local population.

Our discussion starts by giving priority to seniority and, it must be said, to merit. «Notiziario» has reached ninety in the sense that, thirty years after the first edition, the ninetieth issue was published last December. The importance of our authors and the beauty of the photographs assure our four-monthly magazine – with more than 100,000 readers – a place on bookshelves at home and in libraries, so that it can be re-read many times. We are committed to continuity, with the objective of including distinctive elements in each and every publication.

On the publishing front the strong point of the year was the volume entitled «Vilfredo Pareto (1848 - 1923) - l'Uomo e lo Scienziato», edited by Gavino Manca with a foreword by Antonio Fazio, the Governor of the Bank of Italy. This work, published by Libri Scheiwiller, comprises contributions from eminent academics, writers and economists who have knowledgeably examined the many-faceted figure of Pareto, and an appendix containing sixty-three unpublished letters. These letters were drawn from the twenty registers of copies and other papers belonging to the illustrious economist and sociologist – totalling more than 9,000 original documents – acquired by the bank in 1996.

This book, which was very well received and widely covered in the Italian and Swiss press, was presented for the first time on 22 June 2002 in our Fabio Besta Hall in Sondrio, and then again at the Università Commerciale «Luigi Bocconi» in Milan on 31 October. In addition to the editor, Gavino Manca, the following contributing authors took part in the presentations: Giovanni Busino, Aldo Montesano, Giuseppe Pontiggia, Gianfranco Ravasi, Marzio Achille Romani, Giorgio Rumi, Salvatore Veca and Marco Vitale;



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Focus on local territories and awareness of our limitations encourage us to produce publicity with a local reach, with a view to direct and meaningful communication of information about our products and services.

This takes place alongside intensive cultural activity full of events promoting themes that are consistent not only with our business, but also with the interests of our clients and the local population.

Our discussion starts by giving priority to seniority and, it must be said, to merit. «Notiziario» has reached ninety in the sense that, thirty years after the first edition, the ninetieth issue was published last December. The importance of our authors and the beauty of the photographs assure our four-monthly magazine – with more than 100,000 readers – a place on bookshelves at home and in libraries, so that it can be re-read many times. We are committed to continuity, with the objective of including distinctive elements in each and every publication.

On the publishing front the strong point of the year was the volume entitled «Vilfredo Pareto (1848 - 1923) - l'Uomo e lo Scienziato», edited by Gavino Manca with a foreword by Antonio Fazio, the Governor of the Bank of Italy. This work, published by Libri Scheiwiller, comprises contributions from eminent academics, writers and economists who have knowledgeably examined the many-faceted figure of Pareto, and an appendix containing sixty-three unpublished letters. These letters were drawn from the twenty registers of copies and other papers belonging to the illustrious economist and sociologist – totalling more than 9,000 original documents – acquired by the bank in 1996.

This book, which was very well received and widely covered in the Italian and Swiss press, was presented for the first time on 22 June 2002 in our Fabio Besta Hall in Sondrio, and then again at the Università Commerciale «Luigi Bocconi» in Milan on 31 October. In addition to the editor, Gavino Manca, the following contributing authors took part in the presentations: Giovanni Busino, Aldo Montesano, Giuseppe Pontiggia, Gianfranco Ravasi, Marzio Achille Romani, Giorgio Rumi, Salvatore Veca and Marco Vitale;

Gravellona Toce

NATURE OF VALTELLINA AND VALCHIAVENNA



This book, the latest in a fortunate series by two local academics and natural lovers, completes the description of the forms and phenomena relating to this part of the Universe. Gigliola Magrini, ever at our side, has co-ordinated and provided the historic and literary background. What more could you want:

firstly Fiori e Erbe (flowers and herbs); then Alberi, Funghi e Frutti (trees, mushrooms and fruit); and now Animali, Minerali e Rocce (animals, minerals and rocks), all found in Valtellina and Valchiavenna.



Rome, view from the Esquilino

PUBLICATIONS



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editorial publication which gathers together many cultural fragments and curiosities. Working together with Touring Club Italia, we have also produced our 2003 hanging calendar that features the main towns of the provinces in which we have branches. The texts were authored by Cesare Medail, the enquiring journalist, writer and literary critic. The tabletop version illustrates the splendours of the mountains in Valtellina and Valchiavenna.

CONFERENCES



ANTONIO MARZANO



MONS. GIANFRANCO RAVASI



PIETRO LUNARDI



DANIEL VASELLA

The traditional series of conferences was opened on 2 February 2002 by Antonio Marzano, Minister for Productive Activities, who spoke to a numerous and high-level audience on the subject of "The new government's economic policy"; the conference on 12 April 2002 by M. Gianfranco Ravasi – who honoured us with his presence in Sondrio for the fourth time, – repeated the title of his work "I Monti di Dio"; on 26 April 2002, Pietro Lunardi, Minister for Infrastructure and Transport, talked

on the subject "A great occasion for our Nation: the creation of organic infrastructure closely linked to the factors of economic growth"; on 13 December 2002, Daniel Vasella, chairman and managing director of Novartis International AG, the prestigious pharmaceutical company based in Basel, honoured us with his presence and spoke on "Biomedical research - can European industry compete?".



VILFREDO PARETO



On the publishing front the strong point of the year was the volume entitled "Vilfredo Pareto (1848 - 1923) - l'Uomo e lo Scienziato", edited by Gavino Manca with a foreword by Antonio Fazio, the Governor of the Bank of Italy. This work, published by Libri Scheiwiller, comprises contributions from eminent academics, writers and economists who have knowledgeably examined the many-faceted figure of Pareto, and an appendix containing sixty-three unpublished letters. These letters were drawn from the twenty registers of copies and other papers belonging to the illustrious economist and sociologist - totalling more than 9,000 original documents - acquired by the bank in 1996. This book was presented for the

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Together with Edizioni San Paolo we also published the precious book entitled «I Monti di Dio» written by M. Gianfranco Ravasi, prefect of the Ambrosiana Library and Art Gallery. This work – which celebrates the International Year of the Mountain promoted by the UN – is part of the «Sensazioni» series. A copy was presented to shareholders attending last year's annual meeting.

The traditional series of conferences was opened on 2 February 2002 by Antonio Marzano, Minister for Productive Activities, who spoke to a numerous and high-level audience on the subject of «The new government's economic policy», emphasising the value of small and medium-sized businesses as creators of the nation's wealth and, as ever, our natural counterparts.

The conference by M. Gianfranco Ravasi – who honoured us with his presence in Sondrio for the fourth time on 12 April 2002, a rare privilege for us and numerous admirers of this distinguished theologist – repeated the title of the work «I Monti di Dio». A recurring subject in both the Old and New Testaments, the mountains represent one of theology's most important symbols: just think of Mount Sinai, Mount Zion, and Calvary. The author discusses – and writes about – them in unparalleled depth.

The visit by Pietro Lunardi, Minister for Infrastructure and Transport, had particular significance. The tragic floods that hit our valleys in the summer of '87 saw him in the front line of work to drain, in a controlled fashion, the artificial lake created in Val Pola. The success of this operation avoided further possible disasters.

Lunardi was later actively involved in the reconstruction. The speaker – who talked on 26 April 2002 on the subject «A great occasion for our Nation: the creation of organic infrastructure closely linked to the factors of economic growth» – was accompanied by Remo Gaspari, Minister for Civil Defence in '87, who worked so hard to tackle and relieve the risks and problems of the local population.

Finally, Daniel Vasella, chairman and managing director of Novartis International AG, the prestigious pharmaceutical company based in Basel, where our «Suisse» has an active branch, honoured us with his presence on 13 December. Of topical interest at a meeting that was also attended by visitors from Switzerland, the subject of his talk was «Biomedical research - can European industry compete?».

Turning back to the printed page, we would like to recall the cultural insert distributed as usual with the financial statements of Banca Popolare di Sondrio (Suisse) SA, which honours people whose life took place between Italy and Switzerland. Last year was dedicated to Carlo Cattaneo, on the 2001 bi-centenary of his birth. worthy economist, historian philosopher, not to mention politician, was born in Milan and spent the last twenty years of his life at Catagnola di Lugano, in Switzerland. Interesting contributions on the subject were made by Sergio Romano, Franco Masoni and Pier Carlo Della Ferrera.

Once again, Gigliola Magrini has produced the popular diary «I Giorni del 2003», a true editorial publication which gathers up, page after page, many cultural fragments and curiosities that, taken together, help to increase the reader's knowledge. Interesting information can be found on bells and on the nations within the monetary union.

Working together with Touring Club Italia, we also produced our 2003 hanging calendar that features the main towns of the provinces in which



SPORT AND CULTURE



The "8th Interbank Triangular Meeting" was held in the Stelvio Pass in September, involving a ski competition between our representatives and those from the Deutsche Bank and Unicredito groups. This was followed by the "1st Interbank Pirovano Meeting", with 130 participants from 12 banks. Deborah Compagnoni at the Stelvio, together with Banca Popolare di Sondrio, Pirovano and Consorzio di Tutela Vini DOC di Valtellina, conducted the end-of-season evening party during which a charity auction was held to gather funds for the AlL

campaign, for which she is an ambassador. "Quota 3000 Scuola" is a didactic and cultural programme that introduces participants to the flora and fauna of the National Park, including historical references to World War I with a visit to the "Carlo Donegani" museum, and activities in the open air and at the Pirovano hotels. Our Social Club has organised numerous events included the traditional "ValtellinaVélo" cycle ride, with athletes from the Mapei team in attendance led by our sprightly patron Giorgio Squinzi.



we have branches. The texts were authored by Cesare Medail, the enquiring journalist, writer and literary critic. The tabletop version illustrates the splendours of the mountains in Valtellina and Valchiavenna.

An understanding between the Ministry for Education, Universities and Research and Pirovano enabled about one thousand students to appreciate the naturalistic, scientific and historic wonders of the Stelvio area. «Quota 3000 Scuola» is, in fact, a didactic and cultural programme that introduces participants to the flora and fauna of this National Park, including historical references to World War I with a visit to the «Carlo Donegani» museum, and activities in the open air and at the Pirovano hotels.

We were pleased to participate in the «Invito a Palazzo» initiative promoted by the Italian Banking Association (ABI) with the patronage of the President of the Republic, involving an open day on 22 September 2002 to visit the historical buildings owned by banks. Our unusual contribution – a visit to Palazzo dello Stelvio, the highest banking branch in Europe and the adjoining «Carlo Donegani» museum – received particular mention in the opening address by Maurizio Sella, the chairman of ABI.

Turning to the «Pass», we come to the «8th Interbank Triangular Meeting» held on 27 September 2002, involving a most sporting ski competition between our representatives and those from the Deutsche Bank and Unicredito groups. The following day was dedicated to the 1st Interbank Pirovano Meeting, with about 130 participants from twelve banks. The success of this first edition augers well for the future.

With pleasure we also remember the presentation at the Pirovano of the re-edited version of «Breviario dell'Alpinista» by don Luigi Bianchi, a priest at Gera Lario in the province of Como. We promoted this edition and considered it worthy of a publisher such as San Paolo, who

were ready to seize the opportunity. Antonio Fazio, Governor of the Bank of Italy, honoured the work with a brief opening thought on the subject of mountains.

Recreational activities have kept our Social Club busy. Numerous events included the «ValtellinaVélo» cycle ride, with athletes from the Mapei team in attendance – some of whom having returned from the successful Italian expedition to the world professional championships – led by our sprightly patron Giorgio Squinzi.

With regard to solidarity efforts, funds were raised for the «Centesimus Annus-Pro Pontifice» Foundation, the Collegium Lateranense, part of the Pontificia Università Lateranense – University of Sommo Pontefice – for which we are cashiers; as well as for the earthquake victims at San Giuliano di Puglia. Finally, we gave about Euro 30,000 to worthy and needed institutions from the funds collected by our branches for the benefit of communities in northern Italy hit by the floods in autumn 2000.

What else can be said in closing this inventory of activities and events. Nothing, except to confirm our commitment to carry on likewise in the future.

EQUITY

The significant growth achieved by the bank in recent decades has been driven by the constant expansion of the shareholder base. In addition to further investment by established shareholders, many new investors have provided the impetus and financial resources which, allocated throughout the organisation, have guaranteed strength and dynamism for the expansion of business and our territorial coverage.

This increase in the number of shareholders has not meant changing or upsetting in any way the nature or profile of its membership, and has



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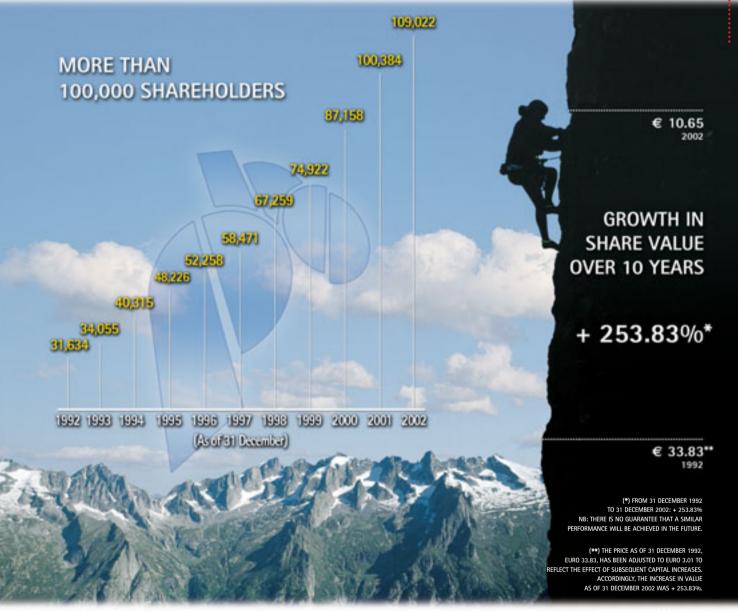
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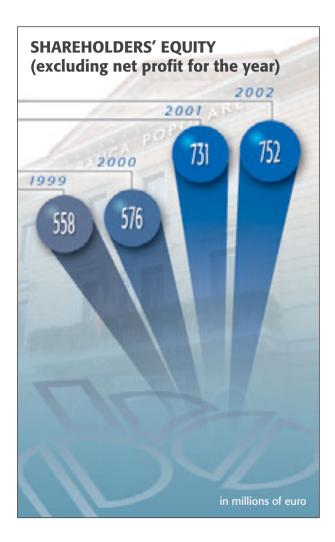
SHARES AND SHAREHOLDERS



In a year such as 2002, when that which was not lost might seem more important than that which was gained, our stock not only held firm but actually moved ahead. This is highly satisfactory, particularly since it reflects the chorus of confidence expressed by our Shareholders who believe fervently in the bank for whom many are also clients. Sondrio's shares are sound and, in times of difficulty, are often seen as safe haven; free from the rollercoaster ride of the stockmarkets, their performance mirrors the personality of the bank. The price trend reflects our growth strategy, founded on quiet and tenacious

work, and on facts rather than sensational announcements and firecracker promises. This approach clearly pays over the long term and, above all, rewards our Shareholders for their confidence in us. This explains, in a year when most investors feared and avoided the stockmarket, why our shareholder base has grown without faltering. With 8,638 new Shareholders, the total is now 109,022. This bucks the trend, as people in flesh and blood maintain a constant, lively and satisfying relationship with their bank.





taken place in compliance with the requirements of the articles of association and current legislation. In many cases, clients satisfied with their direct business relations with the bank have elected to become shareholders as well. But there are also examples of shareholders who have decided to become clients and therefore contribute to the success of our activities.

This expression of will is consistent with the cooperative nature of the bank, highlighting the role both in circles where the formula is well known, and in those where the «popolare» concept has not yet spread through the various social layers. We are very pleased to have helped so many to understand the significance of owning shares, intangible parts of a company, in our case a bank, that safeguard and represent a value that is being steadily consolidated.

This is the context in which the shares of the bank have been traded in the Restricted Market since December 1991, thus ensuring complete transparency in establishing the share price, as opposed to attracting the attention of investors detached from the reality and philosophy of our bank. A vote for continuity then, designed to progress the cooperative model without forgetting its nature or principles.

The determination of the bank to strengthen constantly its relations with shareholder-clients is reflected in the strategy adopted. This is intended on the one hand to present a complete and competitive range of products and services and, on the other, to intensify our links with the territories served, making best use of the resources available. Our shareholders have understood and agree with us; in the same way, they comprehend the decision to grow the equity base steadily, giving everyone the chance to participate in our capital increases, which are presented in clear and transparent terms. And understanding how to invest one's savings is no small matter.

The capital remuneration policy adopted and the positive stockmarket trend followed by our shares have produced more than satisfactory earnings, taking account of the low overall level of risk. So, no promises of dramatic results, often set aside as market conditions change, or «seesaw» price fluctuations, but rather constant improvement over time, even when the going is tough. Indeed, this last year has been a case in point.

Shareholders' equity has kept pace with the needs of the business, whether for growth or to cover the risks associated with the quantitative and qualitative expansion of activities, via periodic capital transactions carried out on a

suitable scale. The risks of expansion are certainly not new, but have become topical following renewed guidelines under the Basel principles designed to tie capital adequacy and pricing policies to the financial, lending and operational risks accepted.

With regard to lending risk, the most significant in terms of capital absorption, the close attention paid to the latest recommendations from the Supervisory Authorities goes hand in hand with our priority objective of ensuring present and future financial support for the entrepreneurs that work in our territories. Indeed, the suggested «rationing» of loans to small and medium-sized business following a decline in interest in this sector by the principal banking groups, which are more focused on large companies and the securities markets, merely emphasizes our responsibility and our traditional role as supporter of the local economies.

All this pushes us to measure as precisely as possible the risks accepted and, fortified by this knowledge, to assess constantly the adequacy of capital with respect to our commitments. In this context, the highly prudent approach taken in recent years - with complete approval from the shareholders - with regard to the setting of administrative and operational guidelines, has undoubtedly paid off. Another good reason for consistency maintaining when intelligently into the future. Who knows, there may well be a further suitable occasion to strengthen the capital base, in line with the continued rapid and profitable expansion of the bank.

Shareholders' equity totals 752 million, up 2.88% with respect to last year mainly following the allocation of net profit for 2001. This amount is analysed as follows: share capital of 412 million, represented by 137,566,064 fully-paid shares, par value Euro 3 each; share premium reserve, 136 million; other reserves, including the reserve for general banking

risks, 204 million; and net profit for the year, 47 million.

The principal ratios between capital and the other balance sheet items, which have increased significantly, confirm the adequacy of the parameter under review:

- capital/direct customer deposits 10.24% v 12.58%
- capital/customer loans 12.04% v 13.11%
- capital/financial investments23.37% v 27.93%
- capital/total assets7.59% v 8.51%

Risk-weighted assets total 7,824.429 million. The bank's solvency ratio (relationship between capital for reporting purposes and risk-weighted assets) is 9.75%, compared with the minimum of 7% required under current regulations for banks that belong to banking groups.

In order to determine our capital for reporting purposes, the net profit for the sixmonth period to 30 June 2002 was verified by an auditing firm, in accordance with instructions received.

INCOME STATEMENT

The positive results to 30 June 2002 were partially confirmed for the year as a whole, given the further general deterioration of economic conditions during the second half.

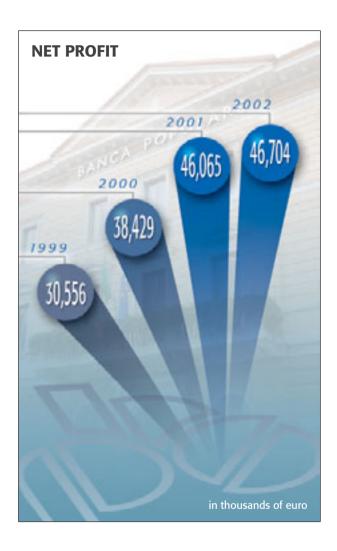
Net profit amounted to 46.704 million, up 1.39%. In the current climate, latinists would say «mala tempora», certainly a satisfactory performance.

For the various reasons explained earlier, this was not a good year for the banks either, and



RECLASSIFIED INCOME STATEMENT

	2002	2001	%
(in thousands of euro)			change
Interest income and similar revenues	395,455	409,784	-3.50
Interest expense and similar charges	(191,714)	(219,825)	-12.79
Dividends and other revenues	5,518	4,771	15.66
NET INTEREST INCOME	209,259	194,730	7.46
Net commission income	89,846	85,873	4.63
Profits from financial transactions – profit from trading securities and derivatives on securities – profit from trading currency and derivatives on currency – profit from trading other derivatives – gain (loss) on valuing securities	13,133 13,178 11,073 412 (11,530)	17,019 15,392 10,292 53 (8,718)	-22.83 -14.38 7.58 677.36 32.26
INCOME FROM BANKING ACTIVITIES	312,238	297,622	4.91
Other operating income	23,440	22,999	1.92
Administrative expenses – personnel expenses – other administrative expenses – indirect taxes and duties	(196,219) (99,425) (69,705) (27,089)	(181,362) (93,456) (63,573) (24,333)	8.19 6.39 9.65 11.33
Other operating expenses	(3,006)	(2,872)	4.67
OPERATING PROFIT	136,453	136,387	0.05
Adjustments to intangible and fixed assets	(16,749)	(15,763)	6.26
Provisions for risks and charges	(5,000)	(6,365)	-21.45
Loan write-downs and provisions for guarantees and commitments – loan write-downs – provisions for guarantees and commitments	(40,903) 0	(37,609) (401)	8.76
Write-backs to loans and provisions for guarantees and commitments	19,010	14,121	34.62
Provisions to the bad debt reserve	(9,024)	(9,398)	-3.98
Adjustments to the value of long-term financial assets	(1,607)	(374)	329.68
PROFIT FROM ORDINARY OPERATIONS	82,180	80,598	1.96
Extraordinary income	1,617	884	82.92
Extraordinary charges	(1,293)	(2,117)	-38.92
PRETAX PROFIT	82,504	79,365	3.96
Income taxes	(35,800)	(33,300)	7.51
NET PROFIT FOR THE YEAR	46,704	46,065	1.39



a marked downturn in profitability is expected for the banking system as a whole. It is well known that banks fare well when the economy is buoyant and, otherwise, suffer the same consequences. Accordingly, we believe that the increase in net profit mentioned, if only slight, will meet with your approval.

For us, recognition that this slight improvement was made possible by a substantial rise in the volume of work only serves to reinforce our conviction that the margins from banking activities are inherently thin: low proceeds from a vast mass of intermediation and assets under management.

The conclusion comes from the past and clearly signals our commitment for future years: growth and growth again, while maintaining our identity and characteristics, enthusiasm and drive, with far-sightedness and prudence.

Moving on to examine the income statement, we shall start with net interest income which has risen 7.46% to 209.259 million.

Net interest income

It just goes to show: only a significant rise in the volume of intermediation has effectively offset, despite all, the squeeze on unit margins. This most traditional of earnings captions was the one that performed best, in a year in which even net commission income managed to grow by 4.63%. This latter caption was penalised by the results from trading in equities, while lower profits were reported from financial transactions. These are the tangible effects of the crisis that has taken a grip on the world's stockmarkets. The size of the speculative bubble was clearly larger than feared and the effects of its bursting have been amplified and consolidated by somewhat weak economic conditions - in a complex cause-effect scenario whose impact is abundantly clear.

The differing trends affecting the above sources of earnings have increased the weighting of net interest income with respect to total income from banking activities from 65.43% to 67.02%.

Perhaps this is revenge for the old way of being a bank, except that the assessment, granting and management of loans now requires infrastructure, skills and knowledge that were unthinkable just a few years ago. Indeed, an ability to face up to the new and interpret evolutionary processes correctly and pro-actively is part of the game; there's no future for those who remain locked in the past.

As mentioned, profits from financial transactions – securities, foreign exchange and derivatives – fell back by 22.83%. The slippage



was mostly due to the losses recorded in relation to the securities portfolio, affected by unfavourable stockmarket trends.

Income from banking activities rose banking activities 4.91% to 312.238 million.

Other operating income increased slightly, 1.92%, while administrative expenses rose by 8.19% overall compared with 11.22% in the prior year. The fall in the rate of increase in this significant caption was due in large measure to elimination of the costs incurred to introduce the Euro, which were substantial in 2001. With regard to the three sub-captions, the so-called three-headed monster, personnel expenses have risen 6.39%, other administrative expenses 9.65%, and indirect taxes and duties 11.33%.

Operating profit The operating profit of 136.453 million has risen, for the sake of precision, by 0.05%.

These results are then eroded by the various adjustments made in accordance with our well-known prudent approach: adjustments to intangible and tangible fixed assets, up 6.26%; provisions for risks and charges of 5 million, which also cover possible but unpredictable claims for repayment from the liquidators of bankrupt companies; loan writedowns up 8.76% to 40.903 million; writebacks to loans, up considerably, 34.62%, as a reflection of the prudent approach we have always adopted; provisions to the bad debt reserve, down slightly; losses on investments, up significantly following the writedown of the investment in Arca Assicurazioni spa.

The profit from ordinary operations therefore amounts to 82.180 million. Adding extraordinary income and deducting extraordinary charges results in pretax profit of 82.504 million.

Net profit for the year Dividend

After income taxes of 35.800 million, compared with 33.300 million in the prior year, net profit for the year amounts to 46.704 million.

The directors propose a dividend of Euro 0.19 per share, up 5.56%.

Following a year like 2002, there won't, unfortunately, be many AGMs talking about an increase in dividend. What is certain, however, is that this is a meeting of a bank whose shares closed up over the year. We trust that this signal, although less marked than in other even stronger years, will be repeated for many years to come.

SUBSEQUENT EVENTS

As required by article 3.d of Legislative Decree 87 of 27 January 1992, we now provide information on significant events that have taken place after the year end.

In terms of legislation, reference should be made to the enabling decree which amends the regulations governing limited companies and cooperatives pursuant to law 366 of 3 October 2001. This was issued by the Council of Ministers on 10 January with a view to reforming the corporate sector.

With regard to subsequent events influencing our business, we have heard unofficially that the European Investment Bank has allocated Euro 75 million to us for the long-term financing of businesses, in addition to the funds already made available in the past. This confirms the reputation of our bank at an international level and our special links, being a «banca popolare», with small and medium-sized enterprises.

The bank has also won the contract for pension payments by INPS – Istituto Nazionale di Previdenza Sociale – to persons resident in the euro area. This prestigious task, involving the payment of about 110,000 pensions every month, confirms the strong qualitative and competitive position of our international services, especially in the important sector of bulk payments.

Expansion of branch network sees Agency 22 at via Santa Sofia 12, Milan, and Agency 21 at via Famiano Nardini 25, Rome, ready to open, together with new branches in Pavia and Carnago (Varese).

Activities related to public entities and treasuries continue in full swing, with new appointments at the start of every year. Three treasury branches were opened on 1 January at the Municipality of Desio, Milan; the Municipality of Rivanazzano, Pavia; and at the Libera Università di Lingue e Comunicazione IULM, Milan.

With regard to the group, the Board of Directors of our subsidiary, Banca Popolare di Sondrio (Suisse) SA approved the financial statements for 2002 a few days ago. The results reflect sound growth in the business, given the penetration of the bank in its territories. Total assets have risen by about 60%, while net profit of SwF 6.5 million was inevitably affected by the bear markets and the consequent slowdown in trading activity.

Following authorisation from the Banque de France, this subsidiary will shortly convert its representative office in the Principality of Monaco into a full-service branch. The focus will be on serving workers, especially Italians, resident there.

BUSINESS PROSPECTS

It's hard to predict the human condition, especially when there is daily talk of war and peace. What then can we say about what will come?

The outlook remains somewhat uncertain, both in terms of the real economy and with regard to the financial markets and stock exchanges, whose traditional ability to spot early signs of improvement continues to be blinded by the dust from troops exercising in the deserts of the Middle East.

There are those who say that a possible recovery is worse affected by the current level of uncertainty than by a short, decisive conflict. We think that this is too cynical. It is our belief that the general interest will be best served by exhaustive attempts to find a reasonable solution to the contrasts, in accordance with the terms and conditions established by the International Authorities created by the world's populations.

Given this preamble, it would be embarrassing to advance even the slightest forecast regarding the general economic situation.

With regard to the performance of the bank, we expect balance sheet parameters to evolve favourably; the situation should be similar for the income statement, with reasonable certainty for cash management but slightly less confidence in terms of services, especially concerning profits from financial transactions. A slight increase in administrative expenses is expected. In any case, the trend in these costs will be monitored carefully, in order to tie them to the growth of activity and the commercial network.

* * *

Shareholders,

We now submit for your The Auditors examination and approval the 2002 financial statements in the form of the balance sheet and income statement, together with the attachments which are an integral part of them. The financial statements, which close with a net profit of Euro 46,703,800, have been audited by Deloitte & Touche Italia spa, whose audit report is included in the Appendices. Deloitte & Touche Italia spa is the new name adopted by Arthur spa, who were appointed as Andersen independent auditors for the three-year period 2002/2004 at the Shareholders' Meeting held on 2 March 2002.



BALANCE SHEET

Total assets			€	9,908,689,178
Liabilities	€	9,109,615,637		
Reserve for general banking risks	€	38,734,267		
Share capital	€	412,698,192		
Share premium reserve	€	135,886,233		
Reserves	€	165,051,049	€	9,861,985,378
Net profit for the year			€	46,703,800
Guarantees granted			€	1,527,608,660
Commitments			€	254,213,608

ALLOCATION OF NET PROFIT FOR THE YEAR

In compliance with the law and the bank's articles of association, we hereby propose the following allocation of net profit for the year:

Total	€	46,703,800.00
- to the legal reserve, an additional	€	103,584.57
Legislative Decree 124/93	€	31,143.27
- to the reserve as per art. 13		
 to the charity fund 	€	250,000.00
 to the reserve for treasury shares 	€	1,500,000.00
- to the shareholders € 0.19 per share	€	26,137,552.16
to the statutory reserve 30%	€	14,011,140.00
- to the legal reserve 10%	€	4,670,380.00

CAPITAL AND RESERVES

On the condition that you accept our proposals, the breakdown of capital and reserves will be as follows:

137,566,064 shares of par value € 3 each Share premium reserve Reserves: a) Legal reserve b) Reserve for own shares c) Statutory reserve d) Other reserves €
137,566,064 shares of par value € 3 each
137,566,064 shares of par value € 3 each
137,566,064 shares of par value € 3 each - Share premium reserve € - Reserves:
137,566,064 shares of par value € 3 each €
137,566,064 shares of par value
Reserve for general banking risks €Share capital, made up of

Shareholders,

Finally, having illustrated the accounting information for 2002, we turn our thoughts to those who continue to stand by us and to those who have given us their business, thereby enabling us to report positive results.

Our first thank you goes to our shareholders and clients – an inseparable binomial for the development of the business and logical consequence of our legal status as a cooperative «popolare» bank – for their constant and concrete support.

Warm thanks for the intensive and increasingly precious work performed by the Board of Statutory Auditors which, guided by its chairman Egidio Alessandri, has carried out with a high degree of professionalism and commitment its expanded and delicate duties. Thanks also to Advisory Committee for their readiness and accessibility.

We are grateful to the members of the Supervisory and Discount Committees for the experience and knowledge that they bring to bear, with particular recognition for the contribution made by those working in the Milan office.

Thanks go to the directors, officers and employees of our affiliates, especially those at Banca Popolare di Sondrio (Suisse) SA, as well as to the Italian Banking Association, the National Association of Banche Popolari, our sister banks

in the cooperative movement, and Italian and foreign correspondent banks; among these we would like to single out Banca Popolare di Fondi, with which we have an amicable co-operation agreement.

Renewed respect and deferential gratitude go to those at the Bank of Italy, from the Governor to the members of the directorate, the head of the supervisory body and his colleagues, the other general officers, and the Central Bank's branch managers in the provinces where we operate. And a special thought for Giulio Lanciotti, the manager of the Bank of Italy's Milan office, for Cesare Monti, manager of the Rome office, and for Giovanni Alfieri, manager of the Sondrio branch.

We would also thank the managers and staff of the Italian Foreign Exchange Office for their constant and welcome co-operation, Consob and the Italian Stock Exchange which also runs the Restricted (OTC) Market where our shares are traded. The Italian Foreign Exchange Office did us the honour of performing an inspection, with a team well led by Alfredo Politi. We would like to convey our thanks to him and his colleagues, Arturo Bentivegna and Viviana Trani, for the wealth of their recommendations and the fruits of their experience.

Grateful thanks to the Federal Bank Commission in Bern, which oversees the operations of our Swiss subsidiary, and to the Banque de France, which supervises the French banking system that has now been joined by the Monaco branch of our Swiss bank. With regard to this new branch, we are naturally also grateful to the Département des Finances et de l'Economie in Monaco.

Affectionate thanks to all of our staff for their intelligent, committed and faithful collaboration. We wish a long life in health and serenity to those who retired during the year, namely Pietro Del Molino, Pietro Melara, Ilde Rampa and Amos Scarinzi.

Unintentionally, we may have neglected to mention someone. We apologise if this is the case. Our thanks also go to all those who have stimulated us to improve with their friendly advice and prompt criticism.

Shareholders,

In submitting the 2002 financial statements for your approval, the Board of Directors invites the meeting to pass the following resolution, after reading the report of the Board of Statutory Auditors:

«The ordinary meeting of the shareholders of Banca Popolare di Sondrio, having heard the report of the Board of Directors on the 2002 results and the proposed allocation of net profit for the year, which provides for the payment of a dividend of Euro 0.19 per share; having taken note of the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet and income statement, explanatory notes and the financial statements of the subsidiary and associated companies

approves:

- the directors' report on operations;
- the financial statements as of 31 December 2002 with the results shown in the balance sheet and income statement and related explanatory notes, which show a net profit for the year of Euro 46,703,800. The shareholders therefore specifically approve the allocation of the net profit of Euro 46,703,800 as proposed by the Board of Directors in accordance with the requirements of law and the bank's articles of association, and more precisely resolve:
 - a) to allocate:
 - 10% to the legal reserve ∈ 4,670,380.00
 - 30% to the statutory reserve € 14,011,140.00



b) to pay a dividend of € 0.19 to each of the 137,566,064 shares in circulation at 31/12/2002 with dividend rights as from 1/1/2002, transferring to the statutory reserve the amount of the dividends due to the own shares that the bank may be holding on the day prior to the day that the shares go ex-coupon, for a total amount of

€ 26,137,552.16

- c) to allocate to treasury share reserve
- € 1,500,000.00
- d) to allocate the residual profit:
- to the charity fund \in 250,000.00

€

to the reserve as per art. 13
 Legislative Decree 124/93 €

31,143.27

- to the legal reserve, an additional
- 103,584.57

Lastly, the shareholders set aside € 19,000,000 – booked under «Reserve for own shares» for € 605,589 and «Other reserves» for the remainder – as the amount to be made available to the Board of Directors to buy and sell treasury shares at arm's length conditions, pursuant to art. 21 of the articles of association, within the limit of the aforesaid amount and such part of it as is made available by subsequent sales of the shares acquired; all within the scope of a normal activity of intermediation designed to favour circulation of the shares.»

We inform you that, according to article 14 of the D.P.R. no. 917 of 22/12/1986, the dividend distributed will entitle shareholders to a full tax credit at a rate of 56.25%.

Small is beautiful. These words opened the conference held at our bank on 20 November

1980 by Lamberto Dini, then the Director-General of the Bank of Italy.

This statement is still true, both for the Italian economy where small industry, despite its limited individual scale, plays an important role, and for the banking sector, where numerous small banks operate efficiently and effectively alongside large and medium-sized banks.

We believe that all categories of business, including those for banks, are needed in a balanced and dynamic economy since each of them – whether large, medium or small – makes a specific contribution. Still, it is necessary to understand what these words mean. Just as it is not enough to grow in scale or get on a pedestal to become large, so it is that small banks – due to their efficiency, competitiveness, innovation and drive – can be big in the eyes of their clients.

We hear this often from those who do business with us, entrepreneurs and private customers, who appreciate our products, services and way of working. Here too, «being» matters more than appearances.

We are convinced that, after almost twentythree years, the authoritative speaker just mentioned would confirm that «small is still beautiful» if we met him today.

A small bank that has grown up somewhat, in reality, through internal expansion. The press, both specialised and not, has covered us recently - just as it often reports on the «banche popolari». The subject was concentrations, aggregations and «understandings». With regard to the last mentioned, we have always been in favour of them and this is ever more true now. Understandings founded on the principles of independence and activity in the traditional form of cooperative banks. Everything else boils down to rumours.

This report close on a note of pride.

Looking beyond the bank with its associated adjective, whether small, medium or large, the history of our directors and

Banca Popolare di Sondrio

management has been shaped by men with ideas and principles, not vested interests.

Testorelli has also lapsed, although his mandate would have expired at the end of 2003.

Point 2) on the agenda: determination of the directors' emoluments.

Shareholders.

It is up to you to decide on the directors' emoluments. The Board reserves the right to propose the amount.

Point 3) on the agenda: appointment of directors.

Shareholders,

In accordance with the articles of association, the Shareholders are called to appoint the directors. The mandates of the following directors have expired: Salvatore Bonomo, Giuseppe Fontana, Carlo Grassi, Aldo Rossi and Renato Sozzani. The appointment of Mario

Point 4) on the agenda: appointment of Statutory Auditors and alternates and the Chairman of the Board of Statutory Auditors for the three-year period 2003-2005; determination of their annual emoluments.

Shareholders,

In accordance with current legislation and the articles of association, the Shareholders are called to appoint the entire Board of Statutory Auditors for the three-year period 2003-2005. The mandates of Egidio Alessandri, Piergiuseppe Forni and Roberto Schiantarelli, Auditors, and of Pio Bersani and Mario Vitali, Alternate Auditors, have expired. In this regard, the notice of the Shareholders' Meeting contains the full text of article 47 of the articles of association, which governs presentation of the lists of candidates.

Sondrio, 30 January 2003

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

in accordance with Art. 153 of Legislative Decree 58/98 and Art. 2429.3 of the Italian Civil Code

Shareholders.

Firstly, we too would like to honour the memory of the late lamented Mario Testorelli, a director of the bank for many years and a statutory auditor before that.

Before describing our activities during the year, in accordance with the primary and secondary regulations concerning the tasks of the Board of Statutory Auditors of companies quoted on regulated markets, as well as pursuant to instructions dated 6 April 2001 of the National Commission for Companies and the Stock Exchange (CONSOB), we would like to follow our usual pattern and present the results of the financial statements as at 31 December 2002, the bank's 132nd year, which Board of Directors are submitting for your examination and approval:

trend in indirect deposits, on the other hand, was hit by the cyclical problems mentioned previously. At the same time, the expansion of the branch network continued in accordance with the bank's established lines of strategy, as did the streamlining of its central structures; new services have also been acquired and personnel strengthened.

Exhaustive comments on operations and on the main corporate events from an economic, financial and capital point of view during the year are provided in the directors' report, the explanatory notes and in the attachments to the financial statements. Taken together, they give a true and fair view of the bank's situation.

From a review of this documentation, which was sent to us on a timely basis, constant participation at meetings of the Board of Directors

BALANCE SHEET

Total assets			€	9,908,689,178
Liabilities	€	9,109,615,637		
Reserve for general banking risks	€	38,734,267		
Capital	€	412,698,192		
Share premium reserve	€	135,886,233		
Reserves	€	165,051,049	€	9,861,985,378
Net profit for the year			€	46,703,800
Guarantees given			€	1,527,608,660
Commitments			€	254,213,608

In a context marked by the ongoing negative trend in national and international stock markets with, inevitably, severe repercussions on the results of banks, and by elements of uncertainty, and not only at an economic level, the bank still managed to continue its positive evolution. The effectiveness of management's policies and the bank's operating dynamism are reflected in its profitability, which remains satisfactory, and in the appreciable increase in the two main aggregates in the balance sheet and therefore in the funds under management. The

and at the meetings of the Chairman's Committee, the checks that we have carried out and information that we have gathered on the bank's main activities, we have been able to establish that the bank has not carried out transactions that are manifestly imprudent or excessively risky, or such as to jeopardise the bank's solidity. We can therefore confirm that management has operated according to the principles of orthodox practice, in compliance with the law and with its articles of association, always bearing in mind the bank's best interest.



Similarly, we have been able to observe that there have not been any atypical or unusual transactions with related parties, group companies or third parties. On the basis of a careful analysis of the situation, we can say that the bank's ordinary relations with group companies and with related parties, designed to protect the bank's competitiveness, are based on evaluations of economic convenience and therefore do not entail the granting of any privileges. The directors' report provides adequate information on such transactions.

We have been able to check that the various corporate bodies and officer bearers have the opportunity to report back on their activities at Board meetings and that the directors comply with the law in matters involving potential conflict of interest (art. 2391 of the Civil Code and art. 136 of D. Lgs. 385/1993).

We would reiterate, to the extent necessary, that the accounting records and financial statements have been audited by Arthur Andersen S.p.A., now called Deloitte & Touche Italia S.p.A., in accordance with art. 155 *et seq.* of D. Lgs. 58/1998. Relations with the independent auditors have always been professional, open and cooperative, involving mutual exchanges of information on our respective activities.

The auditors have issued a clean opinion in their report on the results, assets and liabilities and financial position. Their report is attached to these financial statements.

Shareholders,

The important supervisory function that current regulations delegate to the Board of Statutory Auditors has been carried out by us by direct observation of the various phases of which the bank's operations is composed: decision making, executive and operational.

We have taken part in the meetings of the Board of Directors, called in accordance with the bank's articles of association, and of the Chairman's Committee, which are held twice a week for a total of 95. We have also made 5 visits to the central offices and 89 visits to branches. Pertinent information has also been gathered from the independent auditors, from the internal audit department, from the planning and control department and from those in charge of the various departments. During our supervisory activities in connection with the anti-money laundering laws we were comforted by the inspection carried out by the Italian Exchange Office (U.I.C.). We can assure you that we had frank and open talks with the inspectors who carried out the visit, and we would like to thank them for their suggestions of ways that the bank can comply fully with the rules in question.

In accordance with the requirements of art. 150.2 of D. Lgs. 58/1998, we would point out that no significant matters arose during the meetings we had with the independent auditors. We would also specify that the auditors, Arthur Andersen S.p.A. – now called Deloitte & Touche S.p.A. – were not requested, nor did they perform, any other work apart from auditing the financial statements during 2002.

As regards the work of the directors, who we have always followed in complete autonomy and with a critical approach, we have no objections to make; indeed, we would emphasis that the decisions they have taken and the policies they have adopted have always been in the bank's best interest, designed to help operations grow in a balanced way, without overlooking the need to safeguard the bank's solidity. We would also reiterate that the principles of prudent management have been applied at all times, as have the concepts of openness and full disclosure of the bank's results, also in compliance with art. 150 of D. Lgs. 58/1998.

Relations between the Parent Bank and its subsidiaries have always been discussed at Board

meetings, during which we have always obtained exhaustive replies to any questions we might have had. In saying that we have no objections to the relations between group companies, we would like to acknowledge the considerable care with which management has monitored implementation of the instructions given to the subsidiaries for them to achieve their respective corporate purposes. In particular, a great deal of attention has been paid to Banca Popolare di Sondrio (Suisse) S.A., which like the previous year managed to expand and extend its reach. The net profit was conditioned by the poor economic conditions mentioned previously, which have had serious repercussions on the Swiss economy in general, but it still came in at a reasonable level. even if lower than in 2001.

To the extent that it forms part of our duties, we can state that the bank's organisation can be considered coherent with the new extent of its operations following their recent growth, even if expansion inevitably causes tensions, dysfunctions and weaknesses that need addressing, though they can be considered normal.

The situation is in any case constantly under control and firmly handled by the bank's senior managers, all of whom contribute with determination to implement the policies and instructions received from the Board of Directors, as well as being ready at all times to take corrective action as needed to ensure that operations function efficiently and effectively or to remove any behavioural anomalies.

The administrative and accounting system makes use of procedures that are adequate for its needs and considered reliable. They permit a true and fair representation of the company's affairs, as well as timely reporting to the Supervisory Authorities.

Particular attention is reserved to reinforcing the overall system of internal control, being that series of rules, procedures, first and second level checks, as well as the measurement

and monitoring of risks. In addition, there are the precious indications to corporate governance that come from the measurements and analyses developed by the planning and control department. The constant improvements in process review techniques for the purpose of internal audits, in IT supports for on-the-spot and remote investigations, as well as in refined methods of risk quantification confirm the efficiency and usefulness of the departments concerned. Direct participation in a suitable number of internal audit checks gave us a chance to appreciate the professionalism, commitment and diligence of the internal audit department. This is a function that reports directly to top management, while the Board of Directors and we of the Board of Statutory Auditors have always been kept up to date on its activities.

During 2002, we did not receive any reports or petitions in accordance with art. 2408 of the Civil Code and we have not issued any opinions in accordance with the law. For completeness of information, we should tell you that we received 22 complaints during the year concerning investment services, to which replies were given within the legal deadline. In one recent case, a shareholder lodged a report pursuant to art. 2408 of the Civil Code that directly involved the Board of Statutory Auditors. Analyses of any such complaints has always identified the cause so that it could be clarified or removed. In any case, as explained in the obligatory communications by the person in charge of the internal control function to CONSOB, we have not found any petitions that were attributable to procedural weaknesses or erroneous application of the rules and regulations.

As regards the bank's adherence to the Code of Conduct issued by the Committee for the Corporate Governance of Quoted Companies, after a detailed review of the matter and based on various considerations, essentially to do with the bank being a cooperative, the Board of Directors



confirmed that it would not be adopting the Code for the time being. A copy of the related resolution, which was approved unanimously by the members of the Board and with the consent of the Board of Statutory Auditors, has been sent to Borsa Italiana S.p.A. explaining the reasons for confirming this decision.

In this context, we should also mention the fact that the Board of Directors has taken into consideration – without taking any decision one way or the other – the measures introduced by D.Lgs. 231/2001 on the question of penal liability on the part of companies and the possible impact this might have on the supervisory bodies.

Shareholders,

In light of all of the matters discussed above and reaching an overall conclusion regarding our audit work in 2002, we can reasonably issue a positive opinion on the situation that we found. We can also confirm that, as far as we are aware, the bank carries on its business in observance of the laws, its articles of association and the principles of prudent administration.

We can therefore express our opinion in favour of you approving the financial statements as of 31 December 2002 which the Board of Directors has submitted for your attention, inviting you to approve the allocation of the net profit for the year as proposed by the Board of Directors in accordance with the law and the articles of association.

Our three-year term of office has now come to an end. We therefore return the mandate that you granted us, thanking you for your confidence in us.

Sondrio, 11 February 2003

THE STATUTORY AUDITORS

Egidio Alessandri, chairman

Piergiuseppe Forni, auditor

Roberto Schiantarelli, auditor

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002

BALANCE SHEET

(in euro)

A S S E T S 31-12-2002 31-12-2001

	24,264 85,569 46,805
a) sight 681,005,499 87,990,652 817,094,917 40. CUSTOMER LOANS 6,246,734,925 of which: - from third-party funds under administration 66,618 50. BONDS AND OTHER FIXED-YIELD SECURITIES: 1,370,241,573 a) from public issuers 1,142,229,382 1,056,359,264	
of which: - from third-party funds under administration 66,618 118,534 50. BONDS AND OTHER FIXED-YIELD SECURITIES: 1,370,241,573 a) from public issuers 1,142,229,382 1,056,359,264	46,805
50. BONDS AND OTHER FIXED-YIELD SECURITIES: 1,370,241,573 1,100,6 a) from public issuers 1,142,229,382 1,056,359,264	
a) from public issuers 1,142,229,382 1,056,359,264	
of which:	38,065
- own securities 1,306,761 3,264,149 c) from financial institutions 210,435,988 1,304,300 d) from other issuers 10,949,570 21,074,456	
60. SHARES, QUOTAS AND OTHER VARIABLE-YIELD SECURITIES 103,464,703 108,0	31,843
70. EQUITY INVESTMENTS 79,252,156 66,2	55,143
80. EQUITY INVESTMENTS IN GROUP COMPANIES 32,928,414 32,9	28,414
90. INTANGIBLE ASSETS 13,003,415 10,1	90,108
100. FIXED ASSETS 67,534,138 68,0	13,704
120. OWN SHARES (par value 176,994) 605,589 8	73,969
130. OTHER ASSETS 252,807,170 183,2	29,582
140. ACCRUED INCOME AND PREPAYMENTS: 48,165,482 49,6	48,683
a) accrued income 46,655,697 48,146,584 b) prepayments 1,509,785 1,502,099	
TOTAL ASSETS 9,908,689,178 8,588,8	



LIABILITIES 31-12-2002 31-12-2001

10.	DUE TO OTHER BANKS:		1,277,109,922		1,559,348,783
	a) sight	196,852,795		243,721,656	
	b) time or with notice	1,080,257,127		1,315,627,127	
20.	CUSTOMER DEPOSITS:		6,509,132,700		5,093,336,265
	a) sight	5,178,468,401		4,010,749,357	
	b) time or with notice	1,330,664,299		1,082,586,908	
30.	SECURITIES ISSUED:		840,165,912		722,155,086
	a) bonds	717,666,352		610,450,770	
	b) certificates of deposit	49,231,809		39,912,826	
	c) other securities	73,267,751		71,791,490	
40.	THIRD-PARTY FUNDS		64.740		114.004
	UNDER ADMINISTRATION		64,742		114,224
50.	OTHER LIABILITIES		292,249,198		260,188,134
60.	ACCRUED LIABILITIES AND DEFERRED INCOM	E:	22,905,567		21,601,409
	a) accrued liabilities	19,916,232		19,254,129	
	b) deferred income	2,989,335		2,347,280	
70.	RESERVE FOR SEVERANCE INDEMNITIES		35,236,904		32,281,221
80.	RESERVES FOR RISKS AND CHARGES:		114,366,574		104,908,817
	a) staff pension fund	49,536,000		48,861,798	
	b) taxation reserve	43,657,785		38,959,473	
	c) other reserves	21,172,789		17,087,546	
90.	RESERVES FOR POSSIBLE LOAN LOSSES		18,384,118		17,552,194
100.	RESERVE FOR GENERAL BANKING RISKS		38,734,267		38,734,267
120.	SHARE CAPITAL		412,698,192		412,698,192
130.	SHARE PREMIUM RESERVE		135,886,233		135,886,233
140.	RESERVES:		165,051,049		143,985,746
170.	a) legal reserve	43,222,425	100,001,049	38,541,608	173,303,740
	b) reserve for own shares	605,589		873,969	
	c) statutory reserves	97,798,807		83,966,780	
	d) other reserves	23,424,228		20,603,389	
170.	NET PROFIT FOR THE YEAR		46,703,800		46,064,525
	TOTAL LIABILITIES		9,908,689,178		8,588,855,096



GUARANTEES AND COMMITMENTS 31-12-2002

31-12-2001

10.	GUARANTEES GRANTED of which	1,527,608,660		1,372,074,167
	acceptancesother guarantees	1,609,759 1,525,998,901	4,526,901 1,367,547,266	
20.	COMMITMENTS	254,213,608		203,629,741

INCOME STATEMENT

(in euro)

200. NET EXTRAORDINARY ITEMS

230. **NET PROFIT FOR THE YEAR**

INCOME TAXES FOR THE YEAR

220.

			2002		2001
10.	INTEREST INCOME AND SIMILAR REVENUES		395,454,827		409,783,732
	of which: - on customer loans - on fixed-yield securities	311,119,600 56,422,551		318,071,551 68,783,571	
20.	INTEREST EXPENSE AND SIMILAR CHARGES of which: – on customer deposits	(143,885,176)	(191,713,460)	(144,997,201)	(219,824,576)
30.	on securities issued DIVIDENDS AND OTHER INCOME: a) from shares, quotas and other	(23,816,258)	5,518,364	(21,611,833)	4,771,142
	variable-yield securities b) from equity investments	1,748,789 3,769,575		742,851 4,028,291	
40.	COMMISSION INCOME		95,989,976		91,940,987
50.	COMMISSION EXPENSE		(6,143,725)		(6,068,182)
60.	PROFITS FROM FINANCIAL TRANSACTIONS		13,133,595		17,018,903
70.	OTHER OPERATING INCOME		23,439,900		22,999,495
80.	ADMINISTRATIVE EXPENSES: a) Personnel expenses of which:	(99,424,834)	(196,218,917)	(93,456,153)	(181,362,215)
	 wages and salaries social security contributions severance indemnities pensions b) Other administrative expenses 	(67,437,191) (18,713,613) (5,059,316) (3,339,547) (96,794,083)		(61,792,253) (17,578,710) (4,918,905) (5,158,207) (87,906,062)	
90.	ADJUSTMENTS TO INTANGIBLE AND FIXED ASSETS		(16,748,760)		(15,762,701)
100.	PROVISIONS FOR RISKS AND CHARGES		(5,000,000)		(6,365,183)
110.	OTHER OPERATING EXPENSES		(3,006,412)		(2,871,552)
120.	ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		(40,903,160)		(38,010,943)
130.	WRITE-BACKS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		19,009,756		14,120,994
140.	PROVISIONS TO RESERVES FOR POSSIBLE LOA	N LOSSES	(9,024,186)		(9,398,307)
150.	ADJUSTMENT TO THE VALUE OF LONG-TERM FINANCIAL ASSETS		(1,607,415)		(374,357)
170.	PROFIT FROM ORDINARY OPERATIONS		82,180,383		80,597,237
180.	EXTRAORDINARY INCOME		1,616,692		884,573
190.	EXTRAORDINARY CHARGES		(1,293,275)		(2,117,285)
1					

323,417

(35,800,000)

46,703,800

115

(1,232,712)

(33,300,000)

46,064,525

NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements consist of the balance sheet, income statement and these notes, and are accompanied by the report of the Board of Directors, in accordance with Legislative Decree 87/92, which regulates the annual and consolidated financial statements of banks, implementing EEC Directives 86/635 and 89/117.

The notes comment on the data in the financial statements, and contain the information required by Legislative Decree 87/92, Bank of Italy Instruction of 30 July 2002. They also provide all additional information deemed necessary for a true and fair presentation, even if not specifically required by law. The following appendices are therefore attached to these notes:

- statement of changes in financial position;
- statement of changes in shareholders' equity:
- statement of changes in the staff pension fund;
- listed of revalued assets still owned by the bank (article 10, Law 72/1983);
- list of equity investments;
- financial statements of the subsidiaries Banca Popolare di Sondrio (Suisse) SA, Pirovano Stelvio SpA and Sinergia Seconda Srl, and of the associated companies Ripoval SpA and Arca Vita SpA.

All figures contained in the notes are expressed in thousands of euro, rounded up or down to the nearest thousand. This may result in minor discrepancies with respect to the detailed figures in the corresponding balance sheet and income statement items.

OTHER INFORMATION

The financial statements are audited by Deloitte & Touche Italia SpA in accordance with the resolution of 2 March 2002 appointing them as external auditors for the 3-year period 2002 - 2003 - 2004.

PART A Accounting policies

The accounting policies are consistent with those used to prepare the prior year financial statements.

Section 1 **Description of accounting principles**

1. Receivables, guarantees and commitments

Due from banks and customer loans

The amount of the loans shown in the financial statements reflects their estimated realisable value. This value is obtained by subtracting from the total amount disbursed the estimated losses of capital and interest, calculated on the basis of specific analyses of outstanding overdue loans, non-performing loans, loans being restructured and consolidated, and of the generic risk of losses – calculated on a forfeit basis and attributed proportionally to the individual positions – that could occur on other loans in the future. Write-downs and write-ups are calculated by comparing the prior year value of each position with the current year value. The original value of a loan is duly restored in subsequent years if the reasons for the write-down no longer exist.

Loans are classified as outstanding overdue loans when the borrowers are in a state of insolvency or similar, independent of any estimated losses.



Non-performing loans are loans to borrowers in temporary difficulties.

Restructured loans are those where deferred payment has been granted at lower than market rates, while consolidated loans are included amongst those in the course of being restructured.

Loans exposed to country risk relate to borrowers residing in foreign countries considered exposed to risk in accordance with the Bank of Italy regulations on the subject.

Overdue interest accrued during the year is booked to the income statement to the extent collected or considered recoverable.

Other receivables

Other receivables are shown at face value, which is equivalent to the estimated realisable value. Guarantees and commitments

Guarantees granted are booked at the total value of the commitment taken on. Losses connected with these transactions are covered by specific provisions.

Securities and foreign currency to be received are expressed at the forward price as established by contract with the counterparty.

Commitments to disburse funds to counterparties are booked at the amount to be paid.

2. Securities and «off-balance sheet» transactions (other than those in foreign currency)

2.2 Trading securities

The securities in the financial statements are valued at the lower of cost (determined using the method of weighted average cost) or the value indicated in the latest approved financial statements, and the market price derived as follows:

- for securities listed on regulated Italian or foreign markets, from the average of prices recorded during the last month;
- for unlisted securities, from the estimated realisable value that, with regard to bonds and other fixedyield securities, is obtained by discounting future financial flows at a suitable market rate calculated
 on the basis of objective information.

Units in mutual funds are valued on the basis of the period-end value of the securities or, where this is not possible, at cost.

Original values are duly restored in subsequent years if the reasons for the write-down no longer exist.

Commitments for the purchase and sale of futures are valued at the lower of the forward purchase/sale price and the corresponding book and/or market values.

For repo transactions on securities, with a simultaneous forward commitment, the amounts received and paid are shown as payables and receivables. The cost of borrowing and the return on the investment, consisting of the interest coupons accrued on the securities and the difference between their spot and forward prices, are booked to interest in the income statement on an accruals basis.

3. Equity investments

Equity investments in unlisted companies are valued at cost as determined on the basis of the purchase or subscription price, or else at the value indicated in the latest approved financial statements. The cost is reduced for permanent losses in value, when profits sufficient to absorb these losses are not



immediately foreseeable for the affiliate that incurred them. Equity investments in listed companies are valued at the lower of purchase or subscription price and market value, defined as the average quoted price in the second half of the year.

The original value is restored in subsequent years if the reasons for the write-down no longer exist.

Dividends and the related tax credits are accounted for in the year in which they are collected in cash.

4. Assets and liabilities in foreign currency (including «off-balance sheet» transactions)

Assets, liabilities and «off-balance sheet» spot transactions in foreign currency are converted into euro at year-end exchange rates; forward transactions are converted at the forward exchange rate ruling at the year end for maturities corresponding to those being valued; the effect of this valuation is charged to the income statement.

Long-term investments expressed in foreign currency are converted at the historical exchange rate at the time of purchase.

Foreign currency expenses and revenues are recorded at the exchange rate in force at the time they are accounted for.

5. Fixed assets

These are recorded at purchase cost, inclusive of any ancillary charges, and adjusted in certain cases in accordance with specific revaluation laws; the amount recorded in the financial statements is obtained by subtracting depreciation charged from the book value calculated in this way.

Assets are systematically depreciated in each financial year on a straight-line basis at rates that reflect the residual useful life of the assets.

Moreover, within the limits of the law, accelerated depreciation has been charged in order to take advantage of the tax benefit on property, as well as to counter the obsolescence of high-tech goods shown under machines and equipment.

Maintenance costs that add value are attributed to the assets to which they relate and depreciated on the same basis.

6. Intangible assets

These are booked at purchase cost, inclusive of ancillary charges, and are written off systematically over their estimated useful life. They consist of costs for setting-up and refurbishing branches in rented buildings and costs for the purchase of software utilization rights.

7. Others

Payables

These are reported at their nominal value, except for those represented by zero-coupon securities, which are booked net of unaccrued interest.

Accruals and deferrals

These are booked to record cost or income items that are common to two or more financial years, in line with the matching principle.



Reserve for severance indemnities

The reserve for severance indemnities is provided in order to cover the entire amount accruing to employees, in accordance with current legislation, collective labour contracts and supplementary company agreements. This liability is subject to revaluation on the basis of pre-established indicators.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their severance indemnities to a complementary pension fund, as dictated by current company agreements.

Reserves for risks and charges

The pension fund represents the amount accruing as of the date of the financial statements to working and retired employees in terms of supplementary pensions.

The taxation reserve provides for income tax on the basis of a prudent forecast of current and deferred tax charges in accordance with current fiscal laws, taking into consideration any exemptions and tax credits due.

The prudence principle dictates that deferred tax assets should only be recognized if it is reasonably certain they will be recovered. Accordingly, account has been taken of only those timing differences between the statutory and fiscal results giving rise to deferred tax assets, that are certain to reverse; accordingly no such timing differences have been recognized on provisions with an unspecified date of reversal. Deferred taxes are recognized using the balance sheet liability method. In any case, there are no deferred tax liabilities on events or transactions that have not been recorded in the income statement.

Deferred tax assets and liabilities booked in prior years are valued in the light of any changes to the legislation or tax rates.

The other reserves are provided in order to cover losses in value on guarantees granted and on other commitments taken on, and on the certain or probable liabilities whose amount or date of occurrence is not known at the end of the financial year or by the date of the financial statements. The reserves created against these liabilities reflect the best possible estimate on the basis of available information.

Reserves for possible loan losses

These are part of the reserves created during the current and previous years in accordance with fiscal laws.

They are not of a corrective nature.

Reserve for general banking risks

This reserve covers general business risks, and is therefore considered an equity reserve.

Derivative contracts

Differentials accrued on derivative contracts are debited or credited to the income statement in the following manner:

- hedging contracts: the asset and liability elements and related contracts are valued separately. The
 differentials are booked to the appropriate asset and liability items on an accruals basis in the same
 way as the costs and revenues generated by the items being hedged;
- trading contracts: differentials, which are recognized at the time of settlement, are recorded under profits/losses from financial transactions.



Section 2 Tax adjustments and provisions

2.1 Adjustments made exclusively for tax purposes

Adjustments consist of accelerated depreciation on buildings – charged up until 2001 – for $\leqslant 9.059$ million in accordance with article 67.3 of Presidential Decree 917/86. They have been charged to the maximum extent allowed by tax laws, in order to receive a tax benefit that was not otherwise obtainable.

The potential deferred tax liability amounts to \in 3.361 million and is calculated using the expected average tax rate.

2.2 Provisions made exclusively for tax purposes

Provisions consist of the reserve for possible loan losses, totalling \in 18.384 million (an increase of \in 0.832 million, net of utilizations). The reserve includes \in 12.384 million (\in 3.024 million relating to 2002) for overdue interest in accordance with article 71.6 of Presidential Decree 917/86 and \in 6 million for general provisions in accordance with article 71.3 of the same Decree. These reserves have not been deducted from assets, but booked as separate items under liabilities.

These provisions were made in order to receive a tax benefit that was not otherwise obtainable.

The potential deferred tax liability amounts to \in 6.820 million (\in 0.309 million relating to 2002) and is calculated using the expected average tax rate.

PART B Information on the balance sheet

Section 1 Receivables

1.1 Breakdown of item 30 «Due from other banks»

	31/12/2002	31/12/2001
a) deposits with central banks	79,021	215,093
b) assets eligible for refinancing at central banks	_	_
c) repo transactions	_	_
d) securities lent	_	_

This item amounts to \in 1,303.182 million, an increase of \in 398.097 million (+43.98%).

Activity on the interbank market went up quite considerably during the year.

Deposits with central banks consist of the compulsory reserve at the Bank of Italy for \leqslant 79.021 million. The average rate of return on this reserve during the year was 3.27%, with a maximum of 3.34% and a minimum of 2.87%.

1.5 Breakdown of item 40 «Customer loans»

	31/12/2002	31/12/2001
a) assets eligible for refinancing at central banks	1,960	1,270
b) repo transactions	-	_
c) securities lent	_	_

This item comes to € 6,246.735 million, an increase of € 667.188 million (+11.96%).

The total amount of loans granted is shown at their estimated realisable value.



Customer loans are booked net of write-downs totalling \in 101.650 million, of which: \in 68.056 million related to outstanding overdue loans, non-performing loans and loans being restructured and consolidated resulting from a detailed analysis of potential losses and taking into account country risk; \in 33.594 million, deriving from historical, statistical analysis in order to take into account losses that might occur in the future as part of normal banking activities, and booked analytically to each individual item.

Information on the quality of credit risk and on commercial strategies and policies, as well as on internal management, control and evaluation systems has been widely discussed and presented in the report on performance.

1.6 Secured customer loans

	31/12/2002	31/12/2001
a) by mortgages	1,914,821	1,504,272
b) by liens on:	159,274	165,869
1. cash deposits	1,050	48
2. securities	148,545	151,844
3. other assets	9,679	13,977
c) by guarantees from:	1,477,223	1,259,770
1. governments	13	41
2. other public entities	2,961	4,132
3. banks	10,813	11,632
4. other operators	1,463,436	1,243,965
Total	3,551,318	2,929,911

The table above illustrates customer loans secured in full or in part by guarantees, with figures referring to the guaranteed portion only.

1.7 Customer loans

			31/12/2002			31/12/2001
Categories	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
A. Doubtful loans	240,425	68,056	172,369	201,115	61,506	139,609
A.1. Outstanding overdue	124,789	48,294	76,495	94,981	40,408	54,573
A.2. Non-performing	70,790	10,625	60,165	72,320	11,074	61,246
A.3. Loans being restructured	_	_	_	_	_	_
A.4. Restructured loans	44,080	8,907	35,173	33,151	9,825	23,326
A.5. Unsecured loans exposed to country						
risk	766	230	536	663	199	464
B. Performing loans	6,107,960	33,594	6,074,366	5,470,023	30,085	5,439,938
Total	6,348,385	101,650	6,246,735	5,671,138	91,591	5,579,547

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1.8 Movements in doubtful loans due from customers

					31/12/2002
Categories	Out- standing loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 31/12/2001	94,981	72,320	0	33,151	663
A.1. of which: overdue interest	13,786	_	_	_	
B. Increases	65,777	23,160	0	11,351	299
B.1. transfers from performing loans	26,080	19,531	_	9,280	_
B.2. overdue interest	4,144	_	_	_	
B.3. transfers from other categories of doubtful loans	16,532	_	_	-	
B.4. other increases	19,021	3,629		2,071	299
C. Decreases	35,969	24,690	0	422	196
C.1. transfers to performing loans	_	3,055	_	_	
C.2. write-offs	26,164	_	_	_	
C.3. collections	9,805	5,103	_	422	196
C.4. proceeds from factored loans	_	_	_	_	_
C.5. transfers to other categories of doubtful loans	_	16,532	_	-	_
C.6. other decreases	_	_	_	_	
D. Gross exposure as of 31/12/2002	124,789	70,790	0	44,080	766
D.1. of which: overdue interest	15,544	_			

					31/12/2001
Categories	Out- standing loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 31/12/2000	93,095	68,072	0	31,861	304
A.1. of which: overdue interest	13,060	_	_	_	_
B. Increases	33,405	28,488	0	1,395	372
B.1. transfers from performing loans	14,492	21,751	_	_	47
B.2. overdue interest	3,967	_	_	_	_
B.3. transfers from other categories of doubtful loans	10,620	_	_	_	_
B.4. other increases	4,326	6,737	_	1,395	325
C. Decreases	31,519	24,240	0	105	13
C.1. transfers to performing loans	_	2,838	_	104	_
C.2. write-offs	22,108	_	_	_	_
C.3. collections	9,411	10,782	_	1	13
C.4. proceeds from factored loans	_	_	_	_	_
C.5. transfers to other categories of doubtful loans	_	10,620	_	_	_
C.6. other decreases	_	_	_	_	_
D. Gross exposure as of 31/12/2001	94,981	72,320	0	33,151	663
D.1. of which: overdue interest	13,786				



1.9 Movements in total adjustments

					3	31/12/2002
Categories	Out- standing loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments as of 31/12/2001	40,408	11,074	0	9,825	199	30,085
A.1. of which: overdue interest	2,734	-	_	_	-	_
B. Increases	35,380	5,194	0	1,310	90	12,045
B.1. adjustments	31,015	5,101	_	1,258	90	12,036
B.1.1. of which: overdue interest	1,177	_	_	_	_	_
B.2. use of the reserve for possible loan losses	_	_	_	_	_	_
B.3. transfers from other categories of loans	4,365	93	_	52	_	9
B.4. other increases	_	_	_	_	_	_
C. Decreases	27,494	5,643	0	2,228	59	8,536
C.1. write-backs on valuation	465	612	_	2,005	_	49
C.1.1. of which: overdue interest	1	_	_	_	_	_
C.2. write-backs due to collections	865	786	_	223	59	8,213
C.2.1. of which: overdue interest	172	-	_	_	_	_
C.3. write-offs	26,164	_	_	_	_	_
C.4. transfers to other categories of loans	_	4,245	_	_	_	274
C.5. other decreases	_	_	_	_	_	
D. Closing total adjustments as of 31/12/2002	48,294	10,625	0	8,907	230	33,594
D.1. of which: overdue interest	3,160	_	_	_	_	_

					3	31/12/2001
Categories	Out- standing loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments as of 31/12/2000	39,258	10,477	0	6,597	36	19,469
A.1. of which: overdue interest	2,498	-	_	_	-	_
B. Increases	24,229	5,170	0	3,247	167	14,146
B.1. adjustments	21,609	5,140	_	3,247	167	14,141
B.1.1. of which: overdue interest	1,969	_	_	_	_	
B.2. use of the reserve for possible loan losses	_	_	_	_	_	_
B.3. transfers from other categories of loans	2,620	30	_	_	_	5
B.4. other increases	_	_	_	_	_	_
C. Decreases	23,079	4,573	0	19	4	3,530
C.1. write-backs on valuation	405	586	_	18	_	113
C.1.1. of which: overdue interest	6	_	_	_	_	_
C.2. write-backs due to collections	566	1,421	_	1	4	3,328
C.2.1. of which: overdue interest	157	_	_	_	_	_
C.3. write-offs	22,108	_	_	_	_	_
C.4. transfers to other categories of loans	_	2,566	_	_	-	89
C.5. other decreases	_	_		_	_	_
D. Closing total adjustments as of 31/12/2001	40,408	11,074	0	9,825	199	30,085
D.1. of which: overdue interest	2,734	_		_		



Doubtful loans (including overdue interest)

	31/12/2002	31/12/2001
Outstanding overdue loans (including overdue interest)	76,495	54,573

Outstanding overdue loans, expressed at their estimated realisable value, have increased by € 21.922 million, +40.17% in comparison with the end of last year.

They also include any residual principal that is still to fall due.

Receivables for overdue interest

	31/12/2002	31/12/2001
a) doubtful loans	12,384	11,052
b) other loans	_	_

Receivables for overdue interest are stated at their estimated realisable value, in other words net of write-downs for ≤ 3.160 million. These receivables have increased by ≤ 1.332 million, +12.05% in comparison with the end of last year.

Section 2 Securities

Securities owned by the bank, which are held for trading purposes, amount to \in 1,802.821 million and have increased by \in 189.827 million (+11.77%). They are classified in the financial statements under item 20, «Treasury and similar bills eligible for refinancing with central banks» for \in 329.115 million, under item 50, «Bonds and other fixed-yield securities» for \in 1,370.242 million, and under item 60, «Shares, quotas and other variable-yield securities» for \in 103.465 million. The items take into account write-downs for \in 11.657 million and write-backs for \in 0.127 million to both listed and unlisted securities, charged in full to the income statement.

Item 60 includes € 48.726 million of securities held as investments of the staff pension fund.

2.3 Trading securities

Total	1,802,821	1,807,841	1,612,994	1,618,795
– unlisted	69,672	69,672	79,043	79,043
- listed	33,793	34,492	28,989	32,188
2. Variable-yield securities	103,465	104,164	108,032	111,231
– unlisted	227,492	227,492	37,028	37,031
- listed	1,666	1,678	8,669	8,713
1.2 Other securities	229,158	229,170	45,697	45,744
– unlisted	_	_	_	_
– listed	1,470,198	1,474,507	1,459,265	1,461,820
1.1 Government securities	1,470,198	1,474,507	1,459,265	1,461,820
1. Fixed-yield securities	1,699,356	1,703,677	1,504,962	1,507,564
	Book value	Market value	Book value	Market value
		31/12/2002		31/12/2001



2.4 Change for the year in trading securities

	31/12/2002	31/12/2001
A. Opening balance	1,612,994	1,432,493
B. Increases	10,522,895	13,410,704
B1. Purchases	10,507,897	13,392,648
Fixed-yield securities	10,337,547	13,077,697
government securities	8,452,792	11,652,489
other securities	1,884,755	1,425,208
 Variable-yield securities 	170,350	314,951
B2. Write-backs and revaluations	127	834
B3. Transfers from investment portfolio	_	_
B4. Other changes	14,871	17,222
C. Decreases	10,333,068	13,230,203
C1. Sales and reimbursements	10,319,164	13,220,325
Fixed-yield securities	10,155,542	12,970,299
government securities	8,450,801	11,491,454
other securities	1,704,741	1,478,845
 Variable-yield securities 	163,622	250,026
C2. Write-downs	11,657	9,552
C3. Transfers to investment portfolio	-	_
C5. Other changes	2,247	326
D. Closing balance	1,802,821	1,612,994

Other increases (sub-item B4) consist of \in 12.768 million of income from trading on securities, \in 0.359 million of discounts, \in 0.395 million of increase in the value of capitalisation certificates and \in 1.349 million of gains on securities pertaining to the pension fund.

Other decreases (sub-item C5) relate to losses on securities pertaining to the pension fund.

Section 3 **Equity investments**

Items 70 and 80 report balances of € 79.252 million and € 32.928 million respectively, an overall increase of € 12.997 million, +13.10% with respect to 31 December 2001.



3.1 Main equity investments

	Location	Shareholders' equity	Profit/ loss	% held	Book value
A. Subsidiaries					
1. Banca Popolare di Sondrio					
(Suisse) SA	Lugano	60,673	4,516	100	32,928
2. Pirovano Stelvio spa	Tirano	2,092	-170	98	4,264
3. Sinergia Seconda srl	Milan	10,213	162	100	10,329
B. Associated companies					
1. Ripoval spa	Sondrio	3,152	323	50	1,291
2. Arca Vita spa	Verona	87,989	3,678	22.50	23,463

With regard to the difference between the book value and the bank's share of net equity in the subsidiary Pirovano Stelvio SpA, which operates in the tourist hotel sector, the book value at year end is $\in 1.102$ million higher than the value calculated using the net equity method. This difference is due to the depreciation of the higher value of the subsidiary's assets paid upon acquisition. However, in the group consolidated financial statements, this investment has been valued using the net equity method.

Arca Vita SpA has a book value higher than shareholders' equity due to the purchase of shares during the year, reflecting the company's good performance. In the Group consolidated financial statements, however, this investment has been valued at equity.

3.2 Assets and liabilities due to and from Group companies

	31/12/2002	31/12/2001
a) Assets	168,670	17,166
1. due from other banks	168,670	17,166
of which:		
subordinated	-	_
2. due from financial institutions	-	_
of which:		
subordinated	_	_
3. customer loans	-	_
of which:		
- subordinated	_	_
4. bonds and other fixed-yield securities	-	_
of which:		
subordinated	_	_
b) Liabilities	181,374	1,237
1. due to other banks	181,374	1,237
2. due to financial institutions	_	_
3. customer deposits	_	_
4. securities issued	_	_
5. subordinated liabilities	_	_
c) Guarantees and commitments	512	512
1. guarantees granted	512	512
2. commitments	_	_



3.3 Assets and liabilities due to and from affiliated companies (excluding Group companies)

	31/12/2002	31/12/2001
a) Assets	221,161	214,653
1. due from other banks	78,696	128,015
of which:		
subordinated	_	_
2. due from financial institutions	114,555	57,953
of which:		
subordinated	_	_
3. customer loans	17,077	17,227
of which:		
subordinated	139	140
4. bonds and other fixed-yield securities	10,833	11,458
of which:		
subordinated	_	1,020
b) Liabilities	160,734	256,210
1. due to other banks	1,830	1,930
2. due to financial institutions	108,728	237,316
3. customer deposits	50,176	16,964
4. securities issued	_	_
5. subordinated liabilities	_	_
c) Guarantees and commitments	167,772	189,251
1. guarantees granted	166,063	188,108
2. commitments	1,709	1,143

3.4 Breakdown of item 70 «Equity investments»

a) in banks	18,001 394	12,040
	394	
1. listed	JJ-T	394
2. unlisted	17,607	11,646
b) in financial institutions	14,836	14,804
1. listed	_	_
2. unlisted	14,836	14,804
c) others	46,415	39,411
1. listed	5,175	5,175
2. unlisted	41,240	34,236
Total	79,252	66,255

3.5 Breakdown of item 80 «Equity investments in Group companies»

	31/12/2002	31/12/2001
a) in banks	32,928	32,928
1. listed	_	
2. unlisted	32,928	32,928
b) in financial institutions	_	_
1. listed	-	_
2. unlisted	_	_
c) others	_	_
1. listed	_	_
2. unlisted	_	_
Total	32,928	32,928



3.6 Changes for the year in equity investments

3.6.1 Equity investments in Group companies

	31/12/2002	31/12/2001
A. Opening balance	32,928	32,928
B. Increases	_	_
B1.Purchases	_	_
B2.Write-backs	_	_
B3.Revaluations	_	_
B4.Other changes	_	_
C. Decreases	_	_
C1. Sales	_	_
C2. Write-downs	_	_
of which:		
permanent write-downs	_	_
C3. Other changes	_	_
D. Closing balance	32,928	32,928
E. Total revaluations	_	_
F. Total write-downs	_	_

3.6.2 Other equity investments

	31/12/2002	31/12/2001
A. Opening balance	66,255	58,779
B. Increases	19,697	7,851
B1. Purchases	14,604	7,851
B2.Write-backs	_	_
B3. Revaluations	_	_
B4. Other changes	5,093	_
C. Decreases	6,700	375
C1. Sales	_	1
C2. Write-downs	1,607	374
of which:		
permanent write-downs	1,607	374
C3. Other changes	5,093	_
D. Closing balance	79,252	66,255
E. Total revaluations	_	_
F. Total write-downs	5,084	3,477

Increases during the year relate to the investment in Arca Vita SpA for € 7.331 million, in Banca Italease SpA for € 3.414 million (increase in capital), in Arca Merchant SpA for € 2.285 million, in Arca Assicurazioni SpA for € 0.661 million of which € 0.626 million on purchase and € 35 thousand for a capital contribution, in Centrosim SpA for € 0.251 million, in Etica SGR SrI for € 0.250 million, in Pirovano Stelvio SpA € 0.167 million, in InArCheck SpA for € 0.120 million, in Sintesi 2000 SrI for € 0.100 million, in Valtellina Golf Club SpA for € 25 thousand.

The decreases relate to coverage of the loss of \leqslant 1.340 million reported in the year by Arca Assicurazioni SpA, of \leqslant 0.167 million by Pirovano Stelvio SpA and of \leqslant 0.100 million by Sintesi 2000 Srl.

The other increases and decreases derive from extraordinary corporate operations carried out by Arca Merchant SpA, which involved the spin-off of Arca BIM SpA for € 2.546 million from it to the vehicle company Finarca SpA. Subsequently Arca BIM SpA absorbed Finarca SpA for the same amount.



Section 4 Fixed and intangible assets

4.1 Changes for the year in fixed assets

					31/12/2002
	Buildings	Furniture and fittings	Machines and equipment	Other	Total
A. Opening balance	56,879	3,957	3,421	3,757	68,014
B. Increases	668	2,114	3,550	3,595	9,927
B1.Purchases	668	2,114	3,550	3,595	9,927
B2.Write-backs	_	_	_	_	_
B3. Revaluations	_	_	_	_	_
B4. Other changes	_	_	_	_	_
C. Decreases	2,911	1,684	3,144	2,668	10,407
C1. Sales	_	_	_	_	_
C2. Write-downs:	2,911	1,684	3,144	2,668	10,407
a) Depreciation	2,911	1,684	3,144	2,668	10,407
b) Permanent write-downs	_	_	_	_	
C3. Other changes	_	_	_	_	
D. Closing balance	54,636	4,387	3,827	4,684	67,534
E. Total revaluations	42,374	_	_	_	42,374
F. Total write-downs:	51,659	13,833	21,844	22,167	109,503
a) Depreciation	51,659	13,833	21,844	22,167	109,503
b) Permanent write-downs	_	_	_	_	_
					31/12/2001
	Buildings	Furniture and fittings	Machines and equipment	Other	Total
A. Opening balance	59,487	4,024	3,932	3,309	70,752
B. Increases	369	1,543	2,476	2,796	7,184
B1. Purchases	369	1,543	2,476	2,796	7,184
B2.Write-backs	_	_	_	_	_
B3. Revaluations	_	_	_	_	_
B4. Other changes	_	_	_	_	_
C. Decreases	2,977	1,610	2,987	2,348	9,922
C1. Sales	_	_	_	_	
C2. Write-downs:	2,977	1,610	2,987	2,348	9,922
a) Depreciation	2,977	1,610	2,987	2,348	9,922
b) Permanent write-downs	_	_	_	_	
C3. Other changes	_	_	_	_	
D. Closing balance	56,879	3,957	3,421	3,757	68,014
E. Total revaluations	42,374	_	_	_	42,374
F. Total write-downs:	48,748	12,148	18,750	19,801	99,447
a) Depreciation	48,748	12,148	18,750	19,801	99,447
b) Permanent write-downs	_	_	_	_	_

This item comes to € 67.534 million, a decrease of € 0.480 million (-0.71%).

The main changes for the year concerned:

– for buildings:

purchase of land next to the Service Centre in Berbenno di Valtellina; increases for works on the building in Via Roma, Bormio; purchase of land in Livigno next to a building already owned and works on the building in Via Porpora, Milan;



- for furniture, machines and installations:

increases for head office and branch EDP equipment, furniture and fittings for the newly opened branches.

Depreciation has been calculated on the basis of rates deemed to represent the residual useful life of the assets.

In accordance with article 10 of Law 72 of 19 March 1983, an appendix to this report provides information on the buildings still owned by the bank for which monetary revaluations were carried out in the past. Buildings used for business purposes are worth € 43.584 million.

4.2 Changes for the year in intangible assets

			31/12/2002
	Software	Leasehold	Total
	purchases	improvements	
A. Opening balance	2,042	8,148	10,190
B. Increases	2,781	6,374	9,155
B1.Purchases	2,781	6,374	9,155
B2.Write-backs	_	_	
B3. Revaluations	_	_	_
B4. Other changes	_	_	_
C. Decreases	2,267	4,075	6,342
C1. Sales	_	_	_
C2. Write-downs:	2,267	4,074	6,341
a) amortization	2,267	4,074	6,341
b) permanent write-downs	_	_	_
C3. Other changes	_	1	1
D. Closing balance	2,556	10,447	13,003
E. Total revaluations	_	_	_
F. Total write-downs:	13,935	24,406	38,341
a) amortization	13,935	24,406	38,341
b) permanent write-downs	_	_	_
			31/12/2001
	Software	Leasehold	Total
	purchases	improvements	
A. Opening balance	2,255	7,144	9,399
B. Increases	2,109	4,522	6,631
B1.Purchases	2,109	4,522	6,631
B2.Write-backs	_		
B3.Revaluations	_	_	
B4. Other changes	_	_	
C. Decreases	2,322	3,518	5,840
C1. Sales	_	_	_
C2. Write-downs:	2,322	3,518	5,840
a) amortization	2,322	3,518	5,840
b) permanent write-downs	_	_	
C3. Other changes	_	_	_
D. Closing balance	2,042	8,148	10,190
E. Total revaluations	-	-	_
F. Total write-downs:	16,800	20,854	37,654
a) amortization	16,800	20,854	37,654
b) permanent write-downs	_	_	_



Intangible assets affecting various years amount to \in 13.003 million, an increase of \in 2.813 million (+27.61%).

Costs for the purchase of software are amortized at 84.50%.

Costs for leasehold improvements are amortized at 70.02%.

Section 5 **Other asset items**

5.1 Breakdown of item 130 «Other assets»

	31/12/2002	31/12/2001
Deferred tax assets	7,079	5,381
Taxes withheld	205	181
Tax credits on dividends	1,756	1,601
Advances paid to tax authorities	32,030	27,855
Withholdings on interest due to customers	146	129
Tax credits and related interest	2,062	2,517
Bills and credit instruments with the cashier	_	44
Outstanding cheques and bills	2,111	2,979
Current account cheques drawn on third parties	41,583	37,542
Current account cheques drawn on the bank	20,557	2,326
Securities transactions	5,078	4,021
Contra-item for valuation of off-balance sheet transactions	46,305	30,610
Costs pertaining to next year	422	809
Advances to suppliers	13,271	14,659
Advances to customers on loans	49,324	23,100
Value date differentials on portfolio transactions	710	_
Inventories	1,444	921
Miscellaneous debits in transit	9,895	13,763
Premiums for exchange and securities options to be exercised	6,332	3,472
Guarantee deposits	112	203
Items in transit with branches	134	465
Liquid assets belonging to the staff pension fund	810	360
Receivables for hedging transactions	3,332	_
Residual items	8,109	10,292
Total	252,807	183,230

This item increased by € 69.557 million (+37.97%).

The increase is the result of higher business volumes. In addition, certain sub-items such as current account cheques drawn on the bank (up from \leqslant 2.326 to \leqslant 20.557 million, +783.79%) and advances to customers on loans (up from \leqslant 23.100 to \leqslant 49.324 million, +113.52%) reflect a different timing of operations at the end of 2002 with respect to the previous year. The contra-item off-balance sheet transactions (up from \leqslant 30.610 to \leqslant 46.305 million, +51.27%) shows a similar rise on the liabilities side, as these transactions more or less compensate for each other.

These receivables are all considered collectable and do not therefore need to be written down.



5.2 Breakdown of item 140 «Accrued income and prepayments»

	31/12/2002	31/12/2001
a) Accrued income	46,656	48,147
Interest receivable on securities	15,968	17,361
Interest on euro and foreign currency deposits and loans to customers	4,600	6,411
Interest on euro and foreign currency deposits and loans to other banks	1,580	3,482
Interest on customer mortgages and loans	15,073	13,036
Commissions receivable	8,186	6,447
Other accrued income	1,249	1,410
b) Prepayments	1,510	1,502
Invoices received not pertaining to this financial year	1,510	1,502
Total	48,166	49,649

This item has decreased by € 1.483 million, -2.99% with respect to the prior year.

No adjustments have been made directly to the relevant balance sheet items for accrued income and prepayments.

5.4 Distribution of subordinated assets

	31/12/2002	31/12/2001
a) due from other banks	_	_
b) customer loans	139	140
c) bonds and other fixed-yield securities	170	1,725

Section 6 Payables

6.1 Breakdown of the item «Due to other banks»

	31/12/2002	31/12/2001
a) repo transactions	_	_
b) securities lent	_	_

This item amounts to \in 1,227.110 million, a decrease of \in 282.239 million (-18.10%).

The considerable decline is due to a lower recourse to the interbank market, given the high level of liquidity throughout the year, and is related to the decrease in customer loans in foreign currency.

The increase relates to the increase in customer loans denominated in foreign currency.

6.2 Breakdown of the item «Customer deposits»

	31/12/2002	31/12/2001
a) repo transactions	1,264,031	1,027,766
b) securities lent	_	_

Item 20 totals \in 6,509.133 million, with an increase of \in 1,415.797 million (+27.80%).

Item 30 «securities issued» has increased by € 118.011 million (+16.34%), rising from € 722.155 million to € 840.166 million. This is due to an increase of € 107.215 million in «bonds» (+17.56%) and of € 9.318 in «certificates of deposit» (+23.35%) and € 1.477 million in «other securities» (+2.06%). The sub-item «bonds» includes the securities listed below:

Nominal value

	Nominal value	Book value
Floating-rate bond issues	265,269	234,466
Fixed-rate bond issues	143,814	136,950
Zero-coupon bond issues	371,860	346,250
Total	780,943	717,666



Floating-rate bond issues also include structured bonds with a nominal value of \leqslant 78.658 million. The sub-item «certificates of deposit» totals \leqslant 49.232 million and consists of \leqslant 45.456 million in short-term fixed-rate certificates, \leqslant 1.607 million in medium-term fixed-rate certificates, \leqslant 1.586 million in medium-term floating-rate certificates and \leqslant 0.583 million in zero-coupon certificates.

Item 40 «Third party funds under administration» consists of public funds to be used for assisted loans. This item reports a balance of € 65,000, a decrease of € 49,000 (–42.98%).

Section 7 Reserves

7.1 Breakdown of item 90 «Reserves for possible loan losses»

These reserves amount to € 18.384 million, an increase of € 0.832 million (+4.74%). They comprise € 12.384 million in reserves against the portion of overdue interest deemed recoverable (article 71.c.6 of Presidential Decree 917/86) and € 6 million in general provisions, pursuant to article 71.c.3 of the same Decree.

7.2 Changes for the year in the reserves for possible loan losses

	31/12/2002	31/12/2001
A. Opening balance	17,552	14,694
B. Increases	9,056	9,471
B1.Provisions	9,024	9,398
B2.Other changes	32	73
C. Decreases	8,224	6,613
C1. Utilizations	6,758	5,199
C2. Other changes	1,466	1,414
D. Closing balance	18,384	17,552

The increases include € 3.024 million for overdue interest and € 6 million for possible loan losses (article 71.c.3 of Presidential Decree 917/86). The decreases include € 1.724 million for overdue interest and € 6.500 million for the use of the provision made during 2001 (article 71.c.3 of Presidential Decree 917/86).

7.3 Breakdown of sub-item 80c) «Reserves for risks and charges: others»

	31/12/2002	31/12/2001
a Charity fund	363	393
b Reserve for guarantees granted	3,500	3,500
c Reserve for personnel expenses	3,310	3,194
d Reserve for litigation costs	14,000	10,000
Total	21,173	17,087

This sub-item reports an increase of € 4.086 million (+23.91%).

The charity fund shows a balance of \leq 0.363 million, the result of an increase of \leq 0.250 million through the allocation of the 2001 net profit and a decrease of \leq 0.280 million for donations made during the year.

The reserve for guarantees granted amounts to \in 3.500 million, unchanged with respect to last year.

The reserve for personnel expenses shows a balance of € 3.310 million, an increase of € 116



thousand with respect to the prior year. This represents the Bank's liability to personnel for holidays not taken.

The reserve for litigation costs amounts to \in 14 million, an increase of \in 4 million (+40%), due to the provision for the year of \in 5 million and the utilisation during the year of \in 1 million.

Taxation reserve

This reserve amounts to \leq 43.658 million, an increase of \leq 4.699 million (+12.06%) and includes the amounts due for the year for corporate income tax (IRPEG) and the regional tax on business activities (IRAP), gross of advances paid, withholding tax and the tax credit.

When calculating deferred tax, a rate of 31.50% has been used for IRPEG (corporate income tax), reflecting the new corporate income tax rate and the provisions of the Dual Income Tax regime. The rate used for IRAP is the one applicable to the years affected. The recalculation using the new rates has determined a positive difference, involving a lower provision, as explained under item 220 of the income statement.

Tables 7.4 and 7.5 provide details of the deferred tax liabilities.

7.4 Change in deferred tax assets

	31/12/2002	31/12/2001
1. Opening balance	5,381	6,856
2. Increases	4,010	1,282
2.1. Deferred tax assets arising during the year	3,591	1,282
2.2. Other increases	419	_
3. Decreases	2,312	2,757
3.1. Deferred tax assets reversing during the year	2,312	2,527
3.2. Other decreases	_	230
4. Closing balance	7,079	5,381

The amount of \le 3.591 million refers to provisions and costs that are not immediately recognised for tax purposes, but which definitely will be in the near future. The timing differences on which deferred taxes have not been calculated, as it is impossible to tell when they are likely to reverse, amount to \le 12.810 million.

The amount of € 0.419 million shown under «other increases» relates to the recalculation of deferred tax assets using a higher rate of income tax, due to the changes made to tax regulations during the year, especially the reduction in benefits deriving from the Dual Income Tax (DIT) mechanism.

No deferred taxes have been booked for reserves in suspense for tax purposes.

7.5 Deferred tax liabilities

	31/12/2002	31/12/2001
1. Opening balance	43	69
2. Increases	17	5
2.1. Deferred tax liabilities arising during the year	14	5
2.2. Other increases	3	_
3. Decreases	27	31
3.1. Deferred tax liabilities reversing during the year	27	29
3.2. Other decreases	_	2
4. Closing balance	33	43



With reference to the bank's tax situation, it should be noted that fiscal years 1979 to 1987 have not yet been agreed with the tax authorities; the bank has received assessment notices for these years and has appealed to the appropriate authorities. The dispute regards the calculation of taxable income and withholdings on foreign deposits. Fiscal years from 1995 to date also remain open.

The outcome of litigation has so far been favourable, as all of the bank's appeals for the years 1979-1987 have been accepted in their entirety in both first and second degree.

Breakdown of item 70 and sub-item 80a)

The following paragraphs describe the reserves included under items 70 and 80 for which no tables have been prepared.

Reserve for severance indemnities

This reserve totals € 35.237 million, having risen by € 2.956 million (+9.16%); this increase consists of € 5.059 million in provisions for the year less utilizations that included € 0.968 million of payments during the year, € 1.038 million transferred to Arca Previdenza F.P.A. and € 97 thousand for taxes on the revaluation for the year.

Staff pension fund

This fund is supplementary to the state pension scheme and does not have separate legal status. Its was set up with an endowment fund in accordance with article 2117 of the Civil Code as envisaged by Legislative Decree 47 of 18 February 2000.

Actuarial checks of the fund's adequacy are made every three years, as required by law. The most recent one was carried out during the year under review, which confirmed that the fund is adequate, considering that it is for a closed group as of 28 April 1993 of 743 employees and 132 pensioners. Pursuant to current internal agreements, employees hired after that date have been given the choice to enrol in a supplementary pension fund, Arca Previdenza F.P.A. A total of 742 employees have opted to enrol.

Section 8 Share capital, reserves, reserve for general banking risks, and subordinated liabilities

The following table shows the breakdown and respective amounts of items comprising the bank's shareholders' equity:

	31/12/2002	31/12/2001
A. Reserve for general banking risks	38,734	38,734
B. Share capital	412,698	412,698
C. Share premium reserve	135,886	135,886
D. Reserves:	165,052	143,986
D1.Legal reserve	43,223	38,542
D2. Reserve for own shares	606	874
D3. Statutory reserves	97,799	83,967
D4. Others	23,424	20,603
E. Net profit for the year	46,704	46,065
Total	799,074	777,369



Shareholders' equity

Movements in the items making up shareholders' equity are provided in an appendix. The following is mentioned with regard to individual items:

- Reserve for general banking risks: unchanged from the prior year.
- Share capital: fully subscribed and paid in, consisting of 137,566,064 ordinary shares with a par value of € 3 each, for a total value of € 412.698 million.
 - Share premium reserve: unchanged from the prior year.
- Legal reserve: up by € 4.681 million (+12.15%) as a result of the allocation of 2001 profits.
- Reserve for own shares: shows a balance of € 0.606 million, being the portion of the restricted reserve for the purchase of own shares to cover shares in portfolio.
- Statutory reserves: up by € 13.832 million (+16.47%) due to the allocation of 2001 profits of € 13.819 million, the transfer of € 9 thousand in dividends on own shares and the transfer of € 4 thousand in dividends that have fallen into prescription.
- Other reserves: shows a balance of € 23.424 million, with an increase of € 2.821 million (+13.69%) and consists of the following:
 - € 6.456 million for the reserve as per article 11.2 of the Valtellina Law created in 1990 under Law 102 of 2 May 1990 and increased in 1991 made up of profits;
 - € 16.894 million for the unrestricted portion of the reserve covering the potential purchase of own shares. The reserve has increased by € 2.523 million due to allocation of the net profit for 2001;
 - € 74 thousand for the reserve as per Legislative Decree 124/93, increased by e 30 thousand due to allocation of the net profit for 2001.

8.1 Capital and precautionary requirements for supervisory purposes

Categories	31/12/2002	31/12/2001
A. Capital for supervisory purposes		
A.1 Basic capital (tier 1)	759,077	741,293
A.2 Supplementary capital (tier 2)	19,043	19,977
A.3 Amounts to be subtracted	15,498	13,067
A.4 Capital for supervisory purposes	762,622	748,203
B. Precautionary requirements for supervisory purposes		
B.1 Credit risks	522,525	464,177
B.2 Market risks	20,667	19,008
of which:		
 risks to the trading securities portfolio 	20,667	19,008
exchange risks		
B.3 Third level subordinated loans	_	_
B.4 Other precautionary requirements	4,518	4,653
B.5 Total precautionary requirements	547,710	487,838
C. Risk assets and capital ratios		
C.1 Risk-weighted assets	7,824,429	6,969,114
C.2 Tier 1 capital / Risk-weighted assets	9.70%	10.64%
C.3 Capital for supervisory purposes / Risk-weighted assets	9.75%	10.74%

This is the minimum capital ratio requirement which banks and banking groups must constantly meet to cover counterparty solvency risk.



The minimum prescribed level for the solvency ratio (total capital for supervisory purposes to risk-weighted assets) for banks belonging to banking groups is 7%.

Compared with the above minimum prescribed level, our bank's ratio was 9.75% as of 31 December 2002, compared with 10.74% at the beginning of the year.

Section 9 Other liability items

9.1 Breakdown of item 50 «Other liabilities»

	31/12/2002	31/12/2001
Amounts at the disposal of third parties	23,960	26,137
Taxes to be paid on behalf of third parties	17,163	22,819
Taxes to be paid	1,177	2,368
Employee salaries and contributions	10,702	10,179
Trade payables	7,315	8,904
Advance delivery of euro notes and coins	_	1,844
Transit accounts for sundry entities	11,816	13,483
Invoices receivable	2,501	2,467
Securities transactions	1,219	3,164
Value date differentials on portfolio transactions	97,167	43,380
Directors' and statutory auditors' emoluments	896	773
Loans disbursed to customers to be finalized	9,127	8,242
Miscellaneous credit items being settled	50,806	75,042
Premiums for exchange and securities options sold and not exercised	6,164	3,534
Contra-item of valuation of off-balance sheet transactions	42,742	31,074
Items in transit with branches	816	1,198
Residual items	8,678	5,580
Total	292,249	260,188

This item has decreased by \leqslant 32.061 million (+12.32%), mainly attributable to the sub-item «Value date differentials on portfolio transactions» which increases by \leqslant 53.787 million (+123.99%) from \leqslant 43.380 million to \leqslant 97.167 million, due to a higher volume of credit collections on behalf of third parties.

The sub-item «Miscellaneous credit items being settled» refers to transactions which were settled at the beginning of the year.

9.2 Breakdown of item 60 «Accrued liabilities and deferred income»

	31/12/2002	31/12/2001
a) Accrued liabilities	19,916	19,254
Interest on bonds	9,971	8,417
Interest on certificates of deposit	519	456
Interest on customer deposits in euro and foreign currency	47	35
Interest on deposits from other banks in euro and foreign currency	3,704	5,238
Repo transactions	4,352	4,108
Other accrued liabilities	1,323	1,000
b) Deferred income	2,989	2,347
Interest on portfolio, mortgages and loans	372	407
Commission on sureties	2,545	1,807
Other deferred income	72	133
Total	22,905	21,601



This item has increased by \in 1.304 million (+6.04%), mainly due to a rise of \in 0.662 million in accrued liabilities and of \in 0.642 million in deferred income.

No adjustments have been made directly to the relevant balance sheet items for accrued liabilities and deferred income.

Section 10 Guarantees and commitments

10.1 Breakdown of item 10 «Guarantees granted»

Total	1,527,609	1,372,074
c) assets given in guarantee	13,005	8,225
b) financial endorsement credits	687,295	646,890
a) commercial endorsement credits	827,309	716,959
	31/12/2002	31/12/2001

10.2 Breakdown of item 20 «Commitments»

b) commitments to disburse funds (not certain to be called on)	143,290	58,493
a) commitments to disburse funds (certain to be called on)	110,924	145,137
	31/12/2002	31/12/2001

The risk related to guarantees granted and to commitments to disburse funds is valued in the same way as for loans and is adjusted indirectly, for the part deemed to be of doubtful collection, by booking an appropriate reserve for risks and charges under liabilities.

Estimated losses are covered by \in 3.5 million in the reserve for guarantees granted booked under sub-item 80c) «Other reserves», and have been valued on a forfeit basis to take account of losses that could occur in the future during normal lending activities.

10.3 Collateral given for own payables

The collateral provided by the bank against its own liabilities consists of government securities: $\in 1,262.030$ million relates to securities given to customers for repo transactions, $\in 17.993$ million is for the deposit paid against the issuing of banker's cheques.

10.4 Margins usable on credit lines

	31/12/2002	31/12/2001
a) central banks	79,021	66,231
b) other banks	6,708	3,568



10.5 Forward transactions

			31/12/2002			31/12/2001
Type of transaction For	hedging	For trading	Other	For hedging	For trading	Other
1. Buying and selling						
1.1 Securities						
– purchases	_	37,599	_	_	50,080	_
– sales	_	24,529	_	_	38,963	_
1.2 Foreign currency						
 currency against currency 	су –	9,483	_	_	2,854	_
– purchases against euro	_	1,107,973	_	_	1,624,509	_
– sales against euro	_	1,126,934	_	_	1,570,495	_
2. Deposits and loans						
to be disbursed	_	_	55,196	_	_	95,057
- to be received	_	_	25,956	_	_	143,973
3. Derivative contracts						
3.1 With exchange of capital						
a) securities						
– purchases	_	_	_	_	_	_
– sales	_	_	_	_	_	_
b) foreign currency						
 currency against currency 	ency –	48,521	_	_	11,556	_
 purchases against eu 	ro –	128,274	_	_	20,847	_
 – sales against euro 	_	128,274	_	_	20,847	_
c) other instruments						
– purchases	_	41,054	_	_	34,225	_
_ sales	_	41,054	_	_	34,225	_
3.2 Without exchange of capit	al					
a) foreign currency						
 currency against curr 	ency –	_	_	_	_	_
 purchases against eu 	ro –	_	_	_	_	_
– sales against euro	_	_	_	_	_	_
b) other instruments						
– purchases	77,149	333,442	_	77,149	221,071	_
– sales	78,658	333,442	_	78,658	221,071	

The transactions for buying and selling securities, foreign currency and derivative contracts with exchange of capital (or other assets) are recorded at the amount to be disbursed or to be received. Off-balance sheet transactions without exchange of capital are recorded at their nominal value.

Derivative contracts, recorded under point 3.2, refer to basic swaps hedging the interest rate risk on bond issues.

Section 11 Concentration and distribution of assets and liabilities

11.1 Significant risk accounts

	31/12/2002	31/12/2001
a) amount	882,403	561,219
b) number	8	5



11.2 Breakdown of customer loans by main borrower categories

6,246,735	5,579,547
1,504,247	1,300,478
481,156	429,502
338,843	298,393
3,897,996	3,524,823
24,493	26,310
_	41
31/12/2002	31/12/2001
	24,493 3,897,996 338,843 481,156 1,504,247

11.3 Breakdown of loans to resident non-financial companies and family businesses

	31/12/2002	31/12/2001
a) other services for sale	1,242,074	1,057,029
b) wholesale and retail services, recoveries and repairs	687,829	593,915
c) construction and public works	483,276	398,696
d) metal products excluding cars and transportation	231,397	194,637
e) textiles, leather and clothing	178,279	164,136
f) other sectors	1,462,675	1,437,518
Total	4,285,530	3,845,931

11.4 Distribution of guarantees granted by main categories of counterparty

	31/12/2002	31/12/2001
a) governments	5	5
b) other public entities	46,308	15,833
c) banks	117,782	95,053
d) non-financial businesses	1,107,959	1,018,397
e) financial businesses	72,709	93,789
f) family businesses	33,574	31,908
g) other businesses	149,272	117,089
Total	1,527,609	1,372,074

11.5 Geographical breakdown of assets and liabilities

			31/12/2002			31/12/2001
Item	Italy	Other EU countries	Other countries	Italy	Other EU countries	Other countries
1. Assets	8,899,050	197,694	255,994	7,815,676	183,677	98,274
1.1 Due from other banks	1,012,676	86,347	204,159	841,341	30,301	33,444
1.2 Customer loans	6,113,867	82,838	50,030	5,393,196	124,681	61,670
1.3 Securities	1,772,507	28,509	1,805	1,581,139	28,695	3,160
2. Liabilities	7,457,321	572,158	596,995	6,075,052	902,046	397,856
2.1 Due to other banks	209,551	551,218	516,341	373,042	863,862	322,445
2.2 Customer deposits	6,407,539	20,940	80,654	4,979,741	38,184	75,411
2.3 Securities issued	840,166	_	_	722,155	_	_
2.4 Others	65	_	_	114	_	_
3. Guarantees and commitments	1,720,892	26,549	34,382	1,537,329	35,219	3,156

The sub-item «Others» under liabilities consists of item 40 «Third party funds under administration».



11.6 Breakdown of assets and liabilities by maturity

			Fixed o	luration				31/12/2002 Unspecified duration
	Sight	Up to 3 months	3 to 12 months	1 t	o 5 years	Over	5 years	duration
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	3,307,191	1,684,247	872,790	834,477	1,425,552	229,355	1,655,837	174,483
1.1 Re-financeable treasury bills	-	2,040	3,071	131,313	40,042	676	151,973	_
1.2 Due from other banks	706,007	435,588	72,591	9,252	_	-	_	79,744
1.3 Customer loans	2,540,864	1,086,981	569,884	270,891	728,711	209,677	744,988	94,739
1.4 Bonds and other fixed-yield securities	=	200	366	35,948	582,963	2,282	748,482	-
1.5 Off-balance sheet items	60,320	159,438	226,878	387,073	73,836	16,720	10,394	_
2. Liabilities	5,512,435	2,370,710	735,230	738,483	78,867	63,665	61,678	_
2.1 Due to other banks	196,898	836,798	206,823	4,046	13,018	-	19,527	_
2.2 Customer deposits	5,187,422	1,248,685	73,026	_	_	_	-	_
2.3 Securities issued	73,762	84,149	187,799	346,186	60,016	46,939	41,315	_
– bonds	260	58,286	168,546	343,872	58,448	46,939	41,315	_
- certificates of deposit	234	25,863	19,253	2,314	1,568	_	-	_
- other securities	73,268	-	_	_	_	-	-	_
2.4 Subordinated liabilities	-	-	_	_	-	_	-	_
2.5 Off-balance sheet items	54,353	201,078	267,582	388,251	5,833	16,726	836	_

The breakdown by maturity is based on the residual life of assets and liabilities as the difference between the balance sheet date and the maturity dates of each transaction. In the event of repayment plans, the maturity of each payment has been considered.

The compulsory reserve deposited with the Bank of Italy is shown under amounts due from banks with unspecified duration.

Outstanding overdue loans and other past due customer loans are shown with unspecified duration.

			Fixed o	luration				31/12/2001 Unspecified
	Sight	Up to 3 months	3 to 12 months	1 t	o 5 years	Over	5 years	duration
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	2,788,621	1,981,667	680,015	639,235	1,201,402	219,398	1,236,060	153,995
1.1 Re-financeable treasury bills	-	46,133	4,804	98,153	167,672	37,443	50,119	_
1.2 Due from other banks	95,060	644,202	90,942	8,410	241	_	-	66,231
1.3 Customer loans	2,485,262	1,076,902	453,419	205,754	548,194	146,865	575,387	87,764
1.4 Bonds and other fixed-yield securities	-	8,420	15,021	75,909	404,782	6,121	590,385	_
1.5 Off-balance sheet items	208,299	206,010	115,829	251,009	80,513	28,969	20,169	_
2. Liabilities	4,378,276	2,656,612	442,736	569,343	103,262	71,568	63,841	_
2.1 Due to other banks	244,252	1,185,438	125,300	4,359	_	-		_
2.2 Customer deposits	4,015,911	1,008,608	68,817	_	_	_		_
2.3 Securities issued	72,341	55,440	85,826	311,844	100,795	47,544	48,365	_
– bonds	260	34,036	69,802	309,667	100,777	47,544	48,365	_
- certificates of deposit	290	21,404	16,024	2,177	18	_	-	_
- other securities	71,791	-	_	_	-	_	-	_
2.4 Subordinated liabilities	-	-	_	-	-	_	_	_
2.5 Off-balance sheet items	45,772	407,126	162,793	253,140	2,467	24,024	15,476	_



11.7 Foreign currency assets and liabilities

	31/12/2002	31/12/2001
a) Assets	1,244,048	1,569,828
1. due from other banks	316,925	458,286
2. customer loans	880,968	1,061,574
3. securities	7,533	8,293
4. equity investments	32,928	32,928
5. others	5,694	8,747
b) Liabilities	1,192,482	1,545,706
1. due to other banks	1,003,199	1,405,167
2. customer deposits	189,283	140,539
3. securities issued	_	_
4. others		_

The amounts above are shown at face value.

The major foreign currencies involved in the above items are, for assets, U.S. dollars (61.73%), Swiss francs (26.18%), Yen (9.60%), GBP (1.89%) and others (0.60%); for liabilities they are U.S. dollars (62.94%), Swiss francs (24.46%), Yen (10.15%), GBP (1.90%) and others (0.55%).

11.8 Securitization transactions

The bank holds € 209.736 million of senior bonds issued by S.C.I.P. Società Cartolarizzazione Immobili Pubblici Srl, a vehicle company set up for the privatisation of public sector properties. The securities are rated «AAA» and «AA».

Section 12 Management and intermediation for third parties

12.2 Portfolio management

	31/12/2002	31/12/2001
1. securities issued by the bank drawing up the financial statements	1,993	_
2. other securities	1,007,852	933,257

The total amount of cash held in relation to portfolio management contracts is € 36.058 million.

12.3 Securities custody and administration

	31/12/2002	31/12/2001
a) third-party securities on deposit	10,400,929	11,672,665
1. securities issued by the bank drawing up the financial statements	1,138,962	1,023,558
2. other securities	9,261,967	10,649,107
b) third-party securities on deposit with third parties	8,852,454	9,508,223
c) own securities on deposit with third parties	1,779,697	535,255

[«]Third-party securities on deposit» include € 2,057.971 million in Arca funds, for which the bank provides custody services.



12.4 Collection orders for third parties: debit and credit adjustments

	31/12/2002	31/12/2001
a) debit adjustments	1,444,038	1,234,279
1. current accounts	2,768	1,811
2. central portfolio	1,118,255	950,109
3. cash		7
4. others	323,015	282,352
b) credit adjustments	1,444,038	1,234,279
1. current accounts	340	843
2. transferors of bills and documents	1,443,698	1,233,436
3. others		_

Following these adjustments, the accounts involved in the collection of loans on behalf of third parties show a residual balance under transferors of bills of \leq 96.457 million. This amount is shown under item 50 «Other liabilities» in «value date differentials on portfolio transactions» for \leq 97.167 million and under item 130 «other assets» in «value date differentials on portfolio transactions» for \leq 0.710 million.

PART C Information on the income statement

Section 1 Interest

1.1 Breakdown of item 10 «Interest income and similar revenues»

	31/12/2002	31/12/2001
a) on amounts due from other banks	27,908	22,924
of which:		
 on amounts due from central banks 	3,541	3,956
b) on customer loans	311,120	318,072
of which:		
 on third-party funds under administration 	_	_
c) on fixed-yield securities	56,423	68,784
d) other interest income	4	4
e) positive balance of spreads on hedging transactions	_	_
Total	395,455	409,784

This item has gone down by \in 14.329 million (-3.50%) mainly because of falling interest rates, offset to a certain extent by the positive trend in funds under administration.

Interest on customer loans includes overdue interest of € 3.024 million.

1.2 Breakdown of item 20 «Interest expense and similar charges»

Total	191,714	219,825
f) negative balance of spreads on hedging transactions	-	
e) on subordinated liabilities	_	_
d) on third-party funds under administration	_	
certificates of deposit	1,439	1,428
of which:		
c) on securities issued	23,817	21,612
b) on customer deposits	143,885	144,997
a) on amounts due to other banks	24,012	53,216
	31/12/2002	31/12/2001



This item has decreased by \leq 28.112 million (-12.79%), due to the declining trend of interest rates.

Interest income and expense relating to balances with subsidiary companies and those under significant influence amount to \leq 2.604 million and \leq 2.147 million, respectively.

1.3 Detail of item 10 «Interest income and similar revenues»

	31/12/2002	31/12/2001
a) on assets in foreign currency	29,284	51,904

This item has decreased by \leq 22.620 million (-43.58%) due to the fall in interest rates on loans in foreign currency, a decline in the loans themselves and a lower recourse to the interbank market.

1.4 Detail of item 20 «Interest expense and similar charges»

	31/12/2002	31/12/2001
a) on liabilities in foreign currency	20,293	42,818

This item has decreased by € 22.525 million (-52.61%) due to the trend in interest rates and a lower recourse to the interbank market.

Section 2 Commissions

2.1 Breakdown of item 40 «Commission income»

	31/12/2002	31/12/2001
a) guarantees granted	5,802	5,216
b) credit derivatives	_	_
c) management, intermediation and consultancy services:	40,342	43,474
1. securities trading	_	_
2. foreign currency trading	4,556	4,541
3. portfolio management	4,815	4,913
3.1 individual	4,815	4,913
3.2 collective	_	_
4. securities custody and administration	2,013	1,766
5. custodian bank	1,901	2,546
6. securities placement	15,145	17,105
7. acceptance of orders	5,646	6,980
8. consultancy	71	_
9. distribution of third party services	6,195	5,623
9.1 portfolio management	_	_
9.1.1 individual	_	_
9.1.2 collective	_	_
9.2 insurance products	4,188	4,300
9.3 other products	2,007	1,323
d) collection and payment services	20,216	18,139
e) servicing for securitization transactions	_	_
f) tax collection services		_
g) other services	29,630	25,112
Total	95,990	91,941



2.2 Breakdown of item 40 «Commission income»: distribution channels for products and services

Total	26,155	27,641
3. third-party products and services	-	_
2. securities placement	_	_
1. portfolio management	_	_
b) door-to-door sales	_	_
3. third-party products and services	6,195	5,623
2. securities placement	15,145	17,105
1. portfolio management	4,815	4,913
a) Bank branches	26,155	27,641
	31/12/2002	31/12/2001

This item has increased by \leq 4.049 million (+4.40%) despite the poor performance of financial markets contributed to the negative balance of commissions for securities brokerage services, in particular order acceptance, portfolio management and distribution of mutual funds.

2.3 Breakdown of item 50 «Commission expense»

	31/12/2002	31/12/2001
a) Guarantees received	23	2
b) Credit derivatives	-	_
c) Management and intermediation services:	1,162	1,472
1. securities trading	-	_
2. foreign currency trading	-	_
3. portfolio management	-	_
3.1 own portfolio	-	_
3.2 third-party portfolio	-	_
4. securities custody and administration	1,162	1,472
5. securities placement	-	_
6. door-to-door sales of securities, products and services	_	_
d) collection and payment services	3,828	3,562
e) other services	1,131	1,032
Total	6,144	6,068

This item has increased by \in 0.076 million (+1.25%).



Section 3 **Profits and losses from financial transactions**

3.1 Breakdown of item 60 «Profits/losses from financial transactions»

				31/12/2002			31/12/2001
Item		Securities	Foreign	Other	Securities	Foreign	Other
		transactions	currency	transactions	transactions	currency	transactions
			transactions			transactions	
A.1 Revaluations		127	_	_	834	_	_
A.2 Write-downs		11,657	_	_	9,552	_	_
B. Other profits/loss	es	13,178	11,073	412	15,392	10,292	53
Total		1,648	11,073	412	6,674	10,292	53
1. Government secu	urities	8,655			10,560		_
2. Other fixed-yield	securities	2,979			4,272		
3. Variable-yield sed	curities	-10,346			-8,384		
4. Derivative contra	cts on securities	360			226		

This item comes to € 13.133 million, a decrease of € 3.885 million (-22.83%).

Section 4 Administrative expenses

This item shows a balance of € 196.219 million, an increase of € 14.857 million (+8.19%) over the 2001 figure of € 181.362 million.

The sub-item «personnel expenses» amounts \in 99.425 million, an increase of \in 5.969 million (+6.39%), reflecting the higher number of employees. The breakdown of this cost is as follows:

Wages and salaries€ 67.437Social security contributions€ 18.714Severance indemnities€ 5.059Pensions€ 3.340Other expenses€ 4.875

The sub-item «other administrative expenses» has increased by \in 8.888 million (+10.11%). It consists of the following:

	31/12/2002	31/12/2001
telephone, post and data transmission	8,356	7,920
maintenance of fixed assets	3,918	3,486
rent paid on buildings	9,524	8,300
surveillance	3,292	2,728
transportation	1,375	1,351
professional fees	6,557	6,176
office materials	2,340	2,526
electricity, heating and water	2,008	1,967
advertising and entertainment	2,369	2,486
legal and judicial expenses for debt collection	1,647	1,757
insurance	2,780	2,066
corporate survey and information	1,883	1,469
indirect taxes and dues	27,089	24,333
hardware rental and maintenance	4,285	4,451
software rental and maintenance	4,350	3,499
data registration with third parties	592	606
cleaning	2,257	2,041
membership fees	879	668
services received from third parties	2,541	2,250
directors' and statutory auditors' emoluments	1,448	1,301
temporary workers	2,622	1,954
other	4,682	4,571
Total	96,794	87,906



4.1 Average number of employees by category

	31/12/2002	31/12/2001
a) managers	11	5
b) executives	146	143
c) other personnel	1,697	1,611
Total	1,854	1,759

The number of employees by category is a simple average of the figures at the end of 2001 and 2002.

There were 1,878 employees at the end of the year.

Section 5 Adjustments, write-backs and provisions

5.1 Breakdown of item 120 «Adjustments to loans and provisions for guarantees and commitments»

Total	40,903	38,010
– other forfeit provisions	_	401
 forfeit provisions for country risk 	_	_
of which:		
b) provisions for guarantees and commitments	_	401
 other forfeit write-downs 	3,509	10,616
 forfeit write-downs for country risk 	31	163
of which:		
a) adjustments to loans	40,903	37,609
	31/12/2002	31/12/2001

This item has increased by \leq 2.893 million (+7.61%), net of \leq 6.500 million for the utilization of the reserve for possible loan losses set up in 2001.

5.2 Adjustment to intangible and tangible assets

This item shows a balance of \in 16.749 million (+6.26%) on the 2001 figure of \in 15.763 million. The detail of this item is shown in Part B Section 4.

5.3 Provision for risks and charges (item 100)

This item comes to \leqslant 5 million (-21.45%) and represents a prudent reserve against revocation actions and disputes.

5.4 Write-backs to loans and to provisions for guarantees and commitments (item 130)

This amounts to \in 19.010 million and increases by \in 4.889 million (+34.62%). Write-backs consist of the collection of \in 5.282 million in loans written off in previous years, the recovery of \in 1.652 million in overdue interest, write-backs to loans of \in 7.607 million upon valuation, and \in 4.469 million in extraordinary income on loans outstanding at the end of the prior year.

5.5 Provisions to reserves for possible loan losses (item 140)

These amount to \leqslant 9.024 million and decrease by \leqslant 0.374 million (-3.98%). They include \leqslant 3.024 million in respect of overdue interest pursuant to article 71.c.6 of Presidential Decree 917/86 and \leqslant 6 million in general provisions, pursuant to article 71.c.3 of the same Decree. Both amounts have been provided in order to gain the related tax benefit.



5.6 Adjustments to financial assets (item 150)

This item shows a balance of \in 1.607 million, with an increase of \in 1.233 million (+329.68%), essentially due to the write-donw of Arca Assicurazioni SpA, as already discussed in part B, section 3 «Equity investments».

Section 6 Other items in the income statement

6.1 Breakdown of item 70 «Other operating income»

	31/12/2002	31/12/2001
Recovery of charges on deposits and overdrafts	5,956	5,332
Rent received for buildings	765	760
Recovery of customer insurance	514	414
Recovery of taxes	12,370	11,061
Financial income of the staff pension fund	_	1,733
Other	3,835	3,699
Total	23,440	22,999

This item has increased by \in 0.441 million (+1.92%).

The sub-item «Other» includes financial recoveries from other banks in connection with the monetary settlement of bank transfers and trade collections.

6.2 Breakdown of item 110 «Other operating expenses»

	31/12/2002	31/12/2001
Leasing and ancillary costs	1,086	845
Other	1,920	2,027
Total	3,006	2,872

This item has increased by \in 0.134 million (+4.67%).

Leasing costs refer to contracts for buildings used as branch offices.

The sub-item «Other» relates almost entirely to financial charges payable to banks in connection with the monetary settlement of bank transfers and trade collections.

6.3 Breakdown of item 180 «Extraordinary income»

Total	1.617	884
of long-term investments	_	1
of fixed assets	46	17
c) Gains on disposals	46	18
b) Overprovisions	4	_
a) Miscellaneous gains	1,567	866
	31/12/2002	31/12/2001

This item has increased by € 0.733 million (+82.92%).

6.4 Breakdown of item 190 «Extraordinary charges»

	31/12/2002	31/12/2001
a) Miscellaneous losses	725	1,677
b) Underprovisions	568	440
c) Losses on disposals	_	_
of fixed assets	_	_
of long-term investments	_	_
<u>Total</u>	1,293	2,117

This item has decreased by € 0.824 million (-38.92%).



6.5 Breakdown of item 220 «Income taxes for the year»

	31/12/2002	31/12/2001
1. Current taxes	37,508	31,851
2. Change in deferred tax assets	-1,698	1,475
3. Change in deferred tax liabilities	-10	- 26
4. Income taxes for the year	35,800	33,300

Changes in deferred tax assets mainly relate to loan write-downs in excess of the amount allowed for tax purposes and to provisions not accepted as being deductible after the timing difference reversed; \in 0.419 million of the charge refers to the change in tax rates, as required by Bank of Italy instructions. The change in deferred tax liabilities relates to gains on the disposal of assets and long-term investments.

Section 7 **Other information on the income statement**

7.1 Geographical breakdown of income

The total income of \leq 533.536 million relates to business activities mainly in Lombardy, with a significant presence in Milan, as well as in Rome. These are areas without major differences from a banking point of view.

PART D Other information

Section 1 **Directors and statutory auditors**

1.1 Emoluments

	31/12/2002	31/12/2001
a) directors	1,294	1,148
b) statutory auditors	154	153

Emoluments paid to Directors, Statutory Auditors and the General Manager

(pursuant to article 78 of Consob Resolution 11971 of 14 May 1999)

Name and surname	Company	Office	Term of office	Emoluments for the office	Other emoluments
PIERO MELAZZINI	Banca Popolare Sondrio	Chairman - Chief Executive Officer	1/1/2002-31/12/2002	650	
	Banca Popolare Sondrio (Suisse) SA	Chairman		63	
SALVATORE BONOMO	Banca Popolare Sondrio	Deputy Chairman	1/1/2002-31/12/2002	90	82
ALDO BALGERA	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	32	
GIANLUIGI BONISOLO	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	50	
ALBERTO CREDARO	Banca Popolare Sondrio	Director	1/1/2002-2/3/2002	8	
GIUSEPPE FONTANA	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	31	
MARIO GALBUSERA	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	31	
CARLO GRASSI	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	121	
NICOLÒ MELZI DI CUSANO	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	31	
EMILIO NEGRI MILES	Banca Popolare Sondrio	Director	2/3/2002-31/12/2002	27	
ALDO ROSSI	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	32	
RENATO SOZZANI	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	43	
	Pirovano Stelvio spa	Chairman		1	



Name and surname	Company	Office	Term of office	Emoluments for the office	Other emoluments
LINO ENRICO STOPPANI	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	32	
MARIO TESTORELLI	Banca Popolare Sondrio Pirovano Stelvio spa	Director Director	1/1/2002-10/12/2002+	- 30 1	
BRUNO VANOSSI	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	32	
FRANCESCO VENOSTA	Banca Popolare Sondrio	Director	1/1/2002-31/12/2002	39	37
EGIDIO ALESSANDRI	Banca Popolare Sondrio	Chairman of the Board of Statutory Auditors	1/1/2002-31/12/2002	79	
	Sinergia Seconda srl	Auditor		2	
	Pirovano Stelvio spa	Auditor		1	
	InArCheck spa	Auditor		2	
PIERGIUSEPPE FORNI	Banca Popolare Sondrio	Auditor	1/1/2002-31/12/2002	34	
	Sinergia Seconda srl	Auditor		2	
ROBERTO SCHIANTARELLI	Banca Popolare Sondrio Sinergia Seconda srl	Auditor Chairman of the Board	1/1/2002-31/12/2002	38	
		of Statutory Auditors		2	
	Pirovano Stelvio spa	Chairman of the Board			
		of Statutory Auditors		2	
MARIO ALBERTO PEDRANZINI	Banca Popolare Sondrio	General Manager	1/1/2002-31/12/2002	446	

1.2 Loans and guarantees granted

	31/12/2002	31/12/2001
a) directors	3,126	3,070
b) statutory auditors	305	373

Loans have been granted in accordance with article 136, Legislative Decree 385 of 1 September 1993.

Section 2 Parent company or EEC controlling bank

2.1 Name

Banca Popolare di Sondrio Società Cooperativa a.r.l.

Banca Popolare di Sondrio, listed in the Bank Register at no. 842 and in the Banking Group Register at no. 5696.0, is the parent company of the «Banca Popolare di Sondrio Banking Group».

2.2 Head office

Piazza Garibaldi 16, Sondrio, Italy.

APPENDICES

The appendices listed below contain additional information to the notes of which they form an integral part:

- statement of changes in financial position;
- statement of changes in shareholders' equity for the years ended 31 December 2001 and 31 December 2002;
- statement of changes in the staff pension fund;
- list of equity investments;
- list of significant equity investments;
- list of revalued assets still owned by the bank (article 10, Law 72/1983);
- financial statements of the subsidiaries Banca Popolare di Sondrio (Suisse)
 SA, Pirovano Stelvio SpA, and Sinergia Seconda Srl, and of the associated companies Ripoval SpA and Arca Vita spa.

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of euro)

46,065 23,890 9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	121,274 137,701 1,545,095
23,890 9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	
23,890 9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	137,701
9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	137,701
9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	137,701
9,926 15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	137,701
15,763 4,690 4,919 6,365 9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 79,426	137,701
13,568 4,690 4,919 6,365 9,398 0 258 137,698 13 1,148,457 317,212 79,426	137,701
13,568 4,919 6,365 9,398 0 258 137,698 13 1,148,457 317,212 79,426	137,701
13,568 4,919 6,365 9,398 0 258 137,698 13 1,148,457 317,212 79,426	137,701
13,568 1,365 9,398 0 21,004 258 137,698 13 1,148,457 317,212 79,426	137,701
9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 51,568 79,426	137,701
9,398 0 21,004 258 137,698 13 3 1,148,457 317,212 51,568 79,426	137,701
13,004 258 137,698 13 3 1,148,457 317,212 11,568 79,426	137,701
137,698 13 3 1,148,457 317,212 51,568 79,426	137,701
137,698 13 3 1,148,457 317,212 51,568 79,426	137,701
13 3 1,148,457 317,212 51,568 79,426	
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1,148,457 317,212 51,568 79,426	
317,212 51,568 79,426	1,545,095
317,212 51,568 79,426	1,545,095
51,568 79,426	1,545,095
	1,545,095
(41)	
(41)	
(41)	
(51,243)	
(1,618)	
88,015 1,857	(51,045)
0,600	1,753,025
2,082	
3,073	
3,816 310	12,004
20.604	
	20,853
213	20,000
1 150 000	
0,230 190,053	1,766,548
(72,702)	
6.632	(46,380)
	1,753,025
2	3,073 6,539 13,816 20,604 25,042 249 1,159,090 31,083 386,322 70,230 (72,702) 3,959 8,547 6,632 01,512 7,184

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDING 31 DECEMBER 2001 AND 2002

(in thousands of euro)

	Share capital	Reserve for general banking risks	Share premium reserve
BALANCE AS OF 31 DECEMBER 2000	177,617	38,734	233,401
ALLOCATION OF PROFITS, as resolved by the AGM of 3 March 2001:			
To the legal reserve			
To the statutory reserves			
Dividend of L. 580 per share			
Charity fund			
INCREASE IN SHARE CAPITAL, as per AGM of 3 March 2001 and unexercised rights	206,349		(68,783)
Conversion of par value of shares into euro	28,732		(28,732)
DIVIDEND ON OWN SHARES			
RESERVE FOR GENERAL BANKING RISKS			
RESERVE FOR OWN SHARES			
RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93			
NET PROFIT FOR 2001			
BALANCE AS OF 31 DECEMBER 2001	412,698	38,734	135,886
ALLOCATION OF PROFITS, as resolved by the AGM of 2 March 2002:			
To the legal reserve			
To the statutory reserves			
Dividend of € 0.18 per share			
Charity fund			
DIVIDEND ON OWN SHARES			
RESERVE FOR GENERAL BANKING RISKS			
RESERVE FOR OWN SHARES			
RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93			
NET PROFIT FOR 2002			
BALANCE AS OF 31 DECEMBER 2002	412,698	38,734	135,886

Banca Popolare di Sondrio

Total shareholders' equity	Net profit for the year	Other reserves	Statutory reserves	Restricted reserve for own shares	Legal reserve
614,465	38,429	19,208	72,304	177	34,595
0	(3,947)				3,947
0	(11,528)		11,528		
(20,604)	(20,604)				
(258)	(258)				
137,698			132		
0					
3			3		
0					
0	(2,066)	1,369		697	
0	(26)	26			
46,065	46,065				
777,369	46,065	20,603	83,967	874	38,542
0	(4,681)				4,681
0	(13,819)		13,819		
(24,762)	(24,762)				
(250)	(250)				
13			13		
0					
0	(2,523)	2,791		(268)	
0	(30)	30			
46,704	46,704				
799,074	46,704	23,424	97,799	606	43,223

STATEMENT OF CHANGES IN THE STAFF PENSION FUND

(in thousands of euro)

The pension fund was created pursuant to art. 2117 of the Civil Code and following the introduction of Legislative Decree 47 of 18 February 2000 on the «Reform of the tax regulations governing supplementary pensions», which among other things changed the tax regime of pension funds existing at the time that Law 421 of 23 October 1992 came into force. During the year, the fund underwent the three-year actuarial review foreseen by the fund regulations. This review showed the need to create a mathematical reserve of 49,536 thousand euro. The fund was duly adjusted accordingly. Movements in the fund are provided below.

Total	49,536	48,862
Units of foreign mutual funds	25,997	24,970
Units of Italian mutual funds	22,729	23,532
Liquid assets	810	360
	31/12/2002	31/12/2001

Opening balance	48	3,862	46,254
a) Balance of pension management		1,093	1,066
Contributions paid by the bank	2,873	2,633	
Contributions paid by employees	322	325	
Pensions paid during the year	-2,080	-1,826	
Reimbursements to outgoing staff	-22	-66	
b) Balance of financial management		-419	1,733
c) Substitute tax to be paid			-191
Closing balance	49	,536	48,862

LIST OF EQUITY INVESTMENTS

	NUMBER	BOOK	PAR	
NAME	OF	VALUE	VALUE	%
	SHARES OR QUOTAS	(in thousands of euro)	(in thousands of euro)	HELD
SAN PAOLO - IMI SPA	627,000	303	1,755	0.045
BANCA INTESA SPA	101,520	91	53	0.002
MPS MERCHANT SPA	11,913	5	3	0.005
CENTROBANCA SPA	5,376,000	6,327	5,376	1.600
BANCA POPOLARE DI SONDRIO (SUISSE) SA	500,000	32,928	34,426	100.000
BANCA PER IL LEASING - ITALEASE SPA	2,090,397	8,670	10,786	4.950
I.C.B.P.I. SPA	125,400	33	376	1.135
BANCA POPOLARE ETICA S.C. a R.L.	500	26	26	0.182
ARCA BANCA DI INVESTIMENTO MOBILIARE SPA	1,739,837	2,547	1,740	12.841
CENTROSIM SPA	6,346	458	381	3.173
RIPOVAL SPA	2,500	1,291	1,291	50.000
ARCA SGR SPA	2,408,000	656	2,408	4.816
FINLOMBARDA SPA	162	50	42	0.405
ARCA MERCHANT SPA	17,398,375	11,410	9,047	12.841
FACTORIT SPA	905,691	713	906	2.415
INTESA LEASING SPA	16,000	8	8	0.025
ETICA SGR SPA	25,000	250	250	11.364
AEM SPA	6,000,000	5,175	3,120	0.333
S.I.A. SPA	5,753	4	3	0.017
AVIOVALTELLINA SPA	300	155	155	7.422
PIROVANO STELVIO SPA	392,000	4,264	2,023	98.000
SOCIETÀ PER I SERVIZI BANCARI - S.S.B. SPA	17,259	1,201	2,020	0.021
CILME MULTITEL SPA	111,363	52	58	5.062
SPLUGA DOMANI SPA	42,857	221	111	1.490
ARCA ASSICURAZIONI SPA	720,226	1,541	1,635	9.900
ARCA VITA SPA	1,667,250	23,463	8,603	22.500
SOCIETÀ DI SVILUPPO LOCALE SPA	200	21	20	5.714
BORSA ITALIANA SPA	35,000	115	18	0.250
EUROS SPA	47,367	26	25	0.241
B. & A. BROKER SPA	20,000	103	103	14.286
POLIS FONDI IMMOBILIARI	20,000	105	100	14.200
DI BANCHE POPOLARI SGR.p.A.	36,400	362	364	7.000
SINERGIA SECONDA SRL	10,200,000	10,329	10,200	100.000
SITEBA SPA	9,032	5	5	0.181
TELERISCALDAMENTO - COOGENERAZIONE	3,002			0.101
VALCAMONICA. VALTELLINA-VALCHIAVENNA SPA	10,000	52	50	2.302
MTS SPA	202	14	10	0.054
SWIFT S.C.	32	14	4	0.037
CBE-SERVICE SPRL	233	6	6	23.300
UNIONE FIDUCIARIA SPA	43,981	193	242	4.072
e-M.I.D. SPA	1,200	60	60	1.000
SERVIZI INTERNAZIONALI E STRUTTURE	1,200			1.000
INTEGRATE 2000 SRL-SINTESI 2000 SRL	25,000	87	25	33.333
CONSORZIO CASSAMERCATO	132	7	7	6.286
INARCHEK SPA	1,200	120	120	15.385
VALTELLINA GOLF CLUB SPA	40	25	20	2.874
	10	112,181	95,863	

LIST OF SIGNIFICANT EQUITY INVESTMENTS AS OF 31/12/2002

List of significant equity investments directly or indirectly held in unlisted companies by Banca Popolare di Sondrio s.c.a.r.l., in accordance with article 120 of Legislative Decree 58 dated 24 February 1998 and Consob regulation 11971 dated 14 May 1999.

Company name	country	% held	Notes
Acquedotto dello Stelvio srl	(1)	27%	Indirectly held through Pirovano Stelvio spa
 AMC Automotive Casting spa 	(1)	30%	Lien
– Arca BIM spa	(1)	12.841%	
– Arca Merchant spa	(1)	12.841%	
– Arca Vita spa	(1)	22.500%	
- B.&A. Broker spa	(1)	14.286%	
- Banca Popolare di Sondrio (Suisse) SA	(CH)	100%	
– Cagi srl	(1)	100%	Lien
- CBE-Service sprl	(B)	23.300%	
– Etica Sgr spa	(1)	11.364%	
– Immobiliare Borgo Palazzo srl	(1)	100%	Indirectly held through Sinergia Seconda srl
– Immobiliare S. Paolo srl	(1)	100%	Indirectly held through Sinergia Seconda srl
- InArCheck spa	(1)	15.385%	
- Pirovano Stelvio spa	(1)	98%	
- Ripoval spa	(1)	50%	
– Sifas spa	(1)	21.614%	Indirectly held through Pirovano Stelvio spa
- Sinergia Seconda srl	(1)	100%	
 Servizi Internazionali e Strutture Integrate 2000 srl 	(1)	33.333%	
 Sofipo Fiduciaire SA 	(CH)	30%	Indirectly held through Banca Popolare di Sondrio (Suisse) SA

LIST OF REVALUED ASSETS STILL OWNED BY THE BANK

(art. 10 of Law 72 dated 19/3/1983) (in euro)

PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2002	Net book value as of 31/12/2002
APRICA - Corso Roma, 140	77,469	0	356,355	146,929	580,753	306,724	274,029
BERBENNO DI VALTELLINA - Via Raneé, 542	12,270,853	0	0	99,417	12,370,270	3,846,576	8,523,694
BORMIO - Via Roma, 64	238,636	46,481	573,267	136,524	994,908	314,341	680,567
BORMIO - Via Roma, angolo Via Don Peccedi	2,966,334	0	361,520	301,774	3,629,628	1,333,925	2,295,703
BRENO - Piazza Ronchi, 4	666,687	0	0	87,467	754,154	372,169	381,985
CHIAVENNA - Via Dolzino, 67	1,061,378	46,481	1,149,057	1,066,173	3,323,089	2,376,987	946,102
CHIESA IN VALMALENCO - Via Roma, 138	35,520	17,560	664,795	133,250	851,125	304,732	546,393
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	223,810	50,427
DELEBIO - Piazza S. Carpoforo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,653,564	548,428
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	887,571	711,924
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	133,627	31,228
DONGO - Piazza V. Matteri, 14	1,567,930	0	0	415,551	1,983,481	1,292,715	690,766
EDOLO - Piazza Martiri della Libertà, 16	1,058,736	0	0	509,161	1,567,897	1,107,052	460,845
GERA LARIO - Via Statale Regina, 14	292,666	0	131,677	227,733	652,076	520,713	131,363
GRAVEDONA - Piazza Garibaldi, 10/12	903,799	0	0	223,957	1,127,756	633,233	494,523
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	121,676	193,201
GROSIO - Via Vanoni, 5	106,041	0	0	11,595	117,636	58,703	58,933
GROSOTTO - Via Statale, 73	15,539	12,911	147,146	42,099	217,695	94,498	123,197
ISOLACCIA DI VALDIDENTRO - Via Nazionale, 31	403,787	0	290,229	272,602	966,618	701,649	264,969
LECCO - Corso Martiri della Liberazione, 63/65	9,574,331	0	351,191	2,124,557	12,050,079	5,905,993	6,144,086
LECCO - Via Galandra, 28	168,623	0	0	41,959	210,582	0	210,582
LIVIGNO - Via Prestefan	2,290,419	0	0	0	2,290,419	255,958	2,034,461
LIVIGNO - Via S. Antoni, 33	470,515	0	345,487	358,828	1,174,830	871,295	303,535
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	475,913	221,362
MARCHIROLO - Via Cav. Emilio Busetti, 7/A	1,089,018	0	0	0	1,089,018	369,184	719,834
MAZZO DI VALTELLINA - Via S. Stefano, 18	11,530	16,010	163,550	48,833	239,923	113,263	126,660
MILAN - Piazza Borromeo, 1	38,217	0	0	213,722	251,939	84,287	167,652
MILAN - Via Compagnoni, 9	51,141	0	0	6,842	57,983	0	57,983
MILAN - Via Lippi, 25	53,970	0	0	1,635	55,605	0	55,605
MILAN - Via Morigi, 2/A	73,590	0	0	123,930	197,520	0	197,520
MILAN - Via Porpora, 104	3,492,809	0	0	165,381	3,658,190	1,356,387	2,301,803



PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2002	Net book value as of 31/12/2002
MILAN - Via S. Maria Fulcorina, 1	10,867,858	159,818	3,047,096	2,461,826	16,536,598	7,769,586	8,767,012
MILAN - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	0	493,165
MILAN - Via Sangallo, 16	4,752	0	0	11,915	16,667	0	16,667
MONTAGNA IN VALTELLINA - Via Stelvio, 30	472,050	0	328,458	398,008	1,198,516	873,757	324,759
MORBEGNO - Piazza Caduti della Libertà, 6	1,892,539	0	1,088,606	704,283	3,685,428	1,809,916	1,875,512
MORBEGNO - Via Garibaldi, 81	589,317	25,823	0	56,050	671,190	309,187	362,003
MORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	0	72,448
MOZZO - Via Gabriele D'Annunzio, 4	26,424	0	0	14,259	40,683	0	40,683
NOVATE MEZZOLA - Via Roma, 13	45,682	0	251,282	89,219	386,183	200,337	185,846
PASSO DELLO STELVIO	630,416	0	0	296,176	926,592	738,817	187,775
PONTE IN VALTELLINA - Piazza della Vittoria, 1	18,207	12,911	258,098	86,540	375,756	189,593	186,163
REGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	109,299	103,723
ROME - Via Di Propaganda, 27	155,625	0	350,503	88,926	595,054	421,728	173,326
ROME - Viale Appio Claudio - Via Siderno	8,470	0	0	0	8,470	0	8,470
S. CASSIANO DI PRATA CAMPORTACCIO - Via Spluga, 108	397,672	0	0	103,093	500,765	247,138	253,627
S. MARIA REZZONICO - Via Statale Regina	467,692	0	0	0	467,692	143,850	323,842
S. PIETRO DI BERBENNO - Via Nazionale Ovest, 110	67,941	22,208	328,181	122,795	541,125	280,761	260,364
SEREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	0	137,232
SONDALO - Via Zubiani, 2/4/6/8/10	21,757	25,823	312,456	158,005	518,041	174,573	343,468
SONDRIO - Corso Vittorio Veneto, 7	309,912	0	0	1,190,813	1,500,725	391,396	1,109,329
SONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	194,008	29,136
SONDRIO - Piazza Garibaldi, 16 - Via Ragazzi del '99, 6	1,077,432	351,191	7,810,125	3,142,651	12,381,399	6,912,543	5,468,856
SONDRIO - Via Bernina, 1	224,721	0	82,385	45,795	352,901	144,570	208,331
SONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	401,841	2,416
SONDRIO - Via Cesura, 4	77,236	0	0	64,149	141,385	0	141,385
SONDRIO - Via delle Prese - Piazzale Toccalli	348,608	0	0	0	348,608	156,874	191,734
SONDRIO - Via Lungomallero Cadorna, 24	1,002,455	0	196,254	451,249	1,649,958	1,285,407	364,551
SONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	0	247,506
SONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	0	56,416
SONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	236,604	117,584



	63,921,002	781,632	22,496,863	19,095,719	106,295,216	51,659,371	54,635,845
VILLA DI TIRANO - Traversa Foppa, 25	440,816	0	0	7,651	448,467	114,619	333,848
VILLA DI CHIAVENNA - Via Roma, 39	197,713	0	0	7,639	205,352	205,352	0
TRESENDA DI TEGLIO - Via Nazionale, 57	192,524	0	193,671	67,596	453,791	212,625	241,166
TIRANO - Piazza Cavour, 20	392,572	0	1,736,322	718,576	2,847,470	1,608,003	1,239,467
TIRANO - Località Valchiosa	139,352	0	0	0	139,352	0	139,352
TEGLIO - Piazza S, Eufemia, 2	40,150	13,944	546,700	148,165	748,959	333,676	415,283
TALAMONA - Via Cusini, 29	223,475	0	313,640	203,691	740,806	476,766	264,040
PROPERTY	Investment	Amount of revaluation Law 576 of 2/12/75	Amount of revaluation Law 72 of 19/3/83	Amount of revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2002	Net book value as of 31/12/2002

Revaluations have been depreciated as follows: entirely for the 1975 revaluation, by \leq 12.829 million for that of 1983 and by \leq 5.980 million for the one made in accordance with Law 413 of 30/12/1991.

FINANCIAL STATEMENTS OF SUBSIDIARY AND ASSOCIATED COMPANIES:

BANCA POPOLARE DI SONDRIO (SUISSE) SA PIROVANO STELVIO SPA SINERGIA SECONDA SRL RIPOVAL SPA ARCA VITA SPA

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BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002 (in Swiss francs)

ASSETS	2002	2001
Liquid assets	15 955 263	11 581 832
Due from other banks	275 387 181	150 297 801
Customer loans	273 421 944	146 469 107
Mortgage loans	198 235 496	135 637 664
Trading securities	1 148 819	902 969
Investment securities	38 100 452	49 067 267
Equity investments	350 000	459 800
Fixed assets	20 102 621	16 703 237
Accrued income and prepayments	3 688 450	1 442 636
Other assets	16 801 021	14 065 579
Total assets	843 191 247	526 627 892
Total deferred loans	_	12 914
Total amounts due from Group companies and holders of qualifying equity investments	135 904 696	6 157 835

Banca Popolare di Sondrio

LIABILITIES		2002	2001
Mo	ney market securities	1 000 000	_
De	posits with other banks	283 582 602	70 715 902
Cu	stomer deposits - savings and investments	127 983 422	68 632 442
Oth	ner customer deposits	245 250 481	228 837 821
Cas	sh liabilities	43 159 000	27 411 000
Aco	crued liabilities and deferred income	9 436 979	2 173 054
Oth	ner liabilities	18 546 909	24 411 261
Ad	ustments and provisions	26 110 749	22 883 823
Sha	are capital	50 000 000	50 000 000
Ge	neral legal reserve	31 562 589	22 537 193
Ne	t profit for the year	6 558 516	9 025 396
Tot	al liabilities	843 191 247	526 627 892
	al amounts due to Group companies and holders qualifying equity investments	245 060 715	25 733 011
OFF-BALANCE S	HEET TRANSACTIONS	2002	2001
Col	mmitments to disburse funds for uncertain use	29 344 096	27 089 261
Ad	ditional payment commitments	300 000	_
De	rivative products	697 261 053	797 402 630
	Gross positive replacement value	10 135 066	11 355 030
	Gross negative replacement value	14 872 796	11 559 208
Fid	uciary transactions	562 547 015	455 259 573

INCOME STATEMENT AS OF 31 DECEMBER 2002

(in Swiss francs)

TATEMENT	2002	2001
PROFITS AND LOSSES FROM ORDINARY BANKING OPERATION	IS	
Interest income and discounts	18 954 881	15 067 157
Interest income and dividends from trading securities	14 057	31 816
Interest income and dividends from investment securities	986 231	1 477 808
Interest expense	(8 764 295)	(6 001 389)
Net interest income	11 190 874	10 575 392
Commissions on lending transactions	1 017 454	941 337
Commissions on securities trading and investments	32 656 541	32 371 829
Commissions on services	2 865 912	2 655 580
Commission expense	(2 956 368)	(2 488 873)
Net commission income and income from services	33 583 539	33 479 873
Profits from financial transactions	3 490 101	3 829 141
Profit (loss) on the disposal of investment securities	424 443	551 183
Profit (loss) on equity investments	3 340 396	2 559 886
Other ordinary income	95 155	_
Other ordinary charges	(1 836 628)	(1 511 191)
Total other ordinary income (charges)	2 023 366	1 599 878
Net income from ordinary banking operations	50 287 880	49 484 284
Personnel costs	(19 338 164)	(16 126 497)
Other operating expenses	(11 699 161)	(10 010 391)
Operating expenses	(31 037 325)	(26 136 888)
Gross profit	19 250 555	23 347 396

,50 000	
000 000)	
12 000)	
25 396	169
)25 396	
_	

INCOME STATEMENT	2002	2001
Depreciation and amortization	(7 350 000)	(7 500 000)
Adjustments, provisions and losses	(4 500 000)	(4 600 000)
Extraordinary income	302 511	690 000
Extraordinary charges	_	(600 000)
Income taxes	(1 144 550)	(2 312 000)
Net profit for the year	6 558 516	9 025 396
ALLOCATION OF NET PROFIT		
Net profit for the year	6 558 516	9 025 396
Retained earnings	_	_
Net profit declared	6 558 516	9 025 396
Proposal of the Board of Directors for the allocation of net profit		
To general legal reserve	6 558 516	9 025 396
Balance carried forward	_	_

PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 OCTOBER 2002 (in euro)

BALANCE SHEET

AS	SSETS	31-10-2002	31-10-2001
В	NON-CURRENT ASSETS		
	I INTANGIBLE ASSETS		
	02 Costs for research, development and advertis	sing	2,066
	03 Industrial patent rights and use	10.440	07.105
	of original works	18,442	27,185
	07 OTHER INTANGIBLE ASSETS	15,894	18,543
	TOTAL I	34,336	47,794
	II FIXED ASSETS	0.046.170	0.077.700
	01 Land and buildings	2,846,172	2,877,786
	02 Equipment and machinery	152,273	170,609
	03 Industrial and commercial equipment	72,180	67,566
	04 Other fixed assets	42,659	7,332
	TOTAL II	3,113,284	3,123,293
	III FINANCIAL ASSETS		
	01 Equity investments		
	b in associated companies	925,890	922,895
	d in other companies	300	300
	TOTAL 01	926,190	923,195
	02 Loans		
	d to others		
	due beyond 12 months	12,978	13,718
	TOTAL 02	12,978	13,718
	TOTAL III	939,168	936,913
	TOTAL NON-CURRENT ASSETS	4,086,788	4,108,000
С	CURRENT ASSETS		
	INVENTORIES		
	04 Finished products and merchandise	37,441	59,273
	TOTAL I	37,441	59,273
	II RECEIVABLES		
	01 Due from customers		
	a due within 12 months	151,192	174,086
	TOTAL 01	151,192	174,086
	05 Due from others		
	a due within 12 months	29,262	49,730
	TOTAL 05	29,262	49,730
	TOTAL II	180,454	223,816
	IV CASH AND BANKS		
	03 Cash and equivalents on hand	2,980	2,490
	TOTAL IV	2,980	2,490
	TOTAL CURRENT ASSETS	220,875	285,579
D	ACCRUED INCOME AND PREPAYMENTS		
ט	02 Other accrued income and prepayments	18,387	21,051
	TOTAL ACCRUED INCOME AND PREPAYMENTS	18,387	21,051
	TOTAL ASSETS	4,326,050	4,414,630
	IUIAL ASSEIS	4,320,030	4,414,630

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MEMORANDUM ACCOUNTS	31-10-2002	31-10-2001
WILMONANDOW ACCOUNTS	31-10-2002	31-10-2001
01 PERSONAL GUARANTEES RECEIVED		
d Sureties received from third parties	176,419	202,004
TOTAL 01	176,419	202,004
TOTAL MEMORANDUM ACCOUNTS	176,419	202,004

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INCOME STATEMENT

		31-10-2002	31-10-2001
1	PRODUCTION VALUE		
	01 REVENUES FROM SALES AND SERVICES 05 OTHER REVENUES AND INCOME	2,075,042	2,037,187
	a Other revenues and income	46,112	64,479
	TOTAL 05 TOTAL PRODUCTION VALUE	46,112 2,121,154	64,479 2,101,666
3	PRODUCTION COSTS		
	06 FOR RAW MATERIALS, CONSUMABLES		
	AND GOODS	(350,320)	(428,476)
	07 FOR SERVICES	(830,781)	(879,866)
	09 FOR PERSONNEL	(EOE 1CO)	(EOC 140)
	a Wages and salaries	(525,169)	(596,142)
	b Social contributions c Severance indemnities	(174,113) (27,219)	(196,545) (31,423)
	e Other costs	(2,016)	(31,423)
	TOTAL 09	(728,517)	(824,110)
	10 DEPRECIATION, AMORTIZATION	(,,	(,,,
	AND WRITE-DOWNS		
	a Amortization of intangible assets	(18,359)	(29,517)
	b Depreciation of fixed assets	(133,214)	(140,076)
	TOTAL 10	(151,573)	(169,593)
	11 CHANGE IN INVENTORIES OF RAW MATERIA		(2 E01)
	CONSUMABLES AND GOODS 14 SUNDRY OPERATING COSTS	(21,832) (88,865)	(2,501) (94,380)
	TOTAL PRODUCTION COSTS	(2,171,888)	(2,398,926)
	DIFFERENCE BETWEEN PRODUCTION	(=,171,000)	(2,000,020)
	VALUE AND PRODUCTION COSTS (A-B)	(50,734)	(297,260)
3	FINANCIAL INCOME AND CHARGES		
	16 OTHER FINANCIAL INCOME a from loans recorded among non-current asse	nte.	
	a4 From third parties	192	255
	TOTAL a	192	255
	d Income other than above	102	200
	d4 From third parties	10,407	9,225
	TOTAL d	10,407	9,225
	TOTAL 16	10,599	9,480
	17 INTEREST AND OTHER FINANCIAL CHARG		(5.4.40.4)
	c To parent company	(52,622)	(54,494)
	d To third parties TOTAL 17	(12,969) (65,591)	(14,986) (69,480)
	TOTAL 17 TOTAL FINANCIAL INCOME AND CHARGES	(54,992)	(60,000)
Ξ	EXTRAORDINARY ITEMS	(01,002)	(00,000)
-	20 INCOME		
	b Other extraordinary income		
	TOTAL 20		
	21 CHARGES		
	c Other extraordinary charges	(35,483)	(2,161)
	TOTAL 21	(35,483)	(2,161)
	TOTAL EXTRAORDINARY ITEMS	(1.41.000)	(DEO 401)
	PRE-TAX PROFIT (LOSS) (A-B+-C+-D+-E) 22 INCOME TAXES FOR THE YEAR	(141,209) (28,960)	(359,421) (22,576)
	26 NET PROFIT (LOSS) FOR THE YEAR	(170,169)	(381,997)

SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002 (in euro)

BALANCE SHEET

113,959	15,898
113,959	15,898
24,573,091	24,829,267
	22
22	22
0	0
0	0
, ,	,,-=
	14,349,062
3.810	32,823
14,044,700	14,510,109
14 044 756	14,316,109
44,320	130
44 200	120
10,480,183	10,480,183
10,480,183	10,480,183
,	,
	65,439
	20,000
20 000	20,000
0	0
	45,439
	3,190
21,125	42,249
Ü	O
0	0
31-12-2002	31-12-2001
	21,125 22,785 43,910 0 20,000 20,000 63,910 10,480,183 10,480,183 10,480,183 10,480,183 44,320 14,044,756 3,810 14,092,886 0 0 22 22 24,573,091 113,959

Banca Popolare di Sondrio

	ADII ITIES AND SHADEHOI DEDS' FOILITY	21 10 0000	21 10 0001
	ABILITIES AND SHAREHOLDERS' EQUITY SHAREHOLDERS' EQUITY	31-12-2002	31-12-2001
A)	I - Share capital	10,200,000	10,200,000
	II - Share premium reserve	0	0
	III - Revaluation reserves	0	0
	IV - Legal reserve	141,993	141,993
	V - Reserve for own shares	0	0
	VI - Statutory reserves	0	0
	VII - Other reserves	O	O
	d) rounding difference of par value in euro	2	1
	VIII- Profit (loss) carried forward	-290,799	0
	IX - Net profit (loss) for the year	162,075	-290,799
	TOTAL SHAREHOLDERS' EQUITY	10,213,271	10,051,195
	TOTAL SHAKEHOLDERS EQUIT	10,213,271	10,031,193
B)	RESERVES FOR RISKS AND CHARGES		
	2) for taxation	1,487	1,487
	TOTAL RESERVES FOR RISKS AND CHARGES	1,487	1,487
C)	RESERVES FOR SEVERANCE INDEMNITIES		
	TOTAL RESERVES FOR SEVERANCE INDEMNITIE	S 0	0
וח	PAYABLES		
D)	3) due from banks		
	a - due within 12 months	14,406,517	14,760,118
	6) due from suppliers	14,400,317	14,700,110
	a - due within 12 months	68,474	64,189
	11) taxes payable	00,474	04,109
	a - due within 12 months	43,297	11,372
	13) other payables	43,297	11,572
	a - due within 12 months	14,972	14,569
	TOTAL PAYABLES	14,533,260	14,850,248
	TOTAL PATABLES	14,555,200	14,650,246
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		
	1) accrued liabilities and deferred income	2,942	7,674
	TOTAL ACCRUED LIABILITIES		
	AND DEFERRED INCOME	2,942	7,674
	TOTAL LIABILITIES AND		
	SHAREHOLDERS' EQUITY	24,750,960	24,910,604



MEMORANDUM ACCOUNTS	31-12-2002	31-12-2001
b) Tenant guarantees	62,943	62,943
TOTAL MEMORANDUM ACCOUNTS	62,943	62,943

INCOME STATEMENT

-		31-12-2002	31-12-2001
A)	PRODUCTION VALUE		
	1) revenues from sales and services	1,148,227	690,524
	5) other revenues and income		
	c) other income	0	4
	TOTAL PRODUCTION VALUE	1,148,227	690,528
B)	PRODUCTION COSTS		
	7) for services	362,156	726,504
	10) depreciation, amortization and write-downs		
	a) amortization of intangible assets	27,352	22,188
	11) change in raw materials, consumables and goods	0	-391,227
	14) sundry operating costs		
	a) other operating costs and charges	1,189	3,235
	b) non-deductible charges	35,456	35,482
	TOTAL PRODUCTION COSTS	426,153	396,182
	DIFFERENCE BETWEEN PRODUCTION VALUE		
	AND PRODUCTION COSTS	722,074	294,346
C)	FINANCIAL INCOME AND CHARGES		
	16) other financial income		
	d) other financial income		
	3) from third parties	0	518
	17) interest and other financial charges		
	c) payable to third parties	-500,610	-584,455
	TOTAL FINANCIAL INCOME AND CHARGES	-500,610	-583,937
D)	ADJUSTMENTS TO THE VALUE		
	OF FINANCIAL ASSETS		
	TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	0	0
	OF FINANCIAL ASSETS	O	O .
E)	EXTRAORDINARY ITEMS		
	20) income		
	b) other extraordinary income	8,056	95,231
	21) charges		
	b) other non-deductible extraordinary charges	-36,353	-83,891
	d) rounding difference of par value in euro	-1	-1
	TOTAL EXTRAORDINARY ITEMS	-28,298	11,339
	PRE-TAX PROFIT (LOSS)	193,166	-278,252
	22) income taxes for the year		
	b) IRPEG (corporate income tax)		
	c) IRAP (regional business tax)	31,091	12,547
	26) Net profit (loss) for the year	162,075	-290,799

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RIPOVAL SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2001 (in lire)

BALANCE SHEET

Asse	ets		31-12-2001	31-12-2000
10.	CASH AND BANKS		167,578,485	1,472,900,282
20.	DUE FROM BANKS		39,884,942	18,391,015
	a) Sight	39,884,942		
40.	DUE FROM CUSTOMERS		23,432,601,983	27,206,074,218
	a) From taxpayers	0		
	b) From entities for ordinary tax rolls of which:	1,903,761,665		
	for instalments paid in advance to tax authorities	1,682,854,649		
	c) From other entities for tax collection	21,528,840,318		
50.	BONDS AND OTHER FIXED-INTEREST SECURITIES		486,003,770	0
	a) public issuers	486,003,770		
90.	INTANGIBLE ASSETS		33,444,616	35,600,809
	of which:			
	set-up costs	2,922,800		
100.	FIXED ASSETS		3,076,694,799	3,397,334,957
	a) Land and buildings	2,560,690,190		
	b) Equipment and machinery	271,413,384		
	c) Furniture and office machines	196,066,225		
	d) Other assets	48,525,000		
130.	OTHER ASSETS		1,074,981,896	1,080,884,667
140.	ACCRUED INCOME AND PREPAYMENTS		17,135,576	16,698,795
	a) Prepayments	17,135,576		
Total	assets		28,328,326,067	33,227,884,743

Liab	ilities		31-12-2001	31-12-2000
10.	DUE TO BANKS		16,750,872,064	16,635,413,118
	a) sight	16,750,872,064		
30.	DUE TO CUSTOMERS		3,579,069,769	8,212,044,700
	a) Due to entities for ordinary tax rolls	450,929,837		
	b) Other amounts due to entities	3,089,058,222		
	c) Due to taxpayers	39,081,710		
50.	OTHER LIABILITIES		852,415,275	1,149,243,579
	a) Trade payables	82,213,078		
	b) Taxes payable	88,177,000		
	c) Other payables	682,025,197		
80.	RESERVE FOR RISKS AND CHARGES		1,043,571,547	1,254,754,236
	b) Taxation reserve	628,177,000		
	c) Other reserves	415,394,547		
120.	SHARE CAPITAL		5,000,030,021	5,000,000,000
140.	RESERVES		476,399,089	435,278,358
	a) Legal reserve	142,000,000		
	b) Other reserves	334,399,089		
170.	NET PROFIT (LOSS) FOR THE YEAR		625,968,302	541,150,752
Total	liabilities		28,328,326,067	33,227,884,743

Guai	antees and commitments	31-12-2001	31-12-2000
20.	COMMITMENTS	3,717,107,378	1,441,089,672



INCOME STATEMENT

Cost	s		2001	2000
10.	INTEREST EXPENSE AND SIMILAR CHARGES		145,049,786	385,635,660
	of which: Interest on bank loans	145,049,786		
20.	COMMISSIONS AND FEES FOR COLLECTION SERVICES a) For collection services b) For other services	547,690,099 312,388,476	860,078,575	1,006,074,252
40.	ADMINISTRATIVE EXPENSES a) Personnel expenses of which: Wages and salaries 1,825,906,523	2,671,602,044	4,128,758,369	4,090,345,363
	Social security contributions 646,092,579 Contribution for capital 127,200,132 b) Expenses for professional services c) Consumables and miscellaneous office costs d) Expenses for non-professional services e) Expenses for the use of third-party assets f) Indirect taxes and duties	482,950,076 530,334,594 189,437,483 37,834,000 216,600,172		
50.	ADJUSTMENTS TO INTANGIBLE AND FIXED ASSETS a) Amortization of intangible assets b) Depreciation of fixed assets	36,843,526 469,706,462	506,549,988	462,636,500
60.	ADJUSTMENTS TO EMOLUMENTS		14,010,086	12,982,524
70.	PROVISIONS FOR RISKS AND CHARGES		210,000,000	160,000,000
110.	EXTRAORDINARY CHARGES		231,077,974	76,341,431
130.	INCOME TAXES FOR THE YEAR		565,000,000	750,000,000
140.	NET PROFIT FOR THE YEAR		625,968,302	541,150,752
Total			7,286,493,080	7,485,166,482

2000	2001		ne	Inco
161,950,079	262,559,929	28,007,609	INTEREST INCOME AND SIMILAR REVENUES a) From amounts due from customers	10.
		234,552,320	b) Other interest income	
7,196,211,899	6,728,175,072		INCOME FROM TAX COLLECTION	30.
		1,948,697,666 198,630,053	a) Primary income from rollsb) Supplementary income from rolls	
		1,777,552,211	c) Income from direct payments	
		2,803,295,142	d) Other income from tax collection	
35,374,111	42,091,349		OTHER OPERATING INCOME	70.
		42,091,349	a) Income from capital	
91,630,393	253,666,730		EXTRAORDINARY INCOME	80.
7,485,166,482	7,286,493,080			Total

ARCA VITA SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2001 (in euro)

ASSETS

BALANCE SHEET

B. INTANGIBLE ASSETS

- 1. Acquisition commission to be amortized
 - a) life business
 - b) accident business
- 3. Start-up and expansion costs
- 4. Goodwill
- 5. Other deferred charges

C. INVESTMENTS

- I Land and buildings
 - 1. buildings for business purposes
 - 2. buildings leased to third parties
- I Investments in Group companies and other equity investments
 - 1. Shares and quotas
 - b) subsidiaries
 - e) other
- III Other financial investments
 - 1. Shares and quotas
 - a) listed shares
 - 2. Units in mutual funds
 - 3. Bonds and other fixed-yield securities
 - a) listed
 - b) unlisted
 - c) convertible bonds
 - 4. Loans
 - b) loans on insurance policies
 - 7. Other financial investments

D. INVESTMENTS BENEFITING LIFE ASSURANCE POLICYHOLDERS BEARING RISKS AND THOSE DERIVING FROM THE MANAGEMENT OF PENSION FUNDS

I. Investments relating to services linked to investment funds and stockmarket indices

D Bis. TECHNICAL RESERVES CARRIED BY REINSURERS

- II LIFE BUSINESS
 - 1. Actuarial reserves
 - 2. Premium reserves for supplementary insurance
 - 3. Reserve for claims to be settled

E. RECEIVABLES

- Receivables deriving from direct insurance transactions with:
 - 1. Policyholders
 - a) for premiums for the year
 - b) for premiums of previous years
 - 2. Insurance brokers
- 3. Insurance company current accounts
- II Receivables deriving from reinsurance transactions:
 - 1. Insurance and reinsurance companies
- III Other receivables

F. OTHER ASSETS

- I Fixed assets and inventories
 - 1. Furniture, office machines and internal transport vehicles
 - 2. Publicly-registered assets
 - 3. Plant and equipment
- II Liquidity
 - 1. Bank and post office deposits
- 2. Cheques and cash
- IV Other assets
 - 2. Sundry assets

G. ACCRUED INCOME AND PREPAYMENTS

- 1. Interest
- 2. Leasing instalments
- 3. Other

TOTAL ASSETS

Banca Popolare di Sondrio

			31-12-2001				31-12-2000
778,381	778,381 21,969 1,364,615 5,296,356		7,461,321	1,426,162	1,426,162 61,350 1,819,487 4,582,180		7,889,179
	3,444,603 3,311,652	6,756,255			3,581,200 3,420,827	7,002,027	
20,481,124 106,531	20,587,655	20,587,655		24,681,636 106,531	24,788,167	24,788,167	
8,118,236	8,118,236 12,663,418			18,664,503	18,664,503 15,417,728		
854,700,077 9,639,070 10,614,535	874,953,682			936,930,156 6,972,110 13,345,417	957,247,683		
134,172	134,172 2,624,570	898,494,078	925,837,988	129,456	129,456 209,774	991,669,144	1,023,459,338
		1,924,985,420	1,924,985,420			1,662,722,665	1,662,722,665
	38,197,305 79,354 2,669,026	40,945,685	40,945,685		46,758,274 82,295 784,000	47,624,569	47,624,569
241,355 6,060	247,415 6,591,812 15,480	6,854,707		258,659 57,333	315,992 - 5,106	321,098	
	6,460,463	6,460,463 10,122,158	23,437,328		4,355,398	4,355,398 8,409,587	13,086,083
	1,829,568 32,860 56,095	1,918,523			1,884,036 22,388 89,566	1,995,990	
	44,366,535 7,885	44,374,420			26,085,466 5,574	26,091,040	
	_	_	46,292,943		22,311	22,311	28,109,341
		15,085,184 52,528 3,733	15,141,445 2,984,102,130			16,967,813 42,294 22,501	17,032,608 2,799,923,783



LIABILITIES AND SHAREHOLDERS' EQUITY

A. SHAREHOLDERS' EQUITY

- I Share capital
- II Share premium reserve
- III Revaluation reserves
- IV Legal reserve
- VII Other reserves
- VIII Retained earnings (accumulated losses)
- IX Net profit (loss) for the year

C. LIFE BUSINESS

- 1. Actuarial reserves
- 2. Premium reserves for supplementary insurance
- 3. Reserve for claims to be settled
- 5. Other technical reserves

D. INVESTMENTS BENEFITING LIFE ASSURANCE POLICYHOLDERS BEARING RISKS AND THOSE DERIVING FROM THE MANAGEMENT OF PENSION FUNDS

1. Investments relating to services linked to investment funds and stockmarket indices

E. PROVISIONS FOR RISKS AND CHARGES

3. Other provisions

F. DEPOSITS RECEIVED FROM REINSURERS

G. PAYABLES AND OTHER LIABILITIES

- I Payables, deriving from direct insurance transactions, with:
 - 1. Insurance brokers
 - 2. Insurance company current accounts
- II Payables, deriving from reinsurance transactions, with:
 - 1. Insurance company current accounts
- IV Due to banks
- VII Reserve for severance indemnities

VIII Other payables

- 1. Taxes rechargeable to policyholders
- 2. Miscellaneous tax liabilities
- 3. Due to social and welfare institutions
- 4. Miscellaneous payables
- IX Other liabilities
 - 2. Commission on premiums being collected
 - 3. Miscellaneous liabilities

Banca Popolare di Sondrio

		31-12-2001			31-12-2000
	38,235,600			36,668,440	
	9,399,516			6,197,483	
	34,916			0,137,403	
	4,729,286			3,582,068	
	31,848,038			25,495,618	
	63,441			62,451	
	3,678,261	87,989,058		11,133,615	83,139,675
868,127,736			934,345,100		
208,541			180,129		
33,081,251			34,758,461		
12,411,249	913,828,777	913,828,777	14,579,804	983,863,494	983,863,494
	313,020,777	313,020,777	14,073,004	303,003,434	303,003,434
	1 004 015 104	1 004 015 104		1 662 720 712	1 660 700 713
	1,924,915,134	1,924,915,134		1,002,720,713	1,662,720,713
	_	_		14,160	14,160
		34,200,970			39,403,743
8,352,846			7,387,692		
_	8,352,846		82,542	7,470,234	
7,340,276	7,340,276		6,092,327	6,092,327	
	34,493			156,860	
	626,226			563,527	
594,043			2,029,383		
3,190,404			8,815,697		
174,633			119,715		
2,848,771	6,807,851		5,518,284	16,483,079	
6,499			14,474		
-	6,499	23,168,191	1,497	15,971	30,781,998
		2,984,102,130			2,799,923,783



MEMORANDUM ACCOUNTS

- II Guarantees received
 - 1. Sureties
- IV Commitments
- VII Securities with third parties

31-12-2000	31-12-2001
-	4,090,000
36,514,611	88,474,849
2,615,341,392	2,776,633,484



INCOME STATEMENT

II TECHNICAL STATEMENT - LIFE BUSINESS

- PREMIUMS FOR THE YEAR, NET OF AMOUNTS TRANSFERRED TO REINSURERS:
 - a) Gross premiums calculated
 - b) (-) premiums transferred to reinsurers

2. INVESTMENT INCOME:

- a) Income from shares and quotas
- b) income from other investments:
 - aa) land and buildings
 - bb) other investments
 - (of which from Group companies)
- c) Writebacks of investments
- Proceeds on the sale of investments
- 3. INCOME AND UNREALIZED GAINS RELATING TO INVESTMENTS BENEFITING POLICYHOLDERS BEARING RISK AND TO INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS
- 4. OTHER TECHNICAL INCOME, NET OF AMOUNTS TRANSFERRED TO REINSURERS
- 5. ACCIDENT RELATED EXPENSE, NET OF AMOUNTS TRANSFERRED TO REINSURERS:
 - a) Claims settled
 - aa) gross amounts
 - bb) (-) amounts transferred to reinsurers
 - b) Change in reserve for claims to be settled aa) gross amounts
 - bb) (-) amounts transferred to reinsurers

6. CHANGES IN ACTUARIAL AND OTHER TECHNICAL RESERVES. **NET OF AMOUNTS TRANSFERRED TO REINSURERS**

- a) Actuarial reserves:
 - aa) gross amounts
 - bb) (-) amounts transferred to reinsurers
- b) Premium reserves for supplementary insurance:
 - aa) gross amounts
 - bb) (-) amounts transferred to reinsurers
- c) Other technical reserves
 - aa) gross amounts
 - bb) (-) amounts transferred to reinsurers
- Technical reserves of life assurance business where investment risk is borne by the policyholder and reserves deriving from the management of pension funds aa) gross amounts
 - bb) (-) amounts transferred to reinsurers

8. OPERATING EXPENSES:

- Acquisition commission
- b) Other acquisition expenses
- Change in commission and other acquisition expenses to be amortized
- Collection commission
- Other administrative expenses
- (-) Commission and profit-sharing received from reinsurers

9. INVESTMENT EXPENSE AND OTHER FINANCIAL CHARGES:

- a) Investment operating expense and interest expense
- b) Value adjustments to investments
- Losses on the sale of investments

10. INVESTMENT EXPENSE AND OTHER FINANCIAL CHARGES

AND UNREALIZED LOSSES RELATING TO INVESTMENTS BENEFITING POLICYHOLDERS BEARING RISK AND TO INVESTMENTS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS

- 11. OTHER TECHNICAL CHARGES, NET OF AMOUNTS TRANSFERRED TO REINSURERS
- 12. (-) PORTION OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL STATEMENT (caption II.12)
- 13. LIFE ASSURANCE BUSINESS TECHNICAL STATEMENT RESULTS (caption III.2)

III NON-TECHNICAL STATEMENT

- 2. LIFE ASSURANCE BUSINESS TECHNICAL STATEMENT RESULTS (caption II.13)
- 4. (+) PORTION OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL STATEMENT (caption II.12)
- OTHER INCOME
- OTHER CHARGES
- 9. RESULT FROM ORDINARY ACTIVITY
- 10. EXTRAORDINARY INCOME
- 11. EXTRAORDINARY EXPENSE
- 12. RESULT FROM EXTRAORDINARY ACTIVITY
- 13. RESULT BEFORE TAXES
- 14. INCOME TAXES FOR THE YEAR
- 15. NET PROFIT (LOSS) FOR THE YEAR

Banca Popolare di Sondrio

		31-12-2001			31-12-2000
	536,959,565 - 3,395,234	533,564,331		696,144,532 - 4,408,106	691,736,426
	450,792			478,545	
92,327 48,041,765	48,134,092 43,770 2,318,640 10,963,739	61,867,263	109,918 56,482,054	56,591,972 62,362 1,613,946 9,171,792	67,856,255
		92,806,918			108,302,887
		66,758			406,064
229,756,339 - 9,105,924	220,650,415		284,405,017 - 8,448,427	275,956,590	
- 1,677,210 - 3,833,611	- 5,510,821	215,139,594	21,310,022 - 1,195,636	20,114,386	296,070,976
- 66,217,363 8,560,969	- 57,656,394		- 142,860,676 4,517,834	- 138,342,842	
28,411 2,941	31,352		9,192 12,270	21,462	
- 2,168,555	- 2,168,555		- 2,848,105	- 2,848,105	
262,194,420	262,194,420	202,400,823	470,804,857	470,804,857	329,635,372
	11,429,776 20,710,950 403,810 2,008,611 8,481,676 - 349,448	42,685,375		9,287,784 19,090,036 806,126 2,566,377 10,462,052 - 431,164	41,781,211
	3,485,005 20,071,871 5,591,027	29,147,903		3,922,285 8,920,729 3,742,695	16,585,709
		190,563,285 363,147			170,253,778 473,454
		8,005,143			- 3,745,217 9,755,915
		8,005,143			9,755,915 3,745,217
		2,265,192 3,542,756			1,467,088 2,366,728
		5,542,756 6,727,579			12,601,492
		6,523			4,890,741
		30,790			323,607
		- 24,267 6,703,312			4,567,134 17,168,626
		3,025,051			6,035,011
		3,678,261			11,133,615

REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

IN ACCORDANCE WITH ART. 156 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (Translation from the original issued in Italian)

To the Shareholders of BANCA POPOLARE DI SONDRIO Società Cooperativa a Responsabilità Limitata:

- 1. We have audited the financial statements of Banca Popolare di Sondrio S.c.a.r.l. for the year ended 31 December 2002. Preparation of the financial statements is the responsibility of the bank's Board of Directors. We are responsible for the professional opinion on the financial statements, which we have formed on the basis of our audit.
- 2. Our examination was conducted according to the auditing principles recommended by CONSOB. Accordingly, the audit was planned and carried out so as to acquire all information necessary for determining whether the financial statements contain significant errors and whether they are, on the whole, reliable. The audit procedures include random checks of the elements supporting the balances and other information in the financial statements, as well as a verification that the accounting policies are appropriate and the estimates made by the directors are reasonable. We believe that the procedures carried out provide a fair basis on which to express our professional opinion. For our opinion of the prior year's financial statements, whose figures are presented for the sake of comparison as required by law, please see our report dated 14 February 2002, signed under the previous name of Arthur Andersen S.p.A.
- 3. In our opinion, the financial statements of Banca Popolare di Sondrio S.c.a.r.l. as of 31 December 2002 comply with all pertinent regulations. Therefore, they have been prepared clearly and provide a true and fair view of the bank's assets and liabilities, financial position and results for the year.

Milan, 13 February 2003

DELOITTE & TOUCHE ITALIA S,p,A,

(Partner)

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA POPOLARE DI SONDRIO GROUP





Banca Popolare di Sondrio Banca Popolare di Sondrio (Suisse)

REPORT ON PERFORMANCE

Shareholders,

As parent company of the Banca Popolare di Sondrio Banking Group, registration no. 5696.0, we are obliged to present consolidated financial statements.

COMPOSITION OF THE BANKING GROUP

The Banca Popolare di Sondrio Banking Group is made up as follows:

Parent bank:

Banca Popolare di Sondrio S.c.a.r.l. - Sondrio, Italy

Group companies:

Banca Popolare di Sondrio (Suisse) S.A. - Lugano, Switzerland

The parent bank owns the entire share capital of Banca Popolare di Sondrio (Suisse) S.A. of SwF 50,000,000 which is fully paid in.

The scope of consolidation and the consolidation methods are specified in the notes to these consolidated financial statements.

Compared with 31 December 2001, the Group no longer includes Popso (Suisse) Advisory Holding S.A. as it has been wound up.

GENERAL ECONOMIC CONTEXT

The report on performance accompanying the parent bank's financial statements contains information on the international and Italian economic situation during the year. We would, however, like to add a few comments regarding economic trends in Switzerland, even if based on indices and information which are not yet official and definitive.

The Swiss economy was also affected by the difficult international context. GDP is expected to be stable, perhaps even down on the previous year. The banking sector has been hit as a result, penalised even more by the negative performance of international financial and stock markets, so their results are expected to be lower than in 2001.

Inflation is extremely limited, well below 1%, so around the minimum level that is generally considered normal.

The trend of the Swiss franc was generally stable against the euro, while it strengthened significantly against the dollar.

Interest rates were reduced yet again and are now at an all-time low. This as a result of interventions by the Swiss Central Bank that made two cuts of 0.50% in each case.

The Swiss financial market followed the general trend: the Zurich Stock Exchange suffered a decline of 27.84%.

Conditions in the cantons where Banca Popolare di Sondrio (Suisse) S.A. is active were much like in the rest of the country.

GEOGRAPHICAL EXPANSION

Expansion of Group's branch network at the same time that new geographical and economic entities take root still forms part of the strategy that the Group is pursuing. The fact that the traditional areas of operations of the parent bank and of its subsidiary are adjacent to each other has made it possible to create an even closer knit branch network with particular attention to the border area between Italy and Switzerland.

As specifically regards the parent bank's expansion project and the new branches opened



during the year, please refer to the directors' report on performance accompanying the 2002 financial statements.

Banca Popolare di Sondrio (Suisse) S.A. opened a branch in Bellinzona, the regional capital of the Canton Ticino, and a representative office in Zurich, an economic and financial marketplace of international renown. The two new units reflect the bank's desire to put down roots in Switzerland, as well as the attention devoted to international relations. The Montecarlo representative office in the Principality of Monaco will soon be transformed into a full branch.

At the end of 2002, the Group had a total of 190 branches and 3 representative offices.

GROUP PERFORMANCE

Funding

The general propensity for investors to stay liquid has played to the Group's advantage as well in terms of a strong inflow of deposits.

A significant contribution in this sense undoubtedly came from the Group's ability to

CONSOLIDATED DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2002	% of total	2001	% of total	% change
Savings deposits	532,024	6.89	451,971	7.49	17.71
Certificates of deposit	49,232	0.64	39,913	0.66	23.35
Bonds	747,382	9.67	628,936	10.42	18.83
Repo transactions	1,264,031	16.36	1,027,766	17.03	22.99
Bank drafts and similar	73,956	0.96	71,791	1.19	3.02
Current accounts	4,760,495	61.62	3,616,344	59.93	31.64
Current accounts in foreign currency	298,236	3.86	197,856	3.28	50.73
Total	7,725,356	100.00	6,034,577	100.00	28.02

TOTAL CONSOLIDATED FUNDING

(in thousands of euro)	2002	% of total	2001	% of total	% change
Total direct customer deposits	7,725,356	31.84	6,034,577	24.19	28.02
Total indirect customer deposits	13,137,192	54.14	13,959,095	55.95	-5.89
Total	20,862,548	85.98	19,993,672	80.14	4.35
Due to other banks	1,122,259	4.63	1,588,630	6.37	-29.36
Indirect deposits from banks	2,278,524	9.38	3,366,104	13.48	-32.31
Third-party funds under administration	65	0.01	114	0.01	-42.98
Grand total	24,263,396	100.00	24,948,520	100.00	-2.75

penetrate new territories and to strengthen its market share in those already served. The contribution made to this process by the new units was definitely significant.

Direct customer deposits came to 7,725 million, +28.02%. Deposits received from other banks reached 1,122 million, -29.36%.

Indirect customer deposits totalled 13,137 million, -5.89%, while indirect deposits from banks fell 32.31% to 2,279 million.

Analysing the components of direct deposits, current accounts grew by 32.63% to 5,059 million. Savings deposits also had a positive trend, rising by +17.71% to 532 million, while the other components made good progress with bonds up 18.83% to 747 million and, above all, repo transactions 22.99% higher at 1,264 million. Customers' preference for liquid investments – reflecting the instability that has dominated stock markets – inevitably had a negative impact on asset management. Thanks

to the efforts of our staff and the traditionally cautious approach of our investment policies, total assets under management rose slightly (+0.72%) to 2,625 million compared with the equivalent figure at the end of 2001 calculated on the same basis.

Loans

Lending growth continued to be positive, despite the unfavourable state of the economy. Our Group was able to take advantage of the preferential working relationships that we have managed to create with the entrepreneurs operating in our territories. Thanks to this, loans went up by 13.86% to a total of 6,566 million.

Of the various types of loans, of particular note in both percentage (+29%) and absolute terms (+331 million) is the growth in mortgage loans, which amount to 1,471 million, by now

CONSOLIDATED CUSTOMER LOANS

	2002	%	2001	%	%
(in thousands of euro)		of total		of total	change
Current account overdrafts	2,338,593	35.61	2,185,032	37.89	7.03
Foreign currency loans	1,125,252	17.14	1,231,652	21.36	-8.64
Advances	281,397	4.29	196,179	3.40	43.44
Advances subject to collection	99,590	1.52	86,355	1.50	15.33
Discounted portfolio	7,598	0.12	8,305	0.14	-8.51
Artisan loans	40,925	0.62	40,530	0.70	0.97
Agricultural loans	4,820	0.07	3,486	0.06	38.27
Personal loans	63,212	0.96	60,627	1.05	4.26
Other unsecured loans	1,057,156	16.10	759,640	13.17	39.17
Mortgage loans	1,470,738	22.40	1,140,113	19.77	29.00
Outstanding overdue loans	76,495	1.16	54,573	0.95	40.17
Items to be settled	627	0.01	425	0.01	47.53
Total	6,566,403	100.00	5,766,917	100.00	13.86



representing all of 22.40% of the total. There was also a strong rise in other subsidies and unsecured loans, up 298 million for an increase of 39.17%.

Outstanding overdue loans, net of write-downs, come to 1.16% of total customer loans compared with 0.95% the previous year. Considerable efforts continue to be made to handle credit risk in the best way possible.

Securities portfolio

At the end of the year, the securities portfolio amounted to 1,830 million after an increase of 11.12%. Movements in the portfolio are detailed in table 2.4 of the notes to the consolidated financial statements. Given the overall importance of the parent bank's portfolio relative to the total, the reader is referred to the report on performance accompanying its financial statements for information on investment policies.

The value of Banca Popolare di Sondrio's stock rose by 1.43% over the year, compared with a negative performance generally by the Overthe-Counter market, which fell by 6.06%, while the main market, reflected in the Mibtel index, fell by 23.50%.

As of 31 December 2002 the parent bank owned 58,998 of its own shares, worth around 0.60 million, against a reserve for the purchase of own shares of 17.5 million.

In 2002, own shares underwent the following movements:

The purpose of the transactions was to facilitate trading within the parent bank's body of shareholders. Banca Popolare di Sondrio (Suisse) S.A. did not carry out any transactions in their own shares or in those of the parent bank.

The other consolidated companies did not carry out any transactions in their own or the parent bank's shares either.

There are no cross-holdings among the companies included within the scope of consolidation.

EQUITY INVESTMENTS

Equity investments amounted to 74.556 million as of 31 December 2002, having increased by 9.436 million over the year.

The report on performance accompanying the parent bank's financial statements contains information on the equity investments held by the parent bank.

The table below sets out the balances with non-consolidated subsidiaries and associated companies.

Related party transactions, as identified by reference to CONSOB communiqué no. DEM/2064231 of 30 September 2002, form part of the group's ordinary operations and are regulated at arm's-length conditions or, if no suitable parameters exist, at cost.

	No. of shares	Total par value	% of share capital	Amount of trade
Balance as of 31/12/2001	86,248	258,744	0.063	873,969
Purchases	979,160	2,937,480	0.712	10,048,714
Sales	1,006,410	3,019,230	0.732	10,368,375
Profit from trading				51,281
Balance as of 31/12/2002	58,998	176,994	0.043	605,589

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Situation as of 31 December 2002 (in thousands of euro)

	Subsidiar par	ies of the ent bank	Subsidiaries sub	of other osidiaries	Associated co		Associated co	mpanies osidiaries
	2002	2001	2002	2001	2002	2001	2002	2001
ASSETS								
Due from other banks	_	_	_	_	_	_	_	_
Customer loans	16,119	16,513	11	58	7,599	4,854	133	144
Securities	-	_	-	_	9,341	_	-	_
LIABILITIES								
Due to other banks	_	_	_	_	_	_	_	_
Customer deposits	_	_	71	207	5,610	59	420	258
GUARANTEES AND COMMITMENTS								
Guarantees granted	176	202	-	-	6,534	6,557	311	618
Commitments	_	-	_	-	_	-	_	_

No atypical or unusual transactions that could have a significant impact on the group's results, assets or finances were carried out during the year.

HUMAN RESOURCES

As of 31 December 2002, the group's headcount came to 2,061, up 3.46% on the figure of 1,992 reported at the end of 2001. The significant increase in personnel is mainly due to expansion of the distribution network, though this has also been accompanied by a suitable reinforcement of the central structures as well.

A personnel breakdown by category is given in the notes.

CAPITAL AND RESERVES

Consolidated shareholder's equity as of 31 December 2002 came to 825.871 million, an

increase of 3.23% over the year, mainly because of the appropriations made at the time that the 2001 net profit was distributed.

The ratios between capital and the main balance sheet items are as follows:

- capital/direct customer deposits 10.05% v 12.40%
- capital/customer loans 11.82% v 12.98%
- capital/financial investments 24.75% v 27.73%
- capital/total assets7.62% v 8.42%

RECONCILIATION BETWEEN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

Because of the difference in size between the parent bank and the other companies being consolidated, the individual contributions of the



latter are not very significant, although certainly not negligible either. The following table reconciles the items "net profit for the year" and "shareholders' equity" as shown in the parent bank's and in the consolidated financial statements.

At 216.940 million, net interest income was 7.49% higher, mainly thanks to the growth in volumes handled which offset the drop in interest rates and related spreads. Income from customer loans fell by 3.23% to 405.641 million. The cost of

RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR AS SHOWN IN THE PARENT BANK'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euro)

- companies valued at net equity Balance as of 31/12/2002, as shown in the consolidated financial statements	(947) 825.871	49. 713
Difference with respect to carrying values of equity investments in: - companies consolidated on a line-by-line basis	27,744	2,787
Shareholders' equity of the parent bank as of 31/12/2002	799,074	46,704
	Shareholders' equity	of which: net profit for the year

Consolidated shareholders' equity, including the reserve for possible loan losses, amounts to 852.927 million, while the parent bank's shareholders' equity, including the reserve for possible loan losses, amounts to 817.458 million.

INCOME STATEMENT

The scenario in which the Group was required to operate during 2002 was distinctly unfavourable. This was a general phenomenon that affected financial and stock markets all over the world, and the impact has also been felt by the Italian and Swiss banking systems, whose results are expected to be a good deal lower than last year.

So all things considered, our Group results were really quite satisfactory: a net profit of 49.713 million, only 3.48% down on the previous year.

Income statement trends largely reflect those seen in the bank's own financial statements.

funding decreased by 12.75% to 193.810 million.

Limited growth in commission income, up 4.07% to 112.940 million, was mainly due to the negative performance of stock markets which penalised brokerage revenues.

Profits from financial transactions dropped by 22.47% to 14.630 million, while gains on securities fell by 14.55% to 13.471 million.

Capital losses on securities totalled 12.922 million, an increase of 22.30%, while write-backs relating to prior year write-downs, came to 0.193 million compared with 0.834 million in the prior year. Profits from currency trading were 5.41% higher at 13.476 million.

These movements were reflected in income from banking activities, which rose 4.65% to 344.510 million.

Other operating income fell 5.23% to 23.494 million.

Administrative expenses came to 217.616 million (+9.09%).

Personnel expenses were 7.97% higher at 112.475 million, reflecting the new hires required

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	2002	2001	% change
Interest income and similar revenues	405,641	419,179	-3.23
Interest expense and similar charges	(193,810)	(222,127)	-12.75
Dividends and other revenues	5,109	4,771	7.08
NET INTEREST INCOME	216,940	201,823	7.49
Net commission income	112,940	108,519	4.07
Profits from financial transactions	14,630	18,870	-22.47
 profit from trading securities and derivatives on securities 	13,471	15,764	-14.55
 profit from trading currency and derivatives on currency 	13,476	12,784	5.41
 profit from trading other derivatives 	412	53	677.36
– gain (loss) on valuing securities	(12,729)	(9,731)	30.81
INCOME FROM BANKING ACTIVITIES	344,510	329,212	4.65
Other operating income	23,494	24,790	-5.23
Administrative expenses	(217,616)	(199,478)	9.09
– personnel expenses	(112,475)	(104,169)	7.97
 other administrative expenses 	(77,561)	(70,200)	10.49
 indirect taxes and duties 	(27,580)	(25,109)	9.84
Other operating expenses	(3,020)	(2,872)	5.15
OPERATING PROFIT	147,368	151,652	-2.82
Adjustments to intangible and fixed assets	(21,809)	(20,820)	4.75
Provisions for risks and charges	(5,000)	(8,060)	-37.97
Loan write-downs and provisions			
for guarantees and commitments			
loan write-downs	(42,981)	(38,033)	13.01
 provisions for guarantees and commitments 	_	(401)	
Write-backs to loans and provisions			
for guarantees and commitments	19,010	14,324	32.71
Provisions to reserves for possible loan losses	(10,045)	(10,383)	-3.26
Adjustments to the value of long-term financial assets	(1,607)	(516)	211.43
Write-backs to long-term financial assets	206	-	
Gains/(losses) on investments valued at net equity	675	(250)	370.00
PROFIT FROM ORDINARY OPERATIONS	85,817	87,513	-1.94
Extraordinary income	2,203	969	127.35
Extraordinary charges	(1,719)	(2,117)	-18.80
PROFIT BEFORE TAX	86,301	86,365	-0.07
Income taxes	(36,588)	(34,859)	4.96
NET PROFIT FOR THE YEAR	49,713	51,506	-3.48



due to expansion of the branch network. However, as a proportion of total administrative expenses, personnel costs fell from 52.22% to 51.68%.

Other administrative expenses rose 10.32% to 105.141 million, which can be considered normal in view of the group's expansion. Total administrative expenses accounted for 63.17% of income from banking activities, compared with last year's figure of 60.59%.

Other operating expenses increased by 5.15% to 3.020 million.

As a result, operating profit came to 147.368 million, 2.82% down on last year's figure of 151.652 million.

The following items have been deducted from operating profit to arrive at the profit before tax:

- adjustments to intangible and fixed assets of 21.809 million (+4.75%);
- provisions for risks and charges of 5 million (-37.97%);
- loan write-downs and provisions for guarantees and commitments of 42.981 million (+13.01%).
 The write-downs are based on a reasonable forecast of the possible write-offs arising from any loans classified as outstanding, non-performing and restructured, in addition to definitive loan losses that have already been written off. The write-downs also include a forfeit provision against the risk that performing loans might turn bad;
- write-backs to loans and provisions for guarantees and commitments, totalling 19.010 million (+32.71%);
- provisions to reserves for possible loan losses of 10.045 million (-3.26%); these partly refer to overdue interest which is expected to be

- recovered, but which is provided against for the sake of prudence and to obtain the related tax benefit:
- adjustments to the value of long-term financial assets of 1.607 million (+211.43%); write-backs to the value of long-term financial assets of 0.206 million, an item that did not exist last year; gains on investments valued at net equity of 0.675 million (+370%);
- extraordinary income of 2.203 million and extraordinary charges of 1.719 million.

As a result, profit before tax came in at 86.301 million (-0.07%).

After deducting income taxes (IRPEG and IRAP) for a total of 36.588 million (+4.96%), this led to the net profit for the year mentioned earlier of 49.713 million.

SUBSEQUENT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the parent bank's financial statements for information on events taking place after 31 December 2002. As regards Switzerland, there is nothing to report that may significantly change the context in which Banca Popolare di Sondrio (Suisse) S.A. operates.

In terms of the business prospects for 2003, we expect volumes to carry on increasing, generating a beneficial effect on the Group's profitability.

Sondrio, 30 January 2003

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

The 2002 consolidated financial statements, which the Board of Directors of the parent company, Banca Popolare di Sondrio, made available to us within the legal deadline, close with a net profit of \in 49,713 thousand, total assets of \in 10,187,303 thousand, consolidated shareholders' equity of \in 825,871 thousand, the reserve for possible loan losses \in 27,056 thousand and memorandum accounts of \in 1,938,527 thousand.

We have examined these documents and can confirm that they have been prepared in compliance with the provisions of D.Lgs. 87 of 27 January 1992 and the principles laid down in this connection by the Bank of Italy. The consolidated financial statements include all of the required documents, namely balance sheet, income statement, notes and directors' report on group operations.

As regards the results achieved during the year, we would like to highlight the significant increases in operating volumes. Margins, on the other hand, decreased compared with last year, even if they remained at a satisfactory level. This decline was due to the unfavourable state of the economy in general and the poor performance of international stock markets.

The directors have provided us with frequent information regarding the relationship between the parent company and its associated and subsidiary companies, demonstrating their interest in monitoring and assessing the operations and activities of these companies.

The consolidation has been carried out on the basis of company accounts approved by their respective Boards of Directors and checked by their respective statutory and independent auditors. The financial statements of the parent bank and of the Swiss subsidiary have been consolidated on a line-by-line basis.

The consolidation area has changed during the year. In fact, Popso (Suisse) Advisory Holding SA has been wound up and Arca Vita SpA has been valued at equity.

The consolidation methods, as explained in the notes, comply with current regulations and are based on the accounting policies recommended therein. The accounting principles used in the valuation of balance sheet items have our consent.

The above matters are confirmed in the auditors' report issued by Deloitte & Touche Italia SpA which accompanies the consolidated financial statements.

We would add that there are no cross holdings between companies included in the consolidated and all transactions and balances between them have been eliminated.

Sondrio, 11 February 2003

THE STATUTORY AUDITORS

Egidio Alessandri, chairman

Piergiuseppe Forni, auditor

Roberto Schiantarelli, auditor

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

A S S E T S 31-12-2002 31-12-2001

	I				
10.	CASH ON HAND AT CENTRAL BANKS AND POST OFFICES		72,640		87,952
	BANNO AND FOOT OFFICE		72,040		07,332
20.	TREASURY AND SIMILAR BILLS ELIGIBLE				
	FOR REFINANCING AT CENTRAL BANKS		329,115		404,324
30.		600 160	1,230,548	00.515	986,713
	a) sight	689,163		98,515	
	b) others	541,385		888,198	
40.	CUSTOMER LOANS		6,566,403		5,766,917
	of which:		3,000,100		0,7 00,0 17
	- from third-party funds under administration	67		119	
50.	BONDS AND OTHER FIXED-YIELD SECURITIES:		1,393,291		1,126,150
50.	a) from public issuers	1,148,678	1,050,251	1,060,093	1,120,130
	b) from banks	20,322		38,692	
	of which:	,			
	– own securities	1,307		3,264	
	c) from financial institutions	211,536		3,123	
	d) from other issuers	12,755		24,242	
60.	SHARES, QUOTAS AND OTHER				
00.	VARIABLE-YIELD SECURITIES		107,439		116,217
			227,122		,
70.	EQUITY INVESTMENTS:		74,556		65,120
	a) valued at net equity	34,618	•	14,716	,
	b) others	39,938		50,404	
100.	POSITIVE DIFFERENCE ARISING ON THE				
	APPLICATION OF THE EQUITY METHOD		3,990		0
110.	INTANGIBLE ASSETS		17,807		12,664
120.	FIXED ASSETS		76,571		76,804
140.	OWN SHARES				
	(par value 176,994)		606		874
150	071150 400570				
150.	OTHER ASSETS		265,176		195,164
160.	ACCRUED INCOME AND PREPAYMENTS:		49,161		50,410
	a) accrued income	47,483		48,822	
	b) prepayments	1,678		1,588	
	TOTAL ASSETS		10,187,303		8,889,309

Banca Popolare di Sondrio

LIABILITIES 31-12-2002 31-12-2001

10.	DUE TO OTHER BANKS:		1,122,259		1,588,630
10.	a) sight	76,041	1,122,233	244,905	1,300,030
	b) time or with notice	1,046,218		1,343,725	
20.	CUSTOMER DEPOSITS:		6,854,786		5,293,937
	a) sight	5,369,579		4,203,444	
	b) time or with notice	1,485,207		1,090,493	
30.	SECURITIES ISSUED:		870,570		740,640
	a) bonds	747,382		628,936	
	b) certificates of deposit	49,232		39,913	
	c) other securities	73,956		71,791	
40.	THIRD-PARTY FUNDS UNDER ADMINISTRATION		65		114
50.	OTHER LIABILITIES		305,018		276,206
60.	ACCRUED LIABILITIES AND DEFERRED INCOME:		27,844		22,658
	a) accrued liabilities	24,847		20,303	
	b) deferred income	2,997		2,355	
70.	RESERVE FOR SEVERANCE INDEMNITIES		35,237		32,281
80.	RESERVES FOR RISKS AND CHARGES:		118,597		110,161
	a) staff pension fund	49,536	,	48,862	,
	b) taxation reserve	43,757		40,165	
	d) other reserves	25,304		21,134	
90.	RESERVES FOR POSSIBLE LOAN LOSSES		27,056		24,660
100.	RESERVE FOR GENERAL BANKING RISKS		38,734		38,734
130.	NEGATIVE DIFFERENCES ARISING ON				
	APPLICATION OF NET EQUITY METHOD		123		123
150.	SHARE CAPITAL		412,698		412,698
160.	SHARE PREMIUM RESERVE		135,886		135,886
170.	RESERVES:		188,717		160,677
	a) legal reserve	64,954	,	53,759	<i>,</i>
	b) reserve for own shares	606		874	
	c) statutory reserves	97,799		83,967	
	d) other reserves	25,358		22,077	
190.	RETAINED EARNINGS		0		398
200.	NET PROFIT FOR THE YEAR		49,713		51,506
	TOTAL LIABILITIES		10,187,303		8,889,309



GUARANTEES AND COMMITMENTS 31-12-2002

31-12-2001

10.	GUARANTEES GRANTED of which:	1,546,860		1,389,485
	- acceptances - other guarantees	1,610 1,545,250	4,527 1,384,958	
20.	COMMITMENTS	391,667		422,891

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CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

			2002		2001
10.	INTEREST INCOME AND SIMILAR REVENUES of which:		405,641		419,179
	- on customer loans - on fixed-yield securities	321,353 57,070		325,575 69,801	
20.	INTEREST EXPENSE AND SIMILAR CHARGES of which:		(193,810)		(222,127)
	on customer depositson securities issued	(146,898) (24,621)		146,268 22,129	
30.	DIVIDENDS AND OTHER INCOME: a) from shares, quotas and other variable-yield securities b) from equity investments	1,790 3,319	5,109	743 4,028	4,771
40.	COMMISSION INCOME	,	121,119	,	116,266
50.	COMMISSION EXPENSE		(8,179)		(7,747)
60.	PROFITS FROM FINANCIAL TRANSACTIONS		14,630		18,870
70.	OTHER OPERATING INCOME		23,494		24,790
80.	ADMINISTRATIVE EXPENSES: a) Personnel expenses	(112,475)	(217,616)	(104,169)	(199,478)
	of which: - wages and salaries - social security contributions - severance indemnities - pensions b) Other administrative expenses	(78,472) (20,547) (5,059) (3,340) (105,141)		(70,784) (19,300) (4,919) (5,158) (95,309)	
90.	ADJUSTMENTS TO INTANGIBLE AND FIXED ASSETS		(21,809)		(20,820)
100.	PROVISIONS FOR RISKS AND CHARGES		(5,000)		(8,060)
110.	OTHER OPERATING EXPENSES		(3,020)		(2,872)
120.	ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		(42,981)		(38,434)
130.	WRITE-BACKS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		19,010		14,324
140.	PROVISIONS TO RESERVES FOR POSSIBLE LOAN LOSSES		(10,045)		(10,383)
150.	ADJUSTMENT TO THE VALUE OF LONG-TERM FINANCIAL ASSETS		(1,607)		(516)
160.	WRITE-BACKS TO FINANCIAL ASSETS		206		0
170.	PROFIT (LOSS) ON INVESTMENTS VALUED AT NET EQUITY		675		(250)
180.	PROFIT FROM ORDINARY OPERATIONS		85,817		87,513
190.	EXTRAORDINARY INCOME		2,203		969
200.	EXTRAORDINARY CHARGES		(1,719)		(2,117)
210.	NET EXTRAORDINARY ITEMS		484		(1,148)
240.	INCOME TAXES FOR THE YEAR		(36,588)		(34,859)
260.	NET PROFIT FOR THE YEAR		49,713		51,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements consist of the balance sheet, income statement and these notes, and are accompanied by the report of the Board of Directors, in accordance with Legislative Decree 87/92, which regulates the annual and consolidated financial statements of banks, implementing EEC Directives 86/635 and 89/117. In preparing the above, account has been taken of the Bank of Italy's Instructions of 30 July 2002.

The notes comment on the data in the financial statements, and contain the information required by current legislation.

All figures contained in the notes are in thousands of euro.

The consolidated financial statements, as well as the bank's statutory financial statements, have been audited by Deloitte & Touche Italia S.p.A.

CONSOLIDATION AREA

The consolidated financial statements include the data of the Banca Popolare di Sondrio S.c.a.r.l. and of the Banca Popolare di Sondrio (Suisse) SA, the latter operating in the area of credit and loans. Banca Popolare di Sondrio holds 100% of its share capital.

The consolidation is made on the basis of the annual accounts as of 31 December 2002 as approved by the respective Boards of Directors.

The subsidiary Sinergia Seconda Srl, a real estate company headquartered in Milan and wholly-owned by the bank, has been excluded from full consolidation as it does not meet the requirements of article 28 of Legislative Decree 87/92. It has valued under the net equity method on the basis of its financial statements as at 31 December 2002. The company owns 100% of Immobiliare San Paolo srl and Immobiliare Borgo Palazzo srl, both carried at equity.

The associated company Ripoval S.p.A., a company over which the bank exercises considerable influence because of its 50% ownership, has been valued under the net equity method on the basis of its latest approved financial statements, which are those for the year ended on 31 December 2001.

The subsidiary Pirovano Stelvio S.p.A. has been excluded from full consolidation as it does not meet the requirements of article 28 of Legislative Decree 87/92, not being a credit or financial institution; nor is its business instrumental to the activity of the banking group. It has therefore also been valued under the net equity method on the basis of its financial statements for the year ended 31 October 2002.

The associated company Arca Vita S.p.A., a company over which the bank exercises considerable influence because of its 22.50% ownership, has been valued under the net equity method on the basis of its latest approved financial statements, which are those for the year ended on 31 December 2001.

Sofipo Fiduciaire SA, an indirectly held associated company of Banca Popolare di Sondrio (Suisse) SA, which owns 30% of the share capital, has also been valued under the net equity method on the basis of its latest approved financial statements, which are those for the year ended on 31 December 2002.

CBE Service sprl and Sintesi 2000 srl, the associated companies in which the bank holds interests of 23.30% and 33.33% respectively, have been valued at cost, in accordance with article 36.4 of Legislative Decree 87/92, as they are not considered significant.

CONSOLIDATION POLICIES

The book value of the investments in Banca Popolare Sondrio (Suisse) SA is eliminated against its net equity.

Intercompany balances and transactions are eliminated.



Insignificant income and charges pertaining to transactions carried out at normal market conditions have not been eliminated.

OTHER CONSOLIDATION OPERATIONS

The valuation in euro of the figures in the financial statements of Banca Popolare di Sondrio (Suisse) SA has been made applying the official exchange rate ruling at the year end. Its financial statements have been duly reclassified and adjusted, where necessary, to bring them into line with the accounting principles of the Group. The same format is used as for the financial statements of Banca Popolare di Sondrio S.c. a.r.l.

PART A Accounting policies

The accounting policies are consistent with those used to prepare the prior year financial statements.

Section 1 Description of accounting principles

1. Receivables, guarantees and commitments

Due from other banks and customer loans

The amount of the loans shown in the financial statements reflects their estimated realizable value. This value is obtained by subtracting from the total amount disbursed the estimated losses of capital and interest, calculated on the basis of specific analyses of outstanding overdue loans, non-performing loans, loans being restructured and consolidated, and of the generic risk of losses – calculated on a forfeit basis and attributed proportionally to the individual positions – that could occur on other loans in the future. Write-downs and write-ups are calculated by comparing the prior year value of each position with the current year value. The original value of a loan is duly restored in subsequent years if the reasons for the write-down no longer exist.

Loans are classified as outstanding overdue loans when the borrowers are in a state of insolvency or similar, independent of any estimated losses.

Non-performing loans are loans to borrowers in temporary difficulties.

Restructured loans are those where deferred payment has been granted at lower than market rates, while consolidated loans are included amongst those in the course of being restructured.

Loans exposed to country risk relate to borrowers residing in foreign countries considered exposed to risk in accordance with the Bank of Italy regulations on the subject.

Overdue interest accrued during the year is booked to the income statement to the extent collected or considered recoverable.

Other receivables

Other receivables are shown at face value, which is equivalent to the estimated realizable value.

Guarantees and commitments

Guarantees granted are booked at the total value of the commitment taken on. Losses connected with these transactions are covered by specific provisions.



Securities and foreign currency to be received are expressed at the forward price as established by contract with the counterparty.

Commitments to disburse funds to counterparties are booked at the amount to be paid.

2. Securities and «off-balance sheet» transactions (other than those in foreign currency)

2.2 Trading securities

The securities in the financial statements are valued at the lower of cost (determined using the method of weighted average cost) or the value indicated in the latest approved financial statements, and the market price derived as follows:

- for securities listed on regulated Italian or foreign markets, from the average of prices recorded during the last month;
- for unlisted securities, from the estimated realizable value that, with regard to bonds and other fixedyield securities, is obtained by discounting future financial flows at a suitable market rate calculated on the basis of objective information.

Units in mutual funds are valued on the basis of the period-end value of the securities.

Original values are duly restored in subsequent years if the reasons for the write-down no longer exist.

Commitments for the purchase and sale of futures are valued at the lower of the forward purchase/sale price and the corresponding book and/or market values.

For repo transactions on securities, with a simultaneous forward commitment, the amounts received and paid are shown as payables and receivables. The cost of borrowing and the return on the investment, consisting of the interest coupons accrued on the securities and the difference between their spot and forward prices, are booked to interest in the income statement on an accruals basis.

3. Equity investments

Item 70 includes:

under sub-item a) equity investments valued under the net equity method, namely Pirovano Stelvio S.p.A., Ripoval S.p.A., Sinergia Seconda s.r.l., Immobiliare San Paolo s.r.l. and Immobiliare Borgo Palazzo s.r.l., Arca Vita S.p.A. and Sofipo Fiduciaire SA to which the value attributed is determined according to article 19 of Legislative Decree 87/92:

under sub-item b) others; the remaining equity investments are valued using the methods indicated

investments in unlisted companies are valued at cost, as determined on the basis of the purchase or subscription price, or else at the value indicated in the latest approved financial statements. The cost is reduced for permanent losses in value, when sufficient profits to absorb these losses are not immediately foreseeable for the affiliate that incurred them.

Equity investments in listed companies are valued at the lower of purchase or subscription price and market value, defined as the average quoted price in the second half of the year.

The original value is restored in subsequent years if the reasons for the write-down no longer exist.

Dividends and the related tax credits are accounted for in the year they are collected in cash.



4. Assets and liabilities in foreign currency (including «off-balance sheet» transactions)

Assets, liabilities and «off-balance sheet» spot transactions in foreign currency are converted into euro at year-end exchange rates; forward transactions are converted at the forward exchange rate ruling at the year end for maturities corresponding to those being valued; the effect of this valuation is charged to the income statement.

Long-term investments expressed in foreign currency are converted at the exchange rate ruling at the time of purchase.

Foreign currency expenses and revenues are recorded at the exchange rate in force at the time they are accounted for.

5. Fixed assets

These are recorded at purchase cost, inclusive of any ancillary charges, and adjusted in certain cases in accordance with specific revaluation laws; the amount recorded in the financial statements is obtained by subtracting depreciation charged from the book value calculated in this way.

Assets are systematically depreciated in each financial year on a straight-line basis at rates that reflect the residual useful life of the assets.

Moreover, within the limits of the law, accelerated depreciation has been charged in order to take advantage of the tax benefit on property, as well as to counter the obsolescence of high-tech goods shown under machines and equipment.

Maintenance costs that add value are attributed to the assets to which they relate and depreciated on the same basis.

6. Intangible assets

These are booked at purchase cost, inclusive of ancillary charges, and are written off systematically over their estimated useful life. They consist of costs for setting-up and refurbishing branches in rented buildings and costs for the purchase of software utilization rights.

7. Others

Payables

These are reported at their nominal value, excluding payables represented by «zero-coupon» securities, which are booked net of unaccrued interest.

Accruals and deferrals

These are booked to record cost or income items that are common to two or more financial years, in line with the matching principle.

Reserve for severance indemnities

The reserve for severance indemnities is provided in order to cover the entire amount accruing to employees, in accordance with current legislation, collective labour contracts and supplementary company agreements. This liability is subject to revaluation on the basis of pre-established indices.

In compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their severance indemnities to a complementary pension fund, as dictated by current company agreements.

Banca Popolare di Sondrio

Reserves for risks and charges

The pension fund represents the amount accruing as of the date of the financial statements to working and retired employees in terms of supplementary pensions.

The taxation reserve provides for income tax on the basis of a reasonable forecast of current and deferred tax charges in accordance with current fiscal laws, taking into consideration any exemptions and tax credits due.

The prudence principle dictates that deferred tax assets should only be recognized if it is reasonably certain they will be recovered. Accordingly, account has been taken of only those timing differences between the statutory and fiscal results giving rise to deferred tax assets, that are certain to reverse; accordingly no such timing differences have been recognized on provisions with an unspecified date of reversal.

Deferred taxes are recognized using the balance sheet liability method. In any case, there are no deferred tax liabilities on events or transactions that have not been recorded in the income statement.

Deferred tax assets and liabilities booked in prior years are valued in the light of any changes to the legislation or tax rates.

The other reserves are provided in order to cover losses in value on guarantees granted and on other commitments taken on, and on the certain or probable liabilities whose amount or date of occurrence is not known at the end of the financial year or by the date of the financial statements. The reserves created against these liabilities reflect the best possible estimate on the basis of the information available.

Reserves for possible loan losses

These are part of the reserves created during the current and previous years in accordance with fiscal laws. They are not of a corrective nature.

Reserve for general banking risks

This reserve covers general business risks, and is therefore considered an equity reserve.

Derivative contracts

Differentials accrued on derivative contracts are debited or credited to the income statement in the following manner:

- hedging contracts: the asset and liability elements and related contracts are valued separately. The
 differentials are booked to the appropriate asset and liability items on an accruals basis in the same
 way as the costs and revenues generated by the items being hedged;
- trading contracts: differentials, which are recognized at the time of settlement, are recorded under profits/losses from financial transactions.

Section 2 Tax adjustments and provisions

2.1 Adjustments made exclusively for tax purposes

Adjustments consist of accelerated depreciation on buildings – charged up until 2001 – for € 9.059 million in accordance with article 67.c.3 of Presidential Decree 917/86. They have been charged to the maximum extent allowed by tax laws, in order to receive a tax benefit that was not otherwise obtainable.

The potential deferred tax liability amounts to € 3.361 million and is calculated using the expected average tax rate.



2.2 Provisions made exclusively for tax purposes

Provisions consist of the reserve for possible loan losses, totalling \leq 27.056 million, and other reserves for \leq 4.131 million (an increase of \leq 2.481 million, net of utilizations); these reserves have not been deducted from assets, but booked as separate items under liabilities.

These provisions were made in order to receive a tax benefit that was not otherwise obtainable.

The potential deferred tax liability amounts to ≤ 10.149 million (≤ 0.738 million relating to the year) and is calculated using the expected average tax rate.

Part B Information on the consolidated balance sheet

Section 1 Receivables

1.1 Breakdown of item 30 «Due from other banks»

	31/12/2002	31/12/2001
a) deposits with central banks	79,021	215,093
b) assets eligible for refinancing at central banks	_	_
c) receivables from leasing contracts	_	_
d) repo transactions	_	_
e) securities lent	_	_

Deposits with central banks consist of the compulsory reserve at the Bank of Italy.

1.5 Breakdown of item 40 «Customer loans»

	31/12/2002	31/12/2001
a) assets eligible for refinancing at central banks	1,960	1,270
b) receivables from leasing contracts	_	_
c) repo transactions	_	_
d) securities lent	-	_

1.6 Secured customer loans

	31/12/2002	31/12/2001
a) by mortgages	2,065,252	1,605,617
b) by liens on:	247,643	194,513
1. cash deposits	1,050	48
2. securities	236,914	180,488
3. other assets	9,679	13,977
c) by guarantees from:	1,507,013	1,284,463
1. governments	13	41
2. other public entities	2,961	4,132
3. banks	40,603	36,325
4. other operators	1,463,436	1,243,965
Total	3,819,908	3,084,593



1.7 Customer loans

Total	6,673,129	106,726	6,566,403	5,861,378	94,461	5,766,917
B. Performing loans	6,432,652	38,618	6,394,034	5,660,211	32,903	5,627,308
A.5. Unsecured loans exposed to country risk	766	230	536	663	199	464
A.4. Restructured loans	44,080	8,907	35,173	33,151	9,825	23,326
A.3. Loans being restructured	_	_	-	_	-	-
A.2. Non-performing	70,842	10,677	60,165	72,372	11,126	61,246
A.1. Outstanding overdue	e 124,789	48,294	76,495	94,981	40,408	54,573
A. Doubtful loans	240,477	68,108	172,369	201,167	61,558	139,609
Categories	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
			31/12/2002			31/12/2001

1.8 Movements in doubtful loans due from customers

					31/12/2002
Categories	Out- standing overdue loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 31/12/2001	94,981	72,372	0	33,151	663
A.1. of which: overdue interest	13,786	2	_	_	_
B. Increases	65,777	23,161	0	11,351	299
B.1. transfers from performing loans	26,080	19,531	_	9,280	_
B.2. overdue interest	4,144	-	_	_	
B.3. transfers from other categories of doubtful loans	16,532	_	_	-	_
B.4. other increases	19,021	3,630	_	2,071	299
C. Decreases	35,969	24,691	0	422	196
C.1. transfers to performing loans		3,055	_	_	
C.2. write-offs	26,164	_	_	_	
C.3. collections	9,805	5,103	_	422	196
C.4. proceeds from factored loans	_	_	_	_	
C.5. transfers to other categories of doubtful loans	_	16,532	_	_	_
C.6. other decreases	_	1	_	_	_
D. Gross exposure as of 31/12/2002	124,789	70,842	0	44,080	766
D.1. of which: overdue interest	15,544	1	_	_	



					31/12/2001
Categories	Out- standing overdue loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 31/12/2000	93,095	68,108	0	31,861	304
A.1. of which: overdue interest	13,060	_	_	_	_
B. Increases	33,405	28,506	0	1,395	372
B.1. transfers from performing loans	14,492	21,766	_	_	47
B.2. overdue interest	3,967	3	_	_	_
B.3. transfers from other categories of doubtful loans	10,620	_	_	_	_
B.4. other increases	4,326	6,737	_	1,395	325
C. Decreases	31,519	24,242	0	105	13
C.1. transfers to performing loans	_	2,838	_	104	_
C.2. write-offs	22,108	_	_	_	_
C.3. collections	9,411	10,784	_	1	13
C.4. proceeds from factored loans	_	_	_	_	_
C.5. transfers to other categories of doubtful loans	_	10,620	_	_	
C.6. other decreases	_	_	_	_	
D. Gross exposure as of 31/12/2001	94,981	72,372	0	33,151	663
D.1. of which: overdue interest	13,786	3	_	_	

1.9 Movements in total adjustments

					3	31/12/2002
Categories	Out- standing overdue loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments as of 31/12/2001	40,408	11,126	0	9,825	199	32,903
A.1. of which: overdue interest	2,734	2	_	_	_	_
B. Increases	35,380	5,195	0	1,310	90	14,769
B.1. adjustments	31,015	5,101	_	1,258	90	12,036
B.1.1. of which: overdue interest	1,177		_	_	_	
B.2. use of the reserve for possible loan losses	_	_	_	_	-	_
B.3. transfers from other categories of loans	4,365	93	_	52	_	9
B.4. other increases	_	1	_	_	-	2,724
C. Decreases	27,494	5,644	0	2,228	59	9,054
C.1. write-backs on valuation	465	612	_	2,005	-	567
C.1.1. of which: overdue interest	1	_	_	_	_	_
C.2. write-backs due to collections	865	786	_	223	59	8,213
C.2.1. of which: overdue interest	172	_	_	_	_	_
C.3. write-offs	26,164	_	_	_	_	_
C.4. transfers to other categories of loans	_	4,245	_	_	_	274
C.5. other decreases	_	1	_	_	_	
D. Closing total adjustments as of 31/12/2002	48,294	10,677	0	8,907	230	38,618
D.1. of which: overdue interest	3,160	1	_	_	_	

Banca Popolare di Sondrio

					;	31/12/2001
Categories	Out- standing overdue loans	Non- performing loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments as of 31/12/2000	39,258	10,477	0	6,597	36	19,666
A.1. of which: overdue interest	2,498	_	_	_	_	_
B. Increases	24,229	5,222	0	3,247	167	16,970
B.1. adjustments	21,609	5,192	_	3,247	167	14,512
B.1.1. of which: overdue interest	1,969	3	_	_	_	_
B.2. use of the reserve for possible loan losses	_	_	_	_	_	_
B.3. transfers from other categories of loans	2,620	30	_	_	_	5
B.4. other increases	_	_	_	_	_	2,453
C. Decreases	23,079	4,573	0	19	4	3,733
C.1. write-backs on valuation	405	586	_	18	_	316
C.1.1. of which: overdue interest	6	_	_	_	_	
C.2. write-backs due to collections	566	1,421	_	1	4	3,328
C.2.1. of which: overdue interest	157	_	_	_	_	_
C.3. write-offs	22,108	_	_	_	_	_
C.4. transfers to other categories of loans	_	2,566	_	_	_	89
C.5. other decreases	_	_	_	_	_	_
D. Closing total adjustments as of 31/12/2001	40,408	11,126	0	9,825	199	32,903
D.1. of which: overdue interest	2,734	3	_	_	_	_
Doubtful loans (including overdue intere	st)			21/10/0000		21/10/0001
				31/12/2002		31/12/2001
Outstanding overdue loans (including overdue	interest)			76,495)	54,573
Receivables for overdue interest						
				31/12/2002) ;	31/12/2001
a) doubtful loans				12,384	ļ	11,052
b) other loans				_	-	_

Section 2 **Securities**

2.3 Trading securities

		31/12/2002		31/12/2001
	Book value	Market value	Book value	Market value
1. Fixed-yield securities	1,722,405	1,726,948	1,530,474	1,533,215
1.1 Government securities	1,475,956	1,480,289	1,464,349	1,466,962
- listed	1,475,956	1,480,289	1,464,349	1,466,962
– unlisted	_	_	_	_
1.2 Other securities	246,449	246,659	66,125	66,253
- listed	18,957	19,167	29,097	29,222
– unlisted	227,492	227,492	37,028	37,031
2. Variable-yield securities	107,440	108,139	116,217	119,625
- listed	37,768	38,467	37,174	40,582
– unlisted	69,672	69,672	79,043	79,043
Total	1,829,845	1,835,087	1,646,691	1,652,840



2.4 Change for the year in trading securities

	31/12/2002	31/12/2001
A. Opening balance	1,646,691	1,466,817
B. Increases	10,533,558	13,420,599
B1. Purchases	10,517,516	13,401,612
 Fixed-yield securities 	10,346,412	13,085,503
government securities	8,455,167	11,654,773
other securities	1,891,245	1,430,730
 Variable-yield securities 	171,104	316,109
B2. Write-backs and revaluations	193	834
B3. Transfers from investment portfolio	_	_
B4. Other changes	15,849	18,153
C. Decreases	10,350,404	13,240,725
C1. Sales and reimbursements	10,335,201	13,229,834
Fixed-yield securities	10,167,419	12,977,872
government securities	8,450,801	11,492,128
other securities	1,716,618	1,485,744
 Variable-yield securities 	167,782	251,962
C2. Write-downs	12,922	10,565
C3. Transfers to investment portfolio	_	_
C5. Other changes	2,281	326
D. Closing balance	1,829,845	1,646,691

Section 3 **Equity investments**

3.1 Main equity investments

		Location re	Type of lationship	Shareholders' equity	Profit/ Loss	Type of investment	į	% of votes Book at the value AGM	
			(1)	, ,		Parent company	% held		
Ā.	Companies included in the consolidation area A1. Full consolidation method				4.54.0		100	100	
	Banca Popolare di Sondrio (Suisse) SA	Lugano	1	60,673	4,516	Banca Popolare di Sondrio	100	100	_
B.	Net equity method								
	1. Pirovano Stelvio spa	Tirano	1	2,092	-170	Banca Popolare di Sondrio	98	98	3,163
	2. Ripoval spa	Sondrio	8	3,152	323	Banca Popolare di Sondrio	50	50	1,447
	3. Sinergia Seconda srl	Milano	1	10,213	162	Banca Popolare di Sondrio	100	100	10,333
	4. Arca Vita spa	Verona	8	87,989	3,678	Banca Popolare di Sondrio	22.50	22.50	19,473
	5. Sofipo Fiduciarie SA	Lugano	8	674	11	Banca Popolare di Sondrio (Suisse	30 e) SA	30	202

⁽¹⁾ 1 - Control as per article 2359.1.1 of the Italian Civil Code (majority of voting rights at the AGM)

The valuation at equity of Arca Vita spa showed a difference between book value and shareholders' equity at 31 December 2001, adjusted for dividends distributed during the year, of \in 3.990 million. This amount has been included in asset item 100 «Positive differences arising on application of the equity method» and will amortised in accordance with the rules governing goodwill as per art. 16.2 of Decree Law 87 of 27/1/1992 starting from 2003, given that it arose on acquisition of the company' shares at the end of December 2002.

^{8 -} Associated company



3.3 Assets and liabilities due to and from affiliated companies (excluding Group companies)

	31/12/2002	31/12/2001
a) Assets	221,161	214,653
1. due from other banks	78,696	128,015
of which: - subordinated		_
2. due from financial institutions	114,555	57,953
of which: - subordinated		_
3. customer loans	17,077	17,227
of which: - subordinated	139	140
4. bonds and other fixed-yield securities	10,833	11,458
of which: - subordinated	_	1,020
b) Liabilities	160,734	256,210
1. due to other banks	1,830	1,930
2. due to financial institutions	108,728	237,316
3. customer deposits	50,176	16,964
4. securities issued	_	_
5. subordinated liabilities	_	
c) Guarantees and commitments	167,772	189,251
1. guarantees granted	166,063	188,108
2. commitments	1,709	1,143

3.4 Breakdown of item 70 «Equity investments»

	31/12/2002	31/12/2001
a) in banks	18,001	12,040
1. listed	394	394
2. unlisted	17,607	11,646
b) in financial institutions	14,987	14,961
1. listed	_	_
2. unlisted	14,987	14,961
c) others	41,568	38,119
1. listed	5,175	5,175
2. unlisted	36,393	32,944
Total	74,556	65,120

3.5 Breakdown of item 80 «Equity investments in Group companies»

	31/12/2002	31/12/2001
a) in banks	_	_
1. listed	_	_
2. unlisted	_	_
b) in financial institutions	_	_
1. listed	_	_
2. unlisted	_	_
c) others	_	_
1. listed	_	_
2. unlisted	_	_
Total	_	_



3.6 Changes for the year in equity investments

3.6.1 Equity investments in Group companies

	31/12/2002	31/12/2001
A. Opening balance	0	0
B. Increases	0	0
B1. Purchases	_	_
B2. Write-backs	_	_
B3. Revaluations	-	_
B4. Other changes	-	_
C. Decreases	0	0
C1. Sales	-	_
C2. Write-downs	-	_
of which: - permanent write-downs - other adjustments	_ _ _	-
C3. Other changes	-	_
D. Closing balance	0	0
E. Total revaluations	-	_
F. Total write-downs	_	_

3.6.2 Other equity investments

	31/12/2002	31/12/2001
A. Opening balance	65,120	57,902
B. Increases	20,191	8,004
B1. Purchases	14,604	7,994
B2. Write-backs	206	_
B3. Revaluations	-	_
B4. Other changes	5,381	10
C. Decreases	10,755	786
C1. Sales	-	1
C2. Write-downs	1,607	577
of which: – permanent write-downs – other adjustments	_ 1,607	- 577
C3. Other changes	9,148	208
D. Closing balance	74,556	65,120
E. Total revaluations	-	_
F. Total write-downs	5,291	3,882

Banca Popolare di Sondrio

Section 4 Fixed and intangible assets

4.1 Changes for the year in fixed assets

					31/12/2002
	Buildings	Furniture and fittings	Machines and equipment	Others	Total
A. Opening balance	63,662	4,437	4,218	4,487	76,804
B. Increases	832	2,331	4,381	4,078	11,622
B1.Purchases	689	2,321	4,365	4,063	11,438
B2.Write-backs	_	_	_	_	_
B3. Revaluations	_	_	_	_	_
B4.Other changes	143	10	16	15	184
C. Decreases	3,282	1834	3,866	2,873	11,855
C1. Sales	_	_	_	_	_
C2. Write-downs:	3,282	1,834	3,866	2,873	11,855
a) Depreciation	3,282	1,834	3,866	2,873	11,855
b) Permanent write-downs	_	_	_	_	_
C3. Other changes	_	_	_	_	_
D. Closing balance	61,212	4,934	4,733	5,692	76,571
E. Total revaluations	42,374	_	_	_	42,374
F. Total write-downs:	52,386	15,495	24,802	24,010	116,693
a) Depreciation	52,386	15,495	24,802	24,010	116,693
b) Permanent write-downs	_	_	_	_	_

					31/12/2001
	Buildings	Furniture and fittings	Machines and equipment	Others	Total
A. Opening balance	59,487	4,428	4,377	3,695	71,987
B. Increases	7,501	2,161	3,671	3,736	17,069
B1.Purchases	7,501	2,150	3,658	3,726	17,035
B2.Write-backs	_	_	_	_	_
B3.Revaluations	_	_	_	_	_
B4.Other changes	_	11	13	10	34
C. Decreases	3,326	2,152	3,830	2,944	12,252
C1. Sales	_	_	_	_	_
C2. Write-downs:	3,326	2,152	3,830	2,944	12,252
a) Depreciation	3,326	2,152	3,830	2,944	12,252
b) Permanent write-downs	_	_	_	_	_
C3. Other changes	_	_	_	_	_
D. Closing balance	63,662	4,437	4,218	4,487	76,804
E. Total revaluations	42,374	_	_	_	42,374
F. Total write-downs:	49,097	13,629	20,940	21,405	105,071
a) Depreciation	49,097	13,629	20,940	21,405	105,071
b) Permanent write-downs	_	_	_	_	_



4.2 Changes for the year in intangible assets

				31/12/2002
	Software purchases	Leasehold improvements	Set-up costs	Total
A. Opening balance	3,206	9,458	0	12,664
B. Increases	5,599	9,499	0	15,098
B1. Purchases	5,575	9,471	_	15,046
B2. Write-backs	_	_	_	_
B3. Revaluations	_	_	_	_
B4. Other changes	24	28	_	52
C. Decreases	3,787	6,168	0	9,955
C1. Sales	_	_	_	_
C2. Write-downs:	3,787	6,167	_	9,954
a) amortization	3,787	6,167	_	9,954
b) permanent write-downs	_	_	_	_
C3. Other changes	_	1	_	1
D. Closing balance	5,018	12,789	0	17,807
E. Total revaluations	_	_	-	_
F. Total write-downs:	20,405	32,134	602	53,141
a) amortization	20,405	32,134	602	53,141
b) permanent write-downs	_	_	_	_

				31/12/2001
	Software purchases	Leasehold improvements	Set-up costs	Total
A. Opening balance	3,148	8,852	0	12,000
B. Increases	4,072	6,304	0	10,376
B1. Purchases	4,048	6,257	_	10,305
B2. Write-backs	-	-	_	_
B3. Revaluations	_	_	_	_
B4. Other changes	24	47	_	71
C. Decreases	4,014	5,698	0	9,712
C1. Sales	-	-	_	_
C2. Write-downs:	3,400	5,168	_	8,568
a) amortization	3,400	5,168	_	8,568
b) permanent write-downs	_	_	_	_
C3. Other changes	614	530	_	1,144
D. Closing balance	3,206	9,458	0	12,664
E. Total revaluations	_	_	_	_
F. Total write-downs:	21,648	26,373	589	48,610
a) amortization	21,648	26,373	589	48,610
b) permanent write-downs	_	_	_	_



Section 5 **Other asset items**

5.1 Breakdown of item 150 «Other assets»

	31/12/2002	31/12/2001
Taxes withheld	7,079	181
Tax credits on dividends	205	1,601
Deferred tax assets	1,756	5,381
Advances paid to tax authorities	32,079	27,880
Withholdings on interest due to customers	146	129
Tax credits and related interest	2,379	2,646
Miscellaneous cash equivalents	_	1
Bills and credit instruments with the cashier	_	44
Outstanding cheques and bills	2,111	2,979
Current account cheques drawn on third parties	41,583	37,542
Current account cheques drawn on Group banks	20,557	2,326
Securities transactions	5,104	4,021
Items in transit with branches	540	465
Inventories	1,444	921
Contra-item for valuation of off-balance sheet transactions	56,830	38,655
Costs pertaining to the subsequent year	422	809
Advances to suppliers	13,271	14,659
Advances to customers on loans	49,324	23,100
Value date differentials on portfolio transactions	710	_
Miscellaneous debits in transit	9,895	13,763
Premiums for exchange and securities options to be exercised	6,332	3,472
Guarantee deposits	147	203
Liquid assets belonging to the staff pension fund	810	360
Receivables for hedging transactions	3,332	_
Differences on elimination	801	1,939
Residual items	8,319	12,087
Total	265,176	195,164

5.2 Breakdown of item 160 «Accrued income and prepayments»

	31/12/2002	31/12/2001
a) Accrued income	47,483	48,822
Interest receivable on securities	16,124	17,527
Interest on euro and foreign currency deposits and loans to customers	5,888	6,925
Interest on euro and foreign currency deposits and loans to other banks	895	3,477
Interest on customer mortgages and loans	15,073	13,036
Commissions receivable	8,186	6,447
Forward currency transactions	306	183
Other accrued income	1,011	1,227
b) Prepayments	1,678	1,588
Invoices received not pertaining to this financial year	1,510	1,502
Other prepaid expenses	168	86
Total	49,161	50,410

No adjustments have been made directly to the relevant balance sheet items for accrued income and prepayments.



5.4 Distribution of subordinated assets

	31/12/2002	31/12/2001
a) due from other banks	_	_
b) customer loans	139	140
c) bonds and other fixed-yield securities	170	1,725

Section 6 Payables

6.1 Breakdown of the item «Due to other banks»

	31/12/2002	31/12/2001
a) repo transactions	_	_
b) securities lent		_

6.2 Breakdown of the item «Customer deposits»

	31/12/2002	31/12/2001
a) repo transactions	1,264,031	1,027,766
b) securities lent	_	_

Item 20 totals € 6,854.786 million.

Item 30 «securities issued» amounts to € 870.570 million. It is made up of «bonds, «certificates of deposit» and «other securities».

The sub-item «bonds» includes the securities listed below:

	Nominal value	Book value
Issued by Banca Popolare di Sondrio:		
Floating-rate bond issues	265,269	234,466
Fixed-rate bond issues	143,814	136,950
Zero-coupon bond issues	371,860	346,250
Total	780,943	717,666
Issued by Banca Popolare di Sondrio (Suisse) SA:		
Floating-rate bond issues	29,716	29,716
Total	810,659	747,382

Floating-rate bond issues also include structured bonds with a nominal value of \leqslant 78.658 million. The sub-item «certificates of deposit» totals \leqslant 49.232 million and consists of \leqslant 45.456 million in short-term fixed-rate certificates, \leqslant 1.607 million in medium-term fixed-rate certificates, \leqslant 1.586 million in medium-term floating-rate certificates and \leqslant 0.583 million in zero-coupon certificates.

The sub-item «other securities» totals € 73.956 million and is made up of banker's drafts and others.

Item 40 «Third party funds under administration» consists of public funds to be used for assisted loans. This item reports a balance of € 65,000, a decrease of € 49,000 (-42.98%).

Section 7 Reserves

7.1 Breakdown of item 90 «Reserves for possible loan losses»

These reserves amount to € 27.056 million. They comprise € 12.384 million in reserves against the portion of overdue interest deemed recoverable.



7.2 Changes for the year in the reserves for possible loan losses

	31/12/2002	31/12/2001
A. Opening balance	24,660	22,596
B. Increases	10,620	10,671
B1. Provisions	10,045	10,383
B2. Other changes	575	288
C. Decreases	8,224	8,607
C1. Utilizations	6,758	5,199
C2. Other changes	1,466	3,408
D. Closing balance	27,056	24,660

7.3 Breakdown of sub-item 80d) «Reserves for risks and charges: others»

	31/12/2002	31/12/2001
a Charity fund	363	393
b Reserve for guarantees granted	3,500	3,500
c Reserve for personnel expenses	3,310	3,194
d Reserve for litigation costs	14,000	10,000
e Reserve for fluctuation in securities value	4,131	4,047
Total	25,304	21,134

7.4 Change in deferred tax assets

	31/12/2002	31/12/2001
1. Opening balance	5,381	6,856
2. Increases	4,010	1,282
2.1. Deferred tax assets arising during the year	3,591	1,282
2.2. Other increases	419	_
3. Decreases	2,312	2,757
3.1. Deferred tax assets reversing during the year	2,312	2,527
3.2. Other decreases	_	230
4. Closing balance	7,079	5,381

7.5 Deferred tax liabilities

31/12/2002	31/12/2001
43	69
17	5
14	5
3	_
27	31
27	29
_	2
33	43
	43 17 14 3 27 27



Section 8 Share capital, reserves, reserve for general banking risks, and subordinated liabilities

The following table gives a breakdown of the items making up Group shareholders' equity:

Liability iter	ns	31/12/2002	31/12/2001
Item 100	Reserve for general banking risks	38,734	38,734
Item 130	Negative differences arising on application of net equity method	123	123
Item 150	Share capital	412,698	412,698
	Made up of 137,566,064 ordinary shares with a par value of € 3, issued by the parent bank		
Item 160	Share premium reserve	135,886	135,886
Item 170	Reserves	188,717	160,677
	a) legal	64,954	53,759
	b) for own shares	606	874
	c) statutory	97,799	83,967
	d) others	25,358	22,077
Item 190	Retained earnings	_	398
Item 200	Net profit for the year	49,713	51,506
Total shar	eholders' equity	825,871	800,022

8.1 Consolidated capital and precautionary requirements for supervisory purposes

A. Capital for supervisory purposes A.1 Basic capital (tier 1) 777,080	761,473
	761,473
A.2 Supplementary capital (tier 2) 27,461	26,872
A.3 Amounts to be subtracted 15,856	13,190
A.4 Capital for supervisory purposes 788,685	775,155
B. Precautionary requirements for supervisory purposes	
B.1 Credit risks 616,319	543,767
B.2 Market risks 23,198	21,982
of which:	
risks to the trading securities portfolio23,198	21,982
– exchange risks	_
B.3 Third level subordinated loans –	_
B.4 Other precautionary requirements 4,518	4,653
B.5 Total precautionary requirements 644,035	570,402
C. Risk assets and capital ratios	
C.1 Risk-weighted assets 8,050,438	7,130,025
C.2 Tier 1 capital / Risk-weighted assets 9.65%	10.68%
C.3 Capital for supervisory purposes / Risk-weighted assets 9.80%	10.87%

This is the minimum consolidated capital ratio requirement which banking groups must constantly meet to cover counterparty solvency risk.

The minimum prescribed level for the solvency ratio (total capital for supervisory purposes to weighted assets) is 8% for banking groups.

Section 9 **Other liability items**

9.1 Breakdown of item 50 «Other liabilities»

	31/12/2002	31/12/2001
Amounts at the disposal of third parties	23,960	26,272
Taxes to be paid on behalf of third parties	19,151	24,317
Taxes to be paid	1,177	2,368
Employee salaries and contributions	10,702	10,179
Trade payables	7,315	8,904
Transit accounts for sundry entities	11,816	13,483
Advance delivery of euro notes and coins	-	1,844
Invoices receivable	2,501	2,467
Securities transactions	1,219	8,559
Value date differentials on portfolio transactions	97,167	43,380
Directors' and statutory auditors' emoluments	896	773
Loans disbursed to customers to be finalized	9,127	8,242
Miscellaneous credit items being settled	50,806	75,042
Premiums for exchange and securities options sold and not exercised	6,164	3,534
Contra-item of valuation of off-balance sheet transactions	52,981	38,295
Items in transit with branches	816	1,198
Residual items	9,220	7,349
Total	305,018	276,206

9.2 Breakdown of item 60 «Accrued liabilities and deferred income»

	31/12/2002	31/12/2001
a) Accrued liabilities	24,847	20,303
Interest on bonds	10,489	8,760
Interest on certificates of deposit	519	456
Interest on customer deposits in euro and foreign currency	593	90
Interest on deposits from other banks in euro and foreign currency	3,075	5,384
Repo transactions	42	44
Commission	4,352	4,108
Other accrued liabilities	5,777	1,461
b) Deferred income	2,997	2,355
Interest on portfolio, mortgages and loans	372	407
Commission on sureties	2,545	1,807
Other deferred income	80	141
Total	27,844	22,658

No adjustments have been made directly to the relevant balance sheet items for accrued liabilities and deferred income.

Section 10 Guarantees and commitments

10.1 Breakdown of item 10 «Guarantees granted»

Total	1,546,860	1,389,485
c) assets given in guarantee	13,005	8,225
b) financial endorsement credits	692,405	653,625
a) commercial endorsement credits	841,450	727,635
	31/12/2002	31/12/2001



10.2 Breakdown of item 20 «Commitments»

	31/12/2002	31/12/2001
a) commitments to disburse funds (certain to be called on)	248,377	364,398
b) commitments to disburse funds (not certain to be called on)	143,290	58,493
Total	391,667	422,891

10.3 Collateral given for own payables

The collateral provided by the Group against its own liabilities consists of government securities: $\in 1,262.030$ million relates to securities given to customers for repo transactions, $\in 17.993$ million is for the deposit paid against the issuing of banker's cheques.

10.4 Margini attivi utilizzabili su linee di credito

	31/12/2002	31/12/2001
a) central banks	79,021	66,231
b) other banks	6,708	3,568

10.5 Forward transactions

			31/12/2002			31/12/2001
Type of transaction	For hedging	For trading	Other	For hedging	For trading	Other
1. Buying and selling						
1.1 Securities						
– purchases	_	37,599	_	_	50,080	_
– sales	_	24,529	_	_	38,963	_
1.2 Foreign currency						
 currency against currency 	_	22,474	_	_	197,230	_
 purchases against euro 	_	1,159,472	_	_	1,676,146	_
– sales against euro	_	1,158,080	_	_	1,604,267	_
2. Deposits and loans						
- to be disbursed	_	_	55,196	_	_	95,057
- to be received	_	_	25,707	_	_	143,973
3. Derivative contracts						
3.1 With exchange of capital						
a) securities						
purchases	_	2,705	_	_	5,453	_
– sales	_	2,705	_	_	5,453	_
b) foreign currency						
 currency against currenc 	у –	48,521	_	_	11,556	_
– purchases against euro	_	128,274	_	_	20,847	_
– sales against euro	_	128,274	_	_	20,847	_
c) other instruments						
purchases	_	41,054	_	_	34,225	_
– sales	_	41,054	_	_	34,225	_
3.2 Without exchange of capital						
a) foreign currency						
 currency against currenc 	у –	1,078	_	_	_	_
 purchases against euro 	_	78,255	_	_	_	_
– sales against euro	_	78,255	_	_	_	_
b) other instruments						
– purchases	77,149	265,677	_	77,149	195,641	_
– sales	146,423	265,677	_	104,088	195,641	

Section 11 Concentration and distribution of assets and liabilities

11.1 Significant risk accounts

	31/12/2002	31/12/2001
a) amount	882,403	561,219
b) number	8	5

11.2 Breakdown of customer loans by main borrower categories

Total	6,566,403	5,766,917
f) other businesses	1,673,824	1,425,193
e) family businesses	481,156	429,502
d) financial businesses	340,460	305,661
c) non-financial businesses	4,029,975	3,565,505
b) other public entities	40,988	40,961
a) governments	_	95
	31/12/2002	31/12/2001

11.3 Breakdown of loans to resident non-financial companies and family businesses

	31/12/2002	31/12/2001
a) other services for sale	1,243,279	1,057,029
b) wholesale and retail services, recoveries and repairs	690,721	596,859
c) construction and public works	524,696	400,754
d) metal products excluding cars and transportation	231,397	194,637
e) textiles, leather and clothing	178,279	164,136
f) other sectors	1,462,675	1,437,518
Total	4,331,047	3,850,933

11.4 Distribution of guarantees granted by main categories of counterparty

Total	1,546,860	1,389,485
g) other businesses	158,803	126,732
f) family businesses	33,574	31,908
e) financial businesses	76,554	99,806
d) non-financial businesses	1,112,568	1,019,183
c) banks	119,048	95,772
b) other public entities	46,308	15,833
a) governments	5	251
	31/12/2002	31/12/2001

11.5 Geographical breakdown of assets and liabilities

			31/12/2002			31/12/2001
Item	Italy	Other EU	Other	Italy	Other EU	Other
		countries	countries		countries	countries
1. Assets	8,968,271	279,918	378,607	7,854,474	233,637	312,210
1.1 Due from other banks	1,013,103	90,160	127,285	841,524	34,691	110,498
1.2 Customer loans	6,176,988	148,340	241,075	5,427,199	150,170	189,548
1.3 Securities	1,778,180	41,418	10,247	1,585,751	48,776	12,164
2. Liabilities	7,554,755	677,330	615,595	6,170,383	946,647	506,291
2.1 Due to other banks	209,552	570,714	341,993	373,370	878,893	336,367
2.2 Customer deposits	6,504,972	106,616	243,198	5,074,744	67,754	151,439
2.3 Securities issued	840,166	_	30,404	722,155	_	18,485
2.4 Others	65	_	_	114	_	_
3. Guarantees and commitments	1,741,345	56,943	140,239	1,551,545	125,394	135,437



11.6 Breakdown of assets and liabilities by maturity

			Fixed d	uration				31/12/2002 Unspecified duration
	Sight	Up to 3 months 3	to 12 months	1 to	5 years	Over	5 years	uuratioi
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	3,354,061	1,708,727	907,076	873,046	1,429,428	229,355	1,657,086	227,223
1.1 Re-financeable treasury bills	_	2,040	3,071	131,313	40,042	676	151,973	_
1.2 Due from other banks	714,164	361,451	65,937	9,252	_	_	_	79,744
1.3 Customer loans	2,579,826	1,183,533	601,437	355,863	728,925	223,103	746,237	147,479
1.4 Bonds and other fixed-yield securities	-	2,265	9,753	43,884	586,625	2,282	748,482	=
1.5 Off-balance sheet items	60,071	159,438	226,878	332,734	73,836	3,294	10,394	-
2. Liabilities	5,671,538	2,355,273	719,005	761,596	78,867	66,303	61,678	-
2.1 Due to other banks	76,085	798,726	210,857	4,046	13,018	-	19,527	-
2.2 Customer deposits	5,466,650	1,304,355	81,715	2,066	_	_	_	-
2.3 Securities issued	74,450	84,928	193,051	367,233	60,016	49,577	41,315	-
– bonds	260	59,065	173,798	364,919	58,448	49,577	41,315	-
 certificates of deposit 	234	25,863	19,253	2,314	1,568	_	-	-
– other securities	73,956	-	-	-	-	-	-	-
2.4 Subordinated liabilities	-	-	-	-	-	-	-	-
2.5 Off-balance sheet items	54,353	167,264	233,382	388,251	5,833	16,726	836	_

	Fixed duration					Unspecified duration		
	Sight	Up to 3 months 3	to 12 months	1 to	o 5 years	Over	5 years	
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	2,827,161	2,103,374	693,268	661,326	1,210,985	219,759	1,241,622	211,977
1.1 Re-financeable treasury bills	-	46,133	4,804	98,153	167,672	37,443	50,119	_
1.2 Due from other banks	105,585	728,743	77,503	8,410	241	-	-	66,231
1.3 Customer loans	2,513,277	1,112,075	475,396	230,646	548,452	160,376	580,949	145,746
1.4 Bonds and other fixed-yield securities	-	10,413	19,736	85,388	414,107	6,121	590,385	
1.5 Off-balance sheet items	208,299	206,010	115,829	238,729	80,513	15,819	20,169	
2. Liabilities	4,571,682	2,676,050	436,612	583,324	103,262	73,804	63,841	_
2.1 Due to other banks	244,963	1,207,602	131,706	4,359	_	_	_	_
2.2 Customer deposits	4,208,606	1,015,494	68,893	944	-	_	_	_
2.3 Securities issued	72,341	55,606	88,872	324,881	100,795	49,780	48,365	_
– bonds	260	34,202	72,848	322,704	100,777	49,780	48,365	
- certificates of deposit	290	21,404	16,024	2,177	18	-	-	_
- other securities	71,791	_	-	_	-	_	_	
2.4 Subordinated liabilities	_	-	_	_	_	_	-	
2.5 Off-balance sheet items	45,772	397,348	147,141	253,140	2,467	24,024	15,476	

31/12/2001

11.7 Foreign currency assets and liabilities

	31/12/2002	31/12/2001
a) Assets	1,504,813	1,747,479
1. due from other banks	342,664	466,731
2. customer loans	1,123,954	1,231,185
3. securities	25,430	33,623
4. equity investments	241	34
5. others	12,524	15,906
b) Liabilities	1,418,250	1,689,869
1. due to other banks	1,016,496	1,433,147
2. customer deposits	371,350	238,237
3. securities issued	30,404	18,485
4. others	_	_

11.8 Securitization transactions

The bank holds € 209.736 million of senior bonds issued by S.C.I.P. Società Cartolarizzazione Immobili Pubblici Srl, a vehicle company set up for the privatisation of public sector properties. The securities are rated «AAA» and «AA».

Section 12 Management and intermediation for third parties

12.1 Securities trading

	31/12/2002	31/12/2001
a) Purchases	3,660,560	2,776,151
1. regulated	2,748,708	1,869,129
2. non regulated	911,852	907,022
b) Sales	2,961,786	2,186,288
1. regulated	2,190,597	1,448,525
2. non regulated	771,189	737,763

12.2 Portfolio management

	31/12/2002	31/12/2001
1. securities issued by the bank drawing up the financial statements	1,993	_
2. other securities	1,436,016	1,388,925

The total amount of cash held in relation to portfolio management contracts is € 64.317 million.

12.3 Securities custody and administration

	31/12/2002	31/12/2001
a) third-party securities on deposit	11,484,513	12,831,425
b) third-party securities on deposit with third parties	9,885,814	10,619,625
c) own securities on deposit with third parties	1,801,369	560,767

12.4 Collection orders for third parties: debit and credit adjustments

	31/12/2002	31/12/2001
a) debit adjustments	1,444,038	1,234,279
1. current accounts	2,768	1,811
2. central portfolio	1,118,255	950,109
3. cash	_	7
4. others	323,015	282,352
b) credit adjustments	1,444,038	1,234,279
1. current accounts	340	843
2. transferors of bills and documents	1,443,698	1,233,436
3. others	_	_



PART C Information on the consolidated income statement

Section 1 Interest

1.1 Breakdown of item 10 «Interest income and similar revenues»

Total	405,641	419,179
e) positive balance of spreads on hedging transactions	_	_
d) other interest income	8	19
c) on fixed-yield securities	57,071	69,802
of which: – on third-party funds under administration	_	_
b) on customer loans	321,353	325,576
of which: – on amounts due from central banks	3,541	3,956
a) on amounts due from other banks	27,209	23,782
	31/12/2002	31/12/2001

1.2 Breakdown of item 20 «Interest expense and similar charges»

Total	193,810	222,127
f) negative balance of spreads on hedging transactions	6	11
e) on subordinated liabilities	_	_
d) on third-party funds under administration	_	_
of which: – certificates of deposit	1,439	1,428
c) on securities issued	24,621	22,129
b) on customer deposits	146,898	146,268
a) on amounts due to other banks	22,285	53,719
	31/12/2002	31/12/2001

1.3 Detail of item 10 «Interest income and similar revenues»

	31/12/2002	31/12/2001
a) on assets in foreign currency	30,046	52,126

1.4 Detail of item 20 «Interest expense and similar charges»

	31/12/2002	31/12/2001
a) on liabilities in foreign currency	22,586	44,327



Section 2 Commissions

2.1 Breakdown of item 40 «Commission income»

	31/12/2002	31/12/2001
a) guarantees granted	5,933	5,216
b) credit derivatives	_	_
c) management, intermediation and consultancy services:	61,234	66,132
1. securities trading	14,447	15,282
2. foreign currency trading	4,556	4,541
3. portfolio management	7,785	8,141
3.1 individual	7,785	8,141
3.2 collective	_	_
4. securities custody and administration	4,173	4,238
5. custodian bank	1,901	2,546
6. securities placement	15,145	17,105
7. acceptance of orders	5,646	8,656
8. consultancy	71	_
9. distribution of third party services	7,510	5,623
9.1 portfolio management	_	_
a) individual	_	_
b) collective	_	_
9.2 insurance products	4,263	4,300
9.3 other products	3,247	1,323
d) collection and payment services	20,772	18,139
e) servicing for securitization transactions	_	_
f) tax collection services	_	_
g) other services	33,180	26,779
Total	121,119	116,266

2.2 Breakdown of item 40 «Commission income» – distribution channels for products and services

	31/12/2002	31/12/2001
a) Bank branches	30,440	30,869
1. portfolio management	7,785	8,141
2. securities placement	15,145	17,105
3. third-party products and services	7,510	5,623
b) door-to-door sales	_	_
1. portfolio management	_	_
2. securities placement	_	_
3. third-party products and services	_	_
Total	30,440	30,869



2.3 Breakdown of item 50 «Commission expense»

e) other services	1,131	1,106
d) collection and payment services	3,940	3,562
6. door-to-door sales of securities, products and services	_	
5. securities placement		2
4. securities custody and administration	2,161	1,604
3.2 third-party portfolio	_	445
3.1 own portfolio	_	_
3. portfolio management	_	445
2. foreign currency trading	_	_
1. securities trading	924	1,026
c) Management and intermediation services:	3,085	3,077
b) Credit derivatives	_	_
a) Guarantees received	23	2
	31/12/2002	31/12/2001

Section 3 **Profits and losses from financial transactions**

3.1 Breakdown of item 60 «Profits/losses from financial transactions»

				31/12/2002			31/12/2001
Item	1	Securities	Foreign	Other	Securities	Foreign	Other
		transactions	,	transactions	transactions	,	transactions
			transactions			transactions	
A.1	Revaluations	193	_	_	834	_	_
A.2	Write-downs	12,922	_	_	10,565	_	_
В.	Other profits/losses	13,471	13,476	412	15,764	12,784	53
Tota	al	742	13,476	412	6,033	12,784	53
1.	Government securities	8,655			10,560		
2.	Other fixed-yield securities	2,073			3,631		
3.	Variable-yield securities	-10,346			-8,384		
4.	Derivative contracts on securities	360			226		

Section 4 Administrative expenses

This item shows a balance of € 217.616 million.

The sub-item «personnel expenses» amounts \in 112.475 million. The breakdown of this cost is given in the income statement.

The provisions for severance indemnities and pensions refer solely to the parent bank.



The sub-item «other administrative expenses» consists of the following:

	31/12/2002	31/12/2001
telephone, post and data transmission	9,039	8,426
maintenance of fixed assets	4,102	3,674
rent paid on buildings	11,383	9,671
surveillance	3,470	2,947
transportation	1,538	1,520
professional fees	6,814	6,491
office materials	2,657	2,833
electricity, heating and water	2,198	2,084
advertising and entertainment	3,343	3,125
legal and judicial expenses for debt collection	1,647	1,757
insurance	2,877	2,137
corporate survey and information	2,441	2,026
indirect taxes and dues	27,580	25,109
hardware rental and maintenance	4,343	4,552
software rental and maintenance	5,246	3,937
data registration with third parties	592	606
cleaning	2,505	2,235
membership fees	932	698
services received from third parties	2,541	2,250
directors' and statutory auditors' emoluments	1,649	1,463
temporary workers	2,622	1,954
other	5,622	5,814
Total	105,141	95,309

4.1 Average number of employees by category

Total	2,027	1,906
c) other personnel	1,810	1,707
b) executives	205	193
a) managers	12	6
	31/12/2002	31/12/2001

The number of employees by category is a simple average of the figures at the end of 2001 and 2002.

At the end of the year there were 1,878 employees with the parent bank and 183 with Banca Popolare di Sondrio (Suisse) SA.



Section 5 Adjustments, write-backs and provisions

5.1 Breakdown of item 120 «Adjustments to loans and provisions for guarantees and commitments»

Total	42,981	38,434
- other forfeit provisions	_	401
of which: - forfeit provisions for country risk	_	_
b) provisions for guarantees and commitments	_	401
- other forfeit write-downs	5,587	10,616
of which: – forfeit write-downs for country risk	31	163
a) adjustments to loans	42,981	38,033
	31/12/2002	31/12/2001

Section 6 **Other items in the income statement**

6.1 Breakdown of item 70 «Other operating income»

Total	23,494	24,790
Other	3,847	4,538
Financial income of the staff pension fund	_	1,733
Recovery of taxes	12,370	11,061
Recovery of customer insurance	514	414
Rent received for buildings	806	760
Recovery of charges on deposits and overdrafts	5,957	6,284
	31/12/2002	31/12/2001

6.2 Breakdown of item 110 «Other operating expenses»

Total	3,020	2,872
Other	1,934	2,027
Leasing and ancillary costs	1,086	845
	31/12/2002	31/12/2001

6.3 Breakdown of item 190 «Extraordinary income»

	31/12/2002	31/12/2001
a) Miscellaneous gains	1,792	866
b) Overprovisions	4	_
c) Gains on disposals	407	18
of fixed assets	46	17
of long-term investments	361	1
d) Consolidation differences	_	85
Total	2,203	969

6.4 Breakdown of item 200 «Extraordinary charges»

Total	1,719	2,117
d) Consolidation differences	426	
of long-term investments	_	_
of fixed assets	_	_
c) Losses on disposals	_	_
b) Underprovisions	568	440
a) Miscellaneous losses	725	1,677
	31/12/2002	31/12/2001

6.5 Breakdown of item 240 «Income taxes for the year»

4. Income taxes for the year	36,588	34,859
3. Change in deferred tax liabilities	-10	-26
2. Change in deferred tax assets	-1,698	1,475
1. Current taxes	38,296	33,410
	31/12/2002	31/12/2001

Changes in deferred tax assets mainly relate to loan write-downs in excess of the amount allowed for tax purposes and to provisions not accepted as being deductible after the timing difference reversed; € 0.419 million of the charge refers to the change in tax rates, as required by Bank of Italy instructions.

The change in deferred tax liabilities relates to gains on the disposal of assets and long-term investments.

Section 7 Other information on the income statement

7.1 Geographical breakdown of income

Total	531,062	0	38,931	545,705	1,816	36,355
Other operating income	23,440	_	54	22,999	_	1,791
Profits from financial transactions	13,133	_	1,497	17,019	-90	1,941
Commission income	95,990	_	25,129	91,941	1,860	22,465
Dividends and other income	5,065	_	44	4,771	_	_
Interest income and similar revenues	393,434	-	12,207	408,975	46	10,158
Item/Countries	Italy	EU countries	Other countries (non-EU)	Italy	EU countries	Other countries (non-EU)
			31/12/2002			31/12/2001

The total income of € 569.993 million relates to the business activities carried out by the parent bank mainly in Lombardy, with a significant presence in Milan, as well as in Rome, to business carried out in Switzerland by the subsidiary Banca Popolare di Sondrio (Suisse) SA. Banca Popolare di Sondrio (Suisse) SA accounted for 3.80% of net interest income, 20.75% of commission income and 10.23% of profits from financial transactions.



Part D **Other information**

Section 1 **Directors and statutory auditors**

1.1 Emoluments

	31/12/2002	31/12/2001
a) directors	1,495	1,310
b) statutory auditors	154	153

1.2 Loans and guarantees granted

	31/12/2002	31/12/2001
a) directors	3,126	3,070
b) statutory auditors	305	373

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH ART. 156 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (Translation from the original issued in Italian)

To the Shareholders of BANCA POPOLARE DI SONDRIO S.c.a.r.l.

- 1. We have audited the consolidated financial statements of Banca Popolare di Sondrio S.c.a.r.l. and its subsidiaries for the year ended 31 December 2002. Preparation of the financial statements is the responsibility of the Banca Popolare di Sondrio's Board of Directors. We are responsible for expressing a professional opinion on the financial statements, which we have formed on the basis of our audit.
- 2. Our examination was conducted according to the auditing principles recommended by CONSOB. Accordingly, the audit was planned and carried out so as to acquire all information necessary for determining whether the consolidated financial statements contain significant errors and whether they are, on the whole, reliable. The audit procedures include random checks on the elements supporting the balances and other information in the financial statements, as well as a verification that the accounting policies are appropriate and the estimates made by the directors are reasonable. We believe that the procedures carried out provide a fair basis on which to express our professional opinion.

For our opinion of the prior year's financial statements, whose figures are presented for the sake of comparison as required by law, please see our report dated 14 February 2002, signed under the previous name of Arthur Andersen S.p.A.

3. In our opinion, the financial statements of Banca Popolare di Sondrio S.c.a.r.l. and its subsidiaries as of 31 December 2002 comply with all pertinent regulations. Therefore, they have been prepared clearly and provide a true and fair view of the assets and liabilities, financial position and results for the year of the bank and its subsidiaries.

Milan, 13 February 2003

DELOITTE & TOUCHE ITALIA S,p,A,

Riccardo Azzali

(Partner)

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

(in thousands of euro)

		31-12-2002	2	31-12-2001
SOURCES OF FUNDS				
Funds generated by operations:	10.710		F1 F00	
Net profit for the yearadjustments:	49,713		51,506	
 - loan write-downs and write-backs and provisions 				
for guarantees and commitments	23,971		24,110	
- losses on securities and equity investments	14,528		11,081	
- amortization and depreciation	21,809		20,820	
- amortization and differences on value	(675)		050	
of investments stated at net equity	(675)		250	
Provisions:- staff pension fund	3,195		4,690	
- reserve for severance indemnities	5,059		4,919	
- risks and charges	5,000		8,060	
- possible loan losses	10,045		10,383	
- general banking risks	_		_	
- personnel charges	116	100 701	258	10007
ha a wa a a a isa a la a wa la a la la wa la a a with .		132,761		136,077
Increase in shareholders' equity: – underwriting of own shares			137,698	
- dividends in prescription	13		3	
 exchange differences from conversion of balance sheets 	1,164		1,333	
- other changes	(29)	1,148	(67)	138,967
Increase in funding:		,		,
customer deposits	1,560,849		1,200,061	
- deposits from other banks	(466,371)	1 004 400	344,452	1 600 065
- securities issued Change in other liability items	129,930	1,224,408	87,752	1,632,265
Change in other liability items: – third-party funds under administration	(49)		(41)	
- other liabilities	28,812		(44,428)	
accrued liabilities and deferred income	5,186		(3,137)	
 taxation reserve 	3,592	37,541	1,366	(46,240)
		1,395,858		1,861,069
APPLICATION OF FUNDS				
Use of funds generated by operations:				
– staff pension fund	2,521		2,082	
 reserve for severance indemnities 	2,103		3,073	
- reserves for possible loan losses	7,649	10 100	8,319	10.700
reserve for risks and charges Pearsage in charged days' aguity	916	13,189	252	13,726
Decrease in shareholders' equity: – dividends	24,762		20,604	
- charity fund	280	25,042	249	20,853
Increase in application of funds:	200	20,012	213	20,000
- customer loans	823,457		1,205,444	
– cash on hand	(15,312)		30,119	
- due from other banks	243,835	1 0 10 0 5 5	430,680	1 050 000
- trading securities	196,075	1,248,055	190,440	1,856,683
Change in other asset items:	70,012		(68,700)	
other assetsaccrued income and prepayments	(1,249)		3,526	
			8,680	
	10 100			
 equity investments and own shares 	10,100 od 3,990		0	
 equity investments and own shares positive difference arising on the application of the equity methods intangible assets 			9,232	
 equity investments and own shares positive difference arising on the application of the equity methor 	od 3,990	109,572	0	(30,193)

CONSOLIDATED STATEMENT OF CHANGES IN SHAKEHOLDERS' EQUITY FOR THE YEARS ENDING 31 DECEMBER 2001 AND 2002

(in thousands of euro)

BALANCE AS OF 31 DECEMBER 2002

	Share capital	Reserve for general banking risks	Share premium reserve
BALANCE AS OF 31 DECEMBER 2000	177,617	38,734	233,401
ALLOCATION OF PROFITS, as resolved by the AGM of 3 March 2001: To the legal reserve To the statutory reserves Dividend of L. 580 per share Charity fund			
INCREASE IN SHARE CAPITAL, as per AGM and EGM of 3 March 2001 Conversion of par value of shares into euro Exchange difference on conversion of balance sheets denominated in foreign currency Change in net equity of companies included in the consolidation area DIVIDEND ON OWN SHARES RESERVE FOR GENERAL BANKING RISKS RESERVE FOR OWN SHARES RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93 RETAINED EARNINGS OTHER CHANGES NET PROFIT FOR 2001	206,349 28,732		(68,783) (28,732)
BALANCE AS OF 31 DECEMBER 2001	412,698	38,734	135,886
ALLOCATION OF PROFITS, as resolved by the AGM of 2 March 2002: To the legal reserve To the statutory reserves Dividend of € 0.18 per share Charity fund Exchange difference on conversion of balance sheets denominated in foreign currency Change in net equity of companies included in the consolidation area DIVIDEND ON OWN SHARES RESERVE FOR GENERAL BANKING RISKS RESERVE FOR OWN SHARES RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93 RETAINED EARNINGS OTHER CHANGES NET PROFIT FOR 2002			

38,734

135,886

412,698

Banca Popolare di Sondrio

Total shareholders' equity	Net profit for the year	Negative differences arising on application of net equity method	Retained earnings	Other reserves	Statutory reserves	Restricted reserve for own shares	Legal reserve
629,744	44,949	134	364	18,192	72,304	177	43,872
0 0 (20,604) (258)	(9,483) (11,528) (20,604) (258)				11,528		9,483
137,698 0					132		
1,333			34	895			404
(11) 3 0		(11)			3		
0 0 611 0 51,506	(2,066) (26) (1,108) 124 51,506			1,369 26 1,719 (124)		697	
800,022	51,506	123	398	22,077	83,967	874	53,759
0 0 (24,762) (250)	(10,771) (13,819) (24,762) (250)				13,819		10,771
1,164				717			447
(5) 13 0	649	0	(398)	(256)	13		
0 0 0 0 (24)	(2,523) (30) 0			2,791 30 (1)		(268)	(23)
49,713	49,713			(1)			(23)
825,871	49,713	123	0	25,358	97,799	606	64,954

RESOLUTIONS OF THE ORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

held on 1° March 2003 (at second calling)



AGENDA

- 1) Presentation of the financial statements as of 31/12/2002: report of the Board of Directors and proposed allocation of net profit; report of the Board of Statutory Auditors; related resolutions;
- 2) Determination of directors' emoluments;
- 3) Appointment of directors;
- 4) Appointment of Statutory Auditors and alternates and the Chairman of the Board of Statutory Auditors for the three-year period 2003-2005; determination of their annual emoluments.

The shareholders' meeting, legally convened, was chaired by Piero Melazzini, Chairman of the bank's Board of Directors.

After appointing Francesco Surace, notary public, as secretary, and the scrutineers, the Chairman began to deal with the items on the agenda.

The ordinary meeting of shareholders, having heard the report of the Board of Directors on the 2002 results and the proposed allocation of net profit for the year; having taken note of the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet and income statement, explanatory notes and the financial statements of the subsidiary and associated companies

approves:

- 1) the directors' report on operations;
- 2) the financial statements as of 31 December 2002 with the results shown in the balance sheet and income statement and related explanatory notes, which show a net profit for the year of Euro 46,703,800. The shareholders therefore specifically approve the allocation of the net profit of Euro 46,703,800 as proposed by the Board of Directors in accordance with the requirements of law and the bank's articles of association, and more precisely resolve:
 - a) to allocate:
 - 10% to the legal reserve

€ 4,670,380.00

– 30% to the statutory reserve

€ 14,011,140.00

b) to pay a dividend of Euro 0.19 to each of the 137,566,064 shares in circulation at 31/12/2002 with dividend rights as from 1/1/2002,



transferring to the statutory reserve the amount
of the dividends due to the own shares that the
bank may be holding on the day prior to the
day that the shares go ex-coupon, for a total
amount of € 26,137,552.16
c) to allocate to treasury share reserve € 1,500,000.00
d) to allocate the residual profit:
- to the charity fund € 250,000.00

- to the reserve as per art. 13 Legislative Decree 124/93 € 31,143.27 - to the legal reserve, an additional € 103,584.57

The shareholders also set aside Euro 19,000,000 - booked under «Reserve for own shares» for \in 605,589 and «Other reserves» for the remainder – as the amount to be made available to the Board of Directors to buy and sell treasury shares at arm's length conditions, pursuant to art. 21 of the articles of association, within the limit of the aforesaid amount and such part of it as is made available by subsequent sales of the shares acquired; all within the scope of a normal activity of intermediation designed to favour circulation of the shares;

- 3) the determination of the directors' emoluments;
- 4) the appointment of Salvatore Bonomo, Giuseppe Fontana, Carlo Grassi, Aldo Rossi and Renato Sozzani as members of the Board of Directors for the three-year period 2003-2005, and Federico Falck for 2003;
- 5) the appointment as Statutory Auditors of Egidio Alessandri Chairman of the Board of Statutory Auditors Piergiuseppe Forni and Roberto Schiantarelli, and as Alternate Auditors of Pio Bersani and Mario Vitali, for the three-year period 2003-2005, and the determination of their annual emoluments.

THE BANK'S GROWTH SINCE ITS FOUNDATION KEY FINANCIAL DATA

Year	Financial investments euro	Customer loans euro	Fiduciary funds euro	Shareholders' equity (capital & reserves) euro	Net profit for the year euro	Dividend euro
1871	26	93	37	47	1	0.001
1875	109	675	569	181	21	0.002
1880	46	1,024	777	360	33	0.002
1885	213	1,431	1,161	410	42	0.002
1890	459	1,805	1,646	457	49	0.002
1895	840	1,380	1,631	453	36	0.002
1900	860	1,627	1,987	465	43	0.002
1905	940	2,330	2,834	504	53	0.002
1910	1,460	3,717	4,738	563	68	0.003
1915	2,425	3,399	5,178	658	59	0.002
1920	7,906	9,100	22,320	1,232	186	0.005
1925	9,114	35,692	39,924	2,303	523	0.006
1930	12,899	43,587	54,759	3,230	561	0.006
1935	21,402	30,912	53,190	3,543	339	0.004
1940	24,397	32,808	57,064	3,091	312	0.002
1945	112,239	101,840	191,619	6,491	817	0.002
1950	608,460	892,440	1,359,864	50,496	10,834	0.041
1955	1,413,363	2,372,139	3,573,499	262,122	25,998	0.124
1960	3,474,898	5,864,314	9,124,181	495,960	45,997	0.150
1965	6,564,058	9,861,955	18,238,851	670,265	60,044	0.170
1970	11,228,709	21,140,462	34,440,002	1,577,469	86,800	0.196
1975	49,247,998	46,458,454	103,136,018	4,940,413	336,351	0.284
1980	248,877,713	135,350,391	386,128,259	44,618,760	2,298,768	0.620
1981	303,227,605	149,856,755	435,958,220	70,294,839	3,543,126	0.878
1982	434,505,499	168,991,589	564,440,308	93,988,765	5,876,973	0.930
1983	551,731,767	201,889,280	722,876,267	105,498,725	9,795,722	1.394
1984	657,323,707	244,311,938	885,640,690	117,286,747	11,754,271	1.911
1985	669,773,787	327,572,423	985,454,131	123,347,208	13,332,058	2.582
1986	854,978,708	381,346,894	1,108,118,326	129,106,270	13,582,958	2.169
1987	954,429,924	407,643,937	1,205,007,005	134,486,897	13,588,657	2.169
1988	950,465,324	510,164,638	1,285,408,512	139,730,318	13,665,548	2.272
1989	958,277,398	634,760,956	1,431,120,712	145,100,954	13,984,014	2.324
1990	919,261,388	819,877,375	1,567,539,101	170,006,961	14,919,668	1.653
1991	886,480,827	1,014,385,379	1,708,284,250	192,743,654	16,018,859	1.653
1992	1,162,262,510	1,202,265,949	2,151,786,340	198,979,714	16,304,997	1.704
1993	1,675,065,908	1,441,158,530	2,862,510,529	250,913,662	17,860,906	1.136
1994	1,438,251,891	1,701,208,296	2,922,731,483	258,100,923	16,976,601	1.136
1995	1,828,374,994	1,903,530,111	3,401,567,857	335,480,368	18,688,353	0.413
1996	1,817,497,737	2,120,842,006	3,590,238,215	345,127,951	20,685,619	0.439
1997	1,730,940,393	2,485,706,688	3,844,781,082	353,507,281	20,796,084	0.439
1998	2,005,202,039	2,990,333,100	4,343,203,973	535,162,454	24,784,724	0.196
1999	1,993,529,114	3,724,763,745	5,058,960,710	557,555,696	30,555,532	0.232
2000	2,043,141,602	4,443,945,484	5,829,901,035	576,036,331	38,428,768	0.300
2001	2,618,137,267	5,579,546,805	7,374,954,358	731,304,438	46,064,525	0.180
2002	3,218,789,508	6,246,734,925	8,626,473,276	752,369,741	46,703,800	0.190

The figures for the years prior to 1993 have not been adjusted to make them comparable with those of subsequent years which have been classified differently in accordance with Legislative Decree 87/92.

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