

Banca Popolare di Sondifo



ANNUAL REPORT 2003





Banca Popolare di Sondrio

Founded 1871

ORDINARY AND EXTRAORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS 6 MARCH 2004

Limited liability co-operative bank
Head office in Piazza Garibaldi 16, 23100 Sondrio, Italy
Tel. (0342) 528.111 – Fax (0342) 528.204
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: € 389,486,371



BOARD OF DIRECTORS

Chairman and Chief Executive Officer

Deputy Chairman

Directors

PIERO MELAZZINI*

CARLO GRASSI**

ALDO BALGERA

CLAUDIO BENEDETTI GIANLUIGI BONISOLO* FEDERICO FALCK GIUSEPPE FONTANA MARIO GALBUSERA

NICOLÒ MELZI DI CUSANO

MILES EMILIO NEGRI*

ALDO ROSSI

RENATO SOZZANI*

LINO ENRICO STOPPANI

BRUNO VANOSSI

FRANCESCO VENOSTA*

BOARD OF STATUTORY AUDITORS

Chairman

Acting Auditors

Substitute Auditors

EGIDIO ALESSANDRI

PIO BERSANI

PIERGIUSEPPE FORNI

MARCO ANTONIO DELL'ACQUA

MARIO VITALI

ADVISORY COMMITTEE

Advisors

ALBERTO CRESPI GIUSEPPE GUARINO ANDREA MONORCHIO

Substitute Advisors

SUSANNA AGNELLI ANTONIO LA TORRE

GENERAL MANAGEMENT

General Manager

Deputy General Managers

MARIO ALBERTO PEDRANZINI

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



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Monaco

ROME 1 Head office 21 Branches









SUMMARY OF THE BANK'S GROWTH

(1993/2003)

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(in millions of euro)	1993	1998	2003
Customer deposits:			
direct	1,933	3,505	8,184
indirect	1,970	7,021	12,690
Shareholders' equity (excluding net profit for the year)	251	535	774
Customer loans:			
cash loans	1,441	2,990	7,117
overdraft facilities	452	773	1,690
Own securities	834	1,284	1,888
Income from banking activities	155	232	341
Operating profit	78	108	157
Net profit for the year	18	25	60
Number of branches	78	129	191
Personnel	969	1,490	1,993



NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The shareholders of Banca Popolare di Sondrio are called to the annual general meeting (ordinary and extraordinary) at the head office in Piazza Garibaldi 16, Sondrio, at 10.00 a.m. on Friday, 5 March 2004 and, if necessary, on second calling in Bormio (So) at the Centro Polifunzionale Pentagono, via Alessandro Manzoni no. 22, at 10.30 a.m. on Saturday, 6 March 2004 to discuss the following

AGENDA

Ordinary part

- 1) Presentation of the financial statements as of 31/12/2003: 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 one acting and one substitute statutory auditor;
- 5) Appointment of acting and substitute members of the Advisory Committee.

Extraordinary part

- 1) Mixed increase in capital involving:
 - a bonus issue of one new share of par value 3 euro, with dividend rights from 1
 January 2004, for every five shares held, transferring the amount required from the
 «share premium reserve» to «share capital»;
 - a simultaneous extraordinary rights issue to be offered under option at a ratio of two
 new shares of par value 3 euro, with dividend rights from 1 January 2004, for every
 five shares held prior to the above bonus issue, at a price of 4 euro, of which 3 euro
 is to be allocated to «share capital» and 1 euro to the «share premium reserve»;
 - related payment of an expense reimbursement equal to 0.04 euro for every new share subscribed under the rights issue, up to a maximum of 125 euro.
- 2) Related resolutions and conferment of powers.

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 spa 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.

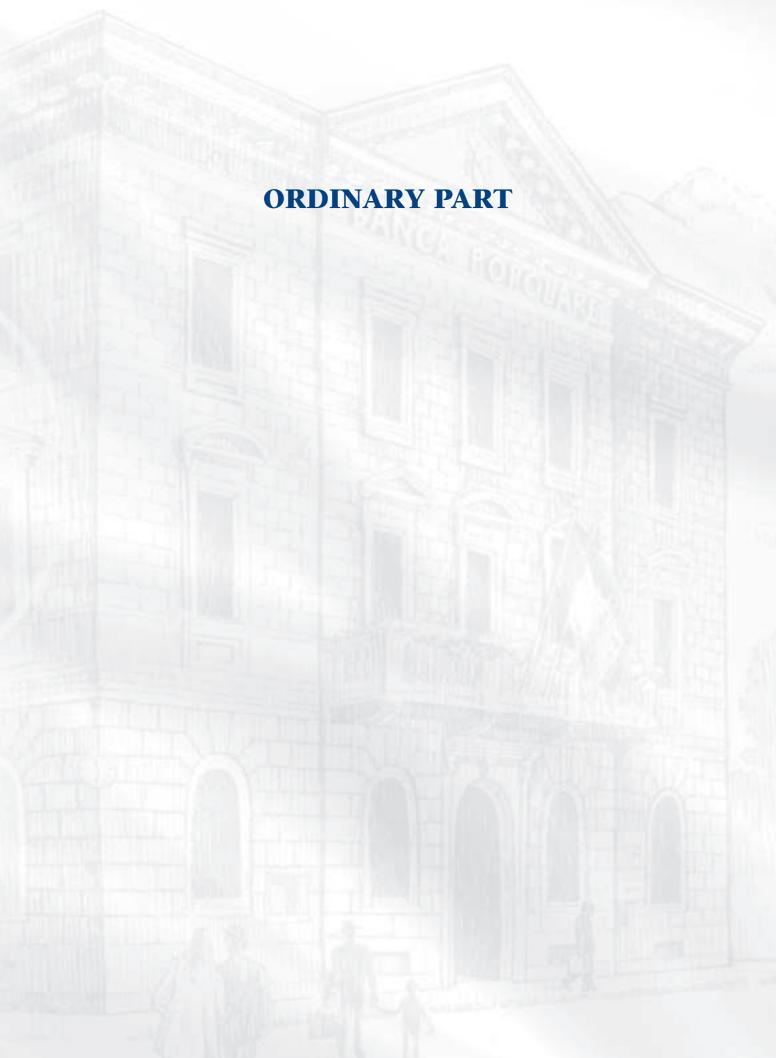
Each shareholder has the right to only one vote, however many shares they hold. Shareholders with the right to vote may be represented at the meeting by another shareholder, by means of a proxy ballot prepared in compliance with Italian law. No shareholder can be a proxy for more than one other shareholder.

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

Sondrio, 2 February 2004

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 2002 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

ORDINARY PART

SUMMARY OF RESULTS

Shareholders,

Generally speaking, 2003 was a difficult year; another difficult year. It is still not entirely clear whether what certain observers glimpse at the end of the tunnel is the light that heralds a general economic recovery, or if it is the headlamp of a locomotive coming in the other direction.

So we are in a situation of uncertainty which does nothing to encourage consumers to spend nor businesses to invest. Which is like saying that neither of the two main driving wheels

RESULTS IN BRIEF

(in millions of euro)	2003	2002	% change
Balance sheet			
Customer loans	7,117	6,247	13.93
Loans to other banks	809	1,303	-37.91
Own securities	1,888	1,803	4.72
Equity investments	131	112	16.37
Total assets	10,502	9,909	5.99
Direct customer deposits	8,184	7,349	11.35
Indirect customer deposits	12,690	11,640	9.02
Insurance premiums	372	329	13.22
Customer assets under administration	21,246	19,318	9.98
Other direct and indirect funding	2,852	3,556	-19.80
Shareholders' equity (excluding net profit for the year)	774	752	2.87
Income statement			
Net interest income	223	209	6.66
Income from banking activities	341	312	9.30
Operating profit	157	136	15.09
Net profit for the year	60.12	46.70	28.72
Key ratios (%)			
Net interest income/total assets	2.13	2.11	
Operating profit/total assets	1.50	1.38	
Administrative expenses/income from banking activities	60.93	62.82	
Net profit/total assets	0.57	0.47	
Net profit/average shareholders' equity (excluding net profit)	7.88	6.30	
Non-performing loans/customer loans	0.99	1.22	
Capital ratios (%)			
Tier 1 capital/risk-weighted assets	8.91%	9.69%	
Total capital/risk-weighted assets	8.81%	9.74%	
Available margin (in billions of lire)	161	215	
Other information			
Number of employees	1,993	1,878	
Number of branches	191	178	
Number of treasury offices	80	77	





of any turnaround in the economic cycle managed to pick up any real speed during 2003, at least in Italy.

As far as we are concerned, we have put into practice the motto «help yourself and God will lend a hand», because there's very little to hope for just standing around waiting for something to happen.

We will now willingly leave the floor to the figures in the following table as they give an immediate perception of the important growth in volumes that has taken place. The result for the year, which is well up on last year, is the just premium for the work that we have performed. We are therefore proposing a higher dividend as well.

Total assets have increased from 9,909 to 10,502 million euro, +5.99%, while net profit has gone up from 46.7 to 60.1 million euro, an increase of all of 28.72 percentage points.

This significant rise in net profit was given a hand up by the important investments carried out in past years, which have progressively borne fruit. That is our way of proceeding: going for organic growth and the enhancement of our professional and technical resources, not to mention the financial resources contributed by our shareholders.

Direct deposits chalked up a substantial increase. This is undoubtedly confirmation of customers' ongoing preference for cash, but it is also the result of the relationship of trust that we have with small investors. There has even been some growth in our indirect deposits, with positive results in asset management.

Loans have also advanced solidly, accompanied by constant improvements in our staff's professionalism and risk management tools, ensuring that quality is more important than quantity.

Financial intermediation continues to be the Bank's number one source of revenue, again making a substantial contribution to operating profit. Significant progress has also been made by the service element as have financial profits, helped by a better trend in stock market prices.

Greater efficiency has to a certain extent been achieved through cost containment. This is a commitment that we owe to ourselves and to our shareholders. Any increase in costs is closely monitored and tied strictly to business expansion.

Closer relations with our subsidiaries, associated companies and other affiliates is designed to ensure a streamlined operating structure and a full range of competitive products for our customers. Banca Popolare di Sondrio (SUISSE) SA, our Swiss subsidiary, has managed to combine putting down roots in Switzerland with a wider projection towards international markets, thanks to the launch of the Montecarlo branch in the Principality of Monaco.

As mentioned in the introduction, the considerable increase in net profit enables us to propose a dividend this year of 0.23 euro per share, a 21.05% increase over last year, in addition to the capital gain of 13.99% achieved during the period. This is a very satisfactory result for our 1,993 members of staff and one that rewards the shareholders for their trust in us.

TERRITORIAL EXPANSION

The territorial expansion policy that we have applied to date originates from and is justified by our nature as a cooperative bank.

The adjective «cooperative» has the worth of a noun for us, because it is a word that says everything: it indicates the way we carry on our banking activities, in the same way that the close relationship that we have with our shareholders, customers and the territory in general become the ground rules for a way of being that identifies and qualifies us at a Group level.

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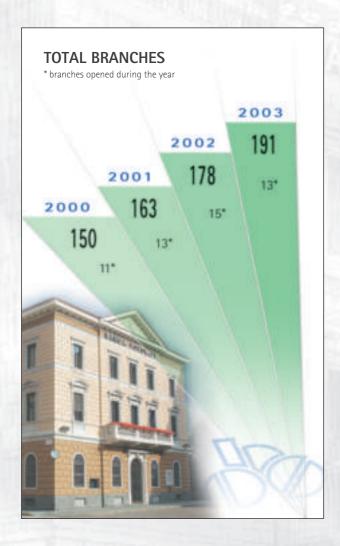
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Widespread presence and a profound knowledge of where everyone belongs are indispensable bases on which to act as the engine of the local economy in the best way possible. This is the role that tradition has given us and one that the evolution of the national economy continues to require of us.

Italy typically has many small and mediumsized enterprises, which not only represent our natural counterparties on the entrepreneurial front, but which increasingly rely on the banks – preferably cooperative banks – to help them expand. Banks that are able to give them professional and personalised assistance. This is a task that is not particularly suitable for the so-called Large Banks, which by their nature and their size tend to be interested in scenarios that go way beyond national borders. So they have little inclination to devote human and financial resources to local economies and businesses that for them would be extremely marginal.

With us, on the other hand, our priority is to pay attention to the local situation, hand-in-hand with the desire to help our customers gain access to all of the opportunities offered by international markets. This is the case for businesses, which thanks to our specialist offices – the international unit and the corporate finance department – we are able to accompany and support during their process of growth, as well as for small investors, who are able to use increasingly sophisticated services and instruments.

Expansion of the branch network emphasised geographical extension and intensity at the same time. We showed that we were able to fit in well in areas similar to that of our origins, but also in different situations. Having to compete with other banks that were often fiercely competitive and highly professional was a great stimulus to us. From certain points of view, it is better to learn from others than to teach them.

The year under review helped reinforce the regional character of the Bank. This is already an important status, though it is even more so, as in our case, when it refers to Lombardy, Italy's most economically advanced region and one of the first in Europe. We have also expanded in the shadow of the Coliseum, while towards the end of the year we opened in Merano in the (for us) nearby Alto Adige, to which we are linked by the Stelvio Pass.

Apart from being long-lived, we are also able to put down new roots in areas with considerable growth potential. Let's look at the new branches inaugurated during 2003 which have made our network even more dense: thirteen of them, making up a total of 191.

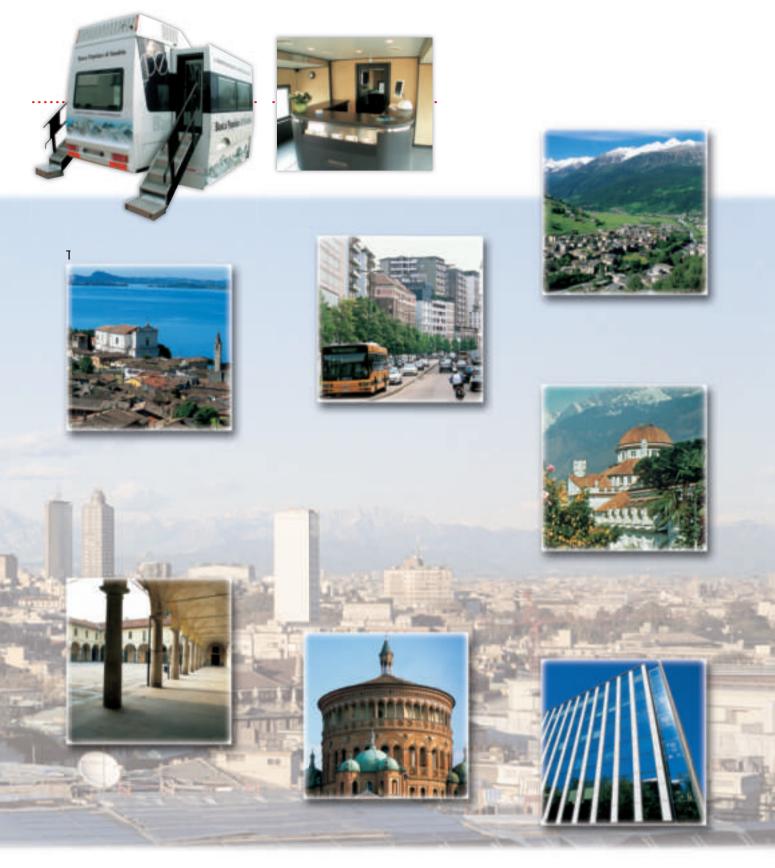


GEOGRAPHICAL EXPANSION



in particular with two new branches, no. 22 in Via Santa Sofia and no. 23 in Viale Certosa, bringing the total to 24. After Milan, the Capital, with city agency no. 21 in Via Famiano Nardini, in the Nomentana district. In the Varese area, Gallarate and Carnago strengthen our links with this frontier land of lakes immortalised by the novels of Piero Chiara. In Lecco,

confirms the Bank's attention for this important town, the main centre of the Lario, and its vast territory, where we are now the cooperative bank of reference. This is confirmed by the new agency in Abbadia Lariana. In the Brescia area, both new branches are on the banks of Lake Garda: Salò and Toscolano Maderno. The Benaco is after all an extremely important tourist



our link with the capital of this Magnificent Country, where we have returned to the building that hosted our branch up until 1990 and since then located at the entrance to the town. In Pavia we have opened agency no. 1 in the premises left vacant by the branch, which has been transferred to more spacious offices in Piazzale Ponte Coperto Ticino. The Crema agency is

have laid the foundations for a more widespread presence in the future. Merano welcomed us in Christmas attire. In fact, we opened our first unit in Alto Adige in December, when this elegant town was already receiving numerous visitors to its famous street markets. The place that stands out the most is Milan, where two new branches have brought the total to 24. So it is fair to say at this point that we are well integrated with the economic life of Lombardy's capital, thanks to a presence in numerous districts, institutions, universities and firms.

With agency no. 22 in Via Santa Sofia we now offer our services in a central area of the city, being located between Corso Italia and Corso di Porta Romana, near the State University and the Policlinic, an extremely vivacious part of town from an economic point of view, where there is also a great many professional offices and well-established commercial enterprises.

Agency no. 23 in Viale Certosa, on the other hand, services the north-west suburbs of the city, the area around Piazzale Accursio to be precise. There are numerous shops and other commercial interests in the area, mainly small and mediumsized, while new building projects currently underway will add to the already substantial number of residents.

After Milan, the Capital, where we can already count on a significant area network, added to with the opening of agency no. 21. This is located in Via Famiano Nardini and serves the Nomentano district in the north-west part of Rome around Piazza Bologna. The Nomentano was built at the beginning of the 1900s and has in part retained its original elegance, as witnessed by the presence of various prestigious mansion houses. It is a dynamic area, helped by the vicinity of the Umberto I Policlinic and the University City.

In the Varesotto (the area around Varese), Gallarate and Carnago link us even more to that land of lakes and borders immortalised in the novels of Piero Chiara. A province that has maintained its identity, while at the same time managing to achieve considerable development. Gallarate is a valid example of this, with its strong and dynamic economic fabric, which has profited from the fast links created by the Milano-Domodossola-Paris railway line and the nearby

Malpensa 2000 Airport. A city of more than 46,000 inhabitants, Gallarate forms part – along with Legnano, Busto Arsizio and Castellanza – of one of the most important and dynamic industrial agglomerates in the whole of Italy.

Carnago is smaller, as it has a population of just over 5,000 inhabitants. It is located a dozen or so kilometres south of Varese in an area that features, among other things, a widespread presence of industrial and artisan enterprises.

The inauguration of agency no. 4 in the Germanedo district of Lecco confirms the Bank's attention on this important town and its vast territory, the Lario, where we are by now the cooperative bank of reference. This is also confirmed by the new agency in Abbadia Lariana, thanks to which we have created a line of continuity on the east bank of Lake Como, where we could well have an even denser presence in the future.

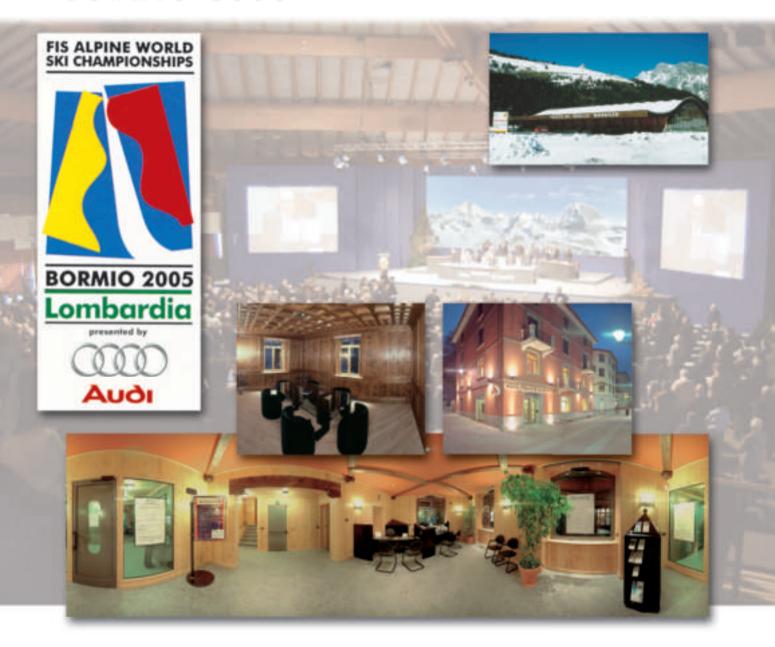
The two new openings in the area of Brescia both gave preference to the banks of Lake Garda: Salò and Toscolano Maderno. Salò is a town of almost 10,000 inhabitants located in a gulf of the same name on the south-west bank of the lake. It is a well-known and vivacious tourist and commercial centre that has grown considerably over the years. Toscolano Maderno lies just a few kilometres to the north, also favoured by a mild climate and beautiful surroundings, which have encouraged the presence of hotels and other tourist structures. Indeed, the Benaco is a first-rate area for tourism, well-known and much appreciated abroad as well, such that German is often the language spoken most frequently on its banks.

In our province of origin, Bormio agency no. 1 reinforces the link with the capital of the «Magnificent Country», where we have returned to the building that hosted our branch up until 1990, after which our branch has been located at the entry to the town. The new branch has been given the task of development: it will have to consolidate relationships with businesses in the





B O R M I O 2 O O 5



area and, above all, publicise and offer our products and services to the numerous tourists that frequent that delightful place, due to receive a further boost from the imminent World Ski Championships, twenty years after they were last held in Bormio and Santa Caterina Valfurva. The physical structure of the branch has also been designed specifically with this is mind. The premises are welcoming, furnished in Alpine style, together with certain modern elements. There are also two 18th century *stüe*, i.e. wood-lined rooms which, with their sober elegance, are a real tourist attraction.

In Pavia we have opened agency no. 1 in premises left free by the branch that was transferred to larger and more suitable offices in Piazzale Ponte Coperto Ticino. This move widens our coverage and improves our ability to monitor a marketplace that has so far given us preference and business and which should provide interesting opportunities in the future as well.

The Crema agency is another important element on the Lombardy plain, where we have laid the foundation stones for a wider presence in the future. The recent agreements signed with Federlombarda go in the direction of stimulating contacts with farms, enhancing our particular approach, which tends to be much appreciated by people tied to tradition, but who also need a full range of modern services.

Merano welcomed us decked out for Christmas. In fact, we opened our first office in Alto Adige during December, when that elegant town was already attracting hundreds of visitors to its famous street markets. In some ways it is an area that is similar to our own, so we expect to do well there. We have analysed the needs of a sophisticated and demanding clientele and equipped the branch with the professional skills and technical equipment needed to satisfy them. We are well aware of the fact that we are guests in an area that is proud of its traditions and extremely protective of its own identity. In a countryside that reminds us of Switzerland next door.

The Bank also provides services through its 284 ATMs, 26 more than last year. They operate at our branches and at other locations frequented by the general public.

We now have three more treasury windows, bringing the total to 80. They embody the Bank's original spirit of service to the local community.

Banca Popolare di Sondrio (SUISSE) SA, our Swiss subsidiary, follows the same philosophy as its parent, making every effort to fulfil its role as a bank across the board. Having roots in the territory is of fundamental importance as we want to be able to take an active role in the economies of the areas that we serve.

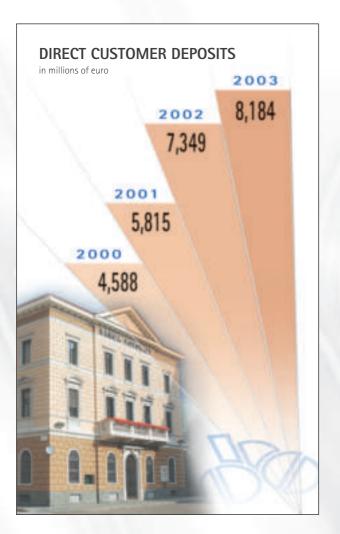
We have tried to be as incisive as possible in the places where we have opened recently, whereas abroad the main event was the launch of the Montecarlo branch in the Principality of Monaco. An initiative that raises the Bank's international profile, its objective being to provide retail services, above all to the 15,000 or so Italians who live or work there, as well as to their families and small businesses, many of which operate in import/export.

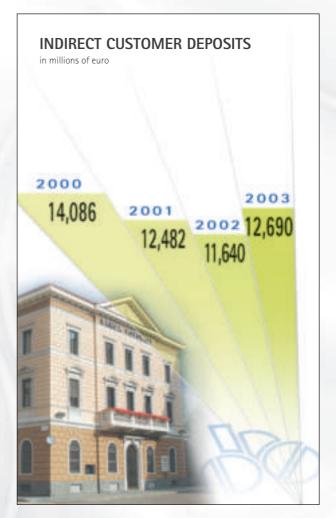
FUNDING

Risk averse and super-sensitive about costs. That is the photograph, in black and white given the dullness of the economy, of the average Italian investor in 2003.

This is why liquidity, sometimes quite large amounts of it, has continued to be the temporary parking place for Italians' financial resources, until such time that they feel ready to make more important investment decisions or to spend the money and raise consumer demand.

Bank deposits have obviously benefited from this trend, as they are a safe refuge for those who still don't trust the stock market – and who can blame them after the scalping suffered in





recent years – while the purse strings have been kept tight shut in these uncertain times.

BOTs, Italy's treasury bonds, have also become fashionable again, even at interest rates that are lower than inflation. There have also been arguments about exactly how high inflation is. On the other hand, the very concept of inflation is already a source of discussion and even of polemics.

Without wanting to go into the merit of the debate, it seems fair to say that the increase in prices perceived by consumers for certain items of mass consumption was higher than what was officially recorded for the whole basket. The situation was similar to what happened during last year's long hot summer, when excessive humidity made the unusually high temperatures even harder to bear, raising the level of discomfort and making tempers flare. By September the heat declined, but inflation has remained constantly above the EU average. This is a particularly Italian illness, which the euro has proved unable to cure. But it was totally unjust to accuse the euro of causing the inflation.

Going back to our original theme, the significant increase in direct deposits for the whole of the banking system also reflects a certain diffidence on the part of small investors towards more complex financial instruments, even if they

are not equities, and their risk profiles may be missed, both at the time of purchase and during the later, no less important, phase of management.

As far as we are concerned, as much and even more than we have done in the past, we have made every effort to ensure transparency and clarity in our dealings with customers, so everyone has had access to the information and explanations needed to make their own investment decisions in full awareness of the risks involved. «Clear agreements make for long friendships» is a proverb that is as old as it is valid; especially for those who, like us, pursue stable

and long-term relationships with customers, based on mutual honesty. These are the rules of the house, to which all of our personnel scrupulously and diligently abide.

In other words, we do not offer abstruse financial instruments, but protection of our customers, especially those with less experience, with a full explanation of the conditions and risks that each investment involves. This is a way of being a bank where the emphasis is on total ethics, and not just professional ethics.

The more than positive results for the year, which lend continuity to a process of growth that

DIRECT CUSTOMER DEPOSITS

(in millions of euro)	2003	% ot total	2002	% change
Savings deposits	494,679	6.04	443,906	11.44
Certificates of deposit	46,735	0.57	49,232	-5.07
Bonds	805,933	9.85	717,666	12.30
Repo transactions	1,224,913	14.97	1,264,031	-3.09
Bank drafts and similar	76,502	0.93	73,268	4.41
Current accounts	5,164,718	63.12	4,611,913	11.99
Current accounts in foreign currency	370,051	4.52	189,283	95.50
Total	8,183,531	100.00	7,349,299	11.35

TOTAL FUNDING

	2003	%	2002	%
(in millions of euro)	ot total		2002	change
Total direct customer deposits	8,183,531	33.96	7,349,299	11.35
Total indirect customer deposits	12,690,306	52.66	11,640,075	9.02
Total insurance premiums	372,413	1.54	328,931	13.22
Total	21,246,250	88.16	19,318,305	9.98
Due to other banks	955,959	3.97	1,277,110	-25.15
Indirect funding from banks	1,895,639	7.87	2,278,524	-16.80
Third-party funds under administration	14	0.00	65	-78.46
Grand total	24,097,862	100.00	22,874,004	5.35

has been underway for some time, are the fruit of the close and consolidated relationship of trust that we have managed to build up with investors. To this we would add the bank's ability to adapt quickly to changing economic conditions. The dynamic and streamlined nature of the organisation has in fact made it easier to keep our range of products and services constantly up-to-date, enabling us to satisfy our customers' requests immediately.

Experience often shows—and this is the case with our bond loans which sold out very rapidly—that home-grown products are the ones that are most appreciated, also because they combine linear and transparent conditions with a direct guarantee from the Bank.

All backed by personalised assistance which has its strength in being close to the customer. This is our distinctive characteristic that has not been diminished by our expansion; indeed, if anything it has been increased by it, enhancing our contact with customers.

In the wider territories that we serve, our people apply the model of the local cooperative bank, always with an eye on the needs of the community and of each single customer. This is one of the reasons for the widespread preference given to our new branches, which made an important contribution to the Bank's growth during 2003.

The intense efforts made during the year are reflected in the figures given below. The trends in the various items have of course been affected by market conditions encountered during the year.

Total deposits at 31 December 2003 show an increase from 22,874 to 24,098 million euro, +5.35%.

Direct customer deposits amount to 8,184 million, a sharp rise of 11.35%, a good deal more than in previous years.

Indirect customer deposits, at market value, have grown by 9.02% to 12,690 million euro. Insurance premiums, shown separately for the first time, amount to 372 million, +13.22%.

Amounts due to banks fell to 956 million, -25.15%, while customer assets under administration came to 1,896 million.

A brief analysis of the trend in the various items making up direct deposits highlights above all the strong growth achieved by current accounts, the product preferred by households and businesses because of their irreplaceable service element. They rose by 15.28% during 2003, from 4,801 to 5,535 million euro, representing all of 67.64% of the Bank's total direct funding from customers.

Repo transactions dipped slightly after years of sustained growth, going from 1,264 to 1,225 million, -3.09%, while at this stage certificates of deposit are a residual caption: 47 million, down 5.07%.

Despite their age, savings deposit accounts never seem to die out and still have plenty supporters, probably thanks to their extreme simplicity of use: 495 million, +11.44%.

As mentioned previously, our bond loans went extremely well, totalling 806 million, up 12.30%, thanks to issues constantly in line with our counterparties' expectations. They represent all of 9.85% of direct funding from customers.

Bank drafts and similar items come to 77 million euro, +4.41%.

The substantial increase in the number of creditor accounts outstanding, almost 220,000, indicates the ongoing ability of our branches to expand business relationships. Once again, a significant contribution was made by the new branches.

As we said, indirect customer deposits rose by 9.02% to 12,690 million euro. A significant trend reversal that has certainly benefited from the partial change in direction made by financial and stock markets, but also from the efforts made by our personnel in this important segment.

Asset management will be discussed in the chapter on treasury and trading operations later on in this report. All we will say at this stage is

that the results in this important area and its various components were positive.

Overall, the quantitative and qualitative evolution of the Bank's funding is quite satisfactory, both as regards how the various components have moved and as regards the correlated development in loans.

It is well-known that savings are highly mobile and that capital movements play an increasingly important role in the economic relations between countries. The tax amnesty on illegally exported capital, known as «Fiscal Shield», contributed towards the positive trend in our funding, even if only to a minor extent.

LOANS

We are now at the most important item in our entire balance sheet: namely the loans that we have granted. In other words, the most precise measurement of our entire business.

If we accept that banking is essentially a question of lending money, it is fair to say that we have been hard at work this last year. Loans to customers have in fact shown a strong upward trend to 7,117 million, +13.93%, conveniently in line with the important increase in direct deposits. A debit matched by a credit which reflects the balanced development of our business.

So this has been a year of decided growth, despite the uncertainties of a general economic situation that once again failed to catch the recovery train; the repercussions on companies' desire to invest is easy to understand.

Certain factors have, however, played in our favour. Above all, the solidity of our relationships with customers, who know that with us they can always find ready, complete, professional and careful assistance for their individual needs. A clear, precise and rapid yes, and sometime a no as well.

Then the preferential relationship established with the territory, within which our function is to act as the engine that drives economic and social development. This is the particular role of a local bank, one that we have shown that we know how to interpret in the best way possible even in those areas where we have opened more recently, whether they are the metropolitan neighbourhoods of Rome and Milan, important industrial districts or smaller residential and business centres.

The roots that we have created in Lombardy, where to date we have 166 branches spread over all of its 11 provinces, are once again fundamental, also on the lending side. Direct contact with Italy's most dynamic and hardworking entrepreneurs guarantees that we have more than adequate growth prospects for the future as well. Not least because SMEs, our natural business clients, are the backbone of the Italian economy. The level of excellence of many of our customers is also a constant stimulus to raise the quality of our services and to make use of increasingly sophisticated and effective tools.

Lastly, thanks to the 13 new branches that we opened during the year, a considerable demand for credit came from these new areas, where we have ensured direct support for worthy business initiatives, well aware that to earn trust you also have to give it.

So all in all, when relationships are set up to last over time and there is respect for each other's roles, and for the company's mission, they can be reinforced even in difficult times.

What we have just said includes a series of factors which have allowed us to boost our market shares in the places where we operate, expanding the related revenues considerably despite the decline in unit margins. Indeed, interest rates hit record lows during the year following the intervention of the European Central Bank, which was designed, to the extent possible, to pump oxygen into the economy during this difficult period.

We have said in the past, and the experience accumulated during the year merely confirms it, that to earn more you have to work much harder and, above all, much better. We are therefore condemned to expand our work base. Indispensable ingredients are selective lending and careful credit management: too much rigour can sometimes mean losing a bargain, but carelessness usually means losing money, often a great deal, and in any case too much.

This is why we are committed to constant improvement of our risk management capacity, making use not only of our specific specialist functions, suitably supported by innovative procedures, but also of a particular attitude at all levels throughout the company. This is discussed in greater detail in a separate chapter of this report, together with all of the other risk profiles that affect our work on a daily basis.

We will limit ourselves here just to emphasise that the correct allocation of financial

resources not only protects the bank from possible losses and ensures an adequate remuneration, but also encourages development of business projects in the territory that are able to create wealth.

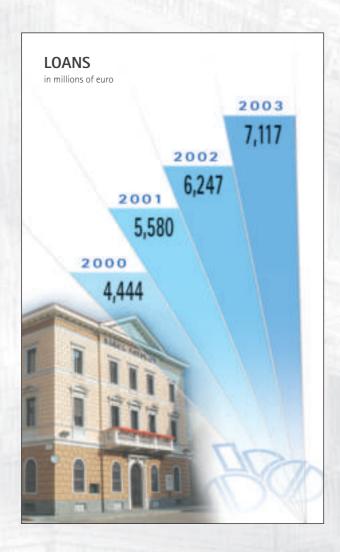
It is a way of granting credit that nowadays would be said to be inspired by ethical principles. Confirmation of this is the *Gente Serena* policy which, among other things, guarantees our borrowers in the event of an accident.

The fact that our lending assets are of good quality is attested by the figures shown below, which reflect a risk profile that is under constant surveillance. The amount of the item «writebacks to loans and provisions for guarantees and commitments» of 23 million, +23.20%, in turn bears witness to the prudence with which we have always treated this delicate matter.

Like every year, we have again carried out an analysis with clinical caution to assess not only positions that are in a pathologically

LOANS

(in millions of ours)	2003	% ot total	2002	%
(in millions of euro)		Ot total		change
Current accounts	2,611,126	36.69	2,330,083	12.06
Foreign currency loans	873,207	12.27	881,068	-0.89
Advances	238,475	3.35	214,423	11.22
Advances subject to collection	108,975	1.53	99,590	9.42
Discounted portfolio	7,460	0.10	7,598	-1.82
Artisan loans	37,450	0.53	40,925	-8.49
Agricultural loans	11,738	0.16	4,820	143.53
Personal loans	64,387	0.90	63,212	1.86
Other unsecured loans	1,252,639	17.60	1,057,156	18.49
Mortgage loans	1,840,612	25.87	1,470,738	25.15
Net non-performing loans	70,767	0.99	76,495	-7.49
Items to be settled	375	0.01	627	-40.19
Total	7,117,211	100.00	6,246,735	13.93



terminal state, but also those considered in doubt. A sort of census and critical review of our loans.

After carrying out the sums, non-performing loans, net of writedowns, amount to 71 million euro, which represents 0.99 of total customer loans, compared with 1.22% at 31 December 2002. The figure has fallen considerably and is well below the national average. The estimated losses on these non-performing loans are covered by writedowns that have been increased from 48 to 86 million, +77.21%.

Watchlist loans, in other words, loans to borrowers in temporary financial difficulty that is expected to be resolved, amount to 51 million euro, -14.44%, equal to 0.72% of total loans to customers. The related writedowns amount to 8 million, -28.39%.

As mentioned earlier, total loans increased during the year to 7,117 million, an increase of 13.93%. The net difference compared with the national figure, +6.10%, is unequivocal evidence of the particular dynamism of our Bank. And contributions to this overall figure came from the various types of loans, almost all of which are well up on last year.

Mortgage loans have grown strongly, up 25.15% to 1,841 million, the equivalent of 25.87% of total loans. This is our response to the demand for loans to buy and restructure buildings by households. Indeed the rush to buy homes has continued, thanks to the low level of interest rates combined with the onerousness of rents. This type of loan is particularly congenial to our «operating philosophy», as it allows us to fragment our lending into a wide variety of loans of limited amount, which has a positive impact on risk, while also allowing us to start up working relationships that are destined to last over time. Our collaboration in this sector with Banca Woolwich has continued. making a wide variety of products and services at our customers' disposal. Good results were also achieved in the field of «convention loans», an area where we have carved ourselves an interesting niche. Our counterparties are the members of the National Pension Funds with which we have stipulated special agreements.

Other unsecured loans have also expanded, +18.49% to 1,253 million.

Current account overdrafts have risen to 2,611 million, an increase of 12.06%, and they now represent 36.69% of total loans. Foreign currency loans, on the other hand, fell by 0.89% to 873 million.

In line with the maxim that he who has earning capacity has credit capacity as well, personal loans rose by 64 million, helped by the introduction of new product lines designed to finance the specific needs of customers without being necessarily linked to consumer spending. Through Conafi we successfully launched loans guaranteed by a fifth of the borrower's salary.

Guarantees given rose by 10.60% to 1,690 million.

The preferential relationship established with companies was rewarded by a further credit line of 75 million euro granted by the European Investment Bank for interventions involving financial support in the medium/long term.

Paying special attention to the financing and capital requirements of companies, we also stipulated an agreement with the Milan office of Confidi, designing an exclusive product for it called «unsecured-mezzanine loan mix». This enhances the dialogue with the entrepreneur and cooperation with Confidi to support worthy industrial projects.

In this connection, it is worth emphasising that we have always paid a great deal of attention to our relations with the Loan Guarantee Cooperatives and Consortiums. They are extremely useful because they facilitate contact with businesses, who then benefit from the various forms of low-interest financing that we can make available.

We have specialist offices, together with our affiliates, which work together with the companies concerned to ease their access to the various types of financing available at national and local level. This is high value-added assistance which is designed to ensure the right selection of the financial support tools best suited to the varying needs of the counterparties.

Our affiliates have as always helped us to expand and enhance the Bank's products and services in the field of so-called «indirect financing». We will talk about them more in a specific chapter in this report.

We will limit ourselves here to mentioning that the Bank operates in these cases as liaison between the needs that emerge from the territories that we serve and the operational solutions that have been prepared, often with our help, by the specialist intermediaries with whom we work.

This is also a confirmation that lending is a very different, and above all a much more complex, business than it was in years gone by. The tools have become more sophisticated, the areas of intervention have widened, collateral services have grown, and the needs of the counterparties have changed and diversified. One thing has not changed for sure: the desire to ensure professional selection and the careful management of the credit lines granted, to guarantee the Bank's solidity and to protect our interests and those of our creditors.

Any bank can help a company overcome a temporary lack of capital; what it should not do is let credit replace the equity that companies need on a permanent basis.

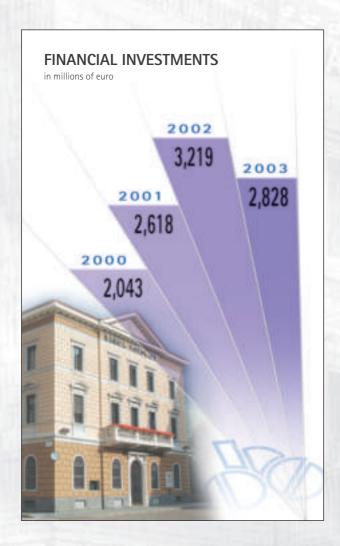
We are a bank in every sense, because we are a cooperative, which means that we are satisfied with the job that we do, well aware that we perform an important role for the economic and social development of the territories in which we operate and of which we tend to become more and more an integral part.

TREASURY AND TRADING OPERATIONS

Confidence in financial markets can be a prophecy that fulfils itself: this optimism can pass on to businesses, investors start buying again and prices go up. Let's hope so.

The stock exchanges did their bit Stock markets in 2003: after three consecutive years dominated by a bear market, 2003 closed with a bull market. This vigorous animal ran fast with sometimes quite hefty price rises, though these still aren't fully reflected in the macroeconomic fundamentals and in those of quoted companies.

Bond markets in 2003 behaved a bit like two-faced Janus: in the first half prices rose,



peaking towards the middle of the year in expectation of further cuts in interest rates which did not materialise; in the second half, the signs of economic recovery were interpreted as heralding a possible rise in yields, making prices fall as a result. By the end of the year, prices were back where they had been at the start of the year.

In this difficult context, Italian investors showed signs of great maturity, though perhaps also of great stoicism. Despite the well-known disasters that put investors' capacity for endurance and comprehension under severe strain, they continued to believe in the domestic production system, without allowing an important channel

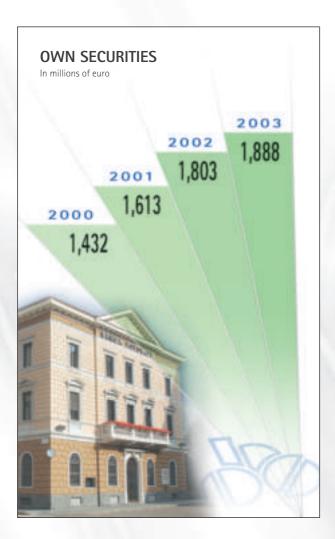
for financing companies – shares and bonds – to dry up. It goes without saying that all interested parties now have to roll up their sleeves to rebuild the relationship of trust between investors and the financial system.

In this environment, it was to our credit that we constantly maintained our traditional professionalism, which has as one of its main requisites one of the cardinal virtues: prudence. Acting in this way, we have never offered to our customers financial instruments that are typically speculative or so complex that they are impossible to understand. Moreover, by carefully selecting products offered by the market, we have never taken part in underwriting syndicates placing bonds of any of the companies that the media have been talking about recently and whose names are on the everyone's lips. And lastly, we have always tried to evaluate the real propensity for risk of each single investor, bearing in mind that it always up to them to make the final decision.

As we said, 2003 saw a sharp recovery in stock markets. For the results of the main marketplaces around the world we would refer you to the chapter devoted to financial markets. Here we will merely mention the performance of the Italian Stock Exchange which did its bit with a promising +13.94%, thanks above all to sustained growth by the media and financial sectors. Total market capitalisation has recovered slightly as a result, reaching 37.6% of GDP compared with 36.4% in 2002. However, this did not prevent it being relegated in the rankings by trading volumes from fifth to sixth place in Europe and from ninth to eleventh place in the world.

As for the changes in the Milan list, 2003 saw the number of quoted companies diminish from 295 to 279, this being the net of 27 delistings and 11 newcomers.

There were 28 rights issues during the year which brought in 9.8 billion euro, compared with 3.7 billion in 2002. There was a distinct prevalence of large borrowers compared with small ones: the



three main operations in 2003 raised more than half of the total mentioned above. The lack of small borrowers mirrors the lack of small investors: around 90% of the shares placed were bought by institutional investors.

There was a considerable number of takeover bids: 32 for a total value of 16.9 billion. This figure equals the all-time high of 1996 for the number of operations and is second only to 1999 in terms of total value.

In this fairly dynamic situation, the activity of our finance department was, as usual, based on the principles of prudence and fairness, at the same time enhancing our staff's gifts of eclecticism as they tried to discover new sources of business and of profit. Product innovation went hand-inhand with process innovation, which enabled us to prepare certain operations in-house instead of delegating them to third parties as we did previously.

The treasury department, which handles interbank deposits and the Bank's own liquidity, also had a year of intense trading and professional and IT refresher courses. Liquidity was quite high throughout the year and this facilitated operations on the MID, the Interbank Deposit Market, turning in strong growth. In a total of 6,936 operations, 97,094 million euro changed hands, +30.69%.

The own security portfolio, totalling 1,888 million, went up by 4.72%, while its mix shows a distinct prevalence of floating-rate securities, mainly represented by Treasury Credit Certificates (CCTs). Fixed-rate securities, on the other hand represent around 7% of the total and consist almost entirely of Long-Term Treasury Bonds (BPTs) with short maturities.

We carefully adjusted the portfolio when market conditions were favourable and stayed fast whenever there was a tempest. Metaphors aside, we can say that our trading in own securities, which was extremely intense in the early part of the year, got hit in the second by changed expectations regarding the trend in interest rates. As a result, the total volume of trading came in at 20.45 billion, down 1.97%. This also reflected on the trading profit which fell to 10.81 million, -17.94%.

The portfolio at the end of the year included capital gains of 3.34 million, write-backs on securities written down in previous year – mainly funds and equities – of 4.10 million and revaluations of funds and sicavs of 0.21 million, while the capital losses booked during the year came to 1.64 million.

Trading on the MTS/PCT, the institutional repo market, was particularly intense. The high level of liquidity gave preference to investment



ASSET MANAGEMENT



rather than funding. Trading by the end of the year totalled more than 50,000 million, +118.34%.

After the constant growth in recent years, the balance of repo transactions with customers showed a slight decline: 1,225 million, -3.09%. Low interest rates pushed investors towards types of investment that offered potentially higher yields, while still being low risk, such as the bonds issued by the Bank, monetary and bond portfolio management schemes and short-term investment funds.

In the scenario that we have just described, the acceptance of orders – whether traditional or through the online trading system – remained at the same level as last year, recovering well during the last few months of the year when the Stock Exchange was at its most vivacious.

As for the bond market, the good tone also had a positive impact on trading volumes on behalf of customers, especially in the first half of the year.

Placement benefited from intense dealing in Arca funds, detailed below in the section where we talk about asset management, while the few IPOs were received rather coolly by investors.

The Restricted (OTC) Market, which is now called Expandi and which we sincerely hope will translate the sense of its name into fact, served egregiously to get our stock better known and better appreciated. The numbers say all.

Performance of the BPS stock

The BPS stock turned in a satisfactory performance in 2003, +13.99%, in line with the 14.63% achieved by the

reference market index, the Expandi mentioned

previously, and with the 13.94% recorded by the Mibtel.

A good result, but one that takes on a greater significance if we consider the results of previous years. Indeed, if we extend the analysis to 2001 and 2002, the comparison is as follows: BPS turned in +5.09% and +1.43% respectively, the IMR (Expandi's precursor) -12.18% and -6.06% and the Mibtel -24.63% and -23.50%.

So ours is a stock that not only reflects the Bank's dynamic and profitable operations, but which also manages to offer adequate protection against the turmoil of some of the hardest years ever for the Stock Exchange, subsequently posting a very respectable rise in 2003. Taking the good dividend into account as well, one really can't ask for more.

The number of shareholders is also rising without a halt: at the end of the year there were 117,169, an increase of 8,147. We are particularly proud of this fact, above all for the trust shown in us by investors and even more so because by far the majority of our shareholders are also customers, so they are doubly appreciative of their bank.

In the report devoted to the extraordinary general meeting we give full information on the proposed increase the share capital already approved by the Board of Directors.

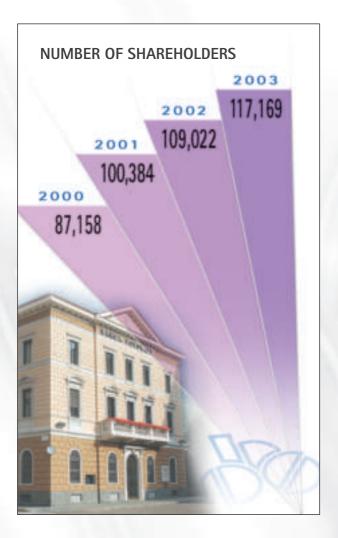
There were no own shares in the bank's portfolio at the end of the year, so the reserve of 19 million euro was completely unutilised; a further attestation of the extent to which the market likes our stock. The following table summarises trading during 2003.

	No. of shares	Par value	% of share capital	Amount of trade
Balance at 31/12/2002	58,998	176,994	0.043	605,589.19
Purchases	144,157	432,471	0.105	1,557,202.03
Sales	203,155	609,465	0.148	2,217,826.41
Profit from trading				55,035.19
Balance at 31/12/2003	0	0	0.000	0.00



PORTFOLIO MANAGEMENT





During the year under review, the asset management sector benefited from a progressive improvement in the climate on financial markets. Net funding of mutual funds and sicavs turned positive again and assets under management grew. An effect of the recovery in prices and the ability of management companies to offer products and services in line with the changed expectations of investors.

We could repeat here the mythological expression of Janus to say that the sector experienced two completely different trends during the year. First-half flows were mainly towards more liquid products and, more generally,

towards the bond segment; second-half flows, on the other hand, saw a recovery in the equity segment, with investors encouraged to raise their risk profile by the recovery in stock market prices, with the result that net flows turned positive again after months of hefty redemptions.

As for ourselves, the Arca funds showed positive net inflows of 164 million, improving on the previous year's already good result. The positive trend helped raise assets under management in these funds to 1,304 million, +14.43% on the 1,140 million at the end of 2002.

Of course, the merit for this goes not just to our sales network, but also to Arca, which with its usual equilibrium and professionalism coped with the market's vicissitudes extremely well, also updating the product line with its timely offer of the new BT Tesoreria fund.

Subscriptions also went well for our Popso (Suisse) Investment Fund Sicav – which has prepared the new European Convertible Bond and Japanese Equity lines – and of the Sistema Valori Responsabili mutual funds which are handled by our affiliate Etica SGR spa.

The Bank's portfolio management service had a very satisfactory year, despite the fact that competition

Portfolio management

year, despite the fact that competition is getting increasingly fierce. At the end of 2003 total assets under management in segregated portfolios came to 1,326 million, an encouraging +26.76%. In order to keep our service constantly up-to-date, we developed Bilanciata 15%, an investment line that is prevalently monetary and bond-based, but at the same time does not entirely overlook opportunities on the equities market; an attestation of how the Bank proceeds with caution, but also with a will to anticipate market trends.

Lastly, we would like to express understandable satisfaction for the overall trend in the various forms of asset management – 2,600 million, +23.13% – a result that confirms our efforts in this important sector and, at a deeper

level, the appreciation that our customers have for our wide and diversified range of products.

During the boom years of the stock exchange, the «Roaring '90s», it was fashionable to take a DIY approach to investing. But that period is over. And market performance has revalued the worth of professional investment managers: they may not have a crystal ball, but at least they can protect investors from reckless decisions.

EQUITY INVESTMENTS

The space devoted to our equity investments in this report reflects the importance we give to the companies that provide us with essential products and services. They contribute a great deal to the Bank's success, a factor that enhances their value and goes beyond the concept of a simple, if considerable, financial investment. Mentioning them, even briefly, is also intended as a sign of recognition for the men and women that manage and work in them, an attestation of their professionalism.

The mutually beneficial relationships that we have built up over time with them are an affirmation of our coherence. Providing the product companies, our «factory», with business and financial support so that their operations can develop in a healthy and balanced way is a long-standing practice for us. And we have always done our part in the delicate task of recomposing their ownership structure, which has changed with a certain frequency in recent years.

No additions or disposals of shareholdings took place during the year under review. All of the interventions in the form of increases in capital, along with an operation of minor import, involved the insurance sector, which by now forms an integral part of our banking activities, and that of leasing, an area that in the broadest

sense is instrumental to any bank that wants to be close to the business community.

In agreement with another cooperative bank, we took advantage of an opportunity to raise our stake quite considerably in the sector holding company Arca Vita spa, and hence indirectly in its subsidiary Arca Assicurazioni spa. With the increase in our interest in B. & A. Broker spa, we have conveniently favoured a consolidation around us and the above companies of the affiliates that operate in all areas of the insurance industry – life, accident, consultancy and brokerage.

Italease is one of our historical investments, reminding us of the genetic role of companies in this sector and of those that were set up for the same purpose together with certain other cooperative banks.

From the start we were convinced proponents of the consortium model and we have worked intensely over the years to maintain it. Being used to the substance of things, we again had to work hard to aggregate the members. The fact that we found loyal and willing travelling companions suggests that we will manage to achieve the goal of restoring our product companies to the apex of their reference markets, as an expression of the world of cooperative banks and their refound unity.

Market companies or consortium companies, it doesn't really matter. What counts is to have efficient companies that can act effectively in their particular area. Companies that are able to generate value for the various stakeholders: shareholders, employees, end-users of the products and services, according to the concepts of social responsibility that we share.

Our largest investment is our wholly-owned subsidiary Banca Popolare di Sondrio (SUISSE) SA, based in Lugano. According to the rules laid down by the Bank of Italy, it is the only member of our Banking Group.

The Bank's equity investments at the end of 2003 amounted to 130.5 million – of which



SUISSE



that services its territory, according to the genetic profile and directives of the parent bank. In other words, retail banking

Swiss professionalism, where market means the entire world. During the year, its eighth, Banca Popolare di Sondrio (SUISSE)



year and is the only banking institution in the Principality deriving from an Italian cooperative bank. The representative

«SUISSE» accounts for 32.9 million – an increase of 18.4 million. The change derives from a total increase of 19.8 million - the sum of various increases in capital and taking higher stakes in certain companies - and a total decrease of 1.4 million, which refers for 0.6 million to covering losses made by Pirovano Stelvio spa and Servizi Internazionali e Strutture Integrate 2000 srl and for 0.8 million to the transfer of the following investments from «equity investments» to «shares, quotas and variable-yield securities»: Borsa Italiana spa, e-MID spa, Euros spa, Intesaleasing spa, MPS Merchant spa, MTS spa, SIA spa, Siteba spa, SSB spa, AvioValtellina spa, Società di Sviluppo Locale spa, Spluga Domani spa, Teleriscaldamento spa and Valtellina Golf Club spa. These transfers have no impact on total assets, nor on the results for statutory or fiscal purposes. The reason for them in accordance with current regulations is partly because the percentage held by the Bank is small, as well as the fact that even if we have a longstanding relationship with these companies, it does not comply with the requirements of art. 4 of Legislative Decree no. 87 of 27 January 1992; in other words, these holdings are not vital for the development of the Bank's core business.

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) SA (100%). A Swiss bank with head office in Lugano, operative since 1995.

SUISSE's rapid territorial expansion – it now has thirteen branches and one representative office – confirms its original mission which is to service its chosen territory, in accordance with its genetic profile and the directives of the Parent Bank.

This means that it offers a retail activity targeted to residents, including many Italians, and to small and medium-sized enterprises, combined

with specialist activity in securities and foreign exchange carried on with traditional Swiss professionalism, where market means the whole world

During the year under review, its eighth year of operations, Banca Popolare di Sondrio (SUISSE) opened a branch in Montecarlo (Principality of Monaco), significantly boosting the Group's international presence. After the profitable work carried out by our representative office, initiated on 2 August 2001, the authorities approved the opening of a fully operational branch in 2003. It was inaugurated on 17 February last year and is the only credit institution in Montecarlo owned by an Italian bank.

This confirms the validity of our international expansion plan, as implemented by this company, whose objective is to offer retail services to the Principality's lively economy and its Italian community (over 15,000 people), as well as to the numerous import/export companies that operate there. The Banque de France, which also supervises Montecarlo's banking system, authorised our branch to grant mortgage loans for the purchase of real estate in France.

Development of the distribution network – the representative office in Zurich, Switzerland's most important financial city, will soon be transformed into a branch – is being constantly accompanied by reinforcement of the structure: in terms of human resources (the staff consisted of 193 people at the end of the year) and in terms of technological and commercial support, with an eye on innovative channels. The highly efficient call centre and the Go Banking on-line bank successfully integrate the services provided in a traditional fashion.

The substantial increase in business relations and in the volumes handled bears witness to the effectiveness of these measures, together with the bottom line.

In the meantime, there has also been growth at the companies that report to the subsidiary, but

which are also at the service of the Banking Group as a whole. Popso (Suisse) Investment Fund Sicav, which operates in six sectors, has reviewed its fund management structure, also with a view to enhancing internal skills; Sofipo Fiduciaire SA, a fiduciary company that operates internationally, all declare themselves comforted by the increase in business turnover and profitability.

The good work carried out by Banca Popolare di Sondrio (SUISSE) is reflected in various items in the financial statements, achieved at a time when market trends were still uncertain and with a Swiss economy that substantially reiterated the problems shared by all other European countries. The net profit comes to CHF 6,934,050, an increase of 5.73% on the previous year. As usual, substantial provisions and depreciation have been charged in accordance with the Group's traditionally prudent approach. Capital and reserves, including the whole of the net profit for the year, booked to reserves as approved by the Board of Directors, come to CHF 95,055,155, an increase of 7.87%, of which CHF 50,000,000 refers to the share capital.

Pirovano Stelvio spa (100%, formerly 98%). This company owns hotel facilities at the Stelvio Pass, which is renowned above all for its summer skiing.

Being located at 2,757 metres above sea level with more than 3,300 metres of ski slopes, the natural scenario is the very essence of Pirovano, its *raison d'être*. A unique scenario, from both an environmental and emotional point of view, which can only really be appreciated by staying there. The much-visited webcam with a 360° view (www.pirovano.it, or through www.popso.it) anticipate at a distance the sensations that can be experienced by going up to the Stelvio Pass and from there to the ski slopes and the numerous circuits of sporting, naturalistic and historical interest. Apart from skiing, the main sports practised here are hill-walking and mountain biking.

So while this is an area that is largely devoted to skiing, it is extremely diversified and open. And our Pirovano offers hotel facilities that are ideal for relaxing, physical exercise and having fun, making them suitable for young people and entire families, professional sportsmen and women, as well as for those seeking some cool during baking hot summers, like that of 2003 which went down in history for being particularly long and torrid.

On the other hand, it was precisely this anomalous trend in the climatic conditions that last year inevitably affected the activities of our «Ski University». The start of the season was excellent and the end was good, thanks to the abundant snowfalls in October, but in the middle, for a long period, the glacier was only accessible at times of day when the sun was less hot, also for reasons of safety.

Of the numerous initiatives, we would mention the agreement reached with the prestigious Touring Club Italiano, which was officially sealed on 12 July 2003, which led to the opening of a Punto Touring at the Albergo Quarto. Our common aim is to spread the concept of civilised tourism: a commitment to act and to educate on behalf of our environmental and cultural heritage.

When it was time to say goodbye till the next season, «Snowfestival», Pirovano's annual closing event, was an opportunity for the Sondrio section of AIL (the Italian Association against Leukaemia) to raise a significant amount of money. Various personalities from the world of sport and entertainment contributed to the success of this event, including Deborah Compagnoni, who acted as the event's godmother, and the Consorzio Tutela Vini di Valtellina, which offered products for the charity auction.

We are extremely fond of Pirovano, not only as a unique and distinctive way of promoting our banking activity, but also as a concrete



PIROVANO



both an environmental and emotional point of view, which can only really be appreciated by staying there. So while this is an

suitable for young people and entire families, professional sportsmen and women, as well as for those seeking some cool



contribution towards the maintenance and, if possible, the development of the Stelvio tourist complex and of the Province of Sondrio.

Despite all of these efforts, it still proved impossible to end the year with a profit, not helped by last summer's relentless heat.

Sinergia Seconda srl (100%). This company owns, directly and indirectly, properties in Milan and Rome that are not instrumental to the banking business.

Together with its subsidiaries, Immobiliare San Paolo srl and Immobiliare Borgo Palazzo srl, its purpose is to manage their properties in the best way possible, incrementing their commercial value also with a view to their subsequent disposal.

With this in mind, the company has managed to lease other portions of the larger building in Via dei Missaglia in Milan, which gives reasonable returns. The smaller but prestige buildings in Rome have been rented for some time.

The particular nature of the buildings in Azzano San Paolo (BG) and in Bergamo, which are held by the subsidiaries mentioned above, are smaller and therefore earn proportionately less.

The company closed the year with a profit.

Associated companies:

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

Contrary to what ought to be common business logic, this company's results continue to depend, directly or indirectly, on the continuous flow of new legislation. On the other hand, the company was created to be of service to the Inland Revenue.

Directly, because Decree Law no. 143 of 24 June 2003 re-established fees for the concessionaires for the whole of last year that were a good deal higher than those foreseen by

the rules in force up to that date and under which the related financial statements would inevitably have closed with a loss. Unfortunately, the uncertainty remains, conditioning financial and business planning of the entire sector. It is an original sin which cannot be eliminated without liquidating the company.

Indirectly, as the various tax concordats and amnesties introduced by the so-called Budget Law 2003 reduce the amount of taxes to be collected through the concessionaires over a number of years and hence the total amount of fees due to us.

At any rate, Ripoval spa continues on its way with determination and regularity, expressing as always operational efficiency and effectiveness. Confirmation of this is the positive outcome of the tax audit carried out by the Tax Authorities on fiscal year 2001.

The economic results are satisfactory.

Arca Vita spa (32.528%, formerly 22.50%). This is an insurance company which operates in the field of life insurance. It controls Arca Assicurazioni spa, which operates in accident insurance, and a number of smaller companies, while it is also associated with B. & A. Broker spa, which provides advisory and brokerage services (see below).

In other words, the company heads up a functional insurance group which specialises in the provision of products tailor-made for the bancassurance sector. Sensitivity to market trends and rapid response are two of the factors that ensure that Arca Vita's policies are well received by customers, integrating synergically with the Bank's traditional products and over time finding new and profitable ways of interacting with them.

During the year under review, the company achieved a significant increase in premium revenue. Indeed, customers were particularly appreciative of the policies issued with a guaranteed minimum yield and/or capital protection.

Ongoing legislative uncertainty, on the other hand, is penalising the pension segment, in which Arca Vita offers its Linea Pensione package.

Given that the insurance sector is by now an integral and profitable part of the banking business, we decided to take advantage of an opportunity that arose when there was a change in the ownership structure, agreeing with another leading cooperative bank to increase our stake in Arca Vita quite substantially. An investment that looks to the future and which is a compliment to the company's long-standing solidity, led as it is by people who have always worked with commitment, professionalism and passion, factors that again this year made it possible to achieve a positive bottom line.

Servizi Internazionali e Strutture Integrate 2000 srl (33.333%). This company 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. It is jointly owned together with Banca Popolare dell'Emilia Romagna and Veneto Banca.

The initiatives taken during the previous year to rationalise the structure and contain costs had good results. So even though the bottom line is still negative, it has improved considerably. At the same time, the services offered to the shareholders and to other banks remained high quality. In particular, the Hong Kong office saw its operations expand in the wake of the rapidly growing Chinese economy. It certainly confirmed its status as an effective observatory and point of reference for advisory and support services for the numerous entrepreneurs interested in doing business in Asia.

The company resolved to cover the loss of the year 2002, so the book value of our shareholding increased by 73,430.67 euro and was then written down by the same amount. This is an acceptable loss as it corresponds to new, healthy business relationships, also with some leading customers, which will generate indirect earnings.

B. & A. Broker spa (28.571%, formerly 14.286%). This company operates in the field of insurance consulting and brokerage.

In a market that is expanding, where businesses, but also households, are beginning to realise the need to optimise their risk coverage in terms of contents and costs, the company's operations are gradually increasing in size, as can be seen from the higher number of mandates acquired and the volume of commissions received.

The delicate activity of evaluating the insurance requirements of companies and then seeking out the most appropriate and least expensive solutions is carried on by highly professional specialists who are also used by the shareholder banks.

Through its own agents, B. & A. has begun the placement of so-called «non-standard» accident policies, which are more complete and flexible compared with the basic types of cover offered by Arca Assicurazioni spa, which are usually reserved for the needs of the average household. These new products, which are called multiguarantee for the entrepreneur, global coverage for civil buildings and accidents, positively integrate the catalogue made available to our distribution network.

We have increased our stake in B. & A. Broker spa because it is our deliberate policy to raise our weighting in the insurance sector.

Economic results are positive.

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

As a part of our commercial offering, the services provided by CBE-GEIE to companies and public institutions are growing in terms of diffusion and appreciation, in step with the process of European integration.

CBE-GEIE's experience of more than ten years guarantees a qualified contribution in areas of particular importance, as summarised below. «InformaEuropa» provides information on the financing opportunities promoted by the European Union through a database of EU programmes and related bulletins; it also provides consultancy and personalised assistance on the basis of specific projects or a questionnaire on the activity carried on. «GarEuropa» issues real time, targeted reports on contract tenders and preinformation advices, at both a national and international level, giving related assistance on analysing tenders, the procedures to be followed and how bids are to be submitted.

The company operates with punctuality, efficiency and effectively, guaranteeing itself not only good results, but also prospects for future development.

Trade investments:

Centrobanca spa (1.60%) belongs to the Banche Popolari Unite Banking Group.

Under the trademark «The Business Bank», the affiliate offers itself as the preferential interlocutor for companies' extraordinary, medium/long-term financial needs.

This is a complex role, which has seen Centrobanca rapidly develop professional skills and specialisations, with a view to offering more appropriate solutions for entrepreneurs during the delicate phases of corporate growth and changes in the ownership structure.

The company has successfully added to its traditional activity of medium/long-term industrial credit so-called «structured finance» interventions and direct risk capital investments, where the operations of its subsidiary Centrobanca Sviluppo Impresa SGR spa, which runs the Sviluppo Impresa closed-end investment fund, stand out. Operations on financial markets and a diversified advisory service complete the wide range of assistance that it can offer.

Positive results are a comfort for what has been done to date and a guarantee of further growth in the future.

Unione Fiduciaria spa (4.378%, formerly 4.072%). The senior member of its industry in Italy, having been founded in far-off 1958 with its core business in the fiduciary registration of securities, the company gradually increased its radius of action offering services to banks and financial intermediaries, at the same time expressing high professional capacity in the field of corporate assistance and management consultancy.

The company therefore represents a valuable asset for its shareholders, not only as regards the investment, but above all for the type and quality of the services that it can offer customers. Services that distinguish themselves and are renewed over time, confirming themselves always at the top of their sector. In other words, Unione Fiduciaria expresses a considerable underlying solidity, which comes from a series of concrete values such as its consolidated corporate culture, based on professional training and experience, the staff's commitment and management's independence.

The wide range of operating areas makes Unione Fiduciaria a multiservice company: consultancy to banks, financial intermediaries and companies; tax and corporate planning; implementation of specific software; complementary services such as company secretary, personnel administration, bookkeeping and more besides.

The company also assists foreigners who want to invest in Italy or Italians who want to invest abroad, also counting on the help of a joint affiliate Sofipo Fiduciaire SA, based in Lugano.

To confirm its eclecticism, we would also mention the book «Investing in Gold» that has been published as part of the series «Le Guide de Il Sole 24 Ore». The topic of gold is one that is being looked into for possible future initiatives.



EQUITY INVESTMENTS



As always, the company has turned in positive results.

Polis Fondi Immobiliari di Banche Popolari S.G.R.p.A. (7%). Usually under its abbreviated name of Polis Fondi SGR.p.A., this affiliate specialises in creating and running closedend property funds.

In its first five years of life, the company – born at a time of renewed vivacity in the real estate sector and rising demand for portfolio diversification – has completed its first operating phase: after placement of the fund units, it invested all of the 250 million euro raised in buildings used as corporate head offices, hotels, shopping centres and logistic hubs, and is now evaluating new opportunities.

The results of this activity are positive. The book value of the fund's assets, as established by independent experts, indicates a yield that is higher than expected; in the past year, an initial pay-out was made equivalent to 3% of the unit subscription value; the return on the buildings acquired is good, while there is now the chance for some of them to be sold with interesting capital gains.

The results should also benefit from the tax regime in force from this year: instead of charging tax at 1% of the fund's assets, 12.50% on the yield earned by the units and on the difference between their redemption or liquidation value and their subscription or purchase cost.

Polis' fund units are traded on the stock exchange in compliance with the applicable regulations. The prices suffer a bit from low trading volumes, on the assumption, shared by investors, that any growth in the value of real estate assets gets expressed in the long term.

The income statement shows positive results.

Banca per il Leasing - Italease spa (6.434%, formerly 4.95%). A bank that specialises in leasing.

It was one of the first leasing companies to open in Italy and has been operating profitably for the last thirty-five years alongside the participating banks, mainly cooperative banks or others with special agreements, reaffirming over time the professional skills that have allowed it to remain at the top of its sector for all this time.

Italease combines its profound experience with the advantages of being a bank, a qualification that it gained in 1995; among other things, this allows it access to funding in ways that are more functional and less expensive. Faithful to its historical mission, it concentrates its activity in leasing, strong in the appreciation of its intermediary banks, but above all that of the thousands of companies that have used its financial support over the years.

So it is fair to say that Italease has had a key role in the economic development of our country. There is no doubt at all that the merit lies with the people who have led and who now lead the company with professionalism, intelligence, ideas and passion. The company was subject to a routine inspection by the Supervisory Authorities, which turned out to be useful and satisfying.

During the year, the company was positively affected by renewed fervour. This led to the forming of a shareholder syndicate among the main partners. We were one of the main promoters of this, the purpose being to ensure the company the necessary stability, financial support and flow of work. Implementation of the third and last tranche of the increase in capital, as approved, was the occasion to test its holding power. Having seen that it was worthwhile, we increased our stake.

As for its operations, Italease, careful as always to changes in the market, launched its «nautical leasing» and prepared «LAS – Leasing allo sportello», an application that can be accessed through our intranet to automate and hence abbreviate the process of preparing cost estimates and of managing leasing contracts on the part of the banks making the sale.

Intense activity and traditional management equilibrium enabled the company to turn in positive results.

Factorit spa (2.415%). This is a factoring company which provides services related to the administrative management and collection of receivables.

It has been on the market since the end of the 1970s, playing an increasingly important part in the steady growth in the services sector that has involved the banking system.

In concrete terms, Factorit has earned the market's appreciation – quite apart from the fact that it advances cash on trade receivables, manages them, evaluates debtors, and handles all of the administration and bookkeeping, control of payment deadlines, collection, soliciting payment, bad debt recovery – for the fact that it guarantees a positive outcome for the credits assigned. And with the introduction of «home factoring» via Internet, it is now possible for customers to dialogue with the company on outstanding balances.

This is a precious service, which managed to increase its volumes even during the downturn, helping companies to pay attention to the risks of insolvency and to optimise their management of working capital.

The company increased its market share during the year. The merit for this goes to the partner banks, Factorit's commercial and operational effectiveness and, of course, to the people who lead it and who work in it with skill and commitment.

Factoring has confirmed that it is an important support tool for companies, and hence for the economy, complementary to banking services and with a good margin for growth.

The net profit is a comfort as regards the company's management policies.

Centrosim spa (3.173%) is a securities house.

After the prolonged slide in stock markets which lasted approximately three years, in 2003

the indices achieved a significant trend reversal, though it was still not enough to revive trading volumes to a decent level. Evidently, the deep wounds suffered by investors – both financial and emotional – are still open and likely to take a long time to heal.

This introduction serves to define the context in which securities houses had to operate. Many of them were forced to reposition themselves, if they had not already done so in previous years. In certain cases, they even closed down altogether. More in general, there were internal reorganisations, a euphemism for personnel cuts.

Centrosim did not escape the need to reduce fixed costs, but even though they did this, there was still plenty red ink, despite the professionalism that this company has always shown.

When push came to shove, the founders' intuition turned out to be correct; namely that it is absolutely essential for a trading SIM to have high volumes of business. Unfortunately, having set up a machine that could easily handle the thousands of orders coming from the banks' securities departments, Centrosim was forced to watch with justified concern the gradual abandonment by certain cooperative banks who preferred their independence, opting for alternative solutions.

In light of the overall situation, a certain consolidation is now underway with Centrosim acting as an aggregator, moving in the only direction that is possible to emerge from this crisis: to achieve economies of scale and operating advantages by substantially increasing trading volumes.

We will therefore continue to support Centrosim, guaranteeing it a flow of work and the capital resources necessary for operations to continue correctly and for the business to grow profitably.

Arca Banca di Investimento Mobiliare spa (12.841%). This company, usually abbreviated to

Arca BIM, operates in various segments of the financial services industry.

The company derives from Arca SIM spa, so its original core business was in securities trading and portfolio management, though it is now very active in private equity, especially through its subsidiary Arca Impresa Gestioni SGR spa and its underlying closed-end investment funds, Arca Impresa and Arca Impresa 2000. It also offers a full range of management consultancy services, above all in the fields of mergers and acquisitions and structured corporate finance.

Even though it is still a young company, Arca BIM can benefit from the years of experience that its members of staff gained previously in these specific areas.

The hope is therefore that the company manages to carve a decent niche for itself before too long, in a sector that is seeing the participation of all the main banking and consultancy groups, and not just domestic ones.

The results were positive.

Arca SGR spa (5.17%, formerly 4.816%). This is a mutual and pension fund management company.

Having consigned to history 2001 and 2002, two notoriously difficult years also for the asset management industry, this last year saw a timid upswing in the trend. If on the one hand the level of diffidence remained high, with investors continuing to prefer low-risk investments, on the other the reasonable upswing in share prices did move the more enterprising ones, permitting at least a partial recovery in the value of our equity funds.

As always, Arca SGR operated well, demonstrating the traditional equilibrium and experience gained in twenty years of profitable work (having been founded on 14 October 1983), during which time we have always guaranteed our full and committed support.

Our contribution to the company's share capital is rising constantly, even though our

commitment is unfortunately not enough to maintain its market share on a level with its potential, not helped by the decisions taken by some of the original shareholders.

The consolidated professionalism and balance of Arca's management and personnel constitute a guarantee for investors. The performance of most of the funds that it manages has again beaten the industry benchmark. And that is what really counts.

An already ample range of funds has been enriched by BT Tesoreria, an accumulation fund designed mainly, but not exclusively, for companies with surplus cash that they need to invest on a temporary basis. The initiative has been reasonably successful. Arca Previdenza continues on its way, which could be at a good pace were it not for legislative indecision in the field of supplementary pensions.

Area SGR spa closed the year with positive results, attesting to its good management and permitting the investments needed to maintain a high level of technology and hence of operating efficiency.

Based on this solid foundation, we are determined – also as a sign of recognition to the people who work at Arca with commitment and enthusiasm – to give our firm contribution to guarantee it a new phase of development. The company should start working again as soon as possible at the same rhythm that it once had as part of a recovery in the consortium spirit.

Arca Assicurazioni spa (9.90%) is an insurance company that specialises in non-life policies sold through the banking channel.

After its initial years of activity when the company quickly penetrated the market, achieving substantial volumes of work, during 2003 it continued to consolidate and recompose its portfolio, though obviously without disregarding the ample possibilities for growth that the sector still has.

Selling non-life policies through our branches continues to be a straightforward and

profitable supplement to our normal banking activity.

The commercial side received a boost from the «Visibility Project», a marketing initiative launched successfully by certain branches of the distribution network and which is now being extended.

A significant improvement in the ratio between premiums written and claims paid again led to a net profit.

Arca Merchant spa (12.841%). This company invests in the risk capital of unquoted companies using its own capital. The objective is to sustain the development of companies with good growth potential, thus enhancing the value of the investment with a view to selling it off in the medium to long term.

Even though this specific function involves the purchase and sale of securities, it cannot by its nature be defined as speculative, as this kind of investment involves direct involvement in the management of the business concerned and agreement with the key shareholders regarding the timing and way in which the investment is to be sold. These are factors of particular importance from an operating and ethical point of view, something those who work at Arca Merchant are well aware of.

We in turn are well aware of the delicate and complex function that the company performs, one that by its very nature is not without risks. It has our support so that we can express to the full our close relationship with the business community.

Arca Merchant will continue with the determination that it has always had, even though 2003 closed with a loss for the first time in the company's history.

Cilme-Multitel spa (5.062%) handles electronic retail payments for banks.

We announced the setting up of this company in our last report, born of the merger of Cilme spa and Multitel spa, based on the

assumption that combining their businesses, which are complementary to each other, would make it possible to achieve operational and economic benefits.

The results of its first year of operations are comforting. The company is first in the national rankings for this sector, reflecting its operating and technical efficiency, which are recognised by the market. It has a good level of profitability and the company's growth prospects are encouraging.

The effectiveness of the service rendered is measured a thousand, if not tens of thousands of times every day. Cilme-Multitel's use of high quality technology, including innovative equipment in an internet environment, have enabled it to compete as a leading protagonist in the sectors of electronic money – it is in first position for the POS terminals managed – and e-banking applications.

Banca Popolare Etica scarl (0.161%, formerly 0.182%). This is an investment that expresses the fact that we share the principles of cooperation and social solidarity, as manifested in the collaboration currently underway.

This bank is about to celebrate its first five years of activity, during which time it has progressed considerably, carving its own niche.

Common cooperative origins is reflected in the substantial and rising number of shareholders. They are shareholders who effectively operate on the ground, mostly organised on a voluntary basis in the various local districts. They bring in business to the eight branches, the latest of which is in Bologna, which together with the financial consultancy and representative offices make up the company's peripheral network.

The interlocutors of Banca Etica, whether they are shareholders or customers, can find an answer to their needs at our windows, where they can also buy financial products, including the mutual funds run by Etica SGR, another of our investments which is commented on below.

Good balance sheet and income statement results augur well for the future.

Our stake in the company has gone down, but only because new shares were issued during the year which were subscribed mainly by fresh shareholders.

Etica SGR spa (11.364%). This is an asset management company whose mission is to set up and promote ethical mutual funds.

After a delicate preparatory phase, on 18 February 2003 the company began placing funds with the «Valori Responsabili» trademark, three lines in the monetary, mixed bond and balanced sectors.

Etica SGR offers itself as a reliable counterparty for those who want to invest their financial resources in a targeted fashion. The evaluations and selection of issuers, which the company rigidly adheres to, are carried out by Ethibel, a very effective not-for-profit association based in Brussels, which performs objective and independent investigations into the social responsibility of companies and states.

Research done by ADISUM on ethical mutual funds in Italy, entitled «Ethics without rhetoric», awarded the «Valori Responsabili» funds, which can display the ethical badge issued by Assogestioni, the highest points, ranking it first in Italy for the quality of the social responsibility criteria used, the completeness of its information material and its permanent monitoring of the companies included in the portfolio. This important recognition obtained directly from consumers rewards Etica SGR's transparency and emphasises the sensitivity of investors who appreciate investment principles other than just the highest expected return.

Even though the company launched its funds at a moment that was still unfavourable for the asset management industry, the volumes of funding that it has taken in are very encouraging.

The economic results of the first year of operations inevitably discount the costs of setting up the structure and launching the product.

Finlombarda spa (0.405%). As its full name suggests, Finlombarda - Finanziaria per lo sviluppo della Lombardia is a finance company for the development of Lombardy, helping to implement the region's economic, social and territorial development plans, with particular attention to small and medium-sized enterprises.

Our relationship with this company goes beyond a mere interest in its share capital. Indeed, given that we are a regional bank that is very close to Lombardy's hard-working entrepreneurs, we have stipulated numerous agreements with the company to help gain customers access to soft loans.

Worth mentioning immediately is the new agreement signed in 2003 which relates to the setting up of a roll-over fund and a guarantee fund for the development of small artisan businesses in the depressed areas of Lombardy. The funding and finalisation of low-interest financing in favour of artisans and SMEs in accordance with regional laws 34/96 and 35/96 have continued at a good rate. This also involves operations based on laws 1/99 (start-up of new activities) and 365/00 (interest grants for damages caused by natural catastrophes).

A substantial level of operations, which naturally implies efficiency on the part of the company and the important role that it plays. Collaboration that also involves acting as custodian bank for the closed-end investment funds set up by Finlombarda Gastonia SGR spa, of which the company is the reference shareholder and in whose funds the bank has invested.

The bottom line is positive.

Consorzio Cassamercato (6.286%). This consortium was set up in 1999 on the initiative of SO.GE.MI. spa, the company that organises and runs Milan wholesale food markets. Its purpose is to mechanise goods trading. We joined the consortium along with all the other banks that have a presence at Milan's Fruit and Vegetable Market.

After more than four years, the project is still largely on the drawing board, partly because of its complexity and cost of implementation, and partly because of the problems involved in finding the right compromise between the various needs of potential users.

Little progress was made in 2003 as well, so it is not easy to foresee when the project is likely to be completed. The income statement reflects this situation, turning in another loss.

Non-trade investments:

AEM spa (0.333%). We have underlined on various occasions how our investment in the Milanese energy company represents for us not just a solid and stable financial investment, but also an attestation of the historical link between our Valleys and the Azienda, as it is familiarly known in our area. A link that is above all economical, one that has a meaning and that meaning is work. Once upon a time it only meant electricity, but now it also means gas and telecommunications. As well as a link in terms of good earnings, given the company's good results.

In previous reports we have spent a few words on the new structures built by AEM in the province of Sondrio, modernisations and extensions involving a high level of capital expenditure. 2003 saw completion of the works on the new canal in Val Viola, a 19-kilometre conduit that will permit a substantial increase in electricity output by the Premadio power station.

As just recognition for our area, it is worth remembering on this occasion the declaration of AEM's chairman that made headline news in the Corriere della Sera of 29 September 2003, the day after the black-out that hit almost the entire country: «Milan was saved by the power stations in the Valtellina». An affirmation that points to AEM's efficiency and highlights the Province of Sondrio's key contribution in a sector of vital importance for the community as a whole, which

unfortunately turned out to be less reliable that expected.

The company, which is the only one mentioned here that is quoted on the Stock Exchange, has a solid balance sheet and positive results.

InArCheck spa (15.385%). This is a service company which specialises in control and certification activities in the field of civil and plant engineering and architecture, with a view to increasing construction quality and value.

It was set up in 2002 on the initiative of one of our leading counterparties, the Cassa Nazionale di Previdenza ed Assistenza per gli Ingegneri ed Architetti Liberi Professionisti (Pension and Welfare Fund for Engineers and Architects), for which we have been acting as treasurer since 1 April 2000, and the delicate start up period has now been completed. The amount of the order book is comforting with regard to its margins and geographical coverage.

Together with the control and certification activities, which also apply in the insurance cover granted to building projects, InArCheck contributes to the validation of projects as part of the application of the framework law on public works.

So the services that it provides on behalf of individuals, companies and the community in general are both complex and delicate, performed with great precision thanks to the skill and experience of its carefully selected professionals.

The combination of start-up charges and the normal delay between carrying out jobs – already a lengthy process – and collecting the fees have had a negative impact on the results, which show a loss.

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

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND THE GENERAL MANAGER

First and last name	Company in which shares are held			No. of shares purchased in 2003		No. of shares sold in 2003		No. of shares held as of 31/12/2003	
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	_	_	2,000	1,000	20,000	20,000
ALDO BALGERA	Banca Popolare di Sondrio scarl	122,504	12,631	_	_	_	_	122,504	12,631
GIANLUIGI BONISOLO	Banca Popolare di Sondrio scarl	2,360	74	_	_	_	_	2,360	74
MILES EMILIO NEGRI	Banca Popolare di Sondrio scarl	40,000	40,000	_	_	_	_	40,000	40,000
GIUSEPPE FONTANA	Banca Popolare di Sondrio scarl	200,000	_	_	_	_	_	200,000	_
MARIO GALBUSERA	Banca Popolare di Sondrio scarl	2,400	5,000	_	_	_	_	2,400	5,000
CARLO GRASSI	Banca Popolare di Sondrio scarl	400	81,200	_	_	_	_	400	81,200
NICOLÒ MELZI	Banca Popolare di Sondrio scarl	33,000	900	2,000	400	_	400	35,000	900
ALDO ROSSI	Banca Popolare di Sondrio scarl	25,000	30,000	_	_	_	_	25,000	30,000
RENATO SOZZANI	Banca Popolare di Sondrio scarl	15,060	15,060	_	_	_	_	15,060	15,060
LINO ENRICO STOPPANI	Banca Popolare di Sondrio scarl	15,000	15,000	3,000	3,000	_	_	18,000	18,000
BRUNO VANOSSI	Banca Popolare di Sondrio scarl	25,070	29,474	2,000	_	2,000	_	25,070	29,474
FRANCESCO VENOSTA	Banca Popolare di Sondrio scarl	12,688	1,215	_	50	_	_	12,688	1,265
FEDERICO FALCK (**)	Banca Popolare di Sondrio scarl	500	_	_	_	_	_	500	_
Statutory Auditors									
EGIDIO ALESSANDRI	Banca Popolare di Sondrio scarl	909	681	-	_	_	-	909	681
PIERGIUSEPPE FORNI	Banca Popolare di Sondrio scarl	6,441	14,860	-	_	_	-	6,441	14,860
ROBERTO SCHIANTARELLI (***)	Banca Popolare di Sondrio scarl	1,000	_	_	_	_	_	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	

^(*) died 21/12/2003 (**) from 1/3/2003 (***) resigned 4/6/2003

companies» shows assets of 101 million and liabilities of 106 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 2003 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.

INTERNATIONAL UNIT

Ours is a bank with strong territorial roots; we stay close to our customers, both mentally and through our branches, many of which are located in small towns and villages. It is a mission that is typical of a cooperative bank, attentive by definition to the needs of local businesses and the communities that it serves.

We then extend our reach to wider markets in Italy and abroad through our subsidiary, Banca

Popolare di Sondrio (SUISSE) SA and our international unit.

We have already commented on the former in the chapter on equity investments. Here we will talk about the latter, which from its modern offices in Sondrio's Lungo Mallero Cadorna illuminates the world scene for us like a lighthouse.

The personnel of the international unit do in fact enable us to widen our horizons, making us understand better the dynamics of the world economy which inevitably have repercussions on domestic affairs. These are the pervasive effects of globalisation, a phenomenon that is affecting more and more not just large companies but the lives of individual investors as well.

In recent years, the international sector has had to cope with events of major importance, which have required ideas, the ability to react fast and to use suitable human and technological resources. The Darwinian theory according to which those who adapt quicker and better to change have an advantage over the others applies to international affairs as well. The euro is an object lesson of this.

Banks have had the experience of the cuts caused by the single currency on the profits generated by foreign exchange activities and services, in particular the cross-border payment and collection system.

Our international unit inevitably felt the need to reposition itself on the market, though the advent of the euro, together with the increased accessibility to new geographical environments, has also acted as a catalyst to identify and develop new types of business.

Faced with any external change, even if apparently negative, the essential is not just to limit the damage, but to exploit the opportunities that new situations often bring. So we are right to believe that advantages will soon derive from the changed international scenario. The benefits are already considerable, and the foundations have

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INTERNATIONAL UNIT





been laid for more positive developments in the future.

Let's now come to the facts, namely the activity carried on during this last year.

To start with, the international unit made its usual generous contribution to the Bank's earnings. Also to be emphasised is the significant contribution that it also made to promoting our name in Italy and the world, to the concrete benefit of the Group as a whole. They have helped create an increasingly dense network of acquaintances and relationships where new business can be sought.

The agreement with PROMOS – a special agency of the Milan Chamber of Commerce for the promotion of international business – enables the Bank to have available, for itself and for its customers, an efficient, tried and tested overseas structure made up of thirteen offices located in some of world's main marketplaces, namely: Montreal (Canada), New York (USA), Mexico City (Mexico), Montevideo (Uruguay), Saõ Paulo (Brazil), Prague (Czech republic), Budapest (Hungary), Warsaw (Poland), Moscow (Russia), Cairo (Egypt), Beijing (China), Mumbai (India) and Tokyo (Japan).

Highly qualified services are provided mainly to Lombardy-based companies: handling relations with foreign banking institutions, embassies and consulates; organising business meetings; preparing analyses and support for trade missions, marketing opportunities, trade fairs and cultural events; assistance for delegations; indicating potential trade partners; helping companies open abroad, and more besides.

The agreement with PROMOS which is long-term and concerns exclusively the lending side of the business, was implemented immediately. Indeed, our international unit, with its usual efficiency, spread the word among entrepreneurs interested in the opportunities likely to derive from the agreement. An «America Day» and an «Egypt Day» were organised in Milan

and Sondrio in the presence of the respective PROMOS representatives, while a delegation from the Bank took part in the Prado Trade Fair in Montevideo, Uruguay's most important agroindustrial and commercial event. Other initiatives are in the pipeline, in addition to the normal routine work.

In the chapter on equity investments, to which you are referred, we commented on the specialist services provided to companies by Servizi Internazionali e Strutture Integrate 2000 srl and CBE Service sprl, companies which complete our overseas structure, with offices in Hong Kong and Brussels.

Numerous banks, other cooperative banks in particular, use us for their overseas operations. Of these, Popolare di Fondi, which provides with a considerable amount of business, reinforcing a significant level of cooperation.

As a result of an EU tender, we were appointed by INPS to pay pensions to more than 100,000 beneficiaries residing all over the Eurozone.

This important mandate, which rewards the efficiency of our specific IT and organisation structure, together with the fact that we have an excellent network of correspondents, follows on the intense activity of paying pensions from foreign benefit agencies to people resident in Italy. In this sector, which has just expanded as we have been appointed to pay pensions coming from Austria, we are the national leader. The periodic surveys that we carry out into the level of satisfaction of our counterparties gave encouraging results: more than 98% of those interviewed said that our service was excellent.

We are sensitive to the needs of many workers coming from so-called developing countries and to how they are evolving. This is why we prepared a special procedure for the transfer of money from Italy abroad: «Rimesse Emigrati» (emigrants' remittances). It is rapid, secure, inexpensive and transparent, and is

therefore much appreciated by its many users, such that it has been adopted by one cooperative bank that is particularly close to the needs of immigrants, as well as by leading foreign exchange companies operating nation-wide. So we really can say that keeping an eye on the social aspects of business, which is implicit in our corporate mission, can also have positive effects on the market.

Together with CO.MO.I. SIM spa, we have concluded the first contract in Italy for hedging atmospheric risk. This is a product that is frequently used in the USA under the name of «weather derivatives», and we think they could have interesting developments here as well. This goes to show that even a bank of modest dimensions, like our own, can create innovation, opening up new spaces.

While the start of 2004 has seen the timely publication of the much appreciated book of statistics called «Cambi & Tassi», let's take a look at the figures that summarise the intense activity carried on in 2003.

There are more than 14,000 customers, an increase of more than 7%, a sign that the specific products that we offer are well received and appreciated also in the areas where we have set up recently. The expansion to new markets around the world is reflected in the widening network of correspondent banks, in total almost 1,500 in 114 countries. These are tried and tested, carefully selected entities with whom we interact in real time. To the extent that at this stage every corner of the world – from a banking point of view, but not only – is on our doorstep.

The transactions followed by the international procedure – approximately 1.5 million in total – have gone down by 4% because of the downward trend in interbank foreign exchange activity, as explained below, whereas business with customers remained at a good level. The messages processed by the Swift system, more than 810,000 sent and received, are in line with the previous year.

As for foreign exchange dealing, while current items (goods and services) went down by 5% after years of rapid expansion, mainly because of the slowdown in goods traffic caused by the recession, capital movements rose by 73%.

Forex trades fell by 11%, partly because of the settlement phase following the introduction of the single currency, and partly because of the drop in the international movement of goods, and of people, due to ongoing geopolitical tensions. Turnover in derivatives (on exchange rates, interest rates and commodities) turned in further growth. Derivatives on precious metals, mainly gold, on the other hand, slowed down due to the hike in prices.

Looking at the balance sheet, foreign currency and external euro deposits from customers came in at 435 million, an increase of all of 72%; those in foreign currency from banks amounted to 736 million, a decline of 27% due to the higher availability of direct funding; foreign currency loans to customers came to 873 million, in line with the previous year.

These figures give an idea of the intense and satisfactory work carried on with passion and skill by our people, who have always been committed to translating the Bank's consolidated vocation for operating internationally into concrete, profitable facts. They have been given the task of developing relations and relationships day-by-day throughout the world. They are accompanied by a high level of professionalism, an aptitude for communicating in an affable and effective way, a spirit of initiative and a good knowledge of foreign languages.

Recognition of this success came with ISO 9000 quality certification, now updated to Vision 2000 specification. It was obtained in previous years and then confirmed for the following sectors: cross-border and foreign pension payments; correspondent banking; remittances and documentary credits. In 2003 we added the following: payment abroad of Italian pensions;

collection of foreign cheques; direct debit of foreign payments (through the RID procedure). A quality made not for being bandied about, but which is reflected in our day-to-day work and which becomes the load-bearing structure that will enable us to cope with rising volumes with reasonable tranquillity.

We reiterate our thanks to the Italian Foreign Exchange Office (UIC) for the suggestions that they gave us at the time of their inspection in 2002. On the basis of these indications we have operated and continue to operate to improve our activities in this delicate sector which UIC is called upon to monitor.

SERVICES, PROJECTS AND STRUCTURE

Sales and Marketing

Over the last decade, banks have steadily expanded their range of products and services, to the extent that at a certain point some scholars came up with the theory that monetary intermediation was by now a thing of the past.

The facts now show that this is not the case. To tell the truth, we were always convinced of this, but there is no doubt that banks have extended their business activities to new sectors, such as finance and insurance, without overlooking that of payments. This because they have become more aware of the potential of their branch networks and the preferential relationship that they have with their customers.

The system has also seen a proliferation of specialist players, more or less equipped and organised, who had to procure market share and revenues; they then had to cope with the long bear market and the repercussions that hit the asset management industry as a result.

This situation, which is extremely dynamic and highly competitive, but also full of

opportunities, did not catch us unawares. Our firm desire to raise our volumes, sustained by strong territorial expansion and by the quality of what we had to offer, gave a boost to the business and permitted satisfactory economic returns. In other words, we ran, conscious of the fact that we did not have the option of walking.

The centrality of the customer guided us and is a key part of our corporate culture. Physically and mentally reactive, we have considerably enriched an already ample catalogue, thanks to the contribution made by our affiliates.

New targeted proposals have been aimed mainly at small investors. The range of portfolio management schemes that we look after now include Bilanciata 15%, a line of investment that gives preference to the monetary and bond sectors, but does not overlook the opportunities of the equity sector. It is in fact intended for those who want to take a cautious approach to the stock exchange.

Popso (Suisse) Investment
Fund Sicav, our Group's sicav, can
now define itself as multimanager:
the few segments that have been available for
some time have now been joined by the European
Convertible Bond and Japanese Equity lines,
which are managed together with leading
operators.

Being sensitive to the values of ethical finance, we have helped place the Sistema Valori Responsabili mutual funds handled by our affiliate Etica SGR spa. The advisor Ethibel evaluates the issuers and selects those with a high profile of social responsibility.

The affiliate Acra SGR spa as BT Tesoreria set up BT Tesoreria, a capital accumulation fund aimed mainly, but not only, at companies that need to invest surplus liquidity on a temporary basis.

The insurance sector has received a boost from the Arca Vita Group. The new policies being

Unit Linked MULTIFASE offered have been diversified, with the common objective of guaranteeing the capital invested and to benefit from market trends, together with the peculiarity of insurance products. InvestiDOC, Index Linked 13 and Index Linked 19 are this year's issues; in addition, there is Unit Linked MULTIFASE, an innovative policy whose financial component is designed for gradual investment in the stock exchange.

«Non Standard» **Policies** In CASA In FAMIGLIA, In SALUTE, In AUTO, Solouna!

In accident insurance, we have launched, together with B. & A. Broker spa, the placement of «non standard» policies, in other words policies that are complementary to the In CASA, In FAMIGLIA, In

SALUTE, In AUTO, Solouna! policies that have been successfully offered for years by Arca Assicurazioni spa. These new types of cover belong to the categories of «multiguarantees for the entrepreneur», «global civil buildings» and «accidents».

SCRIGNObps

As for the electronic channel, which has the support of a special call centre, our portal SCRIGNObps has enriched and refined its content, resulting in a considerable increase in users. The novelties include SCRIGNOgruppi which allows companies to prepare bank transfers, defining the various people who are authorised to send them and their respective approval limits; SCRIGNOvetrina offers companies the opportunity to extend the visibility of their own websites through our portal; the function of SCRIGNOPagamentoUtenzeOnline is obvious from its name. With the Recapiti service, users of SCRIGNOInternetBanking can decide if and how they want to receive communications from the bank (by e-mail, fax, sms, etc.).

With a view to simplifying the procedures that tax payers have to comply with, we activated the electronic transmission of payment mandates, the so-called Modello F24.

Our profitable relationships with various national institutions, which attract huge communities, have favoured the development of applications for handling relationships on a remote basis, which by now have been extended to all basic banking products and services.

Marketplace Coralis, the Marketplace internet market looked after by a company of the Banche Popolari Unite Group, is growing in terms of diffusion and appreciation. And for companies it is a new, inexpensive and transparent way to make purchases.

POPSOWeb

Our closeness to young people, shown by the success of our dedicated CONTO 44 GATTI POPSOWeb current accounts, saw the setting aside of a new amount to finance computer purchases at zero interest. For the very young, the CONTO 44 GATTI, a savings deposit book which, together with special conditions, also offers its own website, a Club membership card for discounts at many parks and museums, and distribution of an exclusive publication.

Part of the lending business is our collaboration with Conafi spa for the granting of personal loans guaranteed by assignment of a fifth of the borrower's salary. As is the agreement with the Fondazione Enasarco - Ente Nazionale di Assistenza per gli Agenti e i Rappresentanti di Commercio – to grant mortgage loans throughout Italy to members, their children, to cooperatives set up by members and to the employees of the Fondazione.

Plastic money is on the rise. Our Online prepaid cards prepaid cards - rechargeable or disposable - have been approved for withdrawing cash from the ATMs of the QUIMultibanca circuit. It is possible to consult the residual cash balance on the card and the movements that have taken place on it through Carte Prepagate on-line service in the SCRIGNOInternetBanking, which virtual customers authorised to issue orders can also use to recharge their cards on-line.



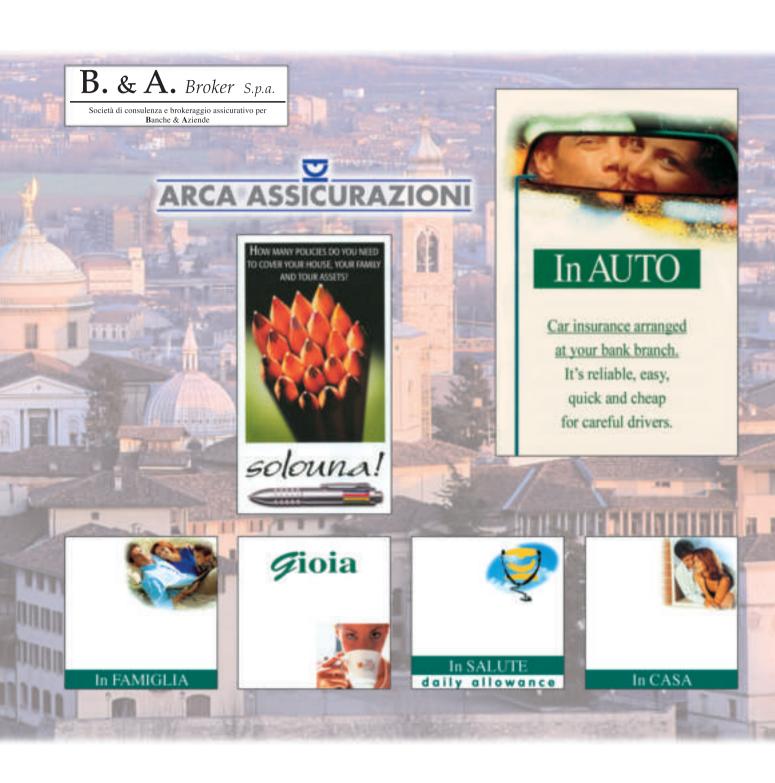
BANCASSURANCE



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Unit Linked MULTIFASE, an innovative policy whose financial component is designed for gradual investment in the stock



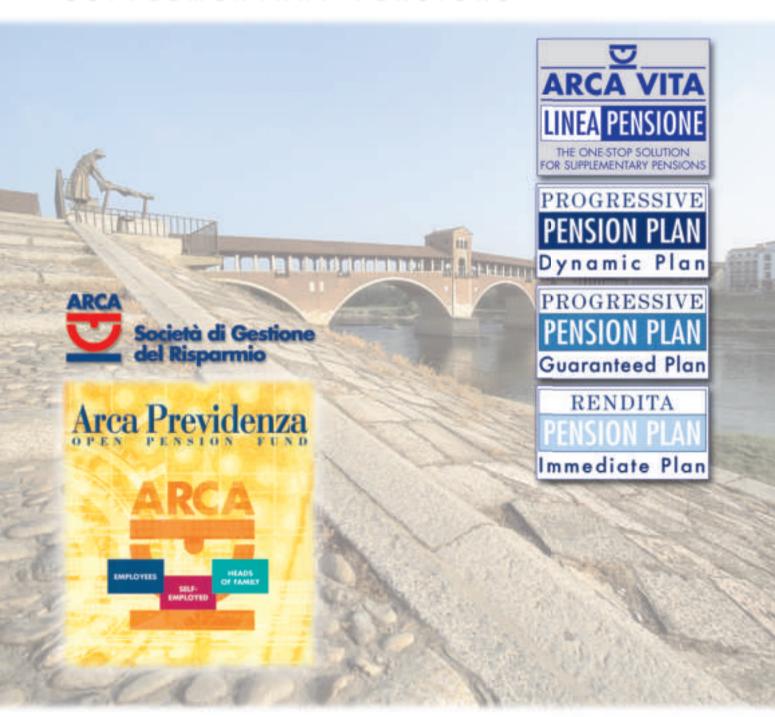


policies, in other words policies that are complementary to those that have been successfully offered for years by Arca

"multiguarantees for the entrepreneur", "global civil buildings" and "accidents".



SUPPLEMENTARY PENSIONS



Carta Chiara

Carta Chiara is a prepaid, rechargeable card that can be used throughout the world to make payments through the Maestro circuit.

Carta Lira is an exclusive electronic payment system for professionals who operate with the Territorial Agency for the whole of Lombardy. It is now available in a prepaid form, rechargeable or disposable.

Customers of H3G (brand name «3»), the first operator to launch a multimedia UMTS service in Italy, can now recharge their mobiles at one of our ATMs. TV licences can also be paid there.

Worthy of mention, if for no other reason for the size of the counterparty, is the acquisition of the service to handle payments ordered by Ferrovie dello Stato spa (the state railways) to its employees and third parties, following an EU tender, in which we took part as the leader of a group of cooperative banks.

PattiChiari

Lastly, we would point out that we have promptly adhered to the Banks and Companies project promoted by the Italian Bankers' Association under the trademark PattiChiari (clear agreements). We have taken part in all of the initiatives launched to date. Nor did they catch us unawares, as our activity has always been based, as far as possible, on fairness and transparency. So perhaps we can talk about Patti più Chiari (even clearer agreements).

Central offices

The success of our front line, the branches that day in day out strive against our competitors, is sustained by the work done behind the scenes, at the central offices, which ensure the quality and effectiveness of everything that we offer.

As usual, we start with SOSI - Servizio
Organizzazione e Sistemi Informativi
(information systems and procedures), the
protagonist of the IT and telematic processes that

look after all of the Bank's functions. Just a few words to express a huge commitment, which goes from the solution of complex structural problems to the implementation of numerous minor interventions, all important, which for reasons of space we cannot cite here. SOSI is the heart of the Bank.

Two important questions were tackled during 2003: IT service continuity, i.e. the disaster recovery plan, which the Supervisory Authorities are also interested in; and modernisation of the data transmission network.

As regards the first, the comparison of detailed technical and economic analyses made it possible to reach a solution that we would define as optimal. This involves entrusting the basic system to a third-party specialist (technically known as «facility management»), which in itself is opportune and less expensive that doing it ourselves. It also puts the burden of coping with any disaster situations onto the third party. In the end we chose a provider of international fame and proven worth, with consolidated experience in the sector and therefore in a position to provide the necessary guarantees.

As for the second aspect, the evolution in telematics and the development of e-mail and intranet applications – the main carrier of internal communications - have led to the need not only for facility management, but also for an upgrade of our network, having recourse to broadband technology. A quantum leap which will permit, among other things, competitive costs, a transmission speed at least four times what it is at present, and access to services such as videoconferencing and video communication. More generally, the purpose of this plan is to give a decisive boost to the electronic circulation of data, communications and documentation, whose functional and economic benefits - already substantial – are growing constantly.

Of SOSI's numerous other achievements during the year, we would only mention, because



THE VIRTUAL BANK



of its practical importance, the electronic management of current account statements in pdf, making it possible to consult them and print them out at the branches through the intranet.

Public entities and treasury offices The 459 treasury and cashier mandates (46 more than last year) reflect well on the efforts of the public

entities office on behalf of local and national institutions of various kinds, and therefore to benefit the multitude of users, hundreds of thousands of them, who use their services. Collaboration with these institutions, to which we offer advantageous services and advanced technology, is the expression of our will to operate in a full and concrete manner in the territories where we have a presence.

The more significant new mandates include Cassa Nazionale del Notariato, the Brescia Chamber of Commerce, Azienda di Servizi alla Persona «Golgi-Redaelli» of Milan, the Azienda Ospedaliera della Valtelline e della Valchiavenna, acting as leader of a temporary consortium together with Credito Valtellinese. After a public tender, we were confirmed as the treasurers of ALER – Azienda Lombarda Edilizia Residenziale of Milan. We have a window on their premises which has recently been restructured and given direct access from the outside.

The Bank's success in managing treasury and cashier services derives from constant professional and technological updating. SCRIGNOGesTes, an online application via internet activated in 1997, has been revised and upgraded, adding to the IT functions, which are updated in real time, plug-ins for the electronic exchange of collection and payment orders. SCRIGNOFirma, the digital signature application, guarantees the authenticity of the instructions given.

The attention that this important sector pays to quality is reflected in the ISO 9001 certification which was acquired towards the end of the year.

There were 80 treasury windows as of 31 December 2003, an increase of four during the year. The new ones are at Rivanazzano (PV), Marmirolo (MN), Desio (MI) and Cosio Valtellina (SO). An office was also opened at the Libera Università di Lingue e Comunicazione (IULM) in Milan. The services previously provided by the Salò (BS) and Abbadia Lariana (LC) windows are now handled by the local branches, while in the municipality of Toscolano Maderno (BS), where a branch has been opened in the Toscolano district, the Maderno office has been left operative for the convenience of residents.

Our Corporate Finance Department is much appreciated by entrepreneurs as they find in us a

Corporate Finance Department

entrepreneurs as they find in us a skilled interlocutor who is ready and willing to look for personalised solutions. This is attested by our numerous interventions in aid of SMEs needing to increase their share capital in order to grow. This links in with the agreement that we have with the Milan office of Confidi for the provision of mixed unsecured loan-mezzanine financing as mentioned in the chapter on loans.

This department's duties include the preparation of targeted business plans, the acceptance of mandates for the disposal of business divisions, the evaluation of market positioning and, in connection with Law 109/1994 («Merloni-ter»), the certification of economic-financial projects presented by private companies to public administrations involved in selecting firms to build and run infrastructures.

Lastly, this department ensures the best possible allocation of loans funded by the European Investment Bank, which has granted us a second tranche of 75 million euro.

The Planning and Control Department has the task of measuring profitability and corporate risk, before

Planning and Control Department

and after the event. The management information and control system which the department uses reflects the principles, rules and recommendations





made by national and international supervisory authorities, in the conviction that the approach originally taken provides us with a preferential point of observation from which we can correctly and punctually appreciate any changes in the reference context, anticipating the effects as far as possible.

To this end, the management accounting system has been improved by increasing the sources of information on profitability and by restructuring the budget system, raising the effectiveness and flexibility of the computations. As for the delicate risk management sector, which this office looks after with growing professionalism, please refer to the next chapter which is entirely devoted to this important topic.

Also of considerable importance is this department's coordination of the internal control review. This system, in line with the principles laid down by the Bank of Italy, consists of an established set of rules, activities, procedures and structures designed to ensure compliance with the company's policies and the conscious acceptance of risks in line with the capital and economic condition of the bank. This is why the argument is so delicate and why we intend to devote all of the necessary attention to it.

Technical, Prevention and Safety Office The Technical, Prevention and Safety Office sustains our territorial expansion, fitting out new branches,

as well as handling extensions, improvements and the maintenance of existing branches and the central offices. An activity carried on with great commitment and competence, where the ratio between quality and cost is always excellent, in line with a tradition that successfully combines functionality, security and aesthetics.

The numbers confirm the intensity of their efforts: 33 new locations fitted out for branches and treasury offices being set up or transferred to more suitable premises; 11 sites opened; 14 projects planned, for which the administrative

formalities and calls for bids are currently in progress; and 6 projects currently being prepared.

The Bank's properties now cover a surface area of 112,012 sq.m. for an overall volume of 334,686 cu.m. We also have 79,048 sq.m. of land. Net of depreciation, the book value of buildings comes to 53.03 million euro, after additions during 2003 of 1.33 million, disposals of 0.01 million and depreciation of 2.93 million. The market value of our buildings shows substantial capital gains. The bank owns 40 buildings and 33 units in condominiums. Banking operations are carried on in 50 properties owned by the Bank and 227 locations that are rented, including 15 in leasing.

«Furniture and fittings», a sub-category of tangible fixed assets, comes to 12 million, The decrease of 1 million is the net of new investments and the depreciation charge for the year.

The Security Department Security Continues its task of preventing Department Criminal acts against the Bank's assets, including its data, personnel and customers. Duties that stand out in particular include overall protection of the branches, correct utilisation of the Bank's structures, confidentiality of the data and information handled, and timely adjustment to sector regulations. The department coordinates the other functions involved in security matters.

We signed up willingly to the «Protocol of understanding for the prevention of crime in banks» promoted by ABI together with the prefectures of certain provinces.

The activity of the Supply Supply Office Office has been intense, as always, accompanying the Bank's territorial growth and operational expansion, mediating with skill and balance the need to spend with suitable control over costs, also by means of a timely review of supply agreements. The numbers involved in its day-to-day functions are impressive: more than 25,700 invoices handled, around 78,000

accounting transactions processed, almost 800 real estate contracts administered, in addition to insurance policies, security guards, transportation of valuables, maintenance works, taxes and dues of various kinds and more besides, making up a mass of work that has to be handled every day with care and commitment.

The Supply Office's activity has also been significantly affected by the use of IT and telematics.

As regards purchasing methods, on-line auctions have been successfully introduced using «Dutch-style» bidding based on the Supply Office's specifications, whereby interested suppliers continue to lower their bids until the lowest bidder wins. Given the benefits of this system, we expect this tool to become quite popular.

Also worthy of note is the new «inventory request» procedure, whereby offices can order material through the intranet, as is the introduction of an electronic tool made available by the Economy and Finance Ministry for the online registration and management of rent contracts.

Lastly, the operational instructions for the management of the purchasing function, which are the subject of particular regulations, have been updated to take account of the Bank's increased size and technological innovation, as well as to bring them into line with the requirements of quality control.

Legal Department The Legal Department's work has been substantial and commendable, but any comment on it unfortunately

has to reiterate the long delays and procedural complications that for too many years have jeopardised legal action for the forced recovery of non-performing loans, even if some benefit has been obtained from delegating certain procedures regarding claims over property to notaries. Let's therefore unite our voice to that of those, a great deal more authoritative than ours, who after the

reform of company law hope - or rather request – that changes will be made to the rules that govern the legal recovery of debts and to those of bankruptcy law, also with reference to the exaggerated and distorted use of revocation lawsuits by liquidators.

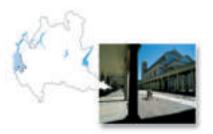
This important corporate function operates outside the law courts as well, analysing problem loans and allocating them to the various categories – watchlist, non-performing and write-offs – and offering valuable advice to the Bank's various departments and branches. Here at least their efforts are rewarded by a certain level of satisfaction.

With traditional punctuality and spirit of collaboration, the Legal Department replies to requests for bank confirmations sent by various authorities; they also reply to any complaints, a few of which were received in 2003.

We close with the Internal Internal Audit Audit Department, whose intense and detailed activity in the field of controls helps guarantee the correct functioning of the corporate machine.

Effectively monitoring the application of the legal, regulatory and internal rules governing the banking business is an arduous task, as the underlying processes are by their very nature numerous and highly complex. Rapid technological innovation, verification of the adequacy of the internal control system, the increasing sophistication of financial instruments, the rising number of controls carried on by higher authorities (anti-money laundering, transparency, privacy) and last but not least, the Bank's considerable territorial expansion, are some of the elements that make the Internal Audit Department's work extremely complex.

All of 429 audit visits were carried out at branches and central offices, of which 95 performed by the Board of Statutory Auditors with the cooperation of the internal auditors, during which they traditionally take advantage



OUR WEBSITE



of any occasion to train and advise the members of staff.

Alongside the constant refinement and enrichment of their on-site audits, the Internal Audit Department has also developed a system of remote checks using special software with encouraging results. As regards the central offices in particular, attention has been focused on entire processes that govern particular functions, rather than on individual tasks.

These are all delicate activities, including those concerning internal controls, risks and security, which the Internal Audit Department performs with commitment and professionalism, with the primary intent of preventing everything that is foreseeable.

RISK MANAGEMENT

Previous reports have explained the characteristics of the Bank's risk control system. The objective is to identify, manage, control and, where possible, measure as accurately as possible the various kinds of risks that the Bank is exposed to in its day-to-day operations. More generally, the idea is to spread throughout the Bank at all levels a suitable risk culture, which is indispensable if current and future operations are to be based on the principles of healthy and prudent management.

Banking's growing complexity has steadily increased the different types of risk, so that now alongside lending risk there have now been identified market risk and operating risks, mainly to do with organisational weaknesses, insufficient control over information or insufficient professionalism on the part of human resources.

Our purpose is to raise the level of awareness of these matters so that adequate risk management strategies are adopted to prevent losses as far as possible, or at least to reduce their impact. The fact that banking's incessant evolution – and hence our own – is constantly shifting the goal to which we are running needs to be taken as a stimulus. A way of consoling ourselves if we think of wisdom, which they say is like the horizon: the closer you get the further away it moves. In any case, the important thing is to create, step by step, a route that complies with the rules laid down by the Supervisory Authorities, based on best practice within the system and responding to our firm desire to supervise every operating environment. And talking of supervision, the Authorities are paying more and more attention to the evolution of internal control over risk.

Let's start by looking at interest rate, exchange rate and equity risks inherent in financial markets, which we have measured on a daily basis through the well-known VAR (Value At Risk) methodology. This makes it possible to estimate the maximum potential loss that could be made with a time horizon of one day and a confidence interval of 99%.

The VAR data for 2003 is set out in the following table.

RISK FACTORS

Total	975	1,284	575	1,804
Exchange rate	10	10	4	92
Equities	1,048	1,353	884	2,044
Interest rate	302	461	209	995
(in thousands of euro)	At 31/12/03	Average	Minimum	Maximum

Total average VAR (1.284 million) is considerably lower than last year (1.720 million) due to the contraction in interest rate risk (from 0.737 to 0.461 million) and equity risk (from 1.920 to 1.353 million), while exchange rate risk remains marginal and stable, being measured on securities denominated in foreign currencies.

There has also been a reduction in the maximum value of total VAR (from 2.599 to 1.804

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million) and in the year-end value (from 1.742 to 0.975 million).

At the same time as VAR, the system also calculates the level of capital absorption by converting the daily VAR into a term VAR, which 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 18 March 2003 at 26.508 million, so well below the limit of 60 million (maximum acceptable loss) set by the Board of Directors. Worth mentioning in passing that the risk acceptance policies have to be approved by the Board of Directors, which is then informed periodically about the actual results.

As for the lending risks (i.e. counterparty and issuer risks) involved in financial activity, various measurements are carried out on a daily basis, namely capital absorption, maximum credit granted to a single counterparty/issuer, concentration and country risks. Apart from showing substantial respect for the limits set, they also demonstrated a prudent attitude and careful selection of counterparties in a difficult environment.

Moving on to analyse the Bank's financial risks (interest rate risk), we would remind you that these are monitored by the ALM (Asset & Liability Management) procedure which uses a dual methodology.

The analysis of average financial duration provides a measurement of the immediate change in the net value of assets and liabilities if there is a 1% increase in interest rates: the monthly analyses during 2003 gave an average figure of -8.034 million; the latest measurement, at the year-end, gave a figure of -6.192 million.

The analysis of mismatches measures the potential change in net interest income if there is a 1% increase in interest rates for the next twelve months: the monthly analyses during 2003 gave an average figure of 13.527 million; the latest

measurement, at the year-end, gave a figure of 19.166 million.

In order to improve the effectiveness of these analyses, bearing in mind the importance of sight items in the Bank's assets and liabilities, a project has been initiated to study the effect of the so-called «stickiness» of sight interest rates, in other words the time it takes for them to adjust to changes in market rates.

As for the lending risks inherent in the business of granting credit to ordinary customers, work continued on refining the system for rating SMEs and micro enterprises, both segments of considerable importance for the Bank.

Talking of which, work continued on preparing the IT support architecture for the monthly calculations of credit ratings and for those prepared specially for new credit lines. It will also serve for the development of monitoring procedures at the Planning and Control Department and for the production of related reports. This has led us to an initial overview of the Bank's risk by segment, in accordance with the spirit of the Basel 2 Accord.

The periodic comparison between expected risk and actual risk, which we have performed over a period of three years, has confirmed that our forecasting model has held up remarkably well and has even been good at predicting insolvencies. This means that the tool has solid foundations and will be able to prove its worth in the future as well.

The average risk of the loan book was substantially stable during the course of the year (1.22% in December), even with a considerable increase in the number of counterparties belonging to the segments concerned. This reflects a rise in lending to companies with ratings without a corresponding increase in the level of risk.

With a view to exploiting the investments made to date by spreading the system to the entire network, research was begun into the principal organisational and operational consequences on the processes of granting, reviewing and monitoring loans. In addition, various training courses were held which translated into a series of tests at head office and at groups of branches. The interaction with the operators/users and the formation of a widespread body of know-how enabled us to adjust our aim wherever practice conflicted with theory.

As regards operating risks, reliable measurements are still not available, but projects have been started to develop a qualitative and quantitative approach outlined in a specific feasibility study. There again, permanent monitoring of all of the main commercial developments, projected into the future, oriented to decision-making and attentive to objectives and resources, would be an ongoing and allembracing activity. Also in connection with the problems that change over the course of time.

On the one hand, the Internal Audit Department has defined a methodology and the IT support procedure for analysing the risks associated in an abstract way with individual corporate processes (potential risk), taking into account the extent to which they can be reduced by adequate controls (residual risk).

On the other hand, the Planning and Control Department has prepared an archive of operating losses. In particular, a series of interviews was carried out at the central offices to register a good number of events that took place in recent years with which to build up a database that will be added to in the future.

Integration of the work performed by these two offices gave rise to the IT basis on which to test various statistical models for the quantification of operating risks, so that we can identify the one that is closest to our reality.

The hope is that this experimentation will enable us to identify a definitive approach for us to take without deviations or about-turns.

Well aware that the road towards so-called «Controlling» is still a long one, we do have the

will to work assiduously, refining our culture of risk, of whatever kind it may be; in fact, all varieties of risk, without which banking would not exist.

HUMAN RESOURCES

We willingly repeat that the Bank's staff is its principal success factor. Of this we are totally convinced.

This introduction is right and proper to give recognition to the quality of our people who in their everyday work interpret the values and principles that allow us to rank high up in Italy's banking system. In other words, loyalty to the company, a willingness to learn and to perform well, commitment and style: all elements that have always characterised and reinforced our corporate culture.

There are two sources that feed what ought to the most important item in the financial statements, even though it doesn't feature: the first is the example and on-the-job training given by the older members of staff to the younger ones; the second is the formal training of human resources, which is handled with great professionalism by our Personnel Department.

The Personnel Department also looks after the selection of new hires – based on consolidated principles, above all their human qualities and academic record – which constitutes the fundamental prerequisite for the Bank's peripheral and structural expansion. In line with our role as a cooperative bank which is always attentive to the needs of local economies, we prefer to hire personnel who come from the towns concerned, or from the surrounding area, also because this is a way for us to acquire local knowledge and contacts.

At the end of the year, the Bank employed a total of 1,993 people, an increase of 115 (+6.12%).

72% of employees work at the branches. Their average age has risen by one month to 34 years and 3 months, while the average length of service has also risen by one month to 9 years and 11 months. During the year we made use of fixed-term workers, contract workers and temps. These are forms of employment flexibility which have confirmed their usefulness.

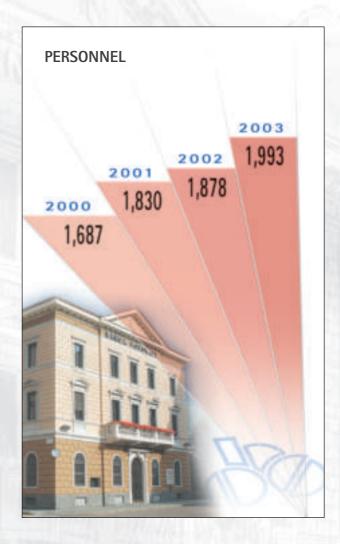
This is a group that has grown amazingly fast, seeing as the number of employees has risen from 969 to 1,993 in just ten years. But this has made it possible for us to extend our activities to new markets and to defend our traditional ones. Commercial objectives have become steadily more complex, not only because of the fierce competition, but also due to constant expansion of the products and services that we offer. This has been a phase of growth that we have managed to handle successfully thanks to excellent knowledge management.

Our members of staff, the holders of this knowledge, have been given attention and commitment in order to refine each one's professional skills and raise their potential, both latent and blatant.

Of the various initiatives that have been underway for some time, the one that stands out is the refinement of the human resource management and training system. A process of particular importance to guarantee effective and steady promotion for those who really deserve it.

The ability to take on responsibility has to be sought out and nurtured, especially among new hires, with an eye not only on their education and personal aptitudes, but also taking account of their sense of balance and maturity which are indispensable when dealing with customers.

The development of human resources is coordinated in terms of organisation and method by the Personnel Department, but delegated onthe-job to their respective supervisors. They



receive specific training to help them identify and record what their staff already know or need to know, as well as to help them learn the Bank's work processes and techniques. The system provides for a comparison between an ideal professional profile and the actual skills of each individual, making it possible to develop a corporate training plan that is targeted to meet specific needs.

This is the general approach. Now let's look at the main training courses that were carried out in practice, emphasising that certain topics of particular importance, such as the introductory course for new hires and compliance with the anti-money laundering rules, were given particular attention.

First of all, the numbers, which give an immediate perception of the intensity of the training activity last year: more than 1,350 participants for a total of 8,027 man/days. In addition to this, there was on-line training through multimedia tools that nearly all members of staff took advantage of.

The lending area was involved in various courses, some with the collaboration of Bocconi University (SDA), some with the help of our affiliate Italease, when we talked about leasing. The objectives were bold: more refined evaluation of lending risk; better analysis of financial statements and correct interpretation of the economic and balance sheet variables; timely management and control of loan positions; improved knowledge of guarantees and bankruptcy law.

The financial sector saw all of our participants at the Private Banking module of ABI's Banking & Financial course pass the final exam and receive their diploma, while a specific training course concerned effective management of the after-sales phase.

Lastly, based on long-standing experience, courses were held to improve communication; in other words, the acquisition of tools and techniques for the development of personal strengths, to increase awareness of those that are unexpressed, to raise the effectiveness of the decision-making process. Our financial promoters benefited from specific training courses.

Our usual attention to the scholastic world gave rise to 312 internships. An intense collaboration in the common interest which involved recent and imminent graduates in faculties with an economic slant and students in their fourth year at commercial technical college.

Generally speaking. Relations with the trade unions have remained on a basis of mutual respect. An agreement was signed for the redefinition of the economic conditions for the supplementary pension scheme (D. Lgs. 124/93) in the interest of personnel hired after 27 April 1993. The agreement provides for significant improvements for the members of the underlying open-ended pension fund.

During the year, the banking sector was affected by important new legislation, above all D. Lgs. 276 of 24 October 2003 which introduced the so-called «Biagi Reform». The purpose of this law is to introduce more flexible job relationships, whereby to guarantee the labour market greater efficiency and competitiveness. We can only hope that this will come about in practice.

In the meantime, national negotiations have begun for the biannual renewal of the economic part of the collective labour contract which expired at the end of last year.

One particular form of collaboration is the one provided by retired members of staff. Their professional experience and maturity are excellent ingredients to help youngsters grow, to develop new business and to boost the Bank's prestige.

They make an important contribution to enhancing the sense of responsibility of our staff, giving an example in terms of their knowledge of situations, institutions, market trends and companies.

PROMOTIONAL AND CULTURAL ACTIVITIES

The Bank's promotional and cultural activities during the year have been consistent with those of previous years. Nowadays, that is no small matter, above all in the field of communication and image, where messages tend to have a very rapid turnover, often disappearing without a trace.

Perhaps it is because what we have already done continues to offer new ideas; or perhaps it is

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CONFERENCES



CARD. ANGELO SODANO





essay entitled " Ezio Vanoni. Public economics as the science of patriotism" and Mrs Gigliola Magrini's diary-book "2004 – Life of a

a number of important subjects, such as water. As well as the Dutch calendar, which includes a study of ancient trades in the Valtellina



known species of animals in our Alps. Il Notiziario, our bulletin, continues to maintain a high level of quality and appreciation

It is not a publication just for image purposes, but one of real substance, which over time has built up a valuable collection.



MOUNTAIN WISDOM



because we are encouraged by the appreciation shown by a large public. Fact is that we have given preference to continuity and tradition in our journey over the last thirty years or more through high quality cultural initiatives – mainly publishing and conferences – targeted promotional and publicity activities carried out with great discretion, essentially at a local level.

Again in 2003, a variety of prestigious speakers were invited to our conference hall dedicated to Fabio Besta. We remember an extraordinary series of meetings and would like to express our gratitude for the privilege that the Bank and the Province of Sondrio enjoyed as a result.

On 10 May 2003 we had writer and journalist Professor Igor Man, who spoke on a subject that is unfortunately all too topical, «Reflections on War», interspersed with tales of his encounters with leading personalities of our times. This was followed by an interview with the famous climber, our compatriot Achille Compagnoni, to celebrate the fiftieth anniversary of the conquest of K2, which was then published in La Stampa.

In 2003 we commemorated the centenary year of another compatriot, Ezio Vanoni, who was once Minister of Finance. This took place on 13 June 2003 with an unforgettable conference held in his usual masterful way by senator-for-life Giulio Andreotti and by Professor Francesco Forte, another from the Valtellina, entitled «Ezio Vanoni and Italy's Development». Both speakers talked about their relations with this eminent statesman. Professor Forte is also the author of a scholarly book entitled «Ezio Vanoni. Public economics as the science of patriotism», printed by us specially for this occasion and donated to the many participants.

Some four years after the previous meeting, on 27 June 2003 our guest of honour was Professor Umberto Veronesi, who gave a presentation on the foundation that bears his name, entitled

«Birth of a foundation for the progress of science». An initiative in which the science and conscience of the founder come together in research for the common good. We have accepted the role as reference bank to which donations should be sent.

On 19 September 2003 we had the honour and privilege to receive His Eminence Cardinal Angelo Sodano, Secretary of State for His Holiness John Paul II, who spoke with great learning to a large and qualified audience on the complex subject of «The Holy See in the International Community». It was an extraordinary event for the entire province, also in consideration of the fact that during his visit to our dioceses in May 1996, the Pope was only able to visit the city of Como. Of Cardinal Sodano's visit we also remember the Holy Mass that he celebrated the following day, at 5.30 in the morning, on the steps of the Sanctuary of the Madonna of Tirano, to inaugurate the novena for the 499th anniversary of the Holy Virgin's appearance on 29 September 1504.

On 12 December 2003 we received for the fifth time Monsignor Gianfranco Ravasi, Prefect of the Pinacoteca-Biblioteca Ambrosiana, for a joint conference together with the well-known portrait painter Tullio Pericoli, who created for us the cover of the volume dedicated to Vilfredo Pareto. The theme of the meeting – «The Face and the Soul» – made particularly profound by the quality and experience of the speakers, was fascinating for everyone there.

Of our various publications, mention should be made, apart from Prof. Forte's essay mentioned above, of «Animals, Minerals and Rocks in Valtellina and Valchiavenna» by Gigliola Magrini, Adriano Turcatti and Francesco Bedogné. This is the third of an excellent series devoted to nature and the environment in the Province of Sondrio, which was donated to everyone who attended the shareholders' meeting on 1 March 2003.

Mrs Gigliola Magrini also signed the diary-book «2004 – Life of a year: water», the seventh

THE BANK FOR YOUNG PEOPLE



the "creative laboratories" for children. Set up inside our On the "79th World Savings Day" we offered a select group agency no. 5 in Sondrio's Piazza Campello, they gave children of science students and high school leavers in the province of

























order to understand the infinitely big. And after high school? Pio V", Università degli Studi dell'Insubria, Libera Università di We follow our youngsters to university. Because we act as Lingue e Comunicazione IULM.

edition of a lovely series that has covered a number of important subjects, such as water.

With our help, the publishing house Sellerio produced a short volume called «To My Daughter» by the 18th century Milanese philosopher, scholar, economist and politician, Pietro Verri.

Among others, we would also like to mention the initiative of the Council of the Lombardy Group of the National Federation of the Knights of Labour: on the sidelines of their council meeting held in Sondrio hosted by the Bank, the authorities, representatives of trade associations and local entrepreneurs met in our Besta Room for an exchange of ideas and experiences.

In line with tradition, the folder containing the 2002 financial statements of Banca Popolare di Sondrio (SUISSE) SA also held a cultural insert dedicated, on the 125th anniversary of his birth and 40th anniversary of his death, to German writer Hermann Hesse, Ticinese by adoption, a great lover of Italy and Nobel Prize-winner for Literature. This monograph then received an interesting review from Gavino Manca in Il Sole 24 Ore.

Notiziario, our bulletin, gets mentioned last out of a sense of hospitality. It continues to maintain a high level of quality and appreciation thanks to the prestigious names who kindly contribute their articles issue after issue, and we are now at issue no. 93. It is not a publication just for image purposes, but one of real substance, which over time has built up a valuable collection.

On the «79th World Savings Day» we offered a select group of science students and high school leavers in the province of Sondrio a visit to CERN in Geneva. An initiative that was much appreciated for the recognised scientific excellence of that centre of world fame, where the infinitely small is studied in order to understand the infinitely big.

A new institutional presentation of the Bank accompanies the promotion efforts being

made by the branches, together with a targeted line of publicity material.

The Vilfredo Pareto Fund is still be organised. The contents of the website dedicated to the Pareto Archives is now being constantly updated. In the meantime, work has commenced on the computerised cataloguing of the library of the late Battista Leoni, which was acquired by the Bank together with this scholar's entire documentary archive. This work has been started from the very rich section on local history and culture.

Our library has also been enriched by around 2,000 books donated by journalist and contributor to our Notiziario, Paolo Grieco, which will be put in order, catalogued and much appreciated.

Promotion also includes the activities at the Stelvio Pass, the Pirovano and the «Carlo Donegani» historical museum, to which is entrusted, together with the branch located at an altitude of 2,757 metres, the highest in Europe, a publicity function for the Bank's image which is the only one of its kind. We would also remember «Quota 3000 Scuola», a study visit reserved for school groups as part of the current Protocol of Understanding with the Education Ministry; our participation with the Palazzo Stelvio in the second edition of ABI's annual event «Invito a Palazzo»; the «9th Interbank Triangular Meeting», a skiing competition between our representatives and athletes of the Deutsche Bank and UniCredito Italiano Groups; the «2nd Interbank Pirovano Meeting», in which nineteen banks took place; the «Snowfestival», which closed the season on 8 November.

A mention apart is deserved by the «Madonna della Neve» celebration, dedicated last August to peace and in particular to the memory of Pope John XXIII's encyclical «Pacem in terris», with commentary by Monsignor Capovilla, the Pope's then private secretary. This emotional event held at the Stelvio Pass was transmitted by the RAI programme «A Sua Immagine».

Our Circolo Aziendale has had a remarkable year with activities ranging from cultural visits and holidays to sport and more besides.

To complete these notes, we would like to assure you that promotion through culture will remain our policy for the future, also as a sign of how attached we are to our territory.

REVISION OF THE SECURITY PLAN

We have revised the security plan required by Presidential Decree 318 dated 28 July 1999 «Instructions for determining minimum security measures for the processing of personal information pursuant to art. 15.2 of Law 675 dated 31 December 1996».

In addition, the need for further measures is currently being assessed since Decree 196 dated 30 June 2003 «Privacy code for the protection of personal data» is now in force.

The security plan comprises a main document and numerous attachments. The principal document describes the bank's technological and organisational infrastructure for guaranteeing the confidentiality, authenticity and availability of data via the implementation of both physical and logical safeguards. The attachments provide details or, otherwise, further information about the data that is processed, the various types of security measure adopted and the IT equipment used by the bank.

The more significant measures taken as part of this work are described below:

 a facility management contract has been signed with an international counterpart that has demonstrable experience in the management of DP centres. This contract does not cover the handling of «printouts». A disaster recovery service is included, comprising a series of precautionary measures, activities and rules of conduct for the management of «disaster» situations. These are defined as a temporary total inability to access IT resources, in the widest sense, as a result of any type of technical or environmental event, including vandalism and terrorism, that may impinge on our efficiency;

- the hardware and software platforms used in branches have been aligned and upgraded, together with their LANs;
- procedures for the management of anti-virus upgrades have been automated and centralised;
- the approach to upgrading the data transmission network (broadband) has been determined and the related work will be carried during the first half of 2004.

The security plan and its attachments are held by the manager responsible for the processing of personal data within SOSI – the information systems and procedures department.

EQUITY

Our equity – your equity – is a fundamental part of the balance sheet, representing a guarantee for the bank, a vote of confidence from the shareholders and security for our customers.

This consideration is highly topical since the directors have recently proposed that the shareholders should increase the share capital by around 220 million euro.

The mechanisms and timing of this operation are properly described in a specific report to the extraordinary meeting that will be held together with the ordinary meeting. The reasons for this increase in capital, intended to maintain control over the various types of risk and accelerate the bank's rate of growth, are also fully explained.

With reference to the results reported for 2003, which are evident to all, we would just like

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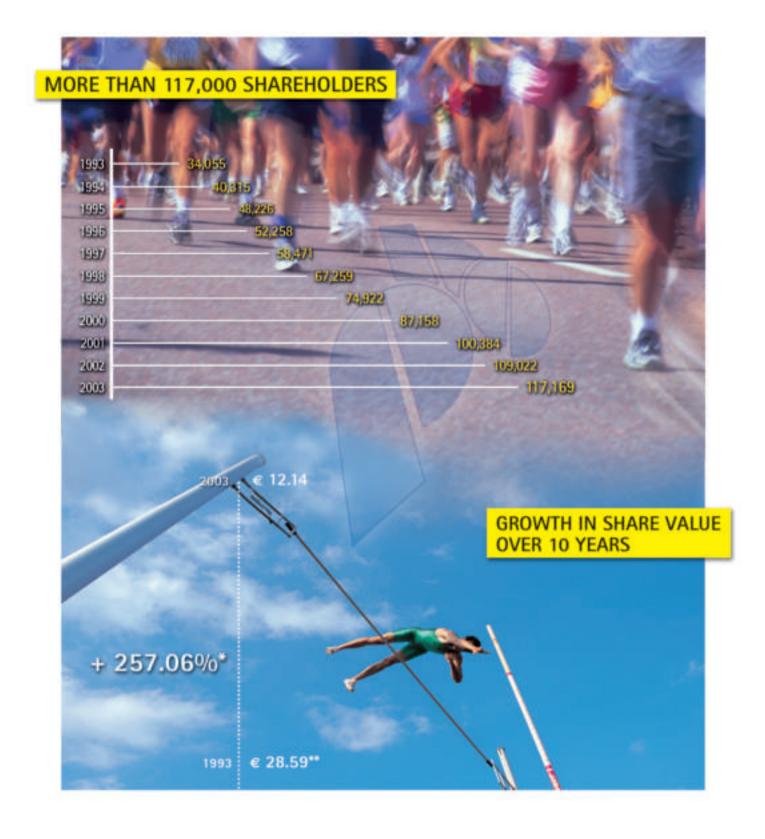
EQUITY

Our equity – your equity – is a fundamental part of the balance sheet, representing a guarantee for the bank, a vote of confidence from the shareholders and security for our customers.

This consideration is highly topical since the directors have recently proposed that the shareholders should increase the share capital by around 220 million euro.

The mechanisms and timing of this operation are properly described in a specific report to the extraordinary meeting that will be held together with the ordinary meeting. The reasons for this increase in capital, intended to maintain control over the various types of risk and accelerate the bank's rate of growth, are also fully explained.

With reference to the results reported for 2003, which are evident to all, we would just like



to point out the steady improvement in profitability.

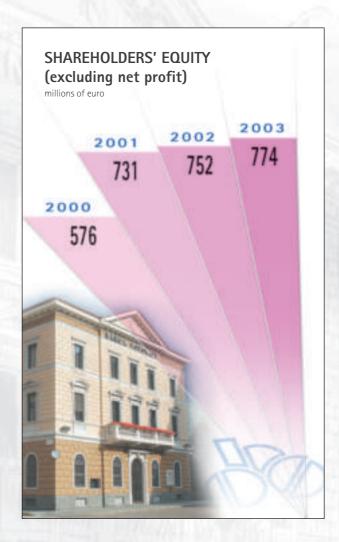
This has been an ongoing process over many years, accompanied – it must be said – by considerable efforts to grow in scale and expand operations, without however abandoning the caution and thoughtfulness that has always been a hallmark of our management style.

The consequence has not been to forego activities in certain markets or circles, but rather to deploy the type of organisation and professional skills needed in order to operate with due care and reasonable expectations of making a profit.

Growth in profitability, even in difficult years for the banking system as a whole, such as 2002, confirms that the bank has considerable lending power deriving from its ability to generate earnings. The organisational structure has made a major contribution to this, remaining agile and slim, and therefore able to adapt quickly to market developments and changing economic conditions, without overlooking technological innovation and the enhancement of professional skills.

In other words, the strategic choice to grow by internal means – made in the past, a long time ago - has borne and continues to bear fruit. In effect, when the roots of a tree are healthy and good, its fruits are sure to be good and healthy. The co-operative model - which is not part of those almost forgotten nice things of times past, but represents a value from the past, for the present and in the future – has shown an ability to adapt rapidly and effectively to the new areas of activity undertaken by the bank. This is understood by the market, which raised our share price following the announcement of the capital increase, and above all by our shareholders who, in increasingly large numbers, constantly renew their confidence in our bank.

This then is our reward for the work carried out in the past, but also for the significant growth potential that still remains to be fulfilled.



In this context, we believe that there are good grounds for general acceptance, as on similar occasions in the past, of the proposal to strengthen our capital base. In particular, we are convinced that the new resources will enable us to continue the expansion of activities and generate the results necessary to remunerate this investment adequately.

Shareholders' equity currently amounts to 774 million, up 2.87% over the year due, in the main, to the allocation of the net profit for 2002. This amount is analysed as follows: share capital of 413 million, represented by 137,566,064 fully-paid shares, par value \leq 3 each; share premium

reserve, 136 million; other reserves, including the reserve for general banking risks, 225 million. In addition, net profit for the year amounted to 60 million.

The principal ratios between capital and the other balance sheet items are provided below. Although they remain within appropriate limits, the steady expansion of operations in the past and looking ahead suggests a need to strengthen our capital base:

- capital/direct customer deposits9.46% v 10.24%
- capital/customer loans10.87% v 12.04%
- capital/financial investments27.37% v 23.37%
- capital/total assets7.37% v 7.59%

Risk-weighted assets total 8,849 million. The bank's solvency ratio (relationship between capital for supervisory purposes and risk-weighted assets) is 8.81%, compared with the minimum of 7% required under current regulations for banks that belong to banking groups.

INCOME STATEMENT

Results for the full year confirm the upward trend reported in the first half, with net profit up 28.72% compared with 2002 at 60.12 million.

Economic conditions in Italy certainly did not help. In particular, stagnation continued throughout the second half of the year, without apparently no signs of relief. So our results were good in a somewhat lean year.

The ability of the bank to move against the trend is most satisfactory, combining expansion with profitability to create room for further investment in growth.

This is perhaps the most important confirmation of the direction in which we are developing, demonstrating that a bank such as ours can, with its own resources – employees, shareholders and customers – and a well-defined territory, operate profitability and with autonomy within the Italian banking system.

Examination of the income statement, summarised below, starts with net interest income of 223.2 million, up 6.66%.

Net interest income

The comments made in prior years are still applicable today: the steady squeeze on unit margins has forced an increase in the volume of intermediation. The interest rate spread has narrowed further, although this was more than offset – as described in earlier sections of this report – by vigorous growth in deposit-taking and lending activities.

There were improvements in net commission income and, above all, in profits from financial transactions. To differing extents, both these captions benefited from the significant upturn in the world's stock and financial markets during the year.

Accordingly, income from Income banking activities rose 9.30% to 341.41 million. Activity was rewarded reasonably well. Net commission income and profits from financial transactions contributed 34.62% of this total, while net interest income confirmed its traditional dominance as a source of earnings, despite easing slightly to 65.38% of the total. Other operating income amount to 27.29 million, +16.41%.

The three classes of administrative expense totalled 208.03 million, up 6.02% over the year. Although inevitable in view of the current increase in scale, this growth in costs is monitored constantly and contained with rigour. In fact, the rise was somewhat lower than in the prior year. In detail, personnel expenses rose by 7.80%, other administrative expenses by 3.79% and indirect taxes and duties by 5.20%.

RECLASSIFIED INCOME STATEMENT

(in thousands of euro)	2003	2002	% change
Interest income and similar revenues	381,250	395,455	-3.59
Interest expense and similar charges	(162,906)	(191,714)	-15.03
Dividends and other revenues	4,857	5,518	-11.98
NET INTEREST INCOME	223,201	209,259	6.66
Net commission income	95,508	89,968	6.16
Profits from financial transactions – profit from trading securities and security derivatives – profit from trading currency and currency derivatives – profit from trading other derivatives – gain (loss) on valuation of securities	22,704 10,814 8,511 704 2,675	13,133 13,178 11,073 412 (11,530)	72.88 -17.94 -23.14 70.87
INCOME FROM BANKING ACTIVITIES	341,413	312,360	9.30
Other operating income	27,286	23,440	16.41
Administrative expenses – personnel expenses – other administrative expenses – indirect taxes and duties	(208,029) (107,183) (72,348) (28,498)	(196,219) (99,425) (69,705) (27,089)	6.02 7.80 3.79 5.20
Other operating expenses	(3,629)	(3,128)	16.02
OPERATING PROFIT	157,041	136,453	15.09
Adjustments to intangible and fixed assets	(17,796)	(16,749)	6.25
Provisions for risks and charges	-	(5,000)	-
Loan write-downs and provisions for guarantees and commitments – loan write-downs – provisions for guarantees and commitments	(54,917) (1,500)	(40,903) -	34.26 -
Write-backs to loans and provisions for guarantees and commitments	23,421	19,010	23.20
Provisions to the bad debt reserve	(2,778)	(9,024)	-69.22
Adjustments to the value of long-term financial assets	(665)	(1,607)	-58.62
PROFIT FROM ORDINARY OPERATIONS	102,806	82,180	25.10
Extraordinary income	663	1,617	-59.00
Extraordinary charges	(786)	(1,293)	-39.21
PRETAX PROFIT	102,683	82,504	24.46
Provision for general banking risks	(1,266)	_	_
Income taxes	(41,300)	(35,800)	15.36
NET PROFIT FOR THE YEAR	60,117	46,704	28.72

The results for 2002 have been reclassified for consistency with those for the current year.



All the above demonstrates the tenacious pursuit of growth in every area of the banking business, underpinned by a drive for profitability that focuses not only and not so much on the containment of costs, but rather on the increase of profitability.

The cost/income ratio, being the ratio of administrative expenses to income from banking activities, has therefore improved to 60.93% from 62.82% in 2002.

Operating profit Operating profit amounted to 157.04 million, up 15.09%.

Continuing the analysis, we come to the various adjustment accounts that are the key to

sound and prudent management: adjustments to intangible and fixed assets, up 6.25%; loan writedowns and provisions for guarantees and commitments totalling 56.42 million, up 37.93%, which take account of the financial effect of expected future recoveries determined on a prudent basis; write-backs to loans up 23.20%, confirming the caution adopted in prior years; provisions to the bad debt reserve, comprising overdue interest of 2.78 million, down 69.22%; and losses on equity investments, also down considerably.

The profit from ordinary Net profit operations was therefore 102.81 million. Adding extraordinary income and deducting extraordinary charges, pretax profit amounted to 102.68 million. After income taxes for the year of 41.30 million, compared with 35.80 million in the prior year, and the provision for general banking risks of 1.27 million, the net profit for the year totalled 60.12 million. This more than satisfactory result has enabled us to absorb the rise in expenses and make the necessary provisions with the utmost prudence.

Management accordingly proposes that a dividend of $0.23 \in \text{per}$ share should be declared, up 21.05%. This significant progress reflects the dynamic and profitable nature of the business, which is conducted with the usual healthy and prudent criteria.

Without getting carried away by euphoria which, even when founded on the facts, tends to become over general, we would just like to say how proud we are of the part that our modest cooperative has played and continues to play in our nation's economic cauldron.

ADOPTION OF THE NEW IAS, RENAMED IFRS

The International Accounting Standards Board has made a number of changes to the international accounting standards currently in force, in response to requests from the more advanced international financial markets and to reflect the approach adopted by the world's most authoritative bodies. These standards will substantially change the rules for the preparation of individual and consolidated financial statements, when they are adopted at national and EU level.

The new standards, which must be adopted from 2005, significantly revise the way major operating activities are recognised and recorded for accounting purposes. This requires the careful analysis and interpretation of the regulations, the design of a new accounting system, the identification of critical areas for action and consequent changes in organisational and data processing procedures.

Although the regulations are not yet complete and are subject to continual updates, the bank has already performed a feasibility study together with a leading consultancy firm which, as expected, has identified the need to undergo a long process of change. The first stages include: employee awareness and training; identification of the principal areas for action; allocation of priorities; assessment of the solutions identified and the coordination of implementation.

As we gradually come to understand the new accounting principles, we become increasingly aware of the impact they will have on the financial statements. At present, however, it is hard to make a reliable quantitative estimate of these effects.

We were alerted to the above some time ago by our independent auditors, among others, who are closely monitoring our progress.

SIGNIFICANT SUBSEQUENT EVENTS

The information regarding significant events that have taken place subsequent to year end is provided pursuant to art. 3.2.d) of Decree 87 dated 27 January 1992.

Events towards the end of last year, associated with the unexpected collapse of leading companies, are continuing to make an impact and cause general disorientation. Right now the witch hunt is on. Our hope is that the interests of small investors will soon be properly protected.

Turning to the Bank, we have continued to expand the branch network. Agency 24 opened in Viale Piave, in the centre of Milan, on 2 February, while the Desio branch in the hard-working Brianza area will open soon. These openings raise the network to 193 branches.

The number of treasury windows has also increased. There were 80 active at the end of 2003 and a further two have now been added: the Almè municipal branch in the province of Bergamo and the «Golgi-Redaelli» Service Centre in Milan.

With regard to Banca Popolare di Sondrio (SUISSE) SA, the Board of Directors of our Swiss subsidiary has recently examined and approved the financial statements for 2003, its eighth year of activities. Strong growth in the balance sheet aggregates confirms our increasingly robust presence within the fabric of the Swiss economy, with excellent results in the areas covered. Net profit amounted to almost CHF 7 million, up 5.73%.

FORECAST FOR OPERATIONS

The outlook for the Italian economy remains uncertain. The continued buoyancy of the stock markets reflects widespread confidence in the recovery of the real economy, but signals from the latter are still not as significant as had been hoped a few months ago.

In any case, we foresee another somewhat difficult year.

With regard to the Bank, we expect the volume of intermediation to increase further, not least due to the expansion and intensification of the network, which should generate additional

opportunities for work and facilitate the diversification of lending. In terms of profitability, net interest income will probably rise only slightly, despite the influx of resources from the increase in capital which will presumably be completed by the middle of the year. This is because of interest rates, which are expected to remain static until at least the last quarter of the year. Revenues from services and financial income may improve, given the expected expansion in the volume of business. Control over general expenses should continue along the lines established in 2003.

Our commitment is to achieve the above results.

* * *

Shareholders,

The Auditors

We now submit for your examination and approval the 2003 financial statements in the form of the balance sheet and income statement, together with the attachments which form an integral part of them. The financial statements, which close with a net profit of € 60,117,119, have been audited by Deloitte & Touche spa, whose audit report is included in the Appendices. Deloitte & Touche spa has absorbed Deloitte & Touche Italia spa, formerly Arthur Andersen spa, who were appointed as independent auditors for the three-year period 2002-2004 at the Shareholders' Meeting held on 2 March 2002.

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:

Takal	Total € 60,117,119.0		
 to the legal reserve, an additional 	€	142,891.96	
Legislative Decree 124/93	€	37,184.72	
 to the reserve as per art. 13 			
 to the charity fund 	€	250,000.00	
 to the reserve for treasury shares 	€	4,000,000.00	
 to the shareholders € 0.23 per share 	€	31,640,194.72	
to the statutory reserve 30%	€	18,035,135.70	
- to the legal reserve 10%	€	6,011,711.90	

CAPITAL AND RESERVES

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

d) Other reserves	€	29,598,144
c) Statutory reserve	€	129,851,000
b) Reserve for own shares	€	-
a) Legal reserve	€	54,150,994
- Reserves:		
 Share premium reserve 	€	135,886,233
shares of par value € 3 each	€	412,698,192
 Share capital, made up of 137,566,064 	L	
 Reserve for general banking risks 	€	40,000,000

BALANCE SHEET

Total assets			€	10,501,847,176
Liabilities	€	9,667,772,418		
Reserve for general banking risks	€	40,000,000		
Share capital	€	412,698,192		
Share premium reserve	€	135,886,233		
Reserves	€	185,373,214	€	10,441,730,057
Net profit for the year			€	60,117,119
Guarantees granted			€	1,689,518,142
Commitments			€	258,050,765

Shareholders,

Finally, we would like to thank all those who stand by us and give us their business, enabling us to report positive results.

Our first thank you goes to our shareholders and clients and, in particular, to those who are both at one and the same time.

Warm thanks for the intensive and productive work performed by the Board of Statutory Auditors which, valiantly chaired by Egidio Alessandri, carries out ever wider and more delicate duties. Thanks also to the Advisory Committee for their readiness and accessibility. We are grateful to the members of the Supervisory and Discount Committees for their effective contribution to the bank's activities, 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 co-operated effectively for many years.

As always, our gratitude goes to all those at the Bank of Italy, from the Governor – a man of great prestige and worthy representative of a long tradition of authoritative «high priests of money» – to the members of the directorate, the head of the supervisory body and his colleagues. To Messrs. Bruno Bianchi, Vincenzo Catapano and Vincenzo Pontolillo go our particular thanks. We are also grateful to the other general officers, and the Central Bank's branch managers in the provinces where we operate. And a special thought for Antonio Lenza, the manager of the Bank of Italy's Milan office – who took over during the year from Giulio Lanciotti, who we shall remember for his accessibility and kindness –, for Cesare Monti,

manager of the Rome office, and for Giovanni Alfieri, manager of the Sondrio branch.

We are grateful for the constant cooperation of the managers and staff of the Italian Foreign Exchange Office, Consob and Borsa Italiana which also manages the OTC Market where our shares are traded.

Deferential thanks to the Federal Bank Commission in Berne, which oversees the operations of our Swiss subsidiary, and to the Banque de France, which supervises the French banking system and, as such, the Montecarlo branch of our Swiss bank.

Affectionate thanks to all of our staff for their intelligent, faithful and committed collaboration, which is fundamental for moving forward, and for progressing well. We also wish good health and serenity to all those who retired during the year, namely Giovanni Battaglia, Aldo Bonelli, Davide De Stefani, Giovanni Fustella, Luciano Giacomelli, Giampaolo Milani, Lino Pologna and Angelo Rossatti.

We may have unintentionally neglected to mention someone. We apologise if this is the case. Indeed, our thanks go to all those who have shown concern for us with their friendly advice and constructive criticism.

Shareholders,

In submitting the 2003 financial statements for your approval, the Board of Directors invites the meeting to adopt 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 2003 results and the proposed allocation of net profit for the year, which provides for the payment of a dividend of \leqslant 0.23 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 2003 with the results shown in the balance sheet and income statement and related explanatory notes, which show a net profit for the year of € 60,117,119. The shareholders therefore specifically approve the allocation of the net profit of € 60,117,119 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 € 6,011,711.90
 - 30% to the statutory reserve € 18,035,135.70
 - b) to pay a dividend of € 0.23 to each of the 137,566,064 shares in circulation at 31/12/2003 with dividend rights as from 1/1/2003, 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
 - total amount of € 31,640,194.72
 - c) to allocate to treasury share reserve € 4,000,000.00
 - 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 € 37,184.72
 - to the legal reserve, an additional € 142,891.96

Lastly, the shareholders set aside € 23,000,000 – booked under «Other reserves» – as the amount to be made available to the Board of Directors to buy and sell own shares at market prices, 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 normal activity of intermediation designed to favour circulation of the shares.»

Banking literature has dedicated much attention to cooperative banks in recent years. Being directly involved, we too have made a modest contribution to the discussions, not least in our annual reports.

The European Commission has recently asked Italy to express an opinion on the compatibility of the legal form of cooperative banks with community law. Hopefully the land of Luzzatti, Besta, Zappa and other authoritative academics will respond in science and in conscience: the «popolari» represent a heritage that ought to be preserved.

Italy benefits from a cooperative banking system that makes a valid contribution to economic progress – progress that would be strong and sustained, if only legislation could adapt to today's changed economic structures and, above all, if the upper echelons could cease their «strife», eliminating the burden of resignation and injecting a dose of passion to heat up the action.

The «popolari» are banks of the people, defined as the inhabitants of a state, but also as a collection of citizens who form the less elevated economic and social classes. They are principally present in the areas where families and SMEs live, work, save and invest to create wealth and wellbeing; where the world of production takes priority over the world of finance, where certainty faces down risk. It follows that what is good for the swarm is also good for the bee.

But above all, being a «popolare» means working together with our sister banks. An axiom

that encompasses all, reminding us not to seek the true, the beautiful and the good outside of our association – since all is within – as a depository of traditions and the passion of our ancestors, perpetuating the flames without preserving the cinders.

We respectfully remind those who must decide our destiny that a bank is not a firm which can be treated in a roughshod manner. And it is unlikely that good will come from changes which create fractures between the economy and society, not least because of the resulting chaos.

Given our past and our vision of the future, we are convinced that the Bank must continue to make decisions based upon ethical values and to answer for its desires and actions, taking the related consequences. This also means continuing to play an active role in the development of the economy, which is the primary duty of the entrepreneurial banker.

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 law and the articles of association, the Shareholders are called to appoint the directors. The mandates of the following directors have expired: Federico Falck, Mario Galbusera, Nicolò Melzi di Cusano, Bruno Vanossi and Francesco Venosta. The appointment has also lapsed of Claudio Benedetti who was co-

opted by the Board to replace the late Salvatore Bonomo, whose mandate would have expired at the end of 2005.

Point 4) on the agenda: appointment of an acting statutory auditor and a substitute statutory auditor.

Shareholders,

In accordance with the law and the articles of association, the Shareholders are called to appoint the statutory auditors needed to complete the membership of the Board of Statutory Auditors.

Following the resignation during 2003 of Roberto Schiantarelli, Acting Auditor appointed together with the entire Board of Statutory Auditors for the three-year period 2003-2005, his place was taken by Pio Bersani, Substitute Auditor.

Under the articles of association, the replacement auditor remains in office until the next shareholders' meeting which, accordingly, must elect the statutory auditors needed to complete the membership of the Board. In this case, the Shareholders' Meeting must appoint an Acting Auditor and a Substitute Auditor.

Point 5) on the agenda: appointment of the Advisory Committee.

Shareholders,

In accordance with the articles of association, the Shareholders are called to appoint the entire Advisory Committee for the three-year period 2004-2006. The appointments of Alberto Crespi, Giuseppe Guarino and Andrea Monorchio, Acting Advisors, and Susanna Agnelli and Antonio La Torre, Substitute Advisors, have expired.

Sondrio, 2 February 2004

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 ORDINARY PART

Shareholders,

Firstly, we too would like to honour the memory of the late lamented Salvatore Bonomo, a professional of great repute and ability, for many years a director and deputy chairman of the Bank.

We also have to announce the resignation of Roberto Schiantarelli for health reasons after all of 35 years of active collaboration as one of our statutory auditors, a contribution that we much appreciate.

Before describing our activities during the year, in accordance with current regulations, we would like to follow our usual pattern and present the results of the financial statements as of 31 December 2003, the Bank's 133rd year of operations:

customer loans went up by 13.93% to $\in 7,117$ million, obviously taking account of pertinent write-downs and adjustments.

Considerable advantages derived from this in terms of profitability: net interest income rose by more than 6.66% to \leq 223 million; income from banking activities reached a significant level: \leq 341 million (+9.30%). Net profit came in at more than \leq 60 million (+28.72%), helped by the success in holding down operating costs.

Other elements that contributed to this progress were the expansion of the territorial network and of services, the necessary adjustment made to the structure, the reinforcement of organisational tools and systems; all of which have been amply explained in the Directors' Report and observed by ourselves.

BALANCE SHEET

Total assets			€	10,501,847,176
Liabilities	€	9,667,772,418		
Reserve for general banking risks	€	40,000,000		
Capital	€	412,698,192		
Share premium reserve	€	135,886,233		
Reserves	€	185,373,214	€	10,441,730,057
Net profit for the year			€	60,117,119
Guarantees given			€	1,689,518,142
Commitments			€	258,050,765

The results, which are in themselves extremely eloquent, reflect the efforts of the Bank during a year that has not been easy, characterised by uncertainties and the dichotomy between a substandard trend in the real economy and a substantially positive one on financial markets; even though these markets were then shaken by the well-known insolvencies at important companies.

Compared with the previous year's figures, there were vigorous increases in operating volumes: direct customer deposits rose from $\in 7,349 \text{ to } 8,184 \text{ million } (+11.35\%);$ total funding went from $\in 22,874 \text{ to } 24,098 \text{ million } (+5.35\%);$

As statutory auditors we have carefully examined the statutory financial statements as of 31 December 2003 and its various component parts (balance sheet, income statement and explanatory notes), prepared in accordance with current rules and correctly applying the accounting policies, as we have ascertained.

The audit of the financial statements and of the accounting records in the widest sense, including the fiscal aspects, has been performed in complete independence by Deloitte & Touche spa with the ability and diligence that we have known well for a number of years.

We would like to add that our relations with this auditing firm have always been based on genuine collaboration with mutual exchanges of information on matters relating to each one's area of competence. In accordance with the provisions of art. 150.2 of Legislative Decree no. 58 of 24 February 1998, we would like to point out that no significant matters (positive or negative) came to light during our meetings with the auditors.

In their report on the financial statements, the external auditors have given a clean opinion on both the balance sheet and income statement.

During 2003, the auditors were not asked to perform any other type of work apart from the audit.

As regards our specific activity, which we carried out in accordance with the rules laid down in Legislative Decree no. 58/1998, we took part in the 7 ordinary meetings of the Board of Directors required by the articles of association and in 86 bi-weekly meetings of the Chairman's Committee.

We can confirm that we were able to ascertain that the various bodies and persons who have been delegated powers reported back during board meetings on how those powers had been exercised and that as regards any operations in potential conflict of interest, the Directors complied with art. 2391 of the Civil Code and art. 136 of Legislative Decree no. 385 of 1 September 1993.

We would like to point out that our participation at such meetings was never passive, indeed, being well aware of our independence, we always made our critical point of view known on the problems or questions being debated, even if we could not interfere in the decisions made. And whenever our consensus was required, we did not hesitate to solicit information and clarification on the matters being discussed.

As regards the merit of the work carried out by the Board of Directors, we can confirm that we

never found any grounds for conflict with the interests of the Bank, always maintaining a high level of healthy and correct management in full compliance with the rules laid down in the articles of association and in law.

We can also confirm that the Bank has not carried out any transactions that are manifestly imprudent or risky, such as to compromise the solidity of the Bank.

Similarly, we can exclude atypical or unusual transactions with related parties, Group companies or third parties. The normal relations maintained with related parties serve to protect corporate competitiveness based on evaluations of economic convenience, also considering the type of transactions; they are not considered special concessions. Adequate information on related party transactions is provided in the Directors' report.

Relationships between the Parent Bank and its subsidiaries have always been explained in full by the Board of Directors.

We approved the instructions given to the subsidiaries in accordance with art. 114 of Legislative Decree no. 58/1998.

A great deal of attention has been given to the results of the subsidiary Banca Popolare di Sondrio (SUISSE) SA, which despite the unfavourable state of the Swiss economy, managed to confirm its capacity for growth in size and extension (13 branches) together with a considerable increase in the volumes handled (balance sheet total of CHF 954 million compared with CHF 843 million the previous year) and with a higher net profit (CHF 6.934 million) than in 2002 (+5.73%).

The performance by Pirovano Stelvio, now wholly owned, was unduly conditioned by last year's excessively hot summer. However, the company is still an excellent way for promoting the Bank's activity, as well as a concrete contribution towards maintaining the tourist hub of the Stelvio and of the Province of Sondrio.

We carried out 92 branch visits, which allowed us to observe the Bank in action. And with the help of the internal auditors, we were able to focus on particular situations to ensure that legal regulations and internal procedures were being applied correctly.

The organisational structure of the Bank is subject to constant adjustment to keep up with its rapid growth. However, the Board has taken suitable action to ensure that adequate human resources and other means were available to achieve a satisfactory level of functionality and efficiency.

Even though growth-related tensions and dysfunctions are inevitable and cannot be ruled out entirely, they were kept within normal limits. In any case, management has always kept the situation under control, implementing Board decisions on a timely basis or taking corrective action to remove any anomalous behaviour.

SOSI, which runs the IT centre and is able to develop sophisticated software, deserves a special mention. A project designed to outsource part of its activity under a Facility Management Agreement has been decided and is now being implemented, partly to take advantage of the related Disaster Recovery service. This is a fundamental prerequisite to ensure operational continuity even in the direct of circumstances.

The administrative and accounting system, which has been in use for various years, backed up by suitable IT procedures, performs its functions quite adequately, giving a fair representation of the Bank's operations. The system is considered reliable. It also permits the Bank to report to the Supervisory Body with suitable precision and timeliness.

Moving on to the question of internal controls, we can assure you that these have always been a matter of particular consideration by the Board of Directors and by the Statutory Auditors.

Interventions and procedures have been applied and refined to carry out first and second

level checks, as well as to measure and monitor risks.

The Planning and Control Department looks after the processing of the Bank's figures and performs a series of analyses of the entire operation, providing very useful information for the governance of the Bank.

The Internal Audit Department operates assiduously and with proven skill in carrying out its checks at all central office and branch units.

The constant improvements made in internal audit techniques, support software and the methodologies used for quantifying risks attest to the high level of professionalism with which internal audits are carried out.

In addition to the traditional systems of auditing the business, by means of on-site visits with the help of a detailed checklist, there is now a mechanised system of remote controls. This is considered a state-of-the-art system for the acquisition of information on how the Bank's various activities are progressing.

We have continued to pay particular attention to the anti-money laundering rules. This is an area in which the Italian Foreign Exchange Office (UIC) carried out an inspection in 2002, which was concluded with a few recommendations but without particular observations.

Similarly, no particular comments were made by the Bank of Italy's inspectors who visited a number of branches to check on the Bank's implementation of the rules on transparency.

During the year, we received two petitions under art. 2408 of the Civil Code. One claimed that the Bank had not complied with the deadline for calling the AGM, according to an interpretation of art. 1 of Ministerial Decree no. 437 of 5 November 1998. The shareholder in question was not satisfied by the Bank's explanation that it was not required to apply this particular interpretation and has taken the matter to court, where it is still pending.

The other petition came from a shareholder who was not happy with the way that the Bank had dealt with his daughter's job application. Suitable explanations have been given by both management and by ourselves.

In the interests of complete information, we would also like to report that we received 22 complaints during the year of which 21 concerned the Bank's investment services. We have ascertained that these matters have since been settled. The other complaint concerned an operation linked to a fiduciary loan, which is still under discussion.

In any case, we can assure you that we have always intervened to verify corporate behaviour and we can exclude that the matters being contested were the result of procedural weaknesses or erroneous application of the rules in question.

As regards the Bank's application of the Code of Conduct issued by the Committee for Corporate Governance of Listed Companies, the Board of Directors discussed the matter in detail and after various considerations, largely to do with the Bank's nature as a cooperative bank, decided not to adopt the Code, at least for the time being. A copy of this resolution, which was approved unanimously by the Board of Directors with the consent of the Statutory Auditors, has been sent to Borsa Italiana spa.

Shareholders,

In conclusion, comforted by the results achieved by the Bank, which come on top of the positive results of prior years, and convinced by the checks that we have performed over time, we can assure you about the validity and correctness of the Bank's operations and how they are managed, and with regard to the entrepreneurial spirit of the Board of Directors in pursuing goals that are ever more advanced, with the support of a growing number of people who are devoted to their work through enthusiasm and a high level of professionalism, such as to constitute a solid and healthy organisation which knows how to create value and which undoubtedly has a future.

It only remains for us to hope that you will approve these financial statements that are being presented to you, along with the allocation of net profit as proposed by the Board of Directors, which agrees with the law and the articles of association.

Sondrio, 16 February 2004

THE STATUTORY AUDITORS

Egidio Alessandri, Chairman

Pio Bersani, Acting Auditor

Piergiuseppe Forni, Acting Auditor

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

105

BALANCE SHEET

(in euro)

ASSETS	21 10 2022	21 10 0000
A > > F >	31-12-2003	31-12-2002

10.	CASH ON HAND AT CENTRAL				
	BANKS AND POST OFFICES		60,177,718		61,654,540
20.	TREASURY AND SIMILAR BILLS ELIGIBLE				
	FOR REFINANCING WITH CENTRAL BANKS		348,225,889		329,114,713
30.	DUE FROM OTHER BANKS:		809,156,823		1,303,182,360
	a) sight b) others	435,310,613 373,846,210		681,005,499 622,176,861	
40.	CUSTOMER LOANS of which:		7,117,211,453		6,246,734,925
	from third-party funds				
	under administration	14,707		66,618	
50.	BONDS AND OTHER FIXED-YIELD SECURITIES:		1,418,502,374		1,370,241,573
	a) from public issuers	1,193,170,336		1,142,229,382	
0.3	b) from banks of which:	9,758,706		6,626,633	
	- own securities	1,447,560		1,306,761	
	c) from financial institutions	195,428,124		210,435,988	
	d) from other issuers	20,145,208		10,949,570	
60.					
	VARIABLE-YIELD SECURITIES		121,157,877		103,464,703
70.	EQUITY INVESTMENTS		97,613,486		79,252,156
80.	EQUITY INVESTMENTS IN GROUP COMPANIES		32,928,414		32,928,414
90.	INTANGIBLE ASSETS		14,121,009		13,003,415
100.	FIXED ASSETS		65,003,491		67,534,138
120.	OWN SHARES		0		605,589
130.	OTHER ASSETS		370,759,323		252,807,170
140.			46,989,319		48,165,482
	a) accrued income	45,525,670		46,655,697	
	b) prepayments	1,463,649		1,509,785	
	TOTAL ASSETS		10,501,847,176		9,908,689,178

LIABILITIES 31-12-2003 31-12-2002

10.	DUE TO OTHER BANKS:	=1.57.11.1	955,958,828	11 11 11 11 11	1,277,109,922
	a) sight	143,792,174		196,852,795	
	b) time or with notice	812,166,654		1,080,257,127	
20.	CUSTOMER DEPOSITS:		7,254,360,625		6,509,132,700
	a) sight	5,799,497,716		5,178,468,401	
	b) time or with notice	1,454,862,909		1,330,664,299	
30.	SECURITIES ISSUED:		929,170,096		840,165,912
	a) bonds	805,932,622	1 1 1 1 1 1 1 1 1	717,666,352	
	b) certificates of deposit	46,734,987		49,231,809	
	c) other securities	76,502,487		73,267,751	
40.	THIRD-PARTY FUNDS				
	UNDER ADMINISTRATION		14,108		64,742
50.	OTHER LIABILITIES		337,867,965		292,249,198
60.	ACCRUED LIABILITIES AND DEFERRED INCOME		23,253,133		22,905,567
	a) accrued liabilities	19,012,533		19,916,232	
	b) deferred income	4,240,600	100	2,989,335	
70.	RESERVE FOR SEVERANCE INDEMNITIES		37,594,134		35,236,904
80.	RESERVES FOR RISKS AND CHARGES:		122,351,543		114,366,574
	a) staff pension fund	51,241,144		49,536,000	
	b) taxation reserve	48,585,630		43,657,785	
	c) other reserves	22,524,769	Harris and	21,172,789	
90.	RESERVES FOR POSSIBLE LOAN LOSSES		7,201,986		18,384,118
100.	RESERVE FOR GENERAL BANKING RISKS		40,000,000		38,734,267
120.	SHARE CAPITAL		412,698,192		412,698,192
130.	SHARE PREMIUM RESERVE		135,886,233		135,886,233
140.	RESERVES:		185,373,214		165,051,049
	a) legal reserve	47,996,390		43,222,425	
	b) reserve for own shares	0		605,589	
	c) statutory reserves	111,815,864		97,798,807	
	d) other reserves	25,560,960		23,424,228	
170.	NET PROFIT FOR THE YEAR		60,117,119		46,703,800
	TOTAL LIABILITIES		10,501,847,176		9,908,689,178

GUARANTEES AND COMMITMENTS 31-12-2003

31-12-2002

10	. GUARANTEES GRANTED of which:	1,689,518	3,142	1,527,608,660
	acceptancesother guarantees	3,146,114 1,686,372,028	1,609,759 1,525,998,901	1/1/2
20	. COMMITMENTS	258,050),765	254,213,608

INCOME STATEMENT

(in euro)

2003 2002

10.	INTEREST INCOME AND SIMILAR REVENUES of which:		381,250,419		395,454,827
	– on customer loans	307,650,093	C 1152	311,119,600	
	- on fixed-yield securities	47,581,183	1100	56,422,551	
20.	INTEREST EXPENSE AND SIMILAR CHARGES of which:		(162,906,354)		(191,713,460
Н	on customer depositson securities issued	(124,786,392) (23,929,799)	7-18-3	(143,885,176) (23,816,258)	
30.	DIVIDENDS AND OTHER INCOME:		4,857,330		5,518,364
	a) from shares, quotas and other variable-yield securities	1,565,866		1,748,789	
	b) from equity investments	3,291,464		3,769,575	
40.	COMMISSION INCOME		103,025,611		95,989,976
50.	COMMISSION EXPENSE		(7,518,099)		(6,143,725
60.	PROFITS FROM FINANCIAL TRANSACTIONS		22,704,471		13,133,595
70.	OTHER OPERATING INCOME		27,286,389		23,439,900
80.	ADMINISTRATIVE EXPENSES:		(208,029,489)		(196,218,917
	a) Personnel expenses	(107,183,765)		(99,424,834)	
	of which: – wages and salaries	(71,951,829)		(67,437,191)	
=11	 social security contributions 	(20,323,198)		(18,713,613)	
	 severance indemnities 	(5,606,989)		(5,059,316)	
	pensionsb) Other administrative expenses	(4,223,094) (100,845,724)		(3,339,547) (96,794,083)	
90.	ADJUSTMENTS TO INTANGIBLE	(100,043,724)		(90,794,003)	
90.	AND FIXED ASSETS		(17,795,660)		(16,748,760
100.	PROVISIONS FOR RISKS AND CHARGES		0		(5,000,000
110.	OTHER OPERATING EXPENSES		(3,629,030)		(3,006,412
120.	ADJUSTMENTS TO LOANS AND PROVISIONS		returnosys.		
	FOR GUARANTEES AND COMMITMENTS		(56,417,566)		(40,903,160
130.	WRITE-BACKS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		23,420,970		19,009,756
140.	PROVISIONS TO RESERVES FOR POSSIBLE LOA	AN LOSSES	(2,778,292)		(9,024,186
150.	ADJUSTMENT TO THE VALUE OF LONG-TERM FINANCIAL ASSETS		(664,667)		(1,607,415
170.	PROFIT FROM ORDINARY OPERATIONS		102,806,033		82,180,383
180.	EXTRAORDINARY INCOME		663,154		1,616,692
190.	EXTRAORDINARY CHARGES		(786,336)		(1,293,275
200.	NET EXTRAORDINARY ITEMS		(123,182)		323,417
210.	CHANGE IN THE RESERVE FOR GENERAL BAN	KING RISKS	(1,265,732)		
220.	INCOME TAXES FOR THE YEAR		(41,300,000)		(35,800,000
230.	NET PROFIT FOR THE YEAR		60,117,119		46,703,800

109



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 (companies subject to significant influence).

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 non-performing loans, watchlist loans, and loans being restructured and consolidated. The main non-performing loans collectible beyond one year have been discounted at an average market rate. The generic risk of losses that could occur on other loans in the future has been calculated on a forfeit basis and attributed proportionally to individual positions. 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 non-performing loans when the borrowers are in a state of insolvency or similar, independent of any estimated losses.

Watchlist 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 fixed-yield 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 € 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 € 3.497 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 € 7.202 million (a decrease of € 11.182 million; this decrease is due to utilizations of € 13.960 million and provisions of € 2.778 million). The reserve includes overdue interest in accordance with article 71.6 of Presidential Decree 917/86. 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 2.780 million (\in 1.084 million relating to 2003) and is calculated using the expected average tax rate.

PART B Information of the balance sheet

Section 1 Receivables

1.1 Breakdown of item 30 «Due from other banks»

31/12/2003	31/12/2002
83,322	79,021
25 Proc. 11 - 11 - 11 - 11	

This item amounts to € 809.157 million, a decrease of € 494.025 million (-37.91%)

Even if the year-end balance shows a decrease, activity on the interbank market went up quite considerably during the year, in connection with the high volumes of treasury liquidity generated throughout the period.

Deposits with central banks consist of the compulsory reserve at the Bank of Italy for \leqslant 83.322 million. The average rate of return on this reserve during the year was 2.33%, with a maximum of 2.87% and a minimum of 2.00%.

1.5 Breakdown of item 40 «Customer loans»

	31/12/2003	31/12/2002
a) assets eligible for refinancing at central banks	8,075	1,960
b) repo transactions		-
c) securities lent		_

This item comes to \in 7,117.211 million, an increase of \in 870.476 million (+13.93%).

The total amount of loans granted is shown at their estimated realisable value.

Customer loans are booked net of write-downs totalling \in 139.618 million, of which: \in 101.041 million related to non-performing loans, watchlist loans, and loans being restructured and consolidated resulting from a detailed analysis of potential losses, taking country risk into account; \in 38.577 million, based on an historical, statistical analysis of performing loans 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

	31/12/2003	31/12/2002
a) by mortgages	2,440,688	1,914,821
b) by liens on:	187,914	159,274
1. cash deposits	1,154	1,050
2. securities	173,917	148,545
3. other assets	12,843	9,679
c) by guarantees from:	1,581,284	1,477,223
1. governments	N. N	13
2. other public entities	495	2,961
3. banks	7,265	10,813
4. other operators	1,573,524	1,463,436
Total	4,209,886	3,551,318

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

1.14			31/12/2003			31/12/2002
Categories	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
A. Doubtful loans	242,770	101,041	141,729	240,425	68,056	172,369
A.1. Non-performing	156,349	85,582	70,767	124,789	48,294	76,495
A.2. Watchlist	59,086	7,609	51,477	70,790	10,625	60,165
A.3. Loans being restructured		_	_	_	_	
A.4. Restructured loans	25,309	7,242	18,067	44,080	8,907	35,173
A.5. Unsecured loans exposed to country risk	2,026	608	1,418	766	230	536
B. Performing loans	7,014,059	38,577	6,975,482	6,107,960	33,594	6,074,366
Total	7,256,829	139,618	7,117,211	6,348,385	101,650	6,246,735

1.8 Movements in doubtful loans due from customers

					31/12/2003
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure at 31/12/2002	124,789	70,790	0	44,080	766
A.1. of which: overdue interest	15,544	1 / 1 -	n., 1914.	1542 11-3	-
B. Increases	61,928	24,760	0	823	1,409
B.1. transfers from performing loans	32,707	21,075	93 -	-	<u> </u>
B.2. overdue interest	4,524		STEEL TO	-	100
B.3. transfers from other categories of doubtful loans	20,602	\$ _		34-	I S
B.4. other increases	4,095	3,685		823	1,409
C. Decreases	30,368	36,464	0	19,594	149
C.1. transfers to performing loans	100	1,983	1 - 1	6,426	-
C.2. write-offs	14,535	- 111	U () -	-	-
C.3. collections	15,833	13,921		13,168	107
C.4. proceeds from factored loans	F 70-		-	arte ne	-
C.5. transfers to other categories of doubtful loans	in-	20,560	<u> 1</u>		42
C.6. other decreases	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	111/1-	Alto Je		- CD + 44 -
D. Gross exposure at 31/12/2003	156,349	59,086	0	25,309	2,026
D.1. of which: overdue interest	17,462	_	T - 1	1 1 1 - 1	_

					31/12/2002
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure at 31/12/2001	94,981	72,320	0	33,151	663
A.1. of which: overdue interest	13,786	_		100 (100 4)	
B. Increases	65,777	23,160	0	11,351	299
B.1. transfers from performing loans	26,080	19,531	777777	9,280	
B.2. overdue interest	4,144	-		- 1111	_
B.3. transfers from other categories of doubtful loans	16,532			Until-	
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		- 1 - 1	
C.2. write-offs	26,164	_	-	-	100000
C.3. collections	9,805	5,103	- 1	422	196
C.4. proceeds from factored loans	100000 1-1	-	- 55 1 - 52	_	1-11-
C.5. transfers to other categories of doubtful loans		16,532			
C.6. other decreases	_	_	_	_	_
D. Gross exposure at 31/12/2002	124,789	70,790	0	44,080	766
D.1. of which: overdue interest	15,544		_	- 100	_

1.9 Movements in total adjustments

					3	31/12/2003
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments at 31/12/2002	48,294	10,625	0	8,907	230	33,594
A.1. of which: overdue interest	3,160		_	_		_
B. Increases	55,066	2,860	0	1,649	423	13,163
B.1. adjustments	51,255	2,787	_	1,649	423	13,117
B.1.1. of which: overdue interest	7,526	_	_	_	_	_
B.2. use of the reserve for possible loan losses	s –	_	_	_	_	_
B.3. transfers from other categories of loans	3,811	73	_	_	-	46
B.4. other increases	_	_	_	_	_	_
C. Decreases	17,778	5,876	0	3,314	45	8,180
C.1. write-backs on valuation	473	170	_	675	_	45
C.1.1. of which: overdue interest	_	_	_	_	_	_
C.2. write-backs due to collections	2,770	2,098	_	2,602	31	7,864
C.2.1. of which: overdue interest	247	_	_	-	-	_
C.3. write-offs	14,535	_	_	_	_	_
C.4. transfers to other categories of loans	-	3,608	_	37	14	271
C.5. other decreases		_	_	_	_	_
D. Closing total adjustments at 31/12/2003	85,582	7,609	0	7,242	608	38,577
D.1. of which: overdue interest	10,260	_	_	_	_	

					3	31/12/2002
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments at 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	s –	_	-	_	_	
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 at 31/12/2002	48,294	10,625	0	8,907	230	33,594
D.1. of which: overdue interest	3,160	_	_	_	_	_

Doubtful loans (including overdue interest)

THE SECOND SECON	31/12/2003	31/12/2002
Non-performing loans (including overdue interest)	70,767	76,495

Non-performing loans, expressed at their estimated realisable value, have decreased by ≤ 5.728 million, -7.49% compared with the end of last year.

They also include any residual principal that is still to fall due.

Receivables for overdue interest

THE RESERVE THE RE	31/12/2003	31/12/2002
a) Non-performing loans	7,202	12,384
b) other loans		

Receivables for overdue interest are stated at their estimated realisable value, in other words net of write-downs for \leqslant 10.260 million. These receivables have decreased by \leqslant 5.182 million, -41.84% compared with the end of last year, following a more prudent valuation of the non-recoverable portion.

Section 2 Securities

Securities owned by the bank, which are held for trading purposes, amount to € 1,887.886 million and have increased by € 85.065 million (\pm 4.72%). They are classified in the financial statements under item 20, «Treasury and similar bills eligible for refinancing with central banks» for € 348.226 million, under item 50, «Bonds and other fixed-yield securities» for € 1,418.502 million, and under item 60, «Shares, quotas and other variable-yield securities» for € 121.158 million. The items take into account write-downs for € 1.636 million and write-backs for € 4.311 million to both listed and unlisted securities, charged in full to the income statement.

Item 60 includes € 50.495 million of securities held as investments of the staff pension fund.

2.3 Trading securities

THIN SHAPE SHAPE		31/12/2003	The second second	31/12/2002
	Book value	Market value	Book value	Market value
1. Fixed-yield securities	1,766,728	1,767,447	1,699,356	1,703,677
1.1 Government securities	1,541,396	1,541,809	1,470,198	1,474,507
– listed	1,541,396	1,541,809	1,470,198	1,474,507
– unlisted	-		1)3001 = 10	
1.2 Other securities	225,332	225,638	229,158	229,170
- listed	201,196	201,502	1,666	1,678
– unlisted	24,136	24,136	227,492	227,492
2. Variable-yield securities	121,158	123,775	103,465	104,164
– listed	64,970	67,582	33,793	34,492
– unlisted	56,188	56,193	69,672	69,672
Total	1,887,886	1,891,222	1,802,821	1,807,841

2.4 Change for the year in trading securities

	31/12/2003	31/12/2002
A. Opening balance	1,802,821	1,612,994
B. Increases	10,265,398	10,522,895
B1. Purchases	10,246,883	10,507,897
 Fixed-yield securities 	10,175,801	10,337,547
government securities	7,584,033	8,452,792
other securities	2,591,768	1,884,755
 Variable-yield securities 	71,082	170,350
B2. Write-backs and revaluations	5,814	127
B3. Transfers from investment portfolio		-
B4. Other changes	12,701	14,871
C. Decreases	10,180,333	10,333,068
C1. Sales and reimbursements	10,176,910	10,319,164
 Fixed-yield securities 	10,118,082	10,155,542
government securities	7,517,473	8,450,801
other securities	2,600,609	1,704,741
 Variable-yield securities 	58,828	163,622
C2. Write-downs	1,873	11,657
C3. Transfers to investment portfolio	-	_
C5. Other changes	1,550	2,247
D. Closing balance	1,887,886	1,802,821

Write-backs and revaluations (sub-item B2) amount to \in 1.503 million and relate to securities held by the pension fund.

Other increases (sub-item B4) consist of € 11.637 million of income from trading in securities,

Write-downs (sub-item C2) for \leqslant 0.237 million relate to securities held by the pension fund. Other decreases (sub-item C5) relate to losses on securities.

Section 3 **Equity investments**

Items 70 and 80 report balances of € 97.613 million and € 32.928 million respectively, an overall increase of € 18.361 million, +16.37% with respect to 31 December 2002.

^{€ 0.240} million of discounts, € 0.382 million of increase in the value of capitalisation certificates and € 0.442 million of gains on securities held by the pension fund.

3.1 Main equity investments

	Location	Shareholders' equity	Profit/ loss	% held	Book value
A. Subsidiaries		11 11 11 11 11			
Banca Popolare di Sondrio (SUISSE) SA	Lugano	61,015	4,451	100	32,928
2. Pirovano Stelvio spa	Tirano	2,152	-110	100	4,401
3. Sinergia Seconda srl	Milan	10,356	142	100	10,329
B. Associated companies (subject to significant influence)					1922
1. Ripoval spa	Sondrio	3,064	170	50	1,291
2. Arca Vita spa	Verona	89,298	3,161	32.528	36,853

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 $\in 1.163$ 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.

The book value of Arca Vita spa is \in 7.806 million higher than it was under the equity method at 31/12/2002 due to the purchase of shares during this and last 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

	31/12/2003	31/12/2002
a) Assets	101,397	168,670
1. due from other banks	101,397	168,670
of which: - subordinated		
2. due from financial institutions	200 - 0 - 43°	-
of which: - subordinated		
3. customer loans	- I	
of which: - subordinated		171
4. bonds and other fixed-yield securities		STALL J
of which: - subordinated		III YAY
b) Liabilities	106,316	181,374
1. due to other banks	106,316	181,374
2. due to financial institutions		-
3. customer deposits		
4. securities issued	Name of the state	-
5. subordinated liabilities		
c) Guarantees and commitments	0	512
guarantees granted	(*-)	512
2. commitments		

Total

3.3 Assets and liabilities due to and from affiliated companies (excluding Group companies)

	31/12/2003	31/12/2002
a) Assets	175,508	221,161
1. due from other banks	21,570	78,696
of which:		
- subordinated	_	_
2. due from financial institutions	88,321	114,555
of which:		
- subordinated	140	<u> </u>
3. customer loans	55,892	17,077
of which:		
subordinated	- 1	139
4. bonds and other fixed-yield securities	9,725	10,833
of which:		
– subordinated	2	_
b) Liabilities	303,274	160,734
1. due to other banks	32,636	1,830
2. due to financial institutions	154,356	108,728
3. customer deposits	116,282	50,176
4. securities issued	——————————————————————————————————————	<u> </u>
5. subordinated liabilities		_
c) Guarantees and commitments	171,495	167,772
1. guarantees granted	161,677	166,063
2. commitments	9,818	1,709
3.4 Breakdown of item 70 «Equity investments»	31/12/2003	31/12/2002
a) in banks	22,893	18,001
1. listed	394	394
2. unlisted	22,499	17,607
b) in financial institutions	15,662	14,836
1. listed	_	_
2. unlisted	15,662	14,836
c) others	59,058	46,415
1. listed	5,175	5,175
2. unlisted	53,883	41,240
Total	97,613	79,252
3.5 Breakdown of item 80 «Equity investments in G	roup companies»	
	31/12/2003	31/12/2002
a) in banks	32,928	32,928
1. listed	-	
2. unlisted	32,928	32,928
b) in financial institutions	-	02,320
1. listed		
2. unlisted		_
c) others	<u>_</u>	
1. listed		
2. unlisted		
Z. dimotou	_	

32,928

32,928

3.6 Changes for the year in equity investments

3.6.1 Equity investments in Group companies

	31/12/2003	31/12/2002
A. Opening balance	32,928	32,928
B. Increases	Parallel Inches Pro-	- 1
B1.Purchases	DESCRIPTION OF THE RESERVE OF THE RE	- 1000
B2. Write-backs		
B3. Revaluations	Maria de La Caracteria	- 1100
B4. Other changes		-
C. Decreases	THE CONTRACTOR OF THE CONTRACTOR	
C1. Sales		- 19 A. 1-
C2. Write-downs		-
of which:		
permanent write-downs		1
C3. Other changes		
D. Closing balance	32,928	32,928
E. Total revaluations		_
F. Total write-downs	Three I have been been a second	

3.6.2 Other equity investments

	31/12/2003	31/12/2002
A. Opening balance	79,252	66,255
B. Increases	19,796	19,697
B1. Purchases	19,796	14,604
B2. Write-backs		-
B3. Revaluations		- 10 To -
B4. Other changes	ESCHALL TO THE A CONTROL OF THE PARTY OF THE	5,093
C. Decreases	1,435	6,700
C1. Sales	British Action of Action 1-	-
C2. Write-downs	665	1,607
of which:	HERRORE ENGLISHED THAT	
permanent write-downs	665	1,607
C3. Other changes	770	5,093
D. Closing balance	97,613	79,252
E. Total revaluations		_
F. Total write-downs	5,749	5,084

Increases during the year relate to the investment in Arca Vita spa for \leqslant 13.390 million, in Banca Italease spa for \leqslant 4.896 million (increase in capital), in Pirovano Stelvio spa \leqslant 0.728 million (of which \leqslant 0.591 million to cover losses and \leqslant 0.137 million for the purchase of the remaining 2% of share capital), in Arca SGR spa for \leqslant 0.218 million, in Arca Assicurazioni spa for \leqslant 0.262 million for the remaining 5/10 of the increase in share capital, in B. & A. Broker spa for \leqslant 0.120 million, in Servizi Internazionali e Strutture Integrate 2000 srl for \leqslant 0.074 million, in Teleriscaldamento spa for \leqslant 0.055 million, in Unione Fiduciaria spa for \leqslant 0.048 million and in Euros Consulting for \leqslant 5 thousand.

The decreases relate to coverage of the loss for the year of \in 0.591 million reported by Pirovano Stelvio spa and of \in 0.074 million by Servizi Internazionali e Strutture Integrate 2000 srl, and to the transfer to shares, quotas and other variable-yield securities of \in 0.770 million relating to minor equity investments no longer considered of long-term importance for the development of the bank's activity, in accordance with art. 4 of Decree 87 of 27/1/1992.

Section 4 Fixed and intangible assets

4.1 Changes for the year in fixed assets

					31/12/2003
	Buildings	Furniture and fittings	Machines and equipment	Other	Total
A. Opening balance	54,636	4,387	3,827	4,684	67,534
B. Increases	1,329	1,889	2,355	2,379	7,952
B1.Purchases	1,329	1,889	2,355	2,379	7,952
B2.Write-backs	_	_	_	_	I
B3. Revaluations	_	_	_	_	_
B4. Other changes	_	_	_	_	_
C. Decreases:	2,934	1,673	2,884	2,992	10,483
C1. Sales	8	_	_		8
C2. Write-downs:	2,926	1,673	2,884	2,992	10,475
a) Depreciation	2,926	1,673	2,884	2,992	10,475
b) Permanent write-downs	_	_			_
C3. Other changes		_	_		
D. Closing balance	53,031	4,603	3,298	4,071	65,003
E. Total revaluations	42,374	_			42,374
F. Total write-downs:	54,585	15,506	24,354	24,938	119,383
a) Depreciation	54,585	15,506	24,354	24,938	119,383
b) Permanent write-downs	-1	_		-	_
	Buildings	Furniture and fittings	Machines and equipment	Other	31/12/2002 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	-	2,114	5,550	5,555	3,327
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	_	_	_	,	_

This item comes to € 65.003 million, a decrease of € 2.531 million (-3.75%).

The main changes for the year concerned:

– for buildings:

the purchase of part of a building in Bergamo and one in Via Solari, Milan, used as a branch following expiration of the lease contract;

the purchase of other plots of land next to the Service Centre in Berbenno di Valtellina; increases for additional works on the building in Via Roma, Bormio; the purchase of a plot of land in Livigno next to a building already owned and works on the building in Via Porpora, Milan and in Via Cesura, Sondrio;

sale of part of a plot of land in Rome;

- for furniture, machines and installations:

increases for head office and branch IT 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 € 41.966 million.

4.2 Changes for the year in intangible assets

			31/12/2003
	Software	Leasehold	Total
	purchases	improvements	
A. Opening balance	2,556	10,447	13,003
B. Increases	3,238	5,263	8,501
B1.Purchases	3,238	5,263	8,501
B2. Write-backs			
B3. Revaluations			I Sale I I I I I I I I
B4. Other changes			
C. Decreases:	2,702	4,681	7,383
C1. Sales			- 100
C2. Write-downs:	2,702	4,619	7,321
a) amortization	2,702	4,619	7,321
b) permanent write-downs			
C3. Other changes	4 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	62	62
D. Closing balance	3,092	11,029	14,121
E. Total revaluations			
F. Total write-downs:	16,638	28,850	45,488
a) amortization	16,638	28,850	45,488
b) permanent write-downs		Market Service	_
	III SANDONI E	THE PERSON NAMED IN	
			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	**************************************		<u> </u>
B3. Revaluations			
B4. Other changes		V	- "V.a.V"
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			_

Intangible assets affecting various years amount to \in 14.121 million, an increase of \in 1.118 million (+8.60%).

Costs for the purchase of software are amortized at 84.33%.

Costs for leasehold improvements are amortized at 72.34%.

Section 5 **Other asset items**

5.1 Breakdown of item 130 «Other assets»

	31/12/2003	31/12/2002
Deferred tax assets	8,527	7,079
Taxes withheld	230	205
Tax credits on dividends	1,608	1,756
Advances paid to tax authorities	35,496	32,030
Withholdings on interest due to customers	108	146
Tax credits and related interest	3,910	2,062
Outstanding cheques and bills	1,754	2,111
Current account cheques drawn on third parties	60,210	41,583
Current account cheques drawn on the bank	28,212	20,557
Securities transactions	3,592	5,078
Contra-item for valuation of off-balance sheet transactions	75,379	46,305
Costs pertaining to next year	624	422
Advances to suppliers	6,006	13,271
Advances to customers on loans	71,645	49,324
Value date differentials on portfolio transactions	518	710
Inventories	1,378	1,444
Miscellaneous debits in transit	13,219	9,895
Premiums for exchange and securities options to be exercised	14,250	6,332
Guarantee deposits	113	112
Items in transit with branches	361	134
Liquid assets belonging to the staff pension fund	746	810
Receivables for hedging transactions	3,462	3,332
Advance payment as per Decree 341 of 10/12/2003	28,532	
Residual items	10,879	8,109
Total	370,759	252,807

This item increased by € 117.952 million (+46.66%).

The increase is the result of rising business volumes. In addition, certain sub-items such as current account cheques drawn on third parties (up from € 41.583 to € 60.210 million, +44.79%) and advances to customers awaiting credits (up from € 49.324 to € 71.645 million, +45.25%) reflect a different timing at the end of 2003 with respect to the previous year. The contra-item off-balance sheet transactions (up from € 46.305 to € 75.379 million, +62.79%) shows a similar rise on the liabilities side, as these transactions more or less compensate for each other. Premiums for foreign exchange and securities options went from € 6.332 million to € 14.250 million (+125.05%).

The advance of € 28.532 million, made in accordance with the above Decree, is an advance on the amounts that taxpayers will pay the bank in 2004.

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»

	31/12/2003	31/12/2002
a) Accrued income	45,525	46,656
Interest receivable on securities	11,283	15,968
Interest on euro and foreign currency deposits and loans to customers	3,912	4,600
Interest on euro and foreign currency deposits and loans to other banks	541	1,580
Interest on customer mortgages and loans	15,650	15,073
Commissions receivable	8,947	8,186
Other	5,192	1,249
b) Prepayments	1,464	1,510
Invoices received not pertaining to this financial year	1,464	1,510
Total	46,989	48,166

This item has decreased by € 1.177 million, -2.44% 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

	31/12/2003	31/12/2002
a) due from other banks		-
b) customer loans	140	139
c) bonds and other fixed-yield securities	2,851	170

Section 6 Payables

6.1 Breakdown of the item «Due to other banks»

	31/12/2003	31/12/2002
a) repo transactions	ALLES 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100 100	-
b) securities lent		

This item amounts to € 955.959 million, a decrease of € 321.151 million (-25.15%).

The considerable decline is due to a lower recourse to the interbank market, given the high level of liquidity generated throughout the year, as in 2002.

6.2 Breakdown of the item «Customer deposits»

	31/12/2003	31/12/2002
a) repo transactions	1,224,913	1,264,031
b) securities lent		_

Item 20 totals \in 7,254.361 million, with an increase of \in 745.228 million (+11.45%).

Item 30 «securities issued» has increased by € 89.004 million (+10.59%), rising from € 840.166 million to € 929.170 million. This is due to an increase of € 88.266 million in «bonds» (+12.30%) and of € 3.235 million in «other securities» (+4.42%) and a decrease of € 2.497 million in «certificates of deposits» (-5.07%).

The sub-item «bonds» includes the securities listed below:

	Book value
Floating-rate bond issues	189,362
Fixed-rate bond issues	339,975
Zero-coupon bond issues	276,596
Total	805,933

Floating-rate and fixed-rate bond issues also include structured bonds with a nominal value of € 157.494 million.

The sub-item «certificates of deposit» totals € 46.735 million and consists of € 42.988 million in short-term fixed-rate certificates, € 1.652 million in medium-term fixed-rate certificates, € 2.018 million in medium-term floating-rate certificates and € 0.077 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 € 14,000, a decrease of € 51,000 (-78.46%).

Section 7 Reserves

7.1 Breakdown of item 90 «Reserves for possible loan losses»

These reserves amount to € 7.202 million, a decrease of € 11.182 million (-60.82%). They comprise overdue interest deemed recoverable (article 71.c.6 of Presidential Decree 917/86).

7.2 Changes for the year in the reserves for possible loan losses

31/12/2003	31/12/2002
18,384	17,552
2,778	9,056
2,778	9,024
J 1 - 1	32
13,960	8,224
6,100	6,758
7,860	1,466
7,202	18,384
	18,384 2,778 2,778 - 13,960 6,100 7,860

The increases consist of € 2.778 million of overdue interest.

The decreases in utilizations (sub-item C1) include € 0.100 million for overdue interest and € 6 million for the use of the provision made during 2002 (article 71.c.3 of Presidential Decree 917/86); other changes (sub-item C2) relate to overdue interest collected of € 1.845 million and loan writedowns of € 6.015 million.

7.3 Breakdown of sub-item 80c) «Reserves for risks and charges: others»

	31/12/2003	31/12/2002
a Charity fund	305	363
b Reserve for guarantees granted	5,000	3,500
c Reserve for personnel expenses	3,220	3,310
d Reserve for litigation costs	14,000	14,000
Total	22,525	21,173

This sub-item reports an increase of € 1.352 million (+6.39%).

The charity fund shows a balance of \leqslant 0.305 million, the result of an increase of \leqslant 0.250 million through the allocation of the 2002 net profit and a decrease of \leqslant 0.308 million for donations made during the year.

The reserve for guarantees granted amounts to \in 5 million, showing an increase of \in 1.500 million (+42.86%) following the provision made during the year.

The reserve for personnel expenses shows a balance of \leq 3.220 million, a decrease of \leq 90 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 € 14 million, with no change from the prior year.

Taxation reserve

This reserve amounts to \leq 48.586 million, an increase of \leq 4.928 million (+11.29%) 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 taxation, a rate of 33% has been used for IRPEG (corporate income tax), reflecting the new corporate income tax rate. The rate used for IRAP is the one applicable to the years in question. 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

31/12/2003	31/12/2002
7,079	5,381
4,120	4,010
3,918	3,591
202	419
2,672	2,312
2,672	2,312
11 12 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
8,527	7,079
	7,079 4,120 3,918 202 2,672 2,672

The amount of \leqslant 3.918 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 \leqslant 5 million and refer to the provision for guarantees and commitments; unlike previous years, on the other hand, deferred taxes have been calculated in 2003 on the reserve for litigation costs.

The amount of \in 0.202 million shown under «other increases» relates to the recalculation of deferred tax assets using a higher rate of corporate income tax (IRPEG), due to the changes made to tax regulations during the year.

7.5 Change in deferred tax liabilities

	31/12/2003	31/12/2002
1. Opening balance	33	43
2. Increases	31	17
2.1. Deferred tax assets arising during the year	30	14
2.2. Other increases	1	3
3. Decreases	14	27
3.1. Deferred tax assets reversing during the year	14	27
3.2. Other decreases		ped Helling -
4. Closing balance	50	33

No deferred taxes have been booked on the reserves in suspense for tax purposes as they are unlikely to be used.

With reference to the bank's tax situation, it should be noted that fiscal years 1979 to 1987 (as well as from 1999 onwards) have not yet been agreed with the tax authorities; the bank has received assessment notices for these earlier years and has appealed to the appropriate authorities. The dispute regards the calculation of taxable income and withholdings on foreign deposits.

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 80 a)

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 € 37.594 million, having risen by € 2.357 million (+6.69%); this increase consists of € 5.607 million in provisions for the year less utilizations that included € 1.883 million of payments during the year, € 1.239 million transferred to Arca Previdenza F.P.A. and € 128 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. It 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 in 2002, which confirmed that the fund was adequate, bearing in mind it is for a closed group as of 28 April 1993 of 722 employees and 138 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 824 employees have opted to enrol.

Sezione 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:

Liability items	31/12/2003	31/12/2002
A. Reserve for general banking risks	40,000	38,734
B. Share capital	412,698	412,698
C. Share premium reserve	135,886	135,886
D. Reserves:	185,373	165,052
D1. Legal reserve	47,996	43,223
D2. Reserve for own shares		606
D3. Statutory reserves	111,816	97,799
D4. Others	25,561	23,424
E. Net profit for the year	60,117	46,704
Total	834,074	799,074

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: amounts to € 40 million, an increase of € 1.266 for provisions made during the 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 € 4.773 million (+11.04%) as a result of the allocation of 2002 profits.
- Statutory reserves: up by € 14.017 million (+14.33%) due to the allocation of 2002 profits of € 14.011 million, the transfer of € 4 thousand in dividends on own shares and the transfer of € 2 thousand in dividends that have fallen into prescription.
- Other reserves: shows a balance of € 25.561 million, with an increase of € 2.137 million (+9.12%) 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;
 - \in 19 million for the unrestricted portion of the reserve covering the potential purchase of own shares. The reserve has increased by \in 1.500 million due to allocation of the net profit for 2002;
 - € 105 thousand for the reserve as per Legislative Decree 124/93, increased by € 31 thousand due to allocation of the net profit for 2002.

8.1 Capital ratios: solvency ratio as of 31 December 2003

Categories	31/12/2003	31/12/2002
A. Capital for supervisory purposes		
A.1 Basic capital (tier 1)	788,064	759,077
A.2 Supplementary capital (tier 2)	7,475	19,043
A.3 Amounts to be subtracted	15,498	15,498
A.4 Capital for supervisory purposes	780,041	762,622
B. Precautionary requirements for supervisory purposes		
B.1 Credit risks	586,006	522,525
B.2 Market risks	28,355	20,667
of which: – risks to the trading securities portfolio – exchange risks	28,355 -	20,667
B.3 Third level subordinated loans		
B.4 Other precautionary requirements	4,482	4,518
B.5 Total precautionary requirements	618,843	547,710
C. Risk assets and capital ratios		
C.1 Risk-weighted assets	8,849,455	7,832,253
C.2 Tier 1 capital / Risk-weighted assets	8.91%	9.69%
C.3 Capital for supervisory purposes / Risk-weighted assets	8.81%	9.74%

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 8.81% as of 31 December 2003, compared with 9.74% at the beginning of the year.

Section 9 Other liability items

9.1 Breakdown of item 50 «Other liabilities»

3333 7377	31/12/2003	31/12/2002
Amounts at the disposal of third parties	36,636	23,960
Taxes to be paid on behalf of third parties	16,125	17,163
Taxes to be paid	1,263	1,177
Employee salaries and contributions	11,240	10,702
Trade payables	6,687	7,315
Transit accounts for sundry entities	2,931	11,816
Invoices receivable	3,043	2,501
Securities transactions	1,360	1,219
Value date differentials on portfolio transactions	80,039	97,167
Directors' and statutory auditors' emoluments	948	896
Loans disbursed to customers to be finalized	8,864	9,127
Miscellaneous credit items being settled	70,988	50,806
Premiums for exchange and securities options sold and not exercised	14,771	6,164
Contra-item of valuation of off-balance sheet transactions	73,028	42,742
Items in transit with branches	220	816
Residual items	9,725	8,678
Total	337,868	292,249

This item has increased by € 45.619 million (+15.61%), mainly attributable to the sub-items «Contra-item of valuation of off-balance sheet transactions» which increases by € 30.286 million (+70.86%) from € 42.742 million to € 73.028 million, «Amounts at the disposal of third parties» which increases by € 12.676 million (+52.90%), due to higher volumes, and «Premiums for options» which increases by € 8.607 million (+139.63%).

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»

	31/12/2003	31/12/2002
a) Accrued liabilities	19,012	19,916
Interest on bonds	8,096	9,971
Interest on certificates of deposit	352	519
Interest on customer deposits in euro and foreign currency	62	47
Interest on deposits from other banks in euro and foreign currency	3,069	3,704
Repo transactions	2,228	4,352
Other	5,205	1,323
b) Deferred income	4,241	2,989
Interest on portfolio, mortgages and loans	365	372
Commission on sureties	2,788	2,545
Other	1,088	72
Total	23,253	22,905

This item has increased by \in 0.348 million (+1.52%), mainly due to a decrease of \in 0.903 million in accrued liabilities and a rise of \in 1.251 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	1,689,518	1,527,609
c) assets given in guarantee	8,005	13,005
b) financial endorsement credits	797,461	687,295
a) commercial endorsement credits	884,052	827,309
	31/12/2003	31/12/2002

10.2 Breakdown of item 20 «Commitments»

134,548	143,290
123,503	110,924
31/12/2003	31/12/2002

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 an amount of € 5 million booked to the reserve for guarantees granted under sub-item 80c) «Other reserves».

10.3 Collateral given for own payables

The collateral provided by the bank against its own liabilities consists of government securities: $\in 1,218.934$ million relates to securities given to customers for repo transactions, $\in 9.943$ million is for the deposit paid against the issuing of banker's cheques.

10.4 Margins usable on credit lines

	24.42.222	24/42/222
	31/12/2003	31/12/2002
a) central banks	83,322	79,021
b) other banks	2,439	6,708

10.5 Forward transactions

			31/12/2003			31/12/2002
Type of transaction F	or hedging	For trading	Other	For hedging	For trading	Other
1. Buying and selling:						
1.1 Securities						
– purchases	_	39,438	_	_	37,599	_
– sales	-	28,618	-	_	24,529	T 1 -
1.2 Foreign currency						
 currency against currency 	_	9,226	_	_	9,483	_
 purchases against euro 	_	1,358,880	_	_	1,107,973	-
– sales against euro	_	1,379,579	_	_	1,126,934	-
2. Deposits and loans:						
- to be disbursed	_	_	63,978	_	_	55,196
- to be received	_	_	38,420	_		25,956
3. Derivative contracts:						
3.1 With exchange of capital						
a) securities						
- purchases	_	-	_		_	_
– sales	_		-	-	V 10 10 10 -	_
b) foreign currency						
- currency against curren	су –	39,936	-	-	48,521	_
 purchases against euro 	-	269,254	-	_	128,274	_
– sales against euro		269,226	-	-	128,274	_
c) other instruments						
– purchases	_	95,985	_	_	41,054	_
– sales	_	95,985		_	41,054	_
3.2 Without exchange of capital						
a) foreign currency						
- currency against curren	су –	_	_	_	_	_
– purchases against euro	_	_	-	_	_	_
– sales against euro	_	-	_	_	_	_
b) other instruments						
– purchases	229,841	654,731	-	155,807	333,442	_
– sales	_	654,731	73,494	_	333,442	78,658

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.

The derivative contracts shown in point 3.2 refer to swaps designed to hedge the interest rate risk on bond issues.

Quantitative information on derivative contracts

The following table gives information on derivative contracts in compliance with the regulations formulated by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

Breakdown of reference capital by type of contract

	Interest rates	Exchange rates	Share prices and indices	Other	Total
Trading contracts (unquoted)		300		400	
Futures purchased			A ISSUES	95,985	95,985
Futures sold		-	California -	95,985	95,985
Swaps purchased	572,416	- I			572,416
Swaps sold	572,416	-			572,416
Options purchased	38,894	309,190	10,000	33,421	391,505
Options sold	38,894	309,162	10,000	33,421	391,477
Total	1,222,620	618,352	20,000	258,812	2,119,784
Non-trading contracts (unquoted)					
Options purchased			73,494	_	73,494
Options sold		- 1	73,494	_	73,494
Swaps purchased	156,347				156,347
Total	156,347	1 - 1 1 - 1	146,988	- T - L	303,335
Grand total	1,378,967	618,352	166,988	258,812	2,423,119

Section 11 Concentration and distribution of assets and liabilities

11.1 Significant risk accounts

	31/12/2003	31/12/2002
a) amount	820,373	882,403
b) number	8	8

11.2 Breakdown of customer loans by main borrower categories

	31/12/2003	31/12/2002
a) governments		
b) other public entities	21,248	24,493
c) non-financial businesses	4,409,663	3,897,996
d) financial businesses	470,929	338,843
e) family businesses	694,717	481,156
f) other businesses	1,520,654	1,504,247
Total	7,117,211	6,246,735

11.3 Breakdown of loans to resident non-financial companies and family businesses

	31/12/2003	31/12/2002
a) other services for sale	1,458,964	1,242,074
b) wholesale and retail services, recoveries and repairs	781,066	687,829
c) construction and public works	603,375	483,276
d) metal products excluding cars and transportation	247,448	231,397
e) services by hotels, restaurants, bars, etc.	197,972	175,405
f) other sectors	1,740,822	1,465,549
Total	5,029,647	4,285,530

As of 31 December 2002 sub-caption e) related to «textiles, leather and clothing», for a total of $\leqslant 178.279$ million.

11.4 Distribution of guarantees granted by main categories of counterparty

	31/12/2003	31/12/2002
a) Governments		5
b) other public entities	36,676	46,308
c) banks	122,538	117,782
d) non-financial businesses	1,245,350	1,107,959
e) financial businesses	46,709	72,709
f) family businesses	33,012	33,574
g) other businesses	205,233	149,272
Total	1,689,518	1,527,609

11.5 Geographical breakdown of assets and liabilities

			31/12/2003			31/12/2002
Item	Italy	Other EU countries	Other countries	Italy	Other EU countries	Other countries
1. Assets	9,414,364	201,508	198,382	8,899,050	197,694	255,994
1.1 Due from other banks	565,096	89,941	154,120	1,012,676	86,347	204,159
1.2 Customer loans	6,999,566	75,252	42,393	6,113,867	82,838	50,030
1.3 Securities	1,849,702	36,315	1,869	1,772,507	28,509	1,805
2. Liabilities	8,286,148	446,544	406,812	7,457,321	572,158	596,995
2.1 Due to other banks	204,041	429,024	322,894	209,551	551,218	516,341
2.2 Customer deposits	7,152,923	17,520	83,918	6,407,539	20,940	80,654
2.3 Securities issued	929,170	-	_	840,166	_	_
2.4 Others	14	_	_	65	_	_
3. Guarantees and commitments	1,879,351	42,939	25,279	1,720,892	26,549	34,382

The sub-item «Others» under liabilities consists of item 40 «Third party funds under administration».

11.6 Breakdown of assets and liabilities by maturity

								31/12/2003
			Fixed o	luration				Unspecified duration
	Sight	Up to 3 months	3 to 12 months	1 t	o 5 years	Over	5 years	
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	3,281,672	1,666,508	1,355,007	966,251	1,722,295	273,892	1,801,967	174,895
1.1 Re-financeable treasury bills	_	893	2,730	59,927	123,524	640	160,512	_
1.2 Due from other banks	435,311	247,335	41,187	2,002	_		_	83,322
1.3 Customer loans	2,777,941	1,070,355	739,585	327,301	923,862	230,813	955,781	91,573
1.4 Bonds and other fixed-yield								
securities	_	211	758	67,979	672,985	1,103	675,466	_
1.5 Off-balance sheet items	68,420	347,714	570,747	509,042	1,924	41,336	10,208	_
2. Liabilities	6,055,219	2,408,521	1,136,369	673,360	230,976	95,387	89,049	_
2.1 Due to other banks	143,837	503,422	232,776	4,476	27,501	_	43,947	_
2.2 Customer deposits	5,800,452	1,392,310	61,599	_	_	_	_	_
2.3 Securities issued	76,952	88,242	215,664	259,081	200,571	54,041	34,619	_
– bonds	260	62,921	196,357	257,632	200,103	54,041	34,619	_
- certificates of deposit	190	25,321	19,307	1,449	468	_		_
– other securities	76,502	_	_	_	_	_	_	_
2.4 Subordinated liabilities	_	-	_	_	_	_	_	_
2.5 Off-balance sheet items	33,978	424,547	626,330	409,803	2,904	41,346	10,483	_

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.

Non-performing and other past due loans to customers are shown with unspecified duration.

Moreover, the Bank has mortgage loans with interest rate options in favour of customers, shown under assets, totalling € 8.434 million.

The second second								31/12/2002
			Fixed o	luration	STATE	S.	-850	Unspecified duration
	Sight	Up to 3 months	3 to 12 months	1 t	o 5 years	Over	5 years	
				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	- The state of the
2. Liabilities	5,512,435	2,370,710	735,230	738,483	78,867	63,665	61,678	M
2.1 Due to other banks	196,898	836,798	206,823	4,046	13,018	W 770-	19,527	-
2.2 Customer deposits	5,187,422	1,248,685	73,026	- 1		-	-	- III
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	_	——————————————————————————————————————	<u> </u>
other securities	73,268	-	_	- 1		_	_	-
2.4 Subordinated liabilities	11-11-	-	_	-	-	(m) -	_	
2.5 Off-balance sheet items	54,353	201,078	267,582	388,251	5,833	16,726	836	_

11.7 Foreign currency assets and liabilities

	31/12/2003	31/12/2002
a) Assets	1,160,690	1,244,048
1. due from other banks	238,106	316,925
2. customer loans	873,207	880,968
3. securities	8,679	7,533
4. equity investments	32,928	32,928
5. others	7,770	5,694
b) Liabilities	1,105,936	1,192,482
1. due to other banks	735,885	1,003,199
2. customer deposits	370,051	189,283
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 (55.61%), Swiss francs (31.56%), Yen (10.28%), Swedish kroner (1.21%), Pounds sterling (0.75%) and others (0.59%); for liabilities they are U.S. dollars (56.07%), Swiss francs (29.97%), Yen (11.34%), Swedish kroner (1.28%), Pounds sterling (0.81%) and others (0.53%).

11.8 Securitization transactions

The bank holds the following securities deriving from third-party securitization transactions:

	Nominal value	Book value	Туре	Rating
Credifarma	10,000	10,000	Senior	AAA
Scip	121,392	121,392	Senior	AAA
Scip	2,336	2,337	Mezzanine	AA
CPG-AEM	24,210	24,210	Senior	-
Scic	29,725	29,739	Senior	AAA
Sintonia	5,000	5,000	Senior	AAA
Total	192,663	192,678		

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Section 12 Management and intermediation for third parties

12.2 Portfolio management

	31/12/2003	31/12/2002
1. securities issued by the bank drawing up the financial statements	5,592	1,993
2. other securities	1,295,722	1,007,852

The total amount of cash held in relation to portfolio management contracts is € 24.430 million.

12.3 Securities custody and administration

	31/12/2003	31/12/2002
a) third-party securities on deposit	10,420,788	10,400,929
1. securities issued by the bank drawing up the financial statements	1,218,694	1,138,962
2. other securities	9,202,094	9,261,967
b) third-party securities on deposit with third parties	9,102,637	8,852,454
c) own securities on deposit with third parties	1,842,784	1,779,697

[«]Third-party securities on deposit» include € 1,679.628 million in funds, for which the bank provides custody services.

12.4 Collection orders for third parties: debit and credit adjustments

	31/12/2003	31/12/2002
a) debit adjustments	1,651,362	1,444,038
1. current accounts	825	2,768
2. central portfolio	1,266,248	1,118,255
3. cash	35	_
4. others	384,254	323,015
b) credit adjustments	1,651,362	1,444,038
1. current accounts	1,930	340
2. transferors of bills and documents	1,649,432	1,443,698
3. others	_	_

Following these adjustments, the accounts involved in the collection of loans on behalf of third parties show a residual balance of € 80.039 million. This amount is shown under item 50 «Other liabilities» in «Value date differentials on portfolio transactions».

PART C Information on the income statement

Section 1 Interest

1.1 Breakdown of item 10 «Interest income and similar revenues»

31/12/2002
27,908
3,541
311,120
0.00
-
56,423
4
_
395,455

This item has gone down by \in 14.205 million (-3.59%) 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 € 2.778 million.

1.2 Breakdown of item 20 «Interest expense and similar charges»

Total	162,906	191,714
f) negative balance of spreads on hedging transactions		
e) on subordinated liabilities		-
d) on third-party funds under administration	N/1=://1101 = 111	
 certificates of deposit 	1,168	1,439
of which:	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
c) on securities issued	23,930	23,817
b) on customer deposits	124,786	143,885
a) on amounts due to other banks	14,190	24,012
	31/12/2003	31/12/2002

This item has decreased by \leq 28.808 million (-15.03%), due to the declining trend in interest rates. Interest income and expense relating to balances with subsidiary and associated companies amount to \leq 3.356 million and \leq 3.462 million, respectively.

1.3 Detail of item 10 «Interest income and similar revenues»

	31/12/2003	31/12/2002
a) on assets in foreign currency	18,022	29,284

This item has decreased by \in 11.262 million (-38.46%) due to the fall in interest rates on loans and lower recourse to the interbank market.

1.4 Detail of item 20 «Interest expense and similar charges»

	31/12/2003	31/12/2002
a) on liabilities in foreign currency	9,869	20,293

This item has decreased by € 10.424 million (-51.37%) due to the trend in interest rates and lower recourse to the interbank market.

Section 2 Commissions

2.1 Breakdown of item 40 «Commission income»

	31/12/2003	31/12/2002
a) guarantees granted	6,651	5,802
b) credit derivatives	_	_
c) management, intermediation and consultancy services:	39,278	40,342
1. securities trading	_	T
2. foreign currency trading	4,023	4,556
3. portfolio management	5,123	4,815
3.1 individual	5,123	4,815
3.2 collective		_
4. securities custody and administration	1,525	2,013
5. custodian bank	2,180	1,901
6. securities placement	14,217	15,145
7. acceptance of orders	6,031	5,646
8. consultancy	39	71
9. distribution of third party services	6,140	6,195
9.1 portfolio management	4-1	_
9.1.1 individual		_
9.1.2 collective	V (- 1)	_
9.2 insurance products	3,483	4,188
9.3 other products	2,657	2,007
d) collection and payment services	25,858	20,216
e) servicing for securitization transactions		_
f) tax collection services	-	
g) other services	31,239	29,630
Total	103,026	95,990

This item has increased by \in 7.036 million (+7.33%) despite the low level of commissions earned on securities brokerage, thanks to the positive trend in fees earned by collection and payment systems.

2.2 Breakdown of item 40 «Commission income» - distribution channels for products and services

31/12/2003	31/12/2002
25,480	26,155
5,123	4,815
14,217	15,145
6,140	6,195
-	_
	_
-	_
_	_
25,480	26,155
	25,480 5,123 14,217 6,140 ————————————————————————————————————

2.3 Breakdown of item 50 «Commission expense»

	31/12/2003	31/12/2002
a) Guarantees received	67	23
b) Credit derivatives		3/
c) Management and intermediation services	1,068	1,162
1. securities trading	MILMIN 15-34	
2. foreign currency trading		-
3. portfolio management		DEPTH STATE
3.1 own portfolio	0 1 5-1	-
3.2 third-party portfolio		The state of the state of
4. securities custody and administration	1,068	1,162
5. securities placement	1 - 1 - 1	1/4/4
6. door-to-door sales of securities, products and services		
d) collection and payment services	5,561	3,828
e) other services	822	1,009
Total	7,518	6,022

This item has increased by € 1.496 million (+24.84%) on the previous year.

Section 3 Profits and losses from financial transactions

3.1 Breakdown of item 60 «Profits/losses from financial transactions»

				31/12/2003			31/12/2002
Iten	n	Securities transactions	Foreign currency transactions	Other transactions	Securities transactions		Other transactions
A.1	Revaluations	4,311		- III -	127		_
A.2	? Write-downs	1,636	14 (T. July -	- WW	11,657	10.0	1
В.	Other profits	10,814	8,511	704	13,178	11,073	412
Tot	al	13,489	8,511	704	1,648	11,073	412
1.	Government securities	4,435		10 10 70	8,655		
2.	Other fixed-yield securities	4,596			2,979		
3.	Variable-yield securities	4,332			-10,346		
4.	Derivative contracts on securities	126			360		

This item comes to € 22.704 million, an increase of € 9.571 million (+72.88%).

Section 4 Administrative expenses

This item shows a balance of € 208.029 million, an increase of € 11.810 million (+6.02%) over the 2002 figure of € 196.219 million.

The sub-item «personnel expenses» amounts € 107.183 million, an increase of € 7.758 million (+7.80%), reflecting the higher number of employees. The breakdown of this cost is as follows:

Wages and salaries	€	71.952
Social security contributions	€	20.323
Severance indemnities	€	5.607
Pensions	€	4.223
Other expenses	€	5.078

The sub-item «other administrative expenses» has increased by \leq 4.052 million (+4.19%). It consists of the following:

	31/12/2003	31/12/2002
telephone, post and data transmission	8,831	8,356
maintenance of fixed assets	4,330	3,918
rent paid on buildings	10,286	9,524
surveillance	3,235	3,292
transportation	1,469	1,375
professional fees	5,322	4,902
office materials	2,101	2,340
electricity, heating and water	2,249	2,008
advertising and entertainment	2,467	2,369
legal expenses	2,226	1,647
insurance	2,284	2,780
corporate survey and information	2,208	1,883
indirect taxes and dues	28,498	27,089
hardware rental and maintenance	3,911	4,285
software rental and maintenance	4,771	4,350
data registration with third parties	620	592
cleaning	2,473	2,257
membership fees	1,092	879
services received from third parties	3,184	2,541
directors' and statutory auditors' emoluments	1,512	1,448
temporary and freelance staff	3,602	4,388
other	4,175	4,571
Total	100,846	96,794

The 2002 figures have been adjusted for comparison purposes.

4.1 Average number of employees by category

Total	1,936	1,854
c) other personnel	1,769	1,697
b) executives	150	146
a) managers	17	11
	31/12/2003	31/12/2002

The number of employees by category is a simple average of the figures at the end of 2002 and 2003. There were 1,993 employees at the end of the year.

During the year the Bank used temporary and freelance staff in accordance with current regulations. On average, there were 110 of such workers and their costs are shown in the table above.

Section 5 Adjustments, write-backs and provisions

5.1 Breakdown of item 120 «Adjustments to loans and provisions for guarantees and commitments»

	31/12/2003	31/12/2002	
a) adjustments to loans	54,917	40,903	
of which:			
 forfeit write-downs for country risk 	378	31	
- other forfeit write-downs	4,984	3,509	
b) provisions for guarantees and commitments	1,500		
of which:			
 forfeit provisions for country risk 			
 other forfeit provisions 			
Total	56,417	40,903	

This item has increased by \in 15.514 million (+37.93%), net of \in 6 million for the utilization of the reserve for possible loan losses set up in 2002.

5.2 Adjustment to intangible and tangible assets (item 90)

This item shows a balance of \in 17.796 million (+6.25%) on the 2002 figure of \in 16.749 million. The detail of this item is shown in Part B Section 4.

5.4 Write-backs to loans and to provisions for guarantees and commitments (item 130)

This amounts to \leqslant 23.421 million and increases by \leqslant 4.411 million (+23.20%). Write-backs consist of the collection of \leqslant 5.626 million in loans written off in previous years, the recovery of \leqslant 2.123 million in overdue interest, write-backs to loans of \leqslant 8.679 million upon valuation, and \leqslant 6.993 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 \le 2.778 million and decrease by \le 6.246 million (-69.22%). They include overdue interest pursuant to article 71.c.6 of Presidential Decree 917/86. These amounts have been provided in order to obtain the related tax benefit.

5.6 Adjustments to financial assets (item 150)

This item shows a balance of € 0.665 million, with a decrease of € 0.942 million (-58.62%), essentially due to write-downs of equity investments, 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»

23,440
3,835
-
12,370
514
765
5,956
31/12/2002

This item has increased by \in 3.846 million (+16.41%).

The sub-item «Other» includes financial recoveries from other banks in connection with the monetary settlement of bank transfers and trade collections and the tax credit for higher employment in accordance with current regulations (art. 7 of Law 388/2000).

6.2 Breakdown of item 110 «Other operating expenses»

Total	3,629	3,128
Other	1,688	2,042
Leasing and ancillary costs	1,941	1,086
	31/12/2003	31/12/2002

This item has increased by \in 0.501 million (+16.02%) compared with the adjusted figure for 2002.

Leasing costs refer to 15 contracts for buildings used as branch offices. The total value amounts to \leq 19.048 million. To date \leq 3.487 million of capital has been reimbursed.

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	663	1,617
of long-term investments	-	<u> </u>
of fixed assets	99	46
c) Gains on disposals:	99	46
b) Overprovisions	28	4
a) Miscellaneous gains	536	1,567
	31/12/2003	31/12/2002

This item has decreased by \in 0.954 million (-59%).

6.4 Breakdown of item 190 «Extraordinary charges»

	31/12/2003	31/12/2002
a) Miscellaneous losses	301	725
b) Underprovisions	485	568
c) Losses on disposals:		
of fixed assets	03-FAMILY 2011 MARKS	-
of long-term investments		-
Total	786	1,293

This item has decreased by € 0.507 million (-39.21%).

6.5 Breakdown of item 220 «Income taxes for the year»

	31/12/2003	31/12/2002
1. Current taxes	42,731	37,508
2. Change in deferred tax assets	-1,448	-1,698
3. Change in deferred tax liabilities	17	-10
4. Income taxes for the year	41,300	35,800

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; € 0.202 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 539.123 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

	31/12/2003	31/12/2002
a) directors	1,302	1,294
b) statutory auditors	210	154

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	1/1/2003-31/12/2003	651	
	Banca Popolare Sondrio (SUISSE) SA	Chairman		58	
SALVATORE BONOMO	Banca Popolare Sondrio	Deputy Chairman	1/1/2003-21/12/2003†	87	220
ALDO BALGERA	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	32	
GIANLUIGI BONISOLO	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	51	
FEDERICO FALCK	Banca Popolare Sondrio	Director	1/3/2003-31/12/2003	31	
GIUSEPPE FONTANA	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	31	
MARIO GALBUSERA	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	31	
CARLO GRASSI	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	136	
NICOLÒ MELZI DI CUSANO	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	31	
EMILIO NEGRI MILES	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	32	
ALDO ROSSI	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	32	
RENATO SOZZANI	Banca Popolare Sondrio Pirovano Stelvio spa	Director Chairman	1/1/2003-31/12/2003	42 2	
LINO ENRICO STOPPANI	Banca Popolare Sondrio Sinergia Seconda srl	Director Sole Director	1/1/2003-31/12/2003	32 5	
BRUNO VANOSSI	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	32	
FRANCESCO VENOSTA	Banca Popolare Sondrio	Director	1/1/2003-31/12/2003	39	69
EGIDIO ALESSANDRI	Banca Popolare Sondrio Sinergia Seconda srl Pirovano Stelvio spa InArCheck spa	Chairman of the Boar of Statutory Auditors Auditor Auditor Auditor	rd 1/1/2003-31/12/2003	109 2 2 5	
PIO BERSANI	Banca Popolare Sondrio	Auditor	4/6/2003-31/12/2003	26	
PIERGIUSEPPE FORNI	Banca Popolare Sondrio Sinergia Seconda srl	Auditor Auditor	1/1/2003-31/12/2003	54 2	
ROBERTO SCHIANTARELLI	Banca Popolare Sondrio Sinergia Seconda srl	Auditor Chairman of the Boar	1/1/2003-4/6/2003 rd	17	
	Pirovano Stelvio spa	of Statutory Auditors Chairman of the Boar of Statutory Auditors	rd	2	
MARIO ALBERTO PEDRANZINI	Banca Popolare Sondrio	General Manager	1/1/2003-31/12/2003	410	

1.2 Loans and guarantees granted

	31/12/2003	31/12/2002
a) directors	2,513	3,126
b) statutory auditors	272	305

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.

147



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 2002 and 31 December 2003;
- 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 (subject to significant influence) Ripoval spa and Arca Vita spa.



STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of euro)

		31-12-2003		31-12-2002
SOURCES OF FUNDS			18000	
Funds generated by operations:				
 Net profit for the year 	60,117		46,704	
- Adjustments:				
- loan write-downs and write-backs and provision				
for guarantees and commitments	32,997		21,893	
- losses on securities and equity investments	2,301		13,264	
- amortization and depreciation	17,796		16,749	
- Provisions:				
- staff pension fund	4,052		3,195	
- reserve for severance indemnities	5,607		5,059	
- risks and charges			5,000	
- possible loan losses	2,778		9,024	
- general banking risks	1,266	100040	- 110	101 004
- personnel charges	34	126,948	116	121,004
ncrease in shareholders' equity:				
dividends in prescription and relating				
to own shares	6	6	13	13
ncrease in funding:				
customer deposits	745,228		1,415,796	
deposits from other banks	(321,151)		(282,239)	
securities issued	89,004	513,081	118,011	1,251,568
hange in other liability items:				
third-party funds under administration	(51)		(49)	
other liabilities	45,619		32,061	
accrued liabilities and deferred income	347		1,304	
taxation reserve	4,928	50,843	4,699	38,015
	,	690,878	WAR DOWN	1,410,600
			718A - 114	, ,,,,,,,,
APPLICATION OF FUNDS				
Jse of funds generated by operations:	0.047		0.501	
staff pension fund	2,347		2,521	
reserve for severance indemnities	3,250		2,103	
reserves for possible loan losses	13,960		8,192	
reserves for risks and charges	104	10.001	1,000	12.016
personnel charges	124	19,681		13,816
Decrease in shareholders' equity:				
dividends	26,139		24,762	
charity fund	307	26,446	280	25,042
ncrease in application of funds:				
customer loans	901,973		689,082	
cash on hand	(1,477)		(18,434)	
due from other banks	(494,025)		398,097	
trading securities	86,700	493,171	201,485	1,270,230
Change in other asset items:				
other assets	117,952		69,578	
accrued income and prepayments	(1,176)		(1,484)	
equity investments and own shares	18,421		14,336	
intangible assets	8,439		9,155	
- fixed assets	7,944	151,580	9,927	101,512
17.00 00000	7,544	690,878	5,521	1,410,600
		07U.0/0		1.410.600

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDING 31 DECEMBER 2002 AND 2003

(in thousands of euro)

	Share capital	Reserve for general banking risks	Share premium reserve
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
ALLOCATION OF PROFITS, as resolved by the AGM of 1 March 2003:			
To the legal reserve			
To the statutory reserves			
Dividend of € 0.19 per share			
Charity fund			
DIVIDEND ON OWN SHARES			
RESERVE FOR GENERAL BANKING RISKS		1,266	
RESERVE FOR OWN SHARES			
RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93			
NET PROFIT FOR 2003			
BALANCE AS OF 31 DECEMBER 2003	412,698	40,000	135,886

Total shareholders' equity	Net profit for the year	Other reserves	Statutory reserves	Restricted reserve for own shares	Legal reserve
777,369	46,065	20,603	83,967	874	38,542
				10 10 50	
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
0	(4,773)				4,773
0	(14,011)		14,011		
(26,139)	(26,139)				
(250)	(250)				
6			6		
1,266					
0	(1,500)	2,106		(606)	
0	(31)	31			
60,117	60,117				
834,074	60,117	25,561	111,816	0	47,996

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. Movements in the fund are provided below.

Total	51,241	49,536
Units of foreign mutual funds	29,565	25,997
Units of Italian mutual funds	20,930	22,729
Liquid assets	746	810
	31/12/2003	31/12/2002

Opening balance		49,536		48,862
a) Balance of pension management		612		1,093
Contributions paid by the bank	2,550		2,873	
Contributions paid by employees	326		322	
Pensions paid during the year	-2,238		-2,080	
Reimbursements to outgoing staff	-26		-22	
b) Balance of financial management		1,176		-419
c) Substitute tax to be paid		-83		
Closing balance		51,241		49,536

LIST OF EQUITY INVESTMENTS

BANCA INTESA SPA	104,058	54	91	0.002
SAN PAOLO - IMI SPA RANCA INTESA SPA	627,000	1,756	303	0.045
CENTROBANCA SPA	5,376,000	5,376	6,327	1.600
BANCA POPOLARE DI SONDRIO (SUISSE) SA	500,000	32,094	32,928	100.000
BANCA PER IL LEASING - ITALEASE SPA	3,039,352	15,683	13,567	6.434
I.C.B.P.I. SPA	125,400	376	33	1.135
BANCA POPOLARE ETICA S.C. a R.L.	500	26	26	0.161
ARCA BANCA DI INVESTIMENTO MOBILIARE SPA	2,696,553	2,697	2,547	12.841
CENTROSIM SPA	6,346	381	458	3.173
RIPOVAL SPA	2,500	1,291	1,291	50.000
ARCA SGR SPA	2,585,000	2,585	873	5.170
FINLOMBARDA SPA	162	42	50	0.405
POLIS FONDI IMMOBILIARI DI BANCHE POPOLARI SGR.p.A.	36,400	364	362	7.000
ARCA MERCHANT SPA	17,398,375	9,047	11,410	12.841
UNIONE FIDUCIARIA SPA	47,281	260	241	4.378
FACTORIT SPA	905,691	906	713	2.415
ETICA SGR SPA	25,000	250	250	11.364
AEM SPA	6,000,000	3,120	5,175	0.333
PIROVANO STELVIO SPA	400,000	2,064	4,401	100.000
CILME MULTITEL SPA	111,363	334	52	5.062
ARCA ASSICURAZIONI SPA	720,226	1,635	1,804	9.900
ARCA VITA SPA	2,410,309	12,437	36,853	32.528
B. & A. BROKER SPA	40,000	206	224	28.571
SWIFT S.C.	32	4	14	0.037
SINERGIA SECONDA SRL	10,200,000	10,200	10,329	100.000
CBE-SERVICE SPRL	233	6	6	23.300
SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 SRL	25,000	25	87	33.333
CONSORZIO CASSAMERCATO	132	7	7	6.286
INARCHEK SPA	1,200	120	120	15.385
	53,384,113	103,346	130,542	

LIST OF SIGNIFICANT EQUITY INVESTMENTS AS OF 31/12/2003

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%	held indirectly through Pirovano Stelvio spa
 AMC Automotive Casting spa 	(1)	30%	pledge
– Arca BIM spa	(1)	12.841%	
- Arca Merchant spa	(1)	12.841%	
– Arca Vita spa	(1)	32.528%	
- B. & A. Broker spa	(1)	28.571%	
- Banca Popolare di Sondrio (SUISSE) SA	(CH)	100%	
– Cagi srl	(1)	100%	pledge
- C.B.E. Service sprl	(B)	23.300%	
– Etica Sgr spa	(1)	11.364%	
– Immobiliare Borgo Palazzo srl	(1)	100%	held indirectly through Sinergia Seconda srl
- Immobiliare S. Paolo srl	(1)	100%	held indirectly through Sinergia Seconda srl
– InArCheck spa	(1)	15.385%	
- Iterum srl	(1)	100%	pledge
- Pirovano Stelvio spa	(1)	100%	
- Razza Lomellina srl	(1)	100%	pledge
- Ripoval spa	(1)	50%	
– Sifas spa	(1)	21.614%	held indirectly through Pirovano Stelvio spa
 Sinergia Seconda srl 	(1)	100%	
 Servizi Internazionali e Strutture Integrate 2000 srl 	(1)	33.333%	
 Sofipo Fiduciaire SA 	(CH)	30%	held indirectly through Banca Popolare di Sondrio (SUISSE) SA

157

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 31/12/2003	Net book value as of 31/12/2003
APRICA - Corso Roma, 140	77,469	0	356,355	146,929	580,753	320,995	259,758
BERBENNO DI VALTELLINA - Via Raneé, 542	12,284,113	0	0	99,417	12,383,530	4,217,628	8,165,902
BERGAMO - Via Broseta, 64 B	513,635		3475	da.	513,635	15,409	498,226
BORMIO - Via Roma, 64	439,238	46,481	573,267	136,524	1,195,510	350,393	845,117
BORMIO - Via Roma, angolo Via Don Peccedi	2,966,334	0	361,520	301,774	3,629,628	1,426,723	2,202,905
BRENO - Piazza Ronchi, 4	666,687	0	0	87,467	754,154	394,794	359,360
CHIAVENNA - Via Dolzino, 67	1,061,378	46,481	1,149,057	1,066,173	3,323,089	2,473,891	849,198
CHIESA IN VALMALENCO - Via Roma, 138	35,520	17,560	664,795	133,250	851,125	319,420	531,705
COLICO - Piazza Cavour, 11	177,749	0	0	96,488	274,237	232,037	42,200
DELEBIO - Piazza S. Carpoforo, 7/9	844,205	23,241	645,773	688,773	2,201,992	1,715,286	486,706
DERVIO - Via Don Invernizzi, 2	1,270,219	0	0	329,276	1,599,495	922,872	676,623
DOMASO - Via Statale Regina, 71	111,038	0	0	53,817	164,855	138,139	26,716
DONGO - Piazza V. Matteri, 14	1,567,930	0	0	415,551	1,983,481	1,339,106	644,375
EDOLO - Piazza Martiri della Libertà, 16	1,058,736	0	0	509,161	1,567,897	1,150,578	417,319
GERA LARIO - Via Statale Regina, 14	292,666	0	131,677	227,733	652,076	540,275	111,801
GRAVEDONA - Piazza Garibaldi, 10/12	903,799	0	0	223,957	1,127,756	659,193	468,563
GROSIO - Via Roma, 67	26,372	7,230	229,791	51,484	314,877	127,249	187,628
GROSIO - Via Vanoni, 5	106,041	0	0	11,595	117,636	62,232	55,404
GROSOTTO - Via Statale, 73	15,539	12,911	147,146	42,099	217,695	98,623	119,072
ISOLACCIA DI VALDIDENTRO - Via Nazionale, 31	403,787	0	290,229	272,602	966,618	724,931	241,687
LECCO - Corso Martiri della Liberazione, 63/65	9,574,331	0	351,191	2,124,557	12,050,079	6,192,684	5,857,395
LECCO - Via Galandra, 28	168,623	0	0	41,959	210,582	0	210,582
LIVIGNO - Via Prestefan	2,343,119	0	0	0	2,343,119	325,461	2,017,658
LIVIGNO - Via S. Antoni, 33	470,515	0	345,487	358,828	1,174,830	906,540	268,290
MADESIMO - Via Carducci, 3	493,542	0	0	203,733	697,275	494,122	203,153
MARCHIROLO - Via Cav. Emilio Busetti, 7/A	1,089,018	0	0	0	1,089,018	400,534	688,484
MAZZO DI VALTELLINA - Via S. Stefano, 18	11,530	16,010	163,550	48,833	239,923	118,602	121,321
MILAN - Piazza Borromeo, 1	38,217	0	0	213,722	251,939	91,845	160,094
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	3,527,897	0	0	165,381	3,693,278	1,464,842	2,228,436

		revaluation Law 576 of 2/12/75	revaluation Law 72 of 19/3/83	revaluation Law 413 of 30/12/91	Gross book value	Accumulated depreciation as of 31/12/2003	Net book value as of 31/12/2003
IILAN - Via S. Maria Fulcorina, 1	10,881,110	159,818	3,047,096	2,461,826	16,549,850	8,266,082	8,283,768
IILAN - Via S. Maria Fulcorina, 11	493,165	0	0	0	493,165	0	493,165
IILAN - Via Sangallo, 16	4,752	0	0	11,915	16,667	0	16,667
IILAN - Via Solari, 15	422,156	17.1	7.7		422,156	12,664	409,492
IONTAGNA IN VALTELLINA - Via Stelvio, 30	472,050	0	328,458	398,008	1,198,516	909,712	288,804
IORBEGNO - Piazza Caduti della Libertà, 6	1,892,539	0	1,088,606	704,283	3,685,428	1,906,209	1,779,219
IORBEGNO - Via Garibaldi, 81	589,317	25,823	0	56,050	671,190	329,322	341,868
IORBEGNO - Via Nani, 13	54,709	0	0	17,739	72,448	0	72,448
10ZZO - Via Gabriele D'Annunzio, 4	26,424	0	0	14,259	40,683	0	40,683
OVATE MEZZOLA - Via Roma, 13	45,682	0	251,282	89,219	386,183	209,831	176,352
ASSO DELLO STELVIO	630,416	0	0	296,176	926,592	766,111	160,481
ONTE IN VALTELLINA - Piazza della Vittoria, 1	18,207	12,911	258,098	86,540	375,756	199,007	176,749
EGOLEDO DI COSIO VALTELLINO - Via Roma, 7	134,617	0	0	78,405	213,022	113,421	99,601
OME - Via Di Propaganda, 27	155,625	0	350,503	88,926	595,054	439,580	155,474
. CASSIANO DI PRATA CAMPORTACCIO - ia Spluga, 108	397,672	0	0	103,093	500,765	257,133	243,632
. SIRO - Via Statale Regina	467,692	0	0	0	467,692	157,880	309,812
. PIETRO DI BERBENNO - Via Nazionale Ovest, 110	67,941	22,208	328,181	122,795	541,125	293,122	248,003
EREGNO - Via Wagner, 137/A	123,950	0	0	13,282	137,232	0	137,232
ONDALO - Via Zubiani, 2/4/6/8/10	21,757	25,823	312,456	158,005	518,041	183,032	335,009
ONDRIO - Corso Vittorio Veneto, 7	309,912	0	0	1,190,813	1,500,725	431,394	1,069,331
ONDRIO - Largo Pedrini, 8	200,617	0	0	22,527	223,144	200,702	22,442
ONDRIO - Piazza Garibaldi, 16 - Via Ragazzi del '99,	6 1,077,432	351,191	7,810,125	3,142,651	12,381,399	7,288,834	5,092,565
ONDRIO - Via Bernina, 1	224,721	0	82,385	45,795	352,901	155,157	197,744
ONDRIO - Via Caimi, 29	357,915	0	0	46,342	404,257	404,257	0
ONDRIO - Via Cesura, 4	155,551	0	0	64,149	219,700	0	219,700
ONDRIO - Via delle Prese - Piazzale Toccalli	348,608	0	0	0	348,608	167,332	181,276
ONDRIO - Via Lungomallero Cadorna, 24	1,002,455	0	196,254	451,249	1,649,958	1,334,906	315,052
ONDRIO - Via Lusardi, 53	247,506	0	0	0	247,506	0	247,506
ONDRIO - Via Pio Rajna, 1	16,195	0	0	40,221	56,416	0	56,416
ONDRIO - Via Tonale, 6	56,297	0	243,248	54,643	354,188	247,230	106,958
ALAMONA - Via Cusini, 29	223,475	0	313,640	203,691	740,806	495,892	244,914

	65,241,540	781,632	22,496,863	19,095,719	107,615,754	54,584,312	53,031,442
VILLA DI TIRANO - Traversa Foppa, 25	440,816	0	0	7,651	448,467	124,779	323,688
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	224,379	229,412
TIRANO - Piazza Cavour, 20	392,572	0	1,736,322	718,576	2,847,470	1,686,692	1,160,778
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	349,896	399,063
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 31/12/2003	Net book value as of 31/12/2003

Revaluations have been depreciated as follows: entirely for the 1975 revaluation, by \leqslant 13.448 million for that of 1983 and by \leqslant 6.525 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

BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003 (in Swiss francs)

ASSETS		2003	2002
	Liquid assets	16 537 397	15 955 263
	Due from other banks	151 341 723	275 387 181
	Customer loans	341 384 780	273 421 944
	Mortgage loans	326 022 899	198 235 496
	Trading securities and precious metals	129 259	1 148 819
	Investment securities	41 972 993	38 100 452
	Equity investments	350 000	350 000
	Fixed assets	18 982 491	20 102 621
	Accrued income and prepayments	9 033 965	3 688 450
	Other assets	48 598 949	16 801 021
	Total assets	954 354 456	843 191 247
	Total amounts due from Group companies and holders of qualifying equity investments	49 230 289	135 904 696

LIABILITIE	SS STATE OF THE ST	2003	2002
	Money market securities	12 607	1 000 000
	Deposits with other banks	164 721 019	283 582 602
	Customer deposits - savings and investments	209 864 546	127 983 422
	Other customer deposits	347 368 825	245 250 481
	Treasury liabilities	46 863 000	43 159 000
	Accrued liabilities and deferred income	6 918 982	9 436 979
	Other liabilities	53 916 508	18 546 909
	Adjustments and provisions	29 633 814	26 110 749
	Share capital	50 000 000	50 000 000
	General legal reserve	38 121 105	31 562 589
	Net profit for the year	6 934 050	6 558 516
	Total liabilities	954 354 456	843 191 247
	Total amounts due to Group companies and holders of qualifying equity investments	157 753 583	245 060 715

OFF-BALANCE SHEET TRANSACTIONS	2003	2002
Contingent liabilities	31 193 791	29 344 096
Additional payment commitments	300 000	300 000
Derivative products	1 275 021 079	697 261 053
Gross positive replacement value	41 894 970	10 135 066
Gross negative replacement value	45 212 627	14 872 796
Fiduciary transactions	476 837 090	562 547 015

INCOME STATEMENT AS OF 31 DECEMBER 2003

(in Swiss francs)

STATEMENT	2003	2002
Interest income and discounts	24 848 832	18 954 881
Interest income and dividends from trading securities	12 691	14 057
Interest income and dividends from investment securities	760 036	986 231
Interest expense	(11 799 220)	(8 764 295
Net interest income	13 822 339	11 190 874
Commissions on lending transactions	513 087	1 017 454
Commissions on securities trading and investments	35 892 167	32 656 541
Commissions on services	3 154 055	2 865 912
Commission expense	(2 992 485)	(2 956 368
Net commission income and income from services	36 566 824	33 583 539
Profits from financial transactions	4 537 258	3 490 103
Profit (loss) on disposal of financial investments	166 185	424 443
Profit (loss) on equity investments	7/2/	3 340 396
Other ordinary income	629 704	95 155
Other ordinary charges	(515 625)	(1 836 628
Total other ordinary income (charges)	280 264	2 023 366
Net income from ordinary banking operations	55 206 685	50 287 880
Personnel costs	(21 694 216)	(19 338 164)
Other operating expenses	(13 765 419)	(11 699 161)
Operating expenses	(35 459 635)	(31 037 325)
Gross profit	19 747 050	19 250 555

INCOME	STATEMENT	2003	2002
	Depreciation and amortization	(6 600 000)	(7 350 000)
	Adjustments, provisions and losses	(3 800 000)	(4 500 000)
	Extraordinary income	7-10 S 10-	302 511
	Extraordinary charges	"SULPTO-SE	
	Income taxes	(2 413 000)	(1 144 550)
	Net profit for the year	6 934 050	6 558 516
	ALLOCATION OF NET PROFIT		
	Net profit for the year	6 934 050	6 558 516
	Retained earnings		-
	Earnings available for allocation	6 934 050	6 558 516
	Proposal of the Board of Directors for the allocation of 2003 net profit of CHF 6 934 050 to general legal reserve	6 934 050	6 558 516
	Balance carried forward	5 V 5 A 4 A	

PIROVANO STELVIO SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003 (in euro)

BALANCE SHEET

AS	SETS	31-12-2003	31-10-2003	31-10-2002
В	NON-CURRENT ASSETS			
	I INTANGIBLE ASSETS			
	02 Costs for research, development and advertis	sing		
	03 Industrial patent rights and use	8		
	of original works	4,885	5,469	18,442
	07 OTHER INTANGIBLE ASSETS	12,803	13,245	15,894
	TOTAL I	17,688	18,714	34,336
	II FIXED ASSETS	17,000	10,71.	0.,000
	01 Land and buildings	2,838,860	2,849,326	2,846,172
	02 Equipment and machinery	148,713	155,366	152,273
	03 Industrial and commercial equipment	66,146	68,575	72,180
	04 Other fixed assets	30,721	32,409	42,659
	TOTAL II	3,084,440	3,105,676	3,113,284
	III FINANCIAL ASSETS	0,001,110	0,100,070	0,110,201
	01 Equity investments			
	b in associated companies	925,890	925,890	925,890
	d in other companies	300	300	300
	TOTAL 01	926,190	926,190	926,190
	02 Loans	920,190	920,190	920,190
	d to others			
	due beyond 12 months	12,010	12,589	12,978
	TOTAL 02	12,010	12,589	12,978
	TOTAL III	938,200	938,779	939,168
	TOTAL MON-CURRENT ASSETS	4,040,328	4,063,169	4,086,788
	TOTAL NON-GONNENT AGGLTO	7,070,320	4,003,103	4,000,700
С	CURRENT ASSETS			
	I INVENTORIES			
	04 Finished products and merchandise	26,936	46,341	37,441
	TOTAL I	26,936	46,341	37,441
	II RECEIVABLES			
	01 Due from customers			
	a due within 12 months	70,401	161,430	151,192
	TOTAL 01	70,401	161,430	151,192
	05 Due from others			
	a due within 12 months	52,147	47,001	29,262
	TOTAL 05	52,147	47,001	29,262
	TOTAL II	122,548	208,431	180,454
	IV CASH AND BANKS			
	03 Cash and equivalents on hand	256	3,270	2,980
	TOTAL IV	256	3,270	2,980
	TOTAL CURRENT ASSETS	149,740	258,042	220,875
D	ACCRUED INCOME AND PREPAYMENTS			
0	02 Other accrued income and prepayments	17,798	11,572	18,387
	TOTAL ACCRUED INCOME AND PREPAYMENTS	17,798	11,572	18,387
	TOTAL ASSETS	4,207,866	4,332,783	4,326,050

LI	ABILITIES	31-12-2003	31-10-2003	31-10-2002
Α	SHAREHOLDERS' EQUITY			
	I SHARE CAPITAL	2,064,000	2,064,000	2,064,000
	III REVALUATION RESERVES	192,104	192,104	192,104
	IV LEGAL RESERVE	5,959	5,959	5,959
	VII OTHER RESERVES			
	12 Translation reserve		2	3
	TOTAL VII		2	3
	IX PROFIT (LOSS) FOR THE YEAR	(110,202)	(481,034)	(170,169)
	TOTAL SHAREHOLDERS' EQUITY	2,151,861	1,781,031	2,091,897
С	RESERVE FOR SEVERANCE INDEMNITIES	44,427	61,641	55,265
	TOTAL RESERVE FOR SEVERANCE INDEMNITIES		61,641	55,265
D	PAYABLES			
	03 DUE TO BANKS			
	a due within 12 months	31,248	30,023	27,715
	b due beyond 12 months	70,518	86,454	116,477
	TOTAL 03	101,766	116,477	144,192
	05 ADVANCE PAYMENTS			
	a due within 12 months		3,299	4,350
	TOTAL 05		3,299	4,350
	06 DUE TO SUPPLIERS			
	a due within 12 months	171,873	353,028	332,566
	TOTAL 06	171,873	353,028	332,566
	10 DUE TO PARENT COMPANY			
	a due within 12 months	1,706,632	1,737,427	1,375,882
	TOTAL 10	1,706,632	1,737,427	1,375,882
	11 TAXES PAYABLE			
	a due within 12 months	4,794	21,606	36,866
	TOTAL 11	4,794	21,606	36,866
	12 DUE TO SOCIAL SECURITY INSTITUTIONS			
	a due within 12 months	5,027	27,854	28,796
	TOTAL 12	5,027	27,854	28,796
	13 OTHER PAYABLES			
	a due within 12 months	5,783	51,656	94,344
	TOTAL 13	5,783	51,656	94,344
	TOTAL PAYABLES	1,995,875	2,311,347	2,016,996
Ε	ACCRUED LIABILITIES			
	AND DEFERRED INCOME			
	02 Other accrued liabilities and deferred income	15,703	178,764	161,892
	TOTAL ACCRUED LIABILITIES			
	AND DEFERRED INCOME	15,703	178,764	161,892
	TOTAL LIABILITIES AND	4 207 000	4 220 702	4 226 252
	SHAREHOLDERS' EQUITY	4,207,866	4,332,783	4,326,050

MEMO	PRANDUM ACCOUNTS	31-12-2003	31-10-2003	31-10-2002
01	PERSONAL GUARANTEES RECEIVED			
d	Sureties received from third parties	131,457	146,168	176,419
	TOTAL 01	131,457	146,168	176,419
тот	AL MEMORANDUM ACCOUNTS	131,457	146,168	176,419

INCOME STATEMENT

-		31-12-2003	31-10-2003	31-10-2002
Α	PRODUCTION VALUE 01 REVENUES FROM SALES AND SERVICES	60,392	1,835,283	2,075,042
	05 OTHER REVENUES AND INCOME	4.076	60.100	46.110
	a Other revenues and income	4,976	60,190	46,112
	TOTAL 05 TOTAL PRODUCTION VALUE	4,976 65,368	60,190 1,895,473	46,112 2,121,154
D		05,508	1,033,473	2,121,134
В	PRODUCTION COSTS 06 FOR RAW MATERIALS, CONSUMABLES			
	AND GOODS	(8,436)	(377,922)	(350,320)
	07 FOR SERVICES	(37,208)	(915,926)	(830,781)
	09 FOR PERSONNEL			
	a Wages and salaries	(43,562)	(576,320)	(525,169)
	b Social contributions	(15,406)	(190,395)	(174,113)
	c Severance indemnities	(3,884)	(28,059)	(27,219)
	e Other costs	(CO 0EO)	(2,639)	(2,016) (728,517)
	TOTAL 09 10 DEPRECIATION, AMORTIZATION	(62,852)	(797,413)	(728,317)
	AND WRITE-DOWNS			
	a Amortization of intangible assets	(1,026)	(15,621)	(18,359)
	b Depreciation of fixed assets	(21,236)	(125,071)	(133,214)
	TOTAL 10	(22,262)	(140,692)	(151,573)
	11 CHANGE IN INVENTORIES OF RAW	(10, 105)	0.000	(01.000)
	MATERIALS, CONSUMABLES AND GOODS	(19,405)	8,900	(21,832)
	14 SUNDRY OPERATING COSTS TOTAL PRODUCTION COSTS	(18,659) (168,822)	(88,909) (2,311,962)	(88,865) (2,171,888)
	DIFFERENCE BETWEEN PRODUCTION VALUE	(100,022)	(2,311,302)	(2,171,000)
	AND PRODUCTION COSTS. (A-B)	(103,454)	(416,489)	(50,734)
С	FINANCIAL INCOME AND CHARGES			
C	16 OTHER FINANCIAL INCOME			
	a from loans recorded among non-current asse	ets		
	a4 From third parties		154	192
	TOTAL a		154	192
	d Income other than above	1 504	0.100	10.407
	d4 From third parties TOTAL d	1,524 1,524	9,193	10,407 10,407
	TOTAL d	1,524	9,193 9,347	10,407
	17 INTEREST AND OTHER FINANCIAL CHARG		5,547	10,555
	c To parent company	(6,260)	(41,684)	(52,622)
	d To third parties	(1,593)	(10,636)	(12,969)
	TOTAL 17	(7,853)	(52,320)	(65,591)
	TOTAL FINANCIAL INCOME AND CHARGES	(6,329)	(42,973)	(54,992)
Ε	EXTRAORDINARY ITEMS			
	20 INCOME			
	b Other extraordinary income			
	TOTAL 20			
	21 CHARGES		(2,400)	
	b Taxes relating to prior years c Other extraordinary charges	(419)	(2,400)	(35,483)
	TOTAL 21	(419)	(5,055)	(35,483)
	TOTAL EXTRAORDINARY ITEMS	(419)	(5,055)	(35,483)
	PRE-TAX PROFIT (LOSS) (A-B+-C+-D+-E)	(110,202)	(464,517)	(141,209)
	22 INCOME TAXES FOR THE YEAR		(16,517)	(28,960)
	26 NET PROFIT (LOSS) FOR THE YEAR	(110,202)	(481,034)	(170, 169)

SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003 (in euro)

BALANCE SHEET

AS:	SETS	31-12-2003	31-12-2002
A)	AMOUNTS RECEIVABLE FROM		
	SHAREHOLDERS	0	С
B)	NON-CURRENT ASSETS		
	I - Intangible assets		
	1) set-up and expansion costs	0	21,125
	7) other	16,557	22,785
	Total intangible assets	16,557	43,910
	II - Fixed assets	0	C
	III - Financial assets		
	1) equity investments in		
	a) subsidiary companies	20,000	20,000
	Total financial assets	20,000	20,000
	TOTAL NON-CURRENT ASSETS	36,557	63,910
C)	CURRENT ASSETS		
Ο,	I - Inventories		
	4) finished products and merchandise	10,560,789	10,480,183
	Total inventories	10,560,789	10,480,183
	II - Receivables	10,000,700	10,400,100
	1) due from customers		
	a - due within 12 months	23,949	44,320
	due from subsidiary companies	25,545	77,020
	a - due within 12 months	13,938,107	14,044,756
	5) due from others	15,550,107	14,044,750
	a - due within 12 months	6,093	3,810
	Total receivables	13,968,149	14,092,886
	III - Financial assets not held	15,906,149	14,092,000
	as non-current assets	0	C
	IV - Cash and banks		
	bank and postal deposits	0	0
	3) cash and cash equivalents	22	22
	Total cash and banks	22	22
	TOTAL CURRENT ASSETS	24,528,960	24,573,091
D)	ACCRUED INCOME AND DEFRAVMENTS		
(ט	ACCRUED INCOME AND PREPAYMENTS	24.440	112 OEO
	1) accrued income and prepayments	34,442	113,959
	TOTAL ACCRUED INCOME AND PREPAYMENTS	34,442	113,959
	TOTAL ASSETS	24,599,959	24,750,960

LIABILITIES AND SHAREHOLDERS' EQUITY	31-12-2003	31-12-2002		
A) SHAREHOLDERS' EQUITY				
I - Share capital	10,200,000	10,200,000		
II - Share premium reserve	0	C		
III - Revaluation reserves	0	0		
IV - Legal reserve	141,993	141,993		
V - Reserve for own shares	0	0		
VI - Statutory reserves	0	C		
VII - Other reserves				
d) rounding difference of par value in euro	1	2		
VIII- Profit (loss) carried forward	-128,724	-290,799		
IX - Net profit (loss) for the year	142,367	162,075		
TOTAL SHAREHOLDERS' EQUITY	10,355,637	10,213,271		
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	0	C		
PAYABLES				
3) due from banks				
a - due within 12 months	14,042,066	14,406,517		
6) due from suppliers				
a - due within 12 months	76,075	68,474		
11) taxes payable				
a - due within 12 months	106,277	43,297		
13) other payables				
a - due within 12 months	15,375	14,972		
TOTAL PAYABLES	14,239,793	14,533,260		
ACCRUED LIABILITIES AND DEFERRED INCOME				
1) accrued liabilities and deferred income	3,042	2,942		
TOTAL ACCRUED LIABILITIES				
AND DEFERRED INCOME	3,042	2,942		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,599,959	24,750,960		

MEMORANDUM ACCOUNTS	31-12-2003	31-12-2002
b) Tenant guarantees	55,196	62,943
TOTAL MEMORANDUM ACCOUNTS	55,196	62,943

INCOME STATEMENT

		21.10.0000	21 10 2020
۸)	PRODUCTION VALUE	31-12-2003	31-12-2002
Λ,	revenues from sales and services	1,096,375	1,148,227
	5) other revenues and income	1,030,373	1,140,227
	c) other income	0	0
	TOTAL PRODUCTION VALUE	1,096,375	1,148,227
B)	PRODUCTION COSTS		
	7) for services	384,994	362,156
	10) depreciation, amortization and write-downs	,	
	a) amortization of intangible assets	27,352	27,352
	11) change in raw materials, consumables		
	and goods	-80,606	0
	14) sundry operating costs		
	a) other operating costs and charges	954	1,189
	b) non-deductible charges	36,279	35,456
	TOTAL PRODUCTION COSTS	368,973	426,153
	DIFFERENCE BETWEEN PRODUCTION VALUE		
	AND PRODUCTION COSTS	727,402	722,074
C)	FINANCIAL INCOME AND CHARGES		
	16) other financial income		
	d) other financial income		
	3) from third parties	0	0
	17) interest and other financial charges		
	c) payable to third parties	-350,071	-500,610
	TOTAL FINANCIAL INCOME AND CHARGES	-350,071	-500,610
D)	ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
	TOTAL ADJUSTMENTS TO THE VALUE		
	OF FINANCIAL ASSETS	0	0
E)	EXTRAORDINARY ITEMS		
	20) income		
	b) other extraordinary income	3,570	8,056
	21) charges		
	b) other extraordinary charges	-106,648	-36,353
	d) rounding difference of par value in euro	-1	-1
	TOTAL EXTRAORDINARY ITEMS	-103,079	-28,298
	PRE-TAX PROFIT (LOSS)	274,252	193,166
	22) income taxes for the year		
	b) IRPEG (corporate income tax)	100,699	
	c) IRAP (regional business tax)	31,186	31,091

RIPOVAL SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002 (in euro)

BALANCE SHEET

Asse	ets		31-12-2002	31-12-2001
10.	CASH AND BANKS		82,927	86,547
20.	DUE FROM BANKS a) Sight		77,491 77,491	20,599
40.	a) From taxpayersb) From entities for ordinary tax rollsof which:for instalments paid in advance to tax authorities	0 892,864 825,333	21,717,095	12,101,929
50.	c) From other entities for tax collection BONDS AND OTHER FIXED-INTEREST SECURITIES a) public issuers	20,824,231	0	251,000
90.		755	26,087	17,273
100.	FIXED ASSETS a) Land and buildings b) Equipment and machinery c) Furniture and office machines d) Other assets	1,276,590 104,351 71,449 8,354	1,460,744	1,588,980
130.	OTHER ASSETS		362,030	555,182
140.	ACCRUED INCOME AND PREPAYMENTS a) Prepayments	9,679	9,679	8,850
Total	assets		23,736,053	14,630,359

Liab	ilities		31-12-2002	31-12-2001
10.	DUE TO BANKS		16,298,795	8,651,103
	a) sight	16,298,795		
30.	DUE TO CUSTOMERS		3,662,907	1,848,435
50.	a) Due to entities for ordinary tax rolls	237,080	3,002,307	1,040,433
	b) Other amounts due to entities	3,388,344		
	c) Due to taxpayers	37,483		
50.	OTHER LIABILITIES		375,448	440,236
	a) Trade payables	131,491		
	b) Taxes payable	45,814		
	c) Other payables	198,143		
80.	RESERVE FOR RISKS AND CHARGES		335,117	538,960
	b) Taxation reserve	200,989		
	c) Other reserves	134,128		
120.	SHARE CAPITAL		2,582,300	2,582,300
140.	RESERVES		311,097	246,040
	a) Legal reserve	89,864		
	b) Other reserves	221,233	HERVINA I	
170.	NET PROFIT (LOSS) FOR THE YEAR		170,389	323,286
Total	liabilities		23,736,053	14,630,359

Guai	rantees and commitments	31-12-2002	31-12-2001
20.	COMMITMENTS	574,711	1,919,726

INCOME STATEMENT

Costs			2002	2001
10. INTEREST EXPENSE AND SIMILAR CH	HARGES		62,201	74,912
Interest on bank loans		62,201		
20. COMMISSIONS AND FEES FOR COLLECTION SERVICES			407,110	444,194
a) For collection servicesb) For other services		252,617 154,493		
40. ADMINISTRATIVE EXPENSES			2,118,753	2,132,326
a) Personnel expenses of which:		1,409,096		
Wages and salaries Social security contributions Contribution for capital	967,242 343,958 67,232			
b) Expenses for professional servicesc) Consumables and miscellaneous off	fice costs	274,824 195,558	- 11/	
d) Expenses for non-professional servicee) Expenses for the use of third-party atf) Indirect taxes and duties		103,383 20,408 115,484	- 141	
50. ADJUSTMENTS TO INTANGIBLE AND FIXED ASSETS		110,101	164,137	261,611
a) Amortization of intangible assetsb) Depreciation of fixed assets		20,226 143,911		
60. ADJUSTMENTS TO EMOLUMENTS			6,500	7,236
70. PROVISIONS FOR RISKS AND CHARG	BES		69,000	108,456
110. EXTRAORDINARY CHARGES			6,517	119,342
130. INCOME TAXES FOR THE YEAR			167,000	291,798
140. NET PROFIT FOR THE YEAR			170,389	323,286
Total			3,171,607	3,763,160

ncome		2002	200
10. INTEREST INCOME AND SIMILAR REVENUES		124,854	135,603
a) From amounts due from customers	7,138	100000	
b) Other interest income	117,716	THE STATE OF	
30. INCOME FROM TAX COLLECTION		2,901,080	3,474,812
a) Primary income from rolls	840,556		
b) Supplementary income from rolls	83,258	THE STATE OF	
c) Income from direct payments	892,532		
d) Other income from tax collection	1,084,734		
40. PROFITS FROM FINANCIAL TRANSACTIONS		1,381	
70. OTHER OPERATING INCOME		10,414	21,73
a) Income from capital	10,414		
80. EXTRAORDINARY INCOME		133,878	131,00

ARCA VITA SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002 (in euro)

BALANCE SHEET

ASSETS

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
- II 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

31-12-2002

179

7,461,321		778,381 21,969 1,364,615 5,296,356	778,381	6,205,353		424,146 9,322 909,743 4,862,142	424,146
	6,756,255	3,444,603 3,311,652			6,510,483	4,207,136 2,303,347	
	20,587,655	20,587,655	20,481,124 106,531		25,460,508	25,460,508	25,353,977 106,531
		8,118,236 12,663,418	8,118,236			5,203,132 52,055,030	5,203,132
		874,953,682	854,700,077 9,639,070 10,614,535			872,325,903	848,292,059 15,318,165 8,715,679
925,837,988	898,494,078	134,172 2,624,570	134,172	961,963,006	929,992,015	139,405 268,545	139,405
1,924,985,420	1,924,985,420			1,880,509,075	1,880,509,075		
40,945,685	40,945,685	38,197,305 79,354 2,669,026		13,572,854	13,572,854	12,805,926 122,801 644,127	
	6,854,707	247,415 6,591,812 15,480	241,355 6,060		4,995,565	209,371 3,768,689 1,017,505	204,539 4,832
23,437,328	6,460,463 10,122,158	6,460,463		40,390,018	8,533,662 26,860,791	8,533,662	
	1,918,523	1,829,568 32,860 56,095			2,060,142	2,013,283 13,713 33,146	
	44,374,420	44,366,535 7,885			80,445,337	80,440,059 5,278	
46,292,943				82,505,479	min {		
15,141,445 2,984,102,130	15,085,184 52,528 3,733			15,392,845 3,000,538,630	15,350,417 20,400 22,028		

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. TECHNICAL RESERVES

- II 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

31-12-2002 31-12-2001

2,984,102,13	UEW		3,000,538,630	1.25	
23,168,19	6,499		37,764,424	6,108	
		6,499			6,108
	6,807,851	2,848,771		20,067,657	7,094,708
		174,633			143,211
		3,190,404			12,298,576
		594,043			531,162
	626,226			736,557	
	34,493			8,810	
	7,340,276	7,340,276	111111	10,760,679	10,760,679
	8,352,846			6,184,613	
		8,352,846			6,184,613
34,200,97		Bla 3	8,120,835		
			923,436	923,436	
1,924,915,13	1,924,915,134		1,880,492,021	1,880,492,021	
913,828,77	913,828,777	12,411,249	983,939,904	983,939,904	12,990,511
		208,541 33,081,251			442,989 28,781,782
		868,127,736			941,724,622
87,989,05	3,678,261		89,298,010	3,161,452	
	63,441			121,376	
	4,729,286 31,848,038			5,097,112 33,248,038	
	34,916			34,916	
	9,399,516			9,399,516	
	38,235,600			38,235,600	

MEMORANDUM ACCOUNTS

- II Guarantees received
 - 1. Sureties
- III Guarantees granted by third parties in the company's interest
- IV Commitments
- VII Securities with third parties

31-12-2002	31-12-2001
4,090,000	4,090,000
10,000,000	
27,755,665	88,474,849
2,751,454,858	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
- d) 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

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
- d) 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:

- a) Acquisition commission
- b) Other acquisition expenses
- c) Change in commission and other acquisition expenses to be amortized
- d) Collection commission
- e) Other administrative expenses
- f) (-) 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
- c) 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 III. 4)
- 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)
- 7. OTHER INCOME
- 8. 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

31-12-2002

	393,463,421 2,942,679	390,520,742		536,959,565 3,395,234	533,564,331
	219,552		The state of the s	450,792	
99,790 42,171,683	42,271,473 50,276) 1,184,955 12,574,265	56,250,245	92,327 48,041,765	48,134,092 43,770) 2,318,640 10,963,739	61,867,263
		102,892,487			92,806,918
		1,788,202			66,758
240,151,586 8,331,727	231,819,859		229,756,339 9,105,924	220,650,415	
-4,299,469 -200,537	-4,098,932	227,720,927	-1,677,210 3,833,611	-5,510,821	215,139,594
73,576,313 -4,746,681	78,322,994		-66,217,363 -8,560,969	-57,656,394	
234,449 43,446	191,003		28,411 -2,941	31,352	
579,262	579,262		-2,168,555	-2,168,555	
-44,423,113	-44,423,113	34,670,146	262,194,420	262,194,420	202,400,823
	5,518,180 18,538,903 -293,310 1,648,706 8,044,986 281,050	33,763,035		11,429,776 20,710,950 -403,810 2,008,611 8,481,676 349,448	42,685,375
	2,588,706 9,828,804 5,374,975	17,792,485		3,485,005 20,071,871 5,591,027	29,147,903
		224,529,298 3,942,535 3,374,382	31/2.10		190,563,285 363,147 –
		5,658,868			8,005,143
		5,658,868 3,374,382 3,084,786 5,541,224 6,576,812 442,011 695,345 -253,334			8,005,143 - 2,265,192 3,542,756 6,727,579 6,523 30,789 -24,266
		6,323,478 3,162,026 3,161,452		Jr.	6,703,313 3,025,051 3,678,262

185



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 2003. 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 standards 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 comparison purposes as required by law, please see our report dated 13 February 2003.

3. In our opinion, the financial statements of Banca Popolare di Sondrio S.c. a r.l. as of 31 December 2003 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, 18 February 2004

DELOITTE & TOUCHE S.p.A.

Riccardo Azzali

(Partner)

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA POPOLARE DI SONDRIO GROUP



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) SA - Lugano, Switzerland

The parent bank owns the entire share capital of Banca Popolare di Sondrio (SUISSE) SA of CHF 50,000,000 which is fully paid in.

The consolidation area and the consolidation methods are specified in the notes to these consolidated financial statements.

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 marked time. In fact, the most dependable forecasts are pointing towards slower growth in gross domestic product albeit with some signs of recovery in the last part of the year.

Despite the overall gloom, the financial services, banking and insurance sector has held up well.

Inflation continued to be extremely low, at around 0.6%. Interest rates came down once more following a cut by the Swiss Central Bank. Unemployment is running at a rate of 4.1%, reflecting the tough economic environment.

The Swiss franc lost some of its value against the euro, while the country's financial market followed the general trend with the Zurich Stock Exchange reporting a gain of 18.51%.

Conditions in the cantons where Banca Popolare di Sondrio (SUISSE) SA is active were much like in the rest of the country.

GEOGRAPHICAL EXPANSION

The past year saw the Group considerably expand its branch network once more, adopting a strategy that combined entry into new geographical areas with a reinforcement of its share of the markets already served.

The parent bank particularly consolidated its positions in Lombardy and the capital, further enhancing its reputation as a regional bank. The new branch in Merano, the Group's first in the Trentino Alto Adige region, opened up a new market towards the north. The report on performance accompanying the parent bank's financial statements describes these events in more detail.

Banca Popolare di Sondrio (SUISSE) SA made continued efforts to consolidate its position within Switzerland, while also seeking to expand

its operations internationally. On the domestic front it sought to bring to full fruition the major investment in its more recently opened branches. In terms of international activities, the year marked the opening of the Montecarlo branch in the Principality of Monaco with the objective of providing retail banking services to the some 15,000 Italians who reside or work there, and the principality's households and small businesses, many of whom are active in the import-export sector. The branch is also authorised to grant mortgage loans for the purchase of properties in France.

At the end of 2003, the Group had a total of 204 branches and 2 representative offices.

GROUP PERFORMANCE

Funding

The general tendency for investors to stay liquid continued once more this year. This worked to the Group's advantage in the primary funding

CONSOLIDATED DIRECT CUSTOMER DEPOSITS

(in thousands of euro)	2003	% of total	2002	% of total	% change
Savings deposits	629,389	7.28	532,024	6.89	18.30
Certificates of deposit	46,735	0.54	49,232	0.64	-5.07
Bonds	836,014	9.67	747,382	9.67	11.86
Repo transactions	1,224,913	14.17	1,264,031	16.36	-3.09
Bank drafts and similar	76,510	0.88	73,957	0.96	3.45
Current accounts	5,317,595	61.50	4,760,494	61.62	11.70
Current accounts in foreign currency	515,392	5.96	298,236	3.86	72.81
Total	8,646,548	100.00	7,725,356	100.00	11.92

TOTAL CONSOLIDATED FUNDING

	2003	%	2002	%	%
(in thousands of euro)		of total		of total	change
Total direct customer deposits	8,646,548	33.23	7,725,356	31.41	11.92
Total indirect customer deposits	14,250,010	54.77	13,137,192	53.42	8.47
Total insurance-related deposits	372,413	1.43	328,931	1.34	13.22
Total	23,268,971	89.43	21,191,479	86.17	9.80
Due to other banks	853,950	3.28	1,122,259	4.56	-23.91
Indirect deposits from banks	1,895,639	7.29	2,278,524	9.26	-16.80
Third-party funds under administration	14	0.00	65	0.01	-78.46
Grand total	26,018,574	100.00	24,592,327	100.00	5.80

sector thanks to the good reputation it enjoys with its customers. Even the Group's more recently opened branches made a positive contribution in this sense, allowing it to penetrate attractive new markets.

Direct customer deposits went up 11.92% to 8,647 million. Deposits received from other banks fell 23.91% to 854 million.

Indirect customer deposits climbed 8.47% to 14,250 million, insurance-related deposits went up by 13.22% to 372 million, while indirect deposits from banks fell 16.80% to 1,896 million.

As a net result, total consolidated funding increased by 5.80% to 26,019 million.

Analysing the components of direct deposits, the growth in current accounts was of particular note, reporting an increase of 15.31% to 5,833 million and reflecting customers' continued preference for liquidity. Bonds were also significantly higher, up 11.86% to 836 million, as were the ever popular savings deposits, 18.30% more to 629 million. Among the other

components, repo transactions were down by 3.09% to 1,225 million.

Although financial and equity markets started to show some signs of recovery, the uncertainty long dominating them affected performance in the asset management sector. Despite a difficult tough context overall, the Group nonetheless managed to report an impressive set of results, with assets under management rising 23.57% on the prior year to 3.244 million.

Loans

The good progress in funding was accompanied by an equally positive performance by customer loans, which went up by 14.82% to 7,540 million. The scale of this increase was partly due to the reduced cost of borrowing, with interest rates still at a very low level indeed.

There continued to be strong demand for home loans by individuals to purchase their

CONSOLIDATED CUSTOMER LOANS

	2003	%	2002	%	%
(in thousands of euro)		of total		of total	change
Current account overdrafts	2,617,318	34.71	2,338,593	35.61	11.92
Foreign currency loans	1,213,666	16.10	1,125,252	17.14	7.86
Advances	314,327	4.17	281,397	4.29	11.70
Advances subject to collection	108,975	1.45	99,590	1.52	9.42
Discounted portfolio	7,460	0.10	7,598	0.12	-1.82
Artisan loans	37,450	0.50	40,925	0.62	-8.49
Agricultural loans	11,738	0.16	4,820	0.07	143.53
Personal loans	64,387	0.85	63,212	0.96	1.86
Other unsecured loans	1,252,639	16.61	1,057,156	16.10	18.49
Mortgage loans	1,840,612	24.41	1,470,738	22.40	25.15
Non-performing loans	70,767	0.94	76,495	1.16	-7.49
Items to be settled	375	0.00	627	0.01	-40.19
Total	7,539,714	100.00	6,566,403	100.00	14.82

principal place of residence and for mortgage loans, which increased by 25.15% to 1,841 million, representing 24.41% of the total. Current account overdrafts also forged ahead, rising by 11.92% to 2,617 million, while other unsecured loans moved up 18.49% to 1,253 million.

Non-performing loans, net of write-downs, amounted to 0.94% of total customer loans compared with 1.16% the year before. This figure bears witness to the continued high quality of the loan portfolio, confirming the Group's vigilant approach to monitoring lending risk.

Securities portfolio

The securities portfolio amounted to 1,915 million at year end, having risen by 4.65% over the period. 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 13.99% over the year. Most of this gain took place after the parent bank's Board of Directors approved the plan for a capital increase.

As of 31 December 2003 the parent bank owned none of its own shares, against a reserve for the purchase of own shares of 19 million.

In 2003, 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) SA did not carry out any transactions in its 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 in the consolidation area.

EQUITY INVESTMENTS

Equity investments amounted to 89 million as of 31 December 2003, having increased by 14 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. Interest income of \in 0.877 million and interest expense of \in 0.151 million has been debited or credited to these companies.

Intercompany transactions are always conducted in the interest of the individual companies concerned and at arm's length conditions.

Related party transactions, as defined in CONSOB communiqué no. DEM/2064231 of 30 September 2002, form part of the Group's ordinary

	No. of shares	Total par value	% of share capital	Amount of trade
Balance as of 31/12/2002	58,998	176,994	0.043	605,589.19
Purchases	144,157	432,471	0.105	1,557,202.03
Sales	203,155	609,465	0.148	2,217,826.41
Profit from trading				55,035.19
Balance as of 31/12/03	0	0	0.000	0.00

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Situation as of 31 December 2003 (in thousands of euro)

		Subsidiaries of the parent bank		Subsidiaries of other subsidiaries		Associated companies of the parent bank		Associated companies of subsidiaries	
	2003	2002	2003	2002	2003	2002	2003	2002	
ASSETS									
Due from other banks	_	_	_	_	_	_	_	_	
Customer loans	15,749	16,119	2	11	2,136	7,599	24	133	
Securities	_	_	_	_	9,723	9,341	_	_	
LIABILITIES									
Due to other banks	_	_	_	_	_	_	_	_	
Customer deposits	-	_	1,159	71	6,359	5,610	456	420	
GUARANTEES AND COMMITM	MENTS								
Guarantees granted	146	176	1,277	_	6,528	6,534	189	311	
Commitments	_	_	-	-	_	_	_	_	

operations and are regulated at arm's-length conditions or, if no suitable parameters exist, at cost.

No atypical or unusual transactions that could have a significant impact on the Group's results, assets or finances were carried out either during 2003 or the current year.

HUMAN RESOURCES

As of 31 December 2003, the Group's headcount came to 2,186, up 6.06% on the figure of 2,061 reported at the end of 2002. The increase in personnel is mainly due to recruits for the new branches opened as part of the Group's distribution network.

A personnel breakdown by category is contained in the notes.

CAPITAL AND RESERVES

Consolidated shareholder's equity as of 31 December 2003 came to 860.519 million, an

increase of 4.20% over the year, mainly thanks to the appropriations made at the time of apportioning the 2002 net profit.

The ratios between capital and the main balance sheet items are as follows:

- capital/direct customer deposits9.21% v 10.05%
- capital/customer loans 10.57% v 11.82%
- capital/financial investments28.68% v 24.75%
- capital/total assets7.28% v 7.62%

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 231.475 million, net interest income was 6.70% higher, with the growth in volumes offsetting the drop in interest rates and related spreads. Income from customer loans fell by 2.73% to 394.571 million. The cost of funding decreased by 13.54% to 167.576 million.

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)

	Shareholders' equity	of which: net profit for the year
Shareholders' equity of the parent bank as of 31/12/2003	834,074	60,117
Difference with respect to carrying values of equity investments in:		
- companies consolidated on a line-by-line basis	28,087	4,451
 companies valued at net equity 	(1,642)	(695)
Balance at 31/12/2003, as shown in the consolidated financial statements	860,519	63,873

Consolidated shareholders' equity, including the reserve for possible loan losses, amounts to 876.992 million, while the parent bank's shareholders' equity, including the reserve for possible loan losses, amounts to 841.276 million.

INCOME STATEMENT

The context in which the Group had to operate during 2003 was generally not very favourable. Both the Swiss and Italian economies were marked by pervasive stagnation, bordering at times on outright recession.

In view of these circumstances, our Group results are really quite satisfactory: a net profit of 63.873 million, representing an improvement of 28.48% on the previous year.

Income statement trends largely reflect those seen in the parent bank's own financial statements.

Net commission income grew at the satisfactory rate of 5.22% to 118.961 million, mostly thanks to revenue from payment and collection services.

Profits from financial transactions soared 73.51% to 25.385 million, while gains on securities fell by 18.93% to 10.921 million.

Capital losses on securities totalled 1.967 million, a decrease of 84.78%, while write-backs relating to prior year write-downs, came to 4.715 million compared with 0.193 million in the prior year. Profits from currency trading were 15.23% lower at 11.423 million.

These movements were reflected in income from banking activities, which rose 9.05% to 375.821 million.

Other operating income climbed 16.23% to 27.308 million.

Administrative expenses rose 6.06% to 230.795 million.

Personnel expenses were 7.42% higher at 120.824 million, reflecting the need for new

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	2003	2002	%
(in thousands of euro)			change
Interest income and similar revenues	394,571	405,641	-2.73
Interest expense and similar charges	(167,576)	(193,810)	-13.54
Dividends and other revenues	4,480	5,109	-12.31
NET INTEREST INCOME	231,475	216,940	6.70
Net commission income	118,961	113,062	5.22
Profits from financial transactions	25,385	14,630	73.51
 profit from trading securities and derivatives on securities 	10,921	13,471	-18.93
 profit from trading currency and derivatives on currency 	11,423	13,476	-15.23
 profit from trading other derivatives 	293	412	-28.88
– gain (loss) on valuing securities	2,748	(12,729)	_
INCOME FROM BANKING ACTIVITIES	375,821	344,632	9.05
Other operating income	27,308	23,494	16.23
Administrative expenses	(230,795)	(217,616)	6.06
personnel expenses	(120,824)	(112,475)	7.42
 other administrative expenses 	(80,915)	(77,561)	4.32
 indirect taxes and duties 	(29,056)	(27,580)	5.35
Other operating expenses	(3,643)	(3,142)	15.95
OPERATING PROFIT	168,691	147,368	14.47
Adjustments to intangible and fixed assets	(22,830)	(21,809)	4.68
Provisions for risks and charges	-	(5,000)	_
Loan write-downs and provisions			
for guarantees and commitments			
- loan write-downs	(56,170)	(42,981)	30.69
 provisions for guarantees and commitments 	(1,500)		_
Write-backs to loans and provisions for guarantees and commitments	23,421	19,010	23.20
-	(3,965)	(10,045)	-60.53
Provisions to reserves for possible loan losses Adjustments to the value of long-term financial assets	(665)	(1,607)	-58.62
Write-backs to long-term financial assets	(003)	206	-30.02
Gains/(losses) on investments valued at net equity	511	675	-24.30
, ,		85,817	
PROFIT FROM ORDINARY OPERATIONS	107,493	·	25.26
Extraordinary income	1,281	2,203	-41.85
Extraordinary charges	(786)	(1,719)	-54.28
PROFIT BEFORE TAX	107,988	86,301	25.13
Change in reserve for general banking risks	(1,266)	_	_
Income taxes	(42,849)	(36,588)	17.11
NET PROFIT FOR THE YEAR	63,873	49,713	28.48

The 2002 figures have been adjusted for comparison purposes.

recruits to staff the expanding branch network. As a proportion of total administrative expenses, personnel costs rose from 51.68% to 52.35%.

Other administrative expenses came to 109.971 million, increasing by 4.59% which was less than half their prior year rate. Total administrative expenses accounted for 61.41% of income from banking activities, compared with last year's figure of 63.14%.

Other operating expenses increased by 15.95% to 3.643 million.

As a result, operating profit came to 168.691 million, 14.47% up on last year's figure of 147.368 million.

The following items have been deducted from operating profit to arrive at the profit before tax:

- adjustments to intangible and fixed assets of 22.830 million (+4.68%);
- loan write-downs and provisions for guarantees and commitments of 57.670 million (+34.18%).
 The write-downs are based on a reasonable forecast of the possible write-offs arising from any loans classified as non-performing, watchlist and restructured, in addition to definitive loan losses that have already been written off. The write-downs also include a general provision against the risk that performing loans might turn bad;
- write-backs to loans and provisions for guarantees and commitments, totalling 23.421 million (+23.20%);
- provisions to reserves for possible loan losses of 3.965 million (-60.53%); these 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 0.665 million (-58.62%); gains on investments valued at net equity of 0.511 million (-24.30%);
- extraordinary income of 1.281 million and extraordinary charges of 0.786 million.

As a result, profit before tax came in at 107.988 million (+25.13%).

After deducting 1.266 million in provisions to the reserve for general banking risks, and 42.849 million (+17.11%) in income and business taxes, the net profit for the year came to 63.873 million (+28.48%).

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 2003. As regards Switzerland, there is nothing to report that may significantly change the context in which Banca Popolare di Sondrio (SUISSE) SA operates.

In terms of the business prospects for 2004, we expect volumes to carry on increasing. The management of services is also expected to improve and hence benefit the Group's profitability.

Sondrio, 2 February 2004

THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE 2003 CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

We have examined the Bank's consolidated financial statements for 2003, consisting of the balance sheet, income statement and explanatory notes and accompanied by the directors' report on operations. We have checked compliance with the rules laid down in Legislative Decree 87/92 and Bank of Italy instructions dated 30 July 2002.

There have been increases in most items during the year. Direct deposits rose to 8,647 million (+11.92%); indirect funding increased by 8.47% to 14,250 million; loans amounted to 7,540 million after growth of 14.82%; consolidated shareholders' equity came to 861 million (+4.20%) and the net profit was 63.87 million (+28.48%).

These are satisfactory figures in our opinion, the result of intense efforts in circumstances that were not always favourable and the product of good management to protect the Bank's capital and to foster growth also on the part of the subsidiaries.

The consolidation area has remained the same. The most important subsidiary is Banca Popolare di Sondrio (SUISSE) SA, which operates in Switzerland, making it subject to the control of the Federal Bank Commission, that country's supervisory authority.

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 methods, as explained in the notes, are consistent with those used in previous years.

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 consolidated financial statements were audited by Deloitte & Touche spa, who issued the attached audit report.

The consolidated report on operations discloses intercompany transactions and balances with subsidiary and associated companies that are not included in the consolidation area.

Talking of which, we can confirm to you that intercompany transactions have always been carried out in the interests of the individual companies concerned and at market conditions. Similarly, any related party transactions have always formed part of the Bank's normal activities, excluding any atypical or unusual transactions.

We would add that there are no cross holdings between companies included in the consolidation and all transactions and balances between them have been eliminated.

Sondrio, 16 February 2004

THE STATUTORY AUDITORS

Egidio Alessandri, Chairman

Pio Bersani, Acting Auditor

Piergiuseppe Forni, Acting Auditor

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

201

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

A S S E T S 31-12-2003 31-12-2002

10.	CASH ON HAND AT CENTRAL BANKS AND POST OFFICES		70,794		72,640
20.	TREASURY AND SIMILAR BILLS ELIGIBLE FOR REFINANCING AT CENTRAL BANKS		348,226		329,115
30.	DUE FROM OTHER BANKS: a) sight b) others	445,766 328,026	773,792	689,163 541,385	1,230,548
40.	CUSTOMER LOANS of which: – from third-party funds under administration	15	7,539,714	67	6,566,403
50.	BONDS AND OTHER FIXED-YIELD SECURITIES: a) from public issuers b) from banks of which: - own securities c) from financial institutions d) from other issuers	1,204,648 19,890 1,448 196,529 21,313	1,442,380	1,148,678 20,322 1,307 211,536 12,755	1,393,291
60.	SHARES, QUOTAS AND OTHER VARIABLE-YIELD SECURITIES		124,304		107,439
70.	EQUITY INVESTMENTS: a) valued at net equity b) others	44,083 44,771	88,854	34,618 39,938	74,556
100.	POSITIVE DIFFERENCE ARISING ON THE APPLICATION OF THE EQUITY METHOD		7,342		3,990
110.	INTANGIBLE ASSETS		18,101		17,807
120.	FIXED ASSETS		73,208		76,571
140.	OWN SHARES		0		606
150.	OTHER ASSETS		399,140		265,176
160.	ACCRUED INCOME AND PREPAYMENTS: a) accrued income b) prepayments	48,103 3,604	51,707	47,483 1,678	49,161
	TOTAL ASSETS		10,937,562		10,187,303

LIABILITIES 31-12-2003 31-12-2002

10.	DUE TO OTHER BANKS:		853,950		1,122,259
	a) sightb) time or with notice	50,207 803,743		76,041 1,046,218	
	b) time of with house	603,743		1,040,216	
20.	CUSTOMER DEPOSITS: a) sight	6,060,561	7,687,290	5,369,579	6,854,786
	b) time or with notice	1,626,729		1,485,207	
30.	SECURITIES ISSUED:		959,259		870,570
30.	a) bonds	836,013	333,233	747,382	670,370
	b) certificates of deposit	46,735		49,232	
	c) other securities	76,511		73,956	
40.	THIRD-PARTY FUNDS UNDER ADMINISTRATION		14		65
50.	OTHER LIABILITIES		369,658		305,018
60.	ACCRUED LIABILITIES AND DEFERRED INCOME:		25,765		27,844
	a) accrued liabilities	21,524		24,847	
	b) deferred income	4,241		2,997	
70.	RESERVE FOR SEVERANCE INDEMNITIES		37,594		35,237
80.	RESERVES FOR RISKS AND CHARGES:		127,040		118,597
	a) staff pension fund	51,241		49,536	
	b) taxation reserve d) other reserves	49,423 26,376		43,757 25,304	
		20,070		20,00	
90.	RESERVES FOR POSSIBLE LOAN LOSSES		16,473		27,056
100.	RESERVE FOR GENERAL BANKING RISKS		40,000		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:		207,939		188,717
	a) legal reserve	72,466		64,954	
	b) reserve for own shares	111 916		606	
	c) statutory reservesd) other reserves	111,816 23,657		97,799 25,358	
200.	NET PROFIT FOR THE YEAR		63,873		49,713
	TOTAL LIABILITIES		10,937,562		10,187,303

GUARANTEES AND COMMITMENTS 31-12-2003

31-12-2002

10.	GUARANTEES GRANTED of which: - acceptances	1,707,524 3.146	1.610	1,546,860
	- other guarantees	1,704,378	1,545,250	
20.	COMMITMENTS	340,780		391,667

205

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

			2003		2002
10.	INTEREST INCOME AND SIMILAR REVENUES of which:		394,571		405,641
	on customer loanson fixed-yield securities	320,566 48,046		321,353 57,070	
20.	INTEREST EXPENSE AND SIMILAR CHARGES of which:		(167,576)		(193,810)
	on customer depositson securities issued	(129,444) (24,627)		(146,898) (24,621)	
30.	a) from shares, quotas and other variable-yield securities	1,597	4,480	1,790	5,109
	b) from equity investments	2,883		3,319	
40.	COMMISSION INCOME		128,164		121,119
50.	COMMISSION EXPENSE		(9,203)		(8,179)
60.	PROFITS FROM FINANCIAL TRANSACTIONS		25,385		14,630
70.	OTHER OPERATING INCOME		27,308		23,494
80.	a) Personnel expenses of which:	(120,824)	(230,795)	(112,475)	(217,616)
	wages and salariessocial security contributionsseverance indemnitiespensions	(83,436) (22,408) (5,607) (4,223)		(78,472) (20,547) (5,059) (3,340)	
	b) Other administrative expenses	(109,971)		(105,141)	
90.	ADJUSTMENTS TO INTANGIBLE AND FIXED ASSETS		(22,830)		(21,809)
100.	PROVISIONS FOR RISKS AND CHARGES		0		(5,000)
110.	OTHER OPERATING EXPENSES		(3,643)		(3,020)
120.	ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		(57,670)		(42,981)
130.	WRITE-BACKS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		23,421		19,010
140.	PROVISIONS TO RESERVES FOR POSSIBLE LOAN LOSSES		(3,965)		(10,045)
150.	ADJUSTMENT TO THE VALUE OF LONG-TERM FINANCIAL ASSETS		(665)		(1,607)
160.	WRITE-BACKS TO FINANCIAL ASSETS		0		206
170.	LOSS ON INVESTMENTS VALUED AT NET EQUITY		511		675
180.	PROFIT FROM ORDINARY OPERATIONS		107,493		85,817
190.	EXTRAORDINARY INCOME		1,281		2,203
200.	EXTRAORDINARY CHARGES		(786)		(1,719)
210.	NET EXTRAORDINARY ITEMS		495		484
230.	CHANGE IN THE RESERVE FOR GENERAL BANKIN	G RISKS	(1,266)		0
240.	INCOME TAXES FOR THE YEAR		(42,849)		(36,588)
260.	NET PROFIT FOR THE YEAR		63,873		49,713

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 spa.

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 2003 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 2003. The company owns 100% of Immobiliare San Paolo srl and Immobiliare Borgo Palazzo srl, both carried at equity.

The associated company Ripoval spa, 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 2002.

The subsidiary Pirovano Stelvio spa 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 December 2003.

The associated company Arca Vita spa, a company over which the bank exercises considerable influence because of its 32.528% 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 2002.

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 2003.

CBE-Service sprl, Servizi Internazionali e Strutture Integrate 2000 srl and B. & A. Broker spa, the associated companies in which the bank holds interests of 23.30%, 33.33% and 28.57% 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 non-performing loans, watchlist loans, loans being restructured and consolidated. The main non-performing loans collectible beyond one year have been discounted at an average market rate. The generic risk of losses that could occur on other loans in the future has been calculated on a forfeit basis and attributed proportionally to individual positions. 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 non-performing when the borrowers are in a state of insolvency or similar, independent of any estimated losses.

Watchlist 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 spa, Ripoval spa, Sinergia Seconda srl, Immobiliare San Paolo srl, Immobiliare Borgo Palazzo srl, Arca Vita spa 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 below:

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.

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 \leq 3.497 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 16.473 million, and other reserves for \leq 3.851 million (a decrease of \leq 10.863 million, net of provisions for \leq 3.965 million); 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 \leq 6.192 million 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»

	31/12/2003	31/12/2002
a) deposits with central banks	83,322	79,021
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 made by the Parent Bank.

1.5 Breakdown of item 40 «Customer loans»

	31/12/2003	31/12/2002
a) assets eligible for refinancing at central banks	8,075	1,960
b) receivables from leasing contracts	_	_
c) repo transactions	_	_
d) securities lent	_	_

1.6 Secured customer loans

	31/12/2003	31/12/2002
a) by mortgages	2,673,306	2,065,252
b) by liens on:	300,008	247,643
1. cash deposits	1,154	1,050
2. securities	286,011	236,914
3. other assets	12,843	9,679
c) by guarantees from:	1,618,649	1,507,013
1. governments	-	13
2. other public entities	495	2,961
3. banks	44,630	40,603
4. other operators	1,573,524	1,463,436
Total	4,591,963	3,819,908

1.7 Customer loans

Total	7,685,231	145,517	7,539,714	6,673,129	106,726	6,566,403
B. Performing loans	7,442,413	44,428	7,397,985	6,432,652	38,618	6,394,034
A.5. Unsecured loans exposed to country risk	2,026	608	1,418	766	230	536
A.4. Restructured loa	ns 25,309	7,242	18,067	44,080	8,907	35,173
A.3. Loans being restructured	_	-	-	_	_	_
A.2. Watchlist	59,134	7,657	51,477	70,842	10,677	60,165
A.1. Non-performing	156,349	85,582	70,767	124,789	48,294	76,495
A. Doubtful loans	242,818	101,089	141,729	240,477	68,108	172,369
Categories	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
			31/12/2003			31/12/2002

1.8 Movements in doubtful loans due from customers

					31/12/2003
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure at 31/12/2002	124,789	70,842	0	44,080	766
A.1. of which: overdue interest	15,544	1	_	_	_
B. Increases	61,928	24,760	0	823	1,409
B.1. transfers from performing loans	32,707	21,075	_	_	_
B.2. overdue interest	4,524	_	_	_	_
B.3. transfers from other categories of doubtful loans	20,602	_	_	_	_
B.4. other increases	4,095	3,685	_	823	1,409
C. Decreases	30,368	36,468	0	19,594	149
C.1. transfers to performing loans	_	1,983	_	6,426	_
C.2. write-offs	14,535	_	_	_	_
C.3. collections	15,833	13,921	_	13,168	107
C.4. proceeds from factored loans	_	_	_	_	_
C.5. transfers to other categories of doubtful loans	_	20,560	_	_	42
C.6. other decreases	_	4	_	_	_
D. Gross exposure at 31/12/2003	156,349	59,134	0	25,309	2,026
D.1. of which: overdue interest	17,462	1	_	_	_

					31/12/2002
Categories	Non- performing loans	Watchlist loans	Loans being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure at 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 at 31/12/2002	124,789	70,842	0	44,080	766
D.1. of which: overdue interest	15,544	1			
· · · · · · · · · · · · · · · · · · ·					

1.9 Movements in total adjustments

					3	31/12/2003
Categories	Non- performing loans	Watchlist loans		eing	loans	Unsecured loans exposed to country risk
A. Opening total adjustments at 31/12/2002	48,294	10,677	0	8,907	230	38,618
A.1. of which: overdue interest	3,160	1	_	_	_	
B. Increases	55,066	2,860	0	1,649	423	14,416
B.1. adjustments	51,255	2,787	_	1,649	423	13,117
B.1.1. of which: overdue interest	7,526	_	_	_	_	
B.2. use of the reserve for possible loan losse	es –	_	_	_	_	_
B.3. transfers from other categories of loans	3,811	73	_	_	_	46
B.4. other increases	_	_	_	_	_	1,253
C. Decreases	17,778	5,880	0	3,314	45	8,606
C.1. write-backs on valuation	473	170	_	675	_	45
C.1.1. of which: overdue interest	_	_	_	_	_	_
C.2. write-backs due to collections	2,770	2,098	_	2,602	31	7,864
C.2.1. of which: overdue interest	247	_	_	_	_	
C.3. write-offs	14,535	_	_	_	_	85
C.4. transfers to other categories of loans	_	3,608	_	37	14	271
C.5. other decreases	_	4	_	_	_	341
D. Closing total adjustments at 31/12/2003	85,582	7,657	0	7,242	608	44,428
D.1. of which: overdue interest	10,260	1	_	_	_	_

					3	31/12/2002
Categories p	Non- erforming loans	Watchlist loans		eing	loans	Unsecured loans exposed to country risk
A. Opening total adjustments at 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 losse			_	_	_	
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 at 31/12/2002	48,294	10,677	0	8,907	230	38,618
D.1. of which: overdue interest	3,160	1		_	_	
Doubtful loans (including overdue intere	est)					
				31/12/2003	3	31/12/2002
Non-performing loans (including overdue inter	rest)			70,767		76,495
Receivables for overdue interest						
				31/12/2003	3	31/12/2002
a) doubtful loans				7,202		12,384
b) other loans				_		

Section 2 **Securities**

2.3 Trading securities

		31/12/2003		31/12/2002
	Book value	Market value	Book value	Market value
1. Fixed-yield securities	1,790,606	1,791,468	1,722,405	1,726,948
1.1 Government securities	1,552,231	1,552,715	1,475,956	1,480,289
- listed	1,552,231	1,552,715	1,475,956	1,480,289
– unlisted	_	_	_	_
1.2 Other securities	238,375	238,753	246,449	246,659
- listed	214,239	214,617	18,957	19,167
– unlisted	24,136	24,136	227,492	227,492
2. Variable-yield securities	124,304	127,011	107,440	108,139
- listed	68,116	70,818	37,768	38,467
– unlisted	56,188	56,193	69,672	69,672
Total	1,914,910	1,918,479	1,829,845	1,835,087

2.4 Change for the year in trading securities

	31/12/2003	31/12/2002
A. Opening balance	1,829,845	1,646,691
B. Increases	10,281,596	10,533,558
B1. Purchases	10,262,323	10,517,516
 Fixed-yield securities 	10,190,982	10,346,412
government securities	7,591,762	8,455,167
other securities	2,599,220	1,891,245
 Variable-yield securities 	71,341	171,104
B2. Write-backs and revaluations	6,218	193
B3. Transfers from investment portfolio	_	_
B4. Other changes	13,055	15,849
C. Decreases	10,196,531	10,350,404
C1. Sales and reimbursements	10,190,946	10,335,201
 Fixed-yield securities 	10,130,898	10,167,419
government securities	7,519,748	8,450,801
other securities	2,611,150	1,716,618
 Variable-yield securities 	60,048	167,782
C2. Write-downs	2,204	12,922
C3. Transfers to investment portfolio	_	_
C5. Other changes	3,381	2,281
D. Closing balance	1,914,910	1,829,845

Section 3 Equity investments

3.1 Main equity investments

		Location Type relationsh		eholders' equity	Profit/ Loss	Type of investment		% of votes at the	Book value
		(1)	, ,		Parent company	% held	AGM	
Α.	Companies included in the consolidation area A1. Full consolidation method								
	Banca Popolare di Sondrio (SUISSE) SA	Lugano	1 (61,015	4,451	Banca Popolare di Sondrio	100	100	_
B.	Net equity method								
	1. Pirovano Stelvio spa	Tirano	1	2,152	-110	Banca Popolare di Sondrio	100	100	3,238
	2. Ripoval spa	Sondrio	8	3,064	170	Banca Popolare di Sondrio	50	50	1,457
	3. Sinergia Seconda srl	Milan	1	10,356	142	Banca Popolare di Sondrio	100	100	10,469
	4. Arca Vita spa	Verona	8 8	89,298	3,161	Banca Popolare di Sondrio	32.528	32.528	28,713
	5. Sofipo Fiduciarie SA	Lugano	8	687	58	Banca Popolare di Sondrio (SUISS	30 E) SA	30	206

 $^{(1) \ \ 1 -} Control \ as \ per \ article \ 2359.1.1 \ of \ the \ Italian \ Civil \ Code \ (majority \ of \ voting \ rights \ at \ the \ AGM)$

The valuation at equity of Arca Vita spa showed a difference between book value and shareholders' equity at 31 December 2002, adjusted for dividends distributed during the year, of \in 8.140 million. This amount has been included in asset item 100 «Positive differences arising on application of the equity method» and \in 0.798 million will be amortized over five years in accordance with the rules governing goodwill as per art.16.2 of Decree Law 87 of 27/1/1992 starting from 2003.

^{8 -} Associated company

3.3 Assets and liabilities due to and from affiliated companies (excluding Group companies)

	31/12/2003	31/12/2002
a) Assets	175,508	221,161
1. due from other banks	21,570	78,696
of which:		
subordinated	_	_
2. due from financial institutions	88,321	114,555
of which:		
subordinated	140	_
3. customer loans	55,892	17,077
of which:		
subordinated	_	139
4. bonds and other fixed-yield securities	9,725	10,833
of which:		
subordinated	2	_
b) Liabilities	303,730	160,734
1. due to other banks	32,636	1,830
2. due to financial institutions	154,812	108,728
3. customer deposits	116,282	50,176
4. securities issued	_	_
5. subordinated liabilities	_	_
c) Guarantees and commitments	171,505	167,772
1. guarantees granted	161,687	166,063
2. commitments	9,818	1,709

3.4 Breakdown of item 70 «Equity investments»

	31/12/2003	31/12/2002
a) in banks	22,893	18,001
1. listed	394	394
2. unlisted	22,499	17,607
b) in financial institutions	16,066	14,987
1. listed	_	_
2. unlisted	16,066	14,987
c) others	49,895	41,568
1. listed	5,175	5,175
2. unlisted	44,720	36,393
Total	88,854	74,556

3.5 Breakdown of item 80 «Equity investments in Group companies»

	31/12/2003	31/12/2002
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

	31/12/2003	31/12/2002
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	_	-
C3. Other changes	_	_
D. Closing balance	0	0
E. Total revaluations	-	_
F. Total write-downs	-	_

3.6.2 Other equity investments

	31/12/2003	31/12/2002
A. Opening balance	74,556	65,120
B. Increases	19,960	20,191
B1. Purchases	19,796	14,604
B2. Write-backs	-	206
B3. Revaluations	-	_
B4. Other changes	164	5,381
C. Decreases	5,662	10,755
C1. Sales	-	_
C2. Write-downs	665	1,607
of which: - permanent write-downs	_ 665	- 1,607
C3. Other changes	4,997	9,148
D. Closing balance	88,854	74,556
E. Total revaluations	-	_
F. Total write-downs	5,956	5,291

Section 4 Fixed and intangible assets

4.1 Changes for the year in fixed assets

					31/12/2003
	Buildings	Furniture and fittings	Machines and equipment	Others	Total
A. Opening balance	61,212	4,934	4,733	5,692	76,571
B. Increases	1,329	1,971	2,986	2,639	8,925
B1.Purchases	1,329	1,971	2,986	2,639	8,925
B2.Write-backs	_	_	_	_	-
B3. Revaluations	_	_	_	_	_
B4.Other changes	_	_	_	_	_
C. Decreases:	3,546	1,793	3,714	3,235	12,288
C1. Sales	8	_	_	_	8
C2. Write-downs:	3,092	1,756	3,652	3,167	11,667
a) Depreciation	3,092	1,756	3,652	3,167	11,667
b) Permanent write-downs	_	_	_	_	_
C3. Other changes	446	37	62	68	613
D. Closing balance	58,995	5,112	4,005	5,096	73,208
E. Total revaluations	42,374	_	_	_	42,374
F. Total write-downs:	55,429	17,138	27,880	26,832	127,279
a) Depreciation	55,429	17,138	27,880	26,832	127,279
b) Permanent write-downs	_	_	_	_	_

					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	1,834	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	_	_	_	_	_

4.2 Changes for the year in intangible assets

				31/12/2003
	Software purchases	Leasehold improvements	Set-up costs	Total
A. Opening balance	5,018	12,789	0	17,807
B. Increases	4,664	6,382	0	11,046
B1. Purchases	4,664	6,382	_	11,046
B2. Write-backs	-	_	_	_
B3. Revaluations	_	_	_	-
B4. Other changes	_	_	_	-
C. Decreases:	4,811	5,941	0	10,752
C1. Sales	_	_	_	-
C2. Write-downs:	4,645	5,720	_	10,365
a) amortization	4,645	5,720	_	10,365
b) permanent write-downs	_	_	_	_
C3. Other changes	166	221	_	387
D. Closing balance	4,871	13,230	0	18,101
E. Total revaluations	_	_	_	_
F. Total write-downs:	24,613	37,155	561	62,329
a) amortization	24,613	37,155	561	62,329
b) permanent write-downs	_	_	_	_

				31/12/2002
	Software	Leasehold	Set-up	Total
	purchases	improvements	costs	
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	_	_	_	_

Section 5 **Other asset items**

5.1 Breakdown of item 150 «Other assets»

	31/12/2003	31/12/2002
Deferred tax assets	8,527	7,079
Taxes withheld	230	205
Tax credits on dividends		
	1,608	1,756
Advances paid to tax authorities	35,564	32,079
Withholdings on interest due to customers	108	146
Tax credits and related interest	4,173	2,379
Outstanding cheques and bills	1,754	2,111
Current account cheques drawn on third parties	60,210	41,583
Current account cheques drawn on Group banks	28,212	20,557
Securities transactions	3,592	5,104
Items in transit with branches	1,498	540
Inventories	1,378	1,444
Contra-item for valuation of off-balance sheet transactions	102,253	56,830
Costs pertaining to the subsequent year	624	422
Advances to suppliers	6,006	13,271
Advances to customers on loans	71,645	49,324
Value date differentials on portfolio transactions	518	710
Miscellaneous debits in transit	13,219	9,895
Premiums for exchange and securities options to be exercised	14,250	6,332
Guarantee deposits	148	147
Liquid assets belonging to the staff pension fund	746	810
Receivables for hedging transactions	3,462	3,332
Advance payment as per Decree 341 of 10/12/2003	28,532	_
Differences on elimination	4	801
Residual items	10,879	8,319
Total	399,140	265,176

5.2 Breakdown of item 160 «Accrued income and prepayments»

	31/12/2003	31/12/2002
a) Accrued income	48,103	47,483
Interest receivable on securities	11,390	16,124
Interest on euro and foreign currency deposits and loans to customers	6,371	5,888
Interest on euro and foreign currency deposits and loans to other banks	674	895
Interest on customer mortgages and loans	15,650	15,073
Commissions receivable	8,947	8,186
Forward currency transactions	361	306
Other	4,710	1,011
b) Prepayments	3,604	1,678
Invoices received not pertaining to this financial year	1,460	1,510
Other	2,144	168
Total	51,707	49,161

No adjustments have been made directly to the relevant balance sheet items for accrued income and prepayments.

5.4 Distribution of subordinated assets

	31/12/2003	31/12/2002
a) due from other banks	_	_
b) customer loans	140	139
c) bonds and other fixed-yield securities	2,851	170

Section 6 Payables

6.1 Breakdown of the item «Due to other banks»

	31/12/2003	31/12/2002
a) repo transactions	_	_
b) securities lent	_	_

6.2 Breakdown of the item «Customer deposits»

	31/12/2003	31/12/2002
a) repo transactions	1,224,913	1,264,031
b) securities lent	_	_

Item 20 totals € 7,687.290 million.

Item 30 «securities issued» amounts to € 959.259 million. It is made up of «bonds, «certificates of deposit» and «other securities».

The sub-item «bonds» includes the securities listed below:

	Book value
Issued by Banca Popolare di Sondrio:	
Floating-rate bond issues	189,362
Fixed-rate bond issues	339,975
Zero-coupon bond issues	276,596
Total	805,933
Issued by Banca Popolare di Sondrio (SUISSE) SA:	
Floating-rate bond issues	30,080
Total	836,013

Floating-rate and fixed-rate bond issues also include structured bonds with a nominal value of € 157.494 million.

The sub-item «certificates of deposit» totals € 46.735 million and consists of € 42.988 million in short-term fixed-rate certificates, € 1.652 million in medium-term fixed-rate certificates, € 2.018 million in medium-term floating-rate certificates and € 0.077 million in zero-coupon certificates.

The sub-item «other securities» totals \in 76.511 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 \leq 14,000, a decrease of \leq 51,000 (-78.46%).

Section 7 Reserves

7.1 Breakdown of item 90 «Reserves for possible loan losses»

These reserves amount to \in 16.473 million. They comprise \in 7.202 million in reserves against the portion of overdue interest deemed recoverable.

7.2 Changes for the year in the reserves for possible loan losses

	31/12/2003	31/12/2002
A. Opening balance	27,056	24,660
B. Increases	3,965	10,620
B1. Provisions	3,965	10,045
B2. Other changes	-	575
C. Decreases	14,548	8,224
C1. Utilizations	6,100	6,758
C2. Other changes	8,448	1,466
D. Closing balance	16,473	27,056

7.3 Breakdown of sub-item 80d) «Reserves for risks and charges: others»

Total	26,376	25,304
e Reserve for fluctuation in securities value	3,851	4,131
d Reserve for litigation costs	14,000	14,000
c Reserve for personnel expenses	3,220	3,310
b Reserve for guarantees granted	5,000	3,500
a Charity fund	305	363
	31/12/2003	31/12/2002

7.4 Change in deferred tax assets

	31/12/2003	31/12/2002
1. Opening balance	7,079	5,381
2. Increases	4,120	4,010
2.1. Deferred tax assets arising during the year	3,918	3,591
2.2. Other increases	202	419
3. Decreases	2,672	2,312
3.1. Deferred tax assets reversing during the year	2,672	2,312
3.2. Other decreases	_	_
4. Closing balance	8,527	7,079

7.5 Change in deferred tax liabilities

	31/12/2003	31/12/2002
1. Opening balance	33	43
2. Increases	31	17
2.1. Deferred tax assets arising during the year	30	14
2.2. Other increases	1	3
3. Decreases	14	27
3.1. Deferred tax liabilities reversing during the year	14	27
3.2. Other decreases	_	_
4. Closing balance	50	33

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	31/12/2003	31/12/2002
Item 100	Reserve for general banking risks	40,000	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	207,939	188,717
	a) legal	72,466	64,954
	b) for own shares	_	606
	c) statutory	111,816	97,799
	d) others	23,657	25,358
Item 190	Retained earnings	_	_
Item 200	Net profit for the year	63,873	49,713
Total shar	eholders' equity	860,519	825,871

8.1 Capital ratios: solvency ratio as of 31 December 2003

Categories	31/12/2003	31/12/2002
A. Capital for supervisory purposes		
A.1 Basic capital (tier 1)	803,186	777,080
A.2 Supplementary capital (tier 2)	16,588	27,461
A.3 Amounts to be subtracted	15,870	15,856
A.4 Capital for supervisory purposes	803,904	788,685
B. Precautionary requirements for supervisory purposes		
B.1 Credit risks	694,402	615,974
B.2 Market risks	30,771	23,200
of which:		
 risks to the trading securities portfolio 	30,771	23,200
– exchange risks	_	_
B.3 Third level subordinated loans	_	_
B.4 Other precautionary requirements	3,612	4,518
B.5 Total precautionary requirements	728,785	643,692
C. Risk assets and capital ratios		
C.1 Risk-weighted assets	9,109,812	8,046,150
C.2 Tier 1 capital / Risk-weighted assets	8.82%	9.66%
C.3 Capital for supervisory purposes / Risk-weighted assets	8.82%	9.80%

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 risk-weighted assets) is 8% for banking groups.

Section 9 Other liability items

9.1 Breakdown of item 50 «Other liabilities»

	21/10/2022	21/10/0000
	31/12/2003	31/12/2002
Amounts at the disposal of third parties	36,636	23,960
Taxes to be paid on behalf of third parties	18,206	19,151
Taxes to be paid	1,263	1,177
Employee salaries and contributions	11,240	10,702
Trade payables	6,687	7,315
Transit accounts for sundry entities	2,931	11,816
Invoices receivable	3,043	2,501
Securities transactions	1,360	1,219
Value date differentials on portfolio transactions	80,039	97,167
Directors' and statutory auditors' emoluments	948	896
Loans disbursed to customers to be finalized	8,864	9,127
Miscellaneous credit items being settled	70,988	50,806
Premiums for exchange and securities options sold and not exercised	14,771	6,164
Contra-item of valuation of off-balance sheet transactions	99,231	52,981
Items in transit with branches	220	816
Residual items	13,231	9,220
Total	369,658	305,018

9.2 Breakdown of item 60 «Accrued liabilities and deferred income»

	31/12/2003	31/12/2002
a) Accrued liabilities	21,524	24,847
Interest on bonds	8,096	10,489
Interest on certificates of deposit	352	519
Interest on customer deposits in euro and foreign currency	1,423	593
Interest on deposits from other banks in euro and foreign currency	2,623	3,075
Repo transactions	2,228	42
Commission	153	4,352
Other	6,649	5,777
b) Deferred income	4,241	2,997
Interest on portfolio, mortgages and loans	365	372
Commission on sureties	2,788	2,545
Other	1,088	80
Total	25,765	27,844

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	1,707,524	1,546,860
c) assets given in guarantee	8,005	13,005
b) financial endorsement credits	802,298	692,405
a) commercial endorsement credits	897,221	841,450
	31/12/2003	31/12/2002

10.2 Breakdown of item 20 «Commitments»

	31/12/2003	31/12/2002
a) commitments to disburse funds (certain to be called on)	206,232	248,377
b) commitments to disburse funds (not certain to be called on)	134,548	143,290
Total	340,780	391,667

10.3 Collateral given for own payables

The collateral provided by the Group against its own liabilities consists of government securities: $\in 1,218.934$ million relates to securities given to customers for repo transactions, $\in 9.943$ million is for the deposit paid against the issuing of banker's cheques.

10.4 Margins usable on credit lines

	31/12/2003	31/12/2002
a) central banks	83,322	79,021
b) other banks	2,439	6,708

10.5 Forward transactions

			31/12/2003			31/12/2002
Type of transaction F	or hedging	For trading	Other	For hedging	For trading	Other
1. Buying and selling:						
1.1 Securities						
purchases	_	39,438	_	_	37,599	_
– sales	_	28,618	_	_	24,529	_
1.2 Foreign currency						
 currency against currency 	_	157,299	_	_	22,474	_
 purchases against euro 	_	1,420,363	_	_	1,159,472	_
– sales against euro	_	1,446,598	_	_	1,158,080	_
2. Deposits and loans:						
to be disbursed	_	_	63,978	_	_	55,196
- to be received	_	_	38,420	_	_	25,707
3. Derivative contracts:						
3.1 With exchange of capital						
a) securities						
– purchases	_	2,617	_	_	2,705	_
– sales	_	2,617	_	_	2,705	_
b) foreign currency						
 currency against currency 	<i>_</i>	39,936	_	_	48,521	_
 purchases against euro 	_	269,254	_	_	128,274	_
– sales against euro	_	269,226	_	_	128,274	_
c) other instruments						
purchases	_	95,985	_	_	41,054	_
– sales	_	95,985	_	_	41,054	_
3.2 Without exchange of capital						
a) foreign currency						
 currency against currency 	<i>_</i>	9,748	_	_	1,078	_
 purchases against euro 	_	234,040	_	_	78,255	_
– sales against euro		234,040	_		78,255	_
b) other instruments						
– purchases	229,841	528,008	_	155,807	265,677	
– sales	126,723	528,008	73,494	67,765	265,677	78,658

Quantitative information on derivative contracts

The following table gives information on derivative contracts in compliance with the regulations formulated by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

Breakdown of reference capital by type of contract

	Interest rates	Exchange rates	Share prices and indices	Other	Total
Trading contracts (unquoted)			4.14 1.141000		
Futures purchased	_	_	_	95,985	95,985
Futures sold	_	_	_	95,985	95,985
Swaps purchased	445,693	_	_	_	445,693
Swaps sold	445,693	_	_	_	445,693
Options purchased	38,894	552,978	10,000	33,421	635,293
Options sold	38,894	552,950	10,000	33,421	635,265
Trading contracts (quoted)					
Options purchased	_	_	2,617	_	2,617
Options sold	_	_	2,617	_	2,617
Total	969,174	1,105,928	25,234	258,812	2,359,148
Non-trading contracts (unquoted)					
Options purchased	_	_	73,494	_	73,494
Options sold	_	_	73,494	_	73,494
Swaps purchased	156,347	_	_	_	156,347
Swaps sold	126,723	_	_	_	126,723
Total	283,070	_	146,988	_	430,058
Grand total	1,252,244	1,105,928	172,222	258,812	2,789,206

Section 11 Concentration and distribution of assets and liabilities

11.1 Significant risk accounts

	31/12/2003	31/12/2002
a) amount	820,373	882,403
b) number	8	8

11.2 Breakdown of customer loans by main borrower categories

Total	7,539,714	6,566,403
f) other businesses	1,800,097	1,673,824
e) family businesses	694,717	481,156
d) financial businesses	474,010	340,460
c) non-financial businesses	4,533,995	4,029,975
b) other public entities	36,895	40,988
a) governments	_	_
	31/12/2003	31/12/2002

11.3 Breakdown of loans to resident non-financial companies and family businesses

197,972 1,740,822	175,405 1,465,549
197,972	175,405
247,448	231,397
653,324	524,696
783,762	690,721
1,460,908	1,243,279
31/12/2003	31/12/2002
	1,460,908 783,762 653,324

As of 31 December 2002 sub-caption e) related to «textiles, leather and clothing», for a total of \leqslant 178.279 million.

11.4 Distribution of guarantees granted by main categories of counterparty

Total	1,707,524	1,546,860
g) other businesses	212,454	158,803
f) family businesses	33,012	33,574
e) financial businesses	48,662	76,554
d) non-financial businesses	1,251,298	1,112,568
c) banks	125,422	119,048
b) other public entities	36,676	46,308
a) governments	_	5
	31/12/2003	31/12/2002

11.5 Geographical breakdown of assets and liabilities

			31/12/2003			31/12/2002
Item	Italy	Other EU countries	Other countries	Italy	Other EU countries	Other countries
1. Assets	9,504,169	290,632	433,615	8,968,271	279,918	378,607
1.1 Due from other banks	565,658	102,784	105,350	1,013,103	90,160	127,285
1.2 Customer loans	7,078,850	143,976	316,888	6,176,988	148,340	241,075
1.3 Securities	1,859,661	43,872	11,377	1,778,180	41,418	10,247
2. Liabilities	8,409,490	520,809	570,214	7,554,755	677,330	615,595
2.1 Due to other banks	203,876	429,024	221,050	209,552	570,714	341,993
2.2 Customer deposits	7,276,430	91,785	319,075	6,504,972	106,616	243,198
2.3 Securities issued	929,170	-	30,089	840,166	_	30,404
2.4 Others	14	_	_	65	_	_
3. Guarantees and commitments	1,891,861	61,073	95,370	1,741,345	56,943	140,239

11.6 Breakdown of assets and liabilities by maturity

								31/12/2003
			Fixed	duration				Unspecified duration
	Sight	Up to 3 months	3 to 12 months	1 to	o 5 years	Over	5 years	uuration
				Fixed rate	Floating rate	Fixed rate	Floating rate	
1. Assets	3,340,244	1,734,344	1,403,782	1,026,523	1,734,009	270,592	1,802,660	214,627
1.1 Re-financeable treasury bills	-	893	2,730	59,927	123,524	640	160,512	-
1.2 Due from other banks	445,766	201,515	41,187	2,002	-	_	-	83,322
1.3 Customer loans	2,826,058	1,182,910	804,509	473,996	923,862	240,600	956,474	131,305
1.4 Bonds and other fixed-yield securities	-	1,312	1,940	75,542	684,699	3,421	675,466	_
1.5 Off-balance sheet items	68,420	347,714	553,416	415,056	1,924	25,931	10,208	_
2. Liabilities	6,361,074	2,381,566	1,067,362	694,983	232,902	96,232	89,049	_
2.1 Due to other banks	50,958	494,292	232,776	4,476	27,501	_	43,947	_
2.2 Customer deposits	6,199,177	1,422,077	64,110	-	1,926	_	-	-
2.3 Securities issued	76,961	89,594	221,924	280,704	200,571	54,886	34,619	_
– bonds	260	64,273	202,617	279,255	200,103	54,886	34,619	_
 certificates of deposit 	190	25,321	19,307	1,449	468	-	-	-
– other securities	76,511	_	_	_	_	_	-	_
2.4 Subordinated liabilities	-	_	_	-	_	_	-	-
2.5 Off-balance sheet items	33,978	375,603	548,552	409,803	2,904	41,346	10,483	=
								31/12/2002
			Fixed	duration				Unspecified

	Fixed duration				Unspecified duration			
	Sight	Sight Up to 3 months 3 to 12 months		1 to	5 years	Over	5 years	
				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	=

11.7 Foreign currency assets and liabilities

	31/12/2003	31/12/2002
a) Assets	1,513,617	1,504,813
1. due from other banks	259,941	342,664
2. customer loans	1,213,666	1,123,954
3. securities	27,454	25,430
4. equity investments	224	241
5. others	12,332	12,524
b) Liabilities	1,395,703	1,418,250
1. due to other banks	735,730	1,016,496
2. customer deposits	629,884	371,350
3. securities issued	30,089	30,404
4. others		_

11.8 Securitization transactions

The bank holds the following securities deriving from third-party securitization transactions:

Total	192,663	192,678		
Sintonia	5,000	5,000	Senior	AAA
Scic	29,725	29,739	Senior	AAA
CPG-AEM	24,210	24,210	Senior	_
Scip	2,336	2,337	Mezzanine	AA
Scip	121,392	121,392	Senior	AAA
Credifarma	10,000	10,000	Senior	AAA
	Nominal value	Book value	Туре	Rating

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Section 12 Management and intermediation for third parties

12.1 Securities trading

	31/12/2003	31/12/2002
a) Purchases	4,537,816	3,660,560
1. regulated	3,550,305	2,748,708
2. non regulated	987,511	911,852
b) Sales	3,701,690	2,961,786
1. regulated	2,871,957	2,190,597
2. non regulated	829.733	771.189

12.2 Portfolio management

	31/12/2003	31/12/2002
1. securities issued by the bank drawing up the financial statements	5,592	1,993
2. other securities	1,780,226	1,436,016

The total amount of cash held in relation to portfolio management contracts is € 54.532 million.

12.3 Securities custody and administration

	31/12/2003	31/12/2002
a) third-party securities on deposit	11,642,614	11,484,513
b) third-party securities on deposit with third parties	10,292,135	9,885,814
c) own securities on deposit with third parties	1,866,644	1,801,369

12.4 Collection orders for third parties: debit and credit adjustments

	31/12/2003	31/12/2002
a) debit adjustments	1,651,362	1,444,038
1. current accounts	825	2,768
2. central portfolio	1,266,248	1,118,255
3. cash	35	_
4. others	384,254	323,015
b) credit adjustments	1,651,362	1,444,038
1. current accounts	1,930	340
2. transferors of bills and documents	1,649,432	1,443,698
3. others		

Part C Information on the income statement

Section 1 Interest

1.1 Breakdown of item 10 «Interest income and similar revenues»

	31/12/2003	31/12/2002
a) on amounts due from other banks	25,108	27,209
of which:		
 on amounts due from central banks 	2,941	3,541
b) on customer loans	320,566	321,353
of which:		
 on third-party funds under administration 	_	_
c) on fixed-yield securities	48,045	57,071
d) other interest income	2	8
e) positive balance of spreads on hedging transactions	850	_
Total	394,571	405,641

1.2 Breakdown of item 20 «Interest expense and similar charges»

	31/12/2003	31/12/2002
a) on amounts due to other banks	13,506	22,285
b) on customer deposits	129,443	146,898
c) on securities issued	24,627	24,621
of which: – certificates of deposit	1,168	1,439
d) on third-party funds under administration	_	_
e) on subordinated liabilities	_	_
f) negative balance of spreads on hedging transactions	_	6
Total	167,576	193,810

1.3 Detail of item 10 «Interest income and similar revenues»

	31/12/2003	31/12/2002
a) on assets in foreign currency	34,010	30,046
1.4 Detail of item 20 «Interest expense and simila	ar charges»	
	31/12/2003	31/12/2002
a) on liabilities in foreign currency	17.361	22.586

Section 2 Commissions

2.1 Breakdown of item 40 «Commission income»

	31/12/2003	31/12/2002
a) guarantees granted	6,736	5,933
b) credit derivatives	_	_
c) management, intermediation and consultancy services:	60,750	61,234
1. securities trading	13,609	14,447
2. foreign currency trading	4,023	4,556
3. portfolio management	8,059	7,785
3,1 individual	8,059	7,785
3,2 collective	_	_
4. securities custody and administration	3,707	4,173
5. custodian bank	2,180	1,901
6. securities placement	13,993	15,145
7. acceptance of orders	6,031	5,646
8. consultancy	39	71
9. distribution of third party services	9,109	7,510
9.1 portfolio management	_	
9.1.1 individual	_	_
9.1.2 collective	_	_
9.2 insurance products	3,636	4,263
9.3 other products	5,473	3,247
d) collection and payment services	26,439	20,772
e) servicing for securitization transactions	_	_
f) tax collection services	_	_
g) other services	34,239	33,180
Total	128,164	121,119

2.2 Breakdown of item 40 «Commission income» - distribution channels for products and services

	31/12/2003	31/12/2002
a) Bank branches	31,161	30,440
1. portfolio management	8,059	7,785
2. securities placement	13,993	15,145
3. third-party products and services	9,109	7,510
b) door-to-door sales	_	_
1. portfolio management	_	_
2. securities placement	_	_
3. third-party products and services	_	_
Total	31,161	30,440

2.3 Breakdown of item 50 «Commission expense»

	31/12/2003	31/12/2002
a) Guarantees received	67	23
b) Credit derivatives	_	_
c) Management and intermediation services:	2,529	3,085
1. securities trading	767	924
2. foreign currency trading	_	_
3. portfolio management	_	_
3.1 own portfolio	_	_
3.2 third-party portfolio	_	_
4. securities custody and administration	1,762	2,161
5. securities placement	_	_
6. door-to-door sales of securities, products and services	_	_
d) collection and payment services	5,688	3,940
e) other services	919	1,009
Total	9,203	8,057

The 2002 figures have been adjusted for comparison purposes.

Section 3 **Profits and losses from financial transactions**

3.1 Breakdown of item 60 «Profits/losses from financial transactions»

				31/12/2003			31/12/2002
Item	1	Securities transactions		Other transactions	Securities transactions		Other transactions
A.1	Revaluations	4,715	_	_	193	_	_
A.2	Write-downs	1,967	_	-	12,922	_	_
В.	Other profits	10,921	11,423	293	13,471	13,476	412
Tota	al	13,669	11,423	293	742	13,476	412
1.	Government securities	4,435			8,655		
2.	Other fixed-yield securities	4,776			2,073		
3.	Variable-yield securities	4,332			-10,346		
4.	Derivative contracts on securities	126			360		

Section 4 Administrative expenses

This item shows a balance of € 230.795 million.

The sub-item «personnel expenses» amounts \in 120.824 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:

	31/12/2003	31/12/2002
telephone, post and data transmission	9,697	9,039
maintenance of fixed assets	4,524	4,102
rent paid on buildings	12,122	11,383
surveillance	3,416	3,470
transportation	1,664	1,538
professional fees	5,641	5,159
office materials	2,372	2,657
electricity, heating and water	2,477	2,198
advertising and entertainment	3,361	3,343
legal expenses	2,226	1,647
insurance	2,474	2,877
corporate survey and information	2,709	2,441
indirect taxes and dues	29,056	27,580
hardware rental and maintenance	4,005	4,343
software rental and maintenance	5,633	5,246
data registration with third parties	620	592
cleaning	2,742	2,505
membership fees	1,137	932
services received from third parties	3,184	2,541
directors' and statutory auditors' emoluments	1,698	1,649
temporary and freelance staff	3,602	4,388
other	5,611	5,511
Total	109,971	105,141

The 2002 figures have been adjusted for comparison purposes.

4.1 Average number of employees by category

Total	2,125	2,027
c) other personnel	1,890	1,810
b) executives	217	205
a) managers	18	12
	31/12/2003	31/12/2002

The number of employees by category is a simple average of the figures at the end of 2002 and 2003.

At the end of the year there were 1,993 employees with the parent bank and 193 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»

31/12/2003	31/12/2002
56,170	42,981
377	31
6,237	5,587
1,500	_
_	_
_	_
57,670	42,981
	56,170 377 6,237 1,500

5.2 Adjustments to fixed and intangible assets (item 90)

In addition to the adjustments to fixed and intangible assets, this item also includes ≤ 0.798 million for amortization of the positive difference arising on application of the equity method for the valuation of Arca Vita spa.

Section 6 **Other items in the income statement**

6.1 Breakdown of item 70 «Other operating income»

Recovery of taxes	13,742	12,370
Financial income of the staff pension fund	1,176	_
Other	4,095	3,847
Total	27,308	23,494

6.2 Breakdown of item 110 «Other operating expenses»

	31/12/2003	31/12/2002
Leasing and ancillary costs	1,941	1,086
Other	1,702	2,056
Total	3,643	3,142

The 2002 figures have been adjusted for comparison purposes.

6.3 Breakdown of item 190 «Extraordinary income»

	31/12/2003	31/12/2002
a) Miscellaneous gains	564	1,792
b) Overprovisions	28	4
c) Gains on disposals:	99	407
of fixed assets	99	46
of long-term investments	_	361
d) Consolidation differences	590	_
Total	1,281	2,203

6.4 Breakdown of item 200 «Extraordinary charges»

	31/12/2003	31/12/2002
a) Miscellaneous losses	301	725
b) Underprovisions	485	568
c) Losses on disposals:	-	_
of fixed assets	-	_
of long-term investments	-	_
d) Consolidation differences	-	426
Total	786	1,719

6.5 Breakdown of item 240 «Income taxes for the year»

	31/12/2003	31/12/2002
1. Current taxes	44,280	38,296
2. Change in deferred tax assets	-1,448	-1,698
3. Change in deferred tax liabilities	17	-10
4. Income taxes for the year	42,849	36,588

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; € 0.202 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	535,683	0	44,225	531,062	0	38,931
Other operating income	27,286	-	22	23,440	_	54
Profits from financial transactions	22,292	_	3,093	13,133	_	1,497
Commission income	102,802	_	25,362	95,990	_	25,129
Dividends and other income	4,449	_	31	5,065	_	44
Interest income and similar revenues	378,854	_	15,717	393,434	_	12,207
Item/Countries	Italy	EU countries	Other countries (non-EU)	Italy	EU countries	Other countries (non-EU)
			31/12/2003			31/12/2002

The total income of € 579.908 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 4.33% of net interest income, 19.79% of commission income and 12.18% of profits from financial transactions.

Part D Other information

Section 1 **Directors and statutory auditors**

1.1 Emoluments

	31/12/2003	31/12/2002
a) directors	1,488	1,495
b) statutory auditors	210	154

1.2 Loans and guarantees granted

	31/12/2003	31/12/2002
a) directors	2,513	3,126
b) statutory auditors	272	305

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 Società Cooperativa a Responsabilità Limitata

- 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 2003. 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 comparison purposes as required by law, please see our report dated 13 February 2003.

3. In our opinion, the financial statements of Banca Popolare di Sondrio S.c. a r.l. and its subsidiaries as of 31 December 2003 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, 18 February 2004

DELOITTE & TOUCHE S.p.A.

Riccardo Azzali

(Partner)

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

(in thousands of euro)

		31-12-2003		31-12-2002
SOURCES OF FUNDS				
Funds generated by operations:				
 Net profit for the year 	63,873		49,713	
- adjustments:				
- loan write-downs and write-backs and provisions	24.040		02.071	
for guarantees and commitments	34,249		23,971	
- losses on securities and equity investments	2,632		14,528	
 amortization and depreciation amortization and differences in value 	22,830		21,809	
of investments stated at net equity	(511)		(675)	
- Provisions:	(311)		(0/3)	
- staff pension fund	4,052		3,195	
- reserve for severance indemnities	5,607		5,059	
- risks and charges	-		5,000	
- possible loan losses	3,965		10,045	
- general banking risks	1,266		_	
- personnel charges	34	137,997	116	132,761
Increase in shareholders' equity:				
 underwriting of own shares 				
 dividends in prescription and on own shares 	6		13	
 exch. diffs on conversion of subsidiaries' fin. stats 	(4,108)		1,164	
- other changes	_	(4,102)	(29)	1,148
Increase in funding:	000 504		1 500 010	
- customer deposits	832,504		1,560,849	
 deposits from other banks 	(268,309)	CEO 004	(466,371)	1 004 400
- securities issued	88,689	652,884	129,930	1,224,408
Change in other liability items:	(51)		(40)	
third-party funds under administrationother liabilities	(51)		(49)	
	64,640 (2,079)		28,812 5.186	
 accrued liabilities and deferred income 	(2,079)	68.176	5,186	37.541
	(2,079) 5,666	68,176 854 955		37,541 1 395 858
accrued liabilities and deferred incometaxation reserve	(2,079)	68,176 854,955	5,186	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS	(2,079)	<u> </u>	5,186	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations:	(2,079) 5,666	<u> </u>	5,186 3,592	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund 	(2,079) 5,666 2,347	<u> </u>	5,186 3,592 2,521	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities 	(2,079) 5,666 2,347 3,250	<u> </u>	5,186 3,592 2,521 2,103	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses 	(2,079) 5,666 2,347 3,250 14,548	<u> </u>	5,186 3,592 2,521 2,103 7,649	
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges 	(2,079) 5,666 2,347 3,250 14,548 280	854,955	5,186 3,592 2,521 2,103	1,395,858
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges 	(2,079) 5,666 2,347 3,250 14,548	<u> </u>	5,186 3,592 2,521 2,103 7,649	1,395,858
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity:	2,347 3,250 14,548 280 124	854,955	2,521 2,103 7,649 916	1,395,858
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends 	2,347 3,250 14,548 280 124 26,139	854,955 20,549	2,521 2,103 7,649 916 - 24,762	1,395,858 13,189
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund 	2,347 3,250 14,548 280 124	854,955	2,521 2,103 7,649 916	1,395,858
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: 	2,347 3,250 14,548 280 124 26,139 307	854,955 20,549	2,521 2,103 7,649 916 - 24,762 280	1,395,858 13,189
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans 	2,347 3,250 14,548 280 124 26,139 307 1,006,060	854,955 20,549	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457	1,395,858 13,189
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: 	(2,079) 5,666 2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846)	854,955 20,549	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312)	1,395,858 13,189
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks 	2,347 3,250 14,548 280 124 26,139 307 1,006,060	854,955 20,549	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457	1,395,858 13,189 25,042
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand 	(2,079) 5,666 2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756)	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835	1,395,858 13,189 25,042
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks trading securities Change in other asset items: other assets 	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012	1,395,858 13,189 25,042
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks trading securities Change in other asset items: other assets accrued income and prepayments 	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964 2,546	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012 (1,249)	1,395,858 13,189 25,042
- accrued liabilities and deferred income - taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: - staff pension fund - reserve for severance indemnities - reserves for possible loan losses - reserve for risks and charges - personnel charges Decrease in shareholders' equity: - dividends - charity fund Increase in application of funds: - customer loans - cash on hand - due from other banks - trading securities Change in other asset items: - other assets - accrued income and prepayments - equity investments and own shares	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964 2,546 13,846	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012 (1,249) 10,100	1,395,858 13,189 25,042
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks trading securities Change in other asset items: other assets accrued income and prepayments equity investments and own shares positive differences arising on application of the equity method 	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964 2,546 13,846 4,150	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012 (1,249) 10,100 3,990	1,395,858 13,189 25,042
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks trading securities Change in other asset items: other assets accrued income and prepayments equity investments and own shares positive differences arising on application of the equity method intangible assets 	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964 2,546 13,846 4,150 10,660	20,549 26,446 634,490	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012 (1,249) 10,100 3,990 15,098	1,395,858 13,189 25,042 1,248,055
 accrued liabilities and deferred income taxation reserve APPLICATION OF FUNDS Use of funds generated by operations: staff pension fund reserve for severance indemnities reserves for possible loan losses reserve for risks and charges personnel charges Decrease in shareholders' equity: dividends charity fund Increase in application of funds: customer loans cash on hand due from other banks trading securities Change in other asset items: other assets accrued income and prepayments equity investments and own shares positive differences arising on application of the equity method 	2,347 3,250 14,548 280 124 26,139 307 1,006,060 (1,846) (456,756) 87,032 133,964 2,546 13,846 4,150	20,549 26,446	5,186 3,592 2,521 2,103 7,649 916 - 24,762 280 823,457 (15,312) 243,835 196,075 70,012 (1,249) 10,100 3,990	1,395,858 13,189

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDING 31 DECEMBER 2002 AND 2003

(in thousands of euro)

	Share capital	Reserve for general banking risks	Share premium reserve
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			
OTHER CHANGES			
NET PROFIT FOR 2002			
BALANCE AS OF 31 DECEMBER 2002	412,698	38,734	135,886
ALLOCATION OF PROFITS, as resolved by the AGM of 1 March 2003:			
To the legal reserve			
To the statutory reserves			
Dividend of € 0.19 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		1,266	
RESERVE FOR OWN SHARES			
RESERVE AS PER ART. 13 OF LEGISLATIVE DECREE 124/93			
NET PROFIT FOR 2003			
BALANCE AS OF 31 DECEMBER 2003	412,698	40,000	135,886

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
800,022	51,506	123	398	22,077	83,967	874	53,759
0	(10,771)						10,771
0	(13,819)				13,819		
(24,762)	(24,762)						
(250)	(250)						
1,164				717			447
(5)	649		(398)	(256)			
13					13		
0							
0	(2,523)			2,791		(268)	
0	(30)			30			
(24)				(1)			(23)
49,713	49,713						
825,871	49,713	123	0	25,358	97,799	606	64,954
0	(9,289)						9,289
0	(14,011)				14,011		
(26,139)	(26,139)						
(250)	(250)						
(4,108)				(2,331)			(1,777)
0	1,507			(1,507)			
6					6		
1,266							
0	(1,500)			2,106		(606)	
0	(31)			31			
63,873	63,873						
860,519	63,873	123	0	23,657	111,816	0	72,466

EXTRAORDINARY PART



DIRECTORS' REPORT

EXTRAORDINARY PART

Shareholders,

Today's extraordinary general meeting is required to vote on the proposal to increase share capital that the Board of Directors is submitting for your approval, having obtained authorisation from the supervisory authorities.

The principal terms of the operation are as follows:

- 1) bonus of one new share of par value 3 euro, carrying dividend rights from 1 January 2004, for every five shares held, by transferring the related amount from the «share premium reserve» to «share capital»;
- 2) simultaneous extraordinary issue of shares for cash to be offered under option at a ratio of two new shares of par value 3 euro each, carrying dividend rights from 1 January 2004, to every five shares held before the bonus grant, at the price of 4 euro each, of which 3 euro to be booked to «share capital» and 1 euro to the «share premium reserve»;
- 3) related payment of a fee of 0.04 euro for every new share subscribed for cash, with an upper limit of 125 euro.

This proposal results from the Bank's growth in size and earnings over the past ten years and reflects the Board's desire, shared with shareholders, to pursue endogenous growth by capitalising on its institutional, organisational and operational characteristics, which have thus far enabled it to satisfy in full the demands of its large customer base. The operation bears the hallmark of the Bank's standard transparency and simplicity, meaning that it can be easily understood by everyone. It will raise the financial resources required to fund the Bank's future development, while offering its shareholders an attractive investment opportunity.

The underlying purpose is to strengthen the Bank's regional structure, since this is a necessary condition for doing our job properly and continuing to be an autonomous player within the national banking industry. We shall thus be able to continue providing a good level of service to households and private individuals; to present ourselves as an effective partner for medium and small enterprises, without ignoring the needs of larger ones; to provide efficient services to organisations and institutions; in short, to provide ever more stimulus to the economy and be an integral part of the areas served.

An adequate capital base is also at the heart of policies for monitoring the various kinds of banking risk, which have always been based on healthy and prudent principles of management. In fact, the desire is to have a more-than-adequate capital base and the necessary resources to improve the techniques and instruments for measuring and managing risks, in order to undertake with confidence the development of new areas of business and augment operations in traditional ones.

The increase in capital, which is essential for us to achieve these goals, is to some extent being «imposed» by the results achieved in the past. Having more than exceeded expectations, the need to ensure a balanced ratio between equity and the fundamental balance-sheet aggregates requires internally-generated resources to be supplemented with fresh ones.

The comparison between the growth in capital and some of the principal balance-sheet aggregates in the two-year period 31 December 2001 – 31 December 2003, following the last operation on capital, provides a ready confirmation of this fact. Direct deposits have climbed by 40.72% to 8,184 million. Customer loans have increased by 27.56% to 7,117 million, while guarantees are 23.14% higher at 1,690 million. Conversely, shareholders' equity, excluding net profit, has grown by 5.83% from 731 to 774 million.

We can no longer avoid increasing our equity in order to satisfy, with a view to the future as well, the supervisory rules regarding

minimal capital requirements. In fact, although the «capital adequacy ratios» laid down by the supervisory regulations are still good compared with the established minimum, they have progressively come down, which explains the different rates of growth between capital and the other balance-sheet aggregates. In fact, the bank's individual capital adequacy ratio (with a required minimum of 7%) has gone from 10.74% at 31 December 2001 to 8.81% at 31 December 2003. The consolidated capital adequacy ratio (with a required minimum of 8%) has dropped from 10.87% to 8.82% over the same period.

In the two years under review the results reported in the income statement have done particularly well. Net interest income has increased by 14.62% to 223 million. Income from banking activities has benefited as a result, climbing 14.71% to 341 million. Net profit has progressed a full 30% to 60.1 million. These are undoubtedly positive results, as described in further detail in the report on performance to which the reader is referred. In this report we shall limit ourselves to focusing on the bank's ability to combine growth with profitability.

This has been reflected in the market's positive opinion of our stock, which has been particularly appreciated for its limited volatility, its satisfactory, constant yield and overall stability. In other words, it is perceived as a safe haven stock, a stranger to speculative swings, and able to offer shelter from market turmoil. This is demonstrated by its performance of +5.09% and +1.43% in 2001 and 2002 respectively, two really black years for equity markets. In 2003 the stock reported an impressive +13.99% gain, a large part of which took place after the announcement of the capital increase.

These figures are the result of intense and zealous work, forming part of a management philosophy founded on the concept of prudence. Even the decision to expand endogenously is the result of this approach. The Bank has preferred

direct intervention in its local markets to outside acquisitions: perhaps less ostentatious, but still following an intense and fruitful path of development. We have pursued synergies and economies of scale – which, as experience has shown, so many have sought, but few have actually achieved through aggregations – by constantly honing the corporate machine and expanding our services, including through agreements with outside parties, in line with the volume of work.

Having presented the general reasons for this operation, we shall now summarise our strategies for the individual sectors of the business. The related investments have been the subject of detailed assessment in order to quantify the size of the capital increase.

Enhancement of the Bank's regional structure involves building up its local network in Lombardy and adjoining areas. Similar attention is warranted in Rome, where the Bank has 22 branches, which have generated important opportunities for work and income. Territorial entrenchment, serving endogenous growth, also helps put the Bank on an equal footing when making agreements with qualified partners and so for expanding the products on offer, proposing new types of service and reducing individual investments and costs.

On the other hand, events of the past few years highlight the importance of having been able to benefit from a significant increase in volumes thanks to the new branches. Only in this way has it been possible to raise corporate profitability, despite a reduction in margins per unit. The plan, therefore, is to make this a continuous development. In short, experience has taught us to prefer intensity to expansion; in our case, this means acting effectively on a scale proportionate to our capabilities.

Of the objectives pursued, particular importance is placed on strengthening relations with the Bank's equity investments, especially

those in companies formed with other cooperative banks, which provide the Bank with essential products and services in completion of its portfolio. The process of concentration taking place over the past few years within the banking sector has also affected cooperative banks, with repercussions on their ownership structure and beyond. We have gradually gathered the fruits, increasing some of our interests, with a view to ensuring quality products, good returns and a streamlined organisation. But above all we have provided our equity investments with continuity of governance and management. The intention is to proceed in this direction by enhancing their effectiveness in the sectors already served and by working through them in new areas.

The creation of an Internal Control System more and more attuned to managing the risks associated with the various banking processes is strategically important. As a result, the plan is to improve the techniques and instruments for measuring the various kinds of risk; to redesign the working procedures to complement the new applications to the best; to carry out intensive training involving all staff; to invest in highly specialised professional roles. The significant work already completed in the area of lending and financial risks will be taken to new levels. In addition, the intention is to introduce technical and methodological tools for monitoring and managing operational risks.

Major investments will be made in the technological area, involving an upgrade of the information system, whose platform will be the internet and new technologies. Customers will benefit thanks to an improved and greater number of products and services, along with an enlargement of the channels through which they are available. The communication networks will have their band widths enlarged considerably in order to deliver advanced services to our more sophisticated customers. This will result in less pressure on the branches, whose working practices

will be revised, with mass transactions increasingly centralised and automated in order to focus on higher value-added services.

Important areas under the responsibility of the data processing centre will be outsourced under Facility Management arrangements, in order to concentrate on another highly delicate objective, namely Disaster Recovery. This is an essential requisite in order to ensure continued operations in the event of any situations that may harm the overall efficiency of the Bank's computer resources, with the risk that our business could be partially or completed blocked.

The availability of efficient information systems for remote working will help foster our dealings with institutional counterparties and their associated customers, thereby allowing relationships with qualified organisations beyond our branches' sphere of operation.

Lastly, we consider that a sufficient amount of capital often represents a preferential factor for foreign counterparties when deciding with which organisations to start and consolidate partnerships. The Bank has always believed in the international sector, obtaining not insubstantial shares of this market. Our past focus on the international sector places us in a privileged position, while requiring further major investment to maintain a top position in the future as well. We do this willingly, aware that it is part of our bank's mission to provide assistance to the corporate sector in the ongoing process of internationalisation. We have always felt like citizens of the world around us. As for Europe, we are now its citizens by right, no longer members of different nations but Europeans from different regions.

The strategies described have been reviewed and planned with a view to achieving a progressive improvement in the Bank's profitability. In fact, the analyses of the impact of the capital increase on the Bank's balance sheet and income statement support the strategy pursued. More specifically, the

simulations prepared have shown that major economic benefits are to be expected from increased lending activities, from higher commissions generated from a larger, more professional range of services, from the synergies obtainable within an increasingly wide local network, from activities performed via online channels and from a more efficient corporate organisation, geared to keeping costs in check. All this should make it possible to satisfy shareholder expectations in terms of dividends.

It is on the basis of the foregoing considerations that the Board of Directors has decided to propose to raise fresh funding by increasing the Bank's capital by 220.1 million euro. This will involve issuing 55,026,425 new shares for cash, at a ratio of two new shares for every five in circulation, at a price of 4 euro each, of which 3 euro to be booked to «share capital» and 1 euro to the «share premium reserve». The size of the share premium reserve has been determined by taking account of book shareholders' equity, the date from which dividend rights will be enjoyed and the performance of the stock. The bonus issue corresponding to 27,513,213 ordinary shares of par value 3 euro each, at a ratio of one new share for every five in circulation - involves transferring the sum of 82,539,639 euro from the «share premium reserve» to «share capital». Equity reserves, which will rise to 802,184,563 euro following approval of the allocation of the 2003 net profit, will increase to 1,022,290,263 euro and share capital will go up from 412,698,192 euro to 660,317,106 euro. The number of shares will increase from 137,566,064 to 220,105,702. These are ordinary shares with the same par value and identical rights to those already in circulation.

If the capital increase is approved, we shall ask the general meeting to empower the Board of Directors and/or the Chairman's Committee, and the Chairman and Deputy Chairman on their

behalf, with separate signing authority, to do everything necessary to execute and implement the related resolution.

Bearing in mind the technical and legal requirements, and provided no unforeseen circumstances advise delaying until a later date, it is reasonable to assume that the capital increase will take place between the end of May and the beginning of June this year. The operation will not involve any underwriting and/or placement syndicates; the shareholders may exercise their rights at any branch of Banca Popolare di Sondrio or through the authorised intermediaries belonging to the centralised management system run by Monte Titoli spa. The rights will be traded on the Milan Stock Exchange's «Expandi» market and those not exercised will be offered in accordance with the provisions of article 2441.3 of the Italian Civil Code.

The Bank will provide timely notification of this operation in the press and inform individual shareholders of the terms and conditions of acceptance, remaining at their disposal for all the related and other formalities.

Shareholders,

As foreseen in point 2 of the agenda, we now invite you to vote on our proposals by approving the following resolutions, including the conferment of powers to legal representatives:

Resolution on point 1 of the agenda:

- Mixed increase in capital.

«The Extraordinary Shareholders' Meeting of Banca Popolare di Sondrio:

- having heard the report of the Board of Directors;
- having taken note of the report of the Board of Statutory Auditors;

resolved

- 1) to approve the mixed increase in capital as proposed by the Board of Directors involving:
 - a bonus issue of one new share of par value 3 euro, with dividend rights from 1 January 2004, for every five shares held, transferring the amount required from the «share premium reserve» to «share capital»;
 - a simultaneous extraordinary rights issue to be offered under option at a ratio of two new shares of par value 3 euro, with dividend rights from 1 January 2004, for every five shares held prior to the above bonus issue, at a price of 4 euro, of which 3 euro is to be allocated to «share capital» and 1 euro to the «share premium reserve»;
 - related payment of an expense reimbursement equal to 0.04 euro for every new share subscribed under the rights issue, up to a maximum of 125 euro.
- 2) To delegate to the Board of Directors and to the Chairman's Committee all possible powers to set the period within which the resolutions as per point 1) have to be implemented and to establish all other terms, methods and conditions relating to them, including those for the use of scrip certificates and the sale of unexercised rights, in accordance with art.

2441.3 of the Civil Code, as well as those regarding the transfer of amounts from the «share premium account» to «share capital» in connection with the bonus issue.»

Resolution on point 2 of the agenda:

- Conferment of powers.

«In addition to the resolution passed today on point 1 of the agenda, the Extraordinary Shareholders' Meeting of Banca Popolare di Sondrio,

resolved

to delegate severally to the Chairman and to the Deputy Chairman the powers required to render public and executive according to the law the above shareholders' resolutions; moreover, the power to make to such resolutions any amendments, deletions and/or additions that may be required by the competent authorities for the purposes of their approval, transcription and publication in accordance with the law, all with the promise of full ratification and approval».

Sondrio, 2 February 2004

THE BOARD OF DIRECTORS



STATUTORY AUDITORS' REPORT TO THE EXTRAORDINARY GENERAL MEETING HELD ON 6 MARCH 2004

Shareholders,

The Board of Directors is submitting for your approval a proposal to increase share capital, whose fundamental terms are as follows:

- bonus of one new share of par value 3 euro, carrying dividend rights from 1 January 2004, for every five shares held, by transferring the related amount from the «share premium reserve» to «share capital»;
- simultaneous extraordinary issue of shares for cash to be offered under option at a ratio of two new shares of par value 3 euro each, carrying dividend rights from 1 January 2004, for every five shares held before the bonus grant, at the price of 4 euro each, of which 3 euro to be booked to «share capital» and one euro to the «share premium reserve».

The Board of Statutory Auditors has examined the proposal from a technical point of view, but its main focus has been on its contents and reasons put forward by the Board of Directors.

The choice of a mixed capital increase, involving the allocation of a portion of reserves to share capital, is permitted by article 2442 of the Italian Civil Code. This same article also provides for the granting of ordinary new shares in relation to the number of ordinary shares already held. Compliance with this article reflects the operation's transparency and simplicity.

As for the proposal to increase capital and its projected size, we are in agreement with this.

Even if the Bank cannot currently be viewed as short of capital, its future shape will undoubtedly depend on the flow of new resources, with the Bank looking not just to the near future but the long-term as well.

Despite the Bank's good past performance, you will be aware that its level of free cash flow is

modest relative to current and prospective needs for additional development.

The capital adequacy requirements imposed by the banking industry's supervisory authorities are currently respected, even if with the growth in size and balance-sheet aggregates they are tending to show some signs of weakening.

An adequate level of capitalisation provides a bank with the necessary margin for conducting its business, while at the same time conserving its stability. In contrast, an inadequate capital base prevents operational flexibility and obstructs investment and development activity. In addition, there is the expected introduction of international regulations for higher capital requirements in order to provide better protection against lending, market, interest and operational risks.

The Board of Directors has outlined the plans, implementation of which depends on the capital increase. We do not intend repeating them, but we would stress their validity. They may be summarised in the need for ongoing growth and the Bank's successful strategy for maintaining its independence.

Since the conditions for growth already exist, as amply demonstrated by the results achieved up until now, it is time to create the conditions so that there will be no further delay in achieving the stated goals.

There is no doubt that given uncertain market trends and greater competition in banking intermediation and services, it is necessary to expand business both in terms of size and the territory served. This must be supported by an adequate structure and efficient organisation in terms of both people and instruments.

There can be no further delays in enhancing the benefits of new technology, needed for a

multitude of products and due to have a profound impact on how services are delivered.

Future priorities will focus on these ends, to which the new resources will be dedicated.

Your Bank, or rather your Banking Group, has shown its ability to move in the right direction as regards the scale achieved. In our opinion,

it warrants your support, which we hope you will give.

Sondrio, 16 February 2004

THE STATUTORY AUDITORS
Egidio Alessandri, Chairman
Pio Bersani, Acting Auditor
Piergiuseppe Forni, Acting Auditor

RESOLUTIONS OF THE ORDINARY AND EXTRAORDINARY ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

held on 6 March 2004 (at second calling)



AGENDA

Ordinary part

- 1) Presentation of the financial statements as of 31/12/2003: 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 one acting and one substitute statutory auditor;
- 5) Appointment of acting and substitute members of the Advisory Committee.

Extraordinary part

- 1) Mixed increase in capital involving:
 - a bonus issue of one new share of par value 3 euro, with dividend rights from 1 January 2004, for every five shares held, transferring the amount required from the «share premium reserve» to «share capital»;
 - a simultaneous extraordinary rights issue to be offered under option at a ratio of two new shares of par value 3 euro, with dividend rights from 1 January 2004, for every five shares held prior to the above bonus issue, at a price of 4 euro, of which 3 euro is to be allocated to «share capital» and 1 euro to the «share premium reserve»;
 - related payment of an expense reimbursement equal to 0.04 euro for every new share subscribed under the rights issue, up to a maximum of 125 euro.
- 2) Related resolutions and conferment of powers.

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 shareholders' meeting, having heard the report of the Board of Directors on the 2003 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

approved:

- 1) the directors' report on operations;
- 2) the financial statements as of 31 December 2003 with the results shown in the balance sheet and income statement and related explanatory notes, which show a net profit for the year of \leqslant 60,117,119. The shareholders therefore specifically approve the allocation of the net profit of \leqslant 60,117,119 as proposed by the Board of Directors in accordance with the requirements of law and the bank's articles of association, and more precisely resolved:

a)	to	al	locate:

– 10% to the legal reserve	€	6,011,711.90
– 30% to the statutory reserve	€	18,035,135.70
b) to pay a dividend of € 0.23 to each of the 137,566,064 shares in circulation at 31/12/2003 with dividend rights as from 1/1/2003, 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	€	31,640,194.72
c) to allocate to treasury share reserve	€	4,000,000.00
d) to allocate the residual profit:		
– to the charity fund	€	250,000.00
– to the reserve as per art. 13 Legislative Decree		
124/93	€	37,184.72
– to the legal reserve, an additional	€	142,891.96

The shareholders also set aside € 23,000,000 - booked to «Other reserves»— 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 Federico Falck, Mario Galbusera, Nicolò Melzi di Cusano, Bruno Vanossi and Francesco Venosta as members of the Board of Directors for the three-year period 2004-2006, and Claudio Benedetti for 2004/2005;
- 5) the appointment of Pio Bersani as Acting Statutory Auditor and of Marco Antonio Dell'Acqua as substitute Statutory Auditor for the period 2004/2005.

6) the appointment of Alberto Crespi, Giuseppe Guarino and Andrea Monorchio as acting members of the Advisory Committee and Susanna Agnelli and Antonio La Torre as substitute members of the Advisory Committee for the three-year period 2004/2006.

The extraordinary shareholders' meeting, having heard the report of the Board of Directors and having taken note of the report of the Board of Statutory Auditors

resolved:

- 1) to approve the mixed increase in capital as proposed by the Board of Directors involving:
 - bonus of one new share of par value 3 euro, carrying dividend rights from
 1 January 2004, for every five shares held, by transferring the related
 amount from the «share premium reserve» to «share capital»;
 - simultaneous extraordinary rights issue of shares for cash to be offered under option at a ratio of two new shares of par value 3 euro each, carrying dividend rights from 1 January 2004, to every five shares held before the bonus grant, at the price of 4 euro each, of which 3 euro to be booked to «share capital» and 1 euro to the «share premium reserve»;
 - related payment of a fee of 0.04 euro for every new share subscribed for cash, with an upper limit of 125 euro.
- 2) to delegate to the Board of Directors and to the Chairman's Committee all possible powers to set the period within which the resolutions as per point 1) have to be implemented and to establish all other terms, methods and conditions relating to them, including those for the use of scrip certificates and the sale of unexercised rights, in accordance with art. 2441.3 of the Civil Code, as well as those regarding the transfer of amounts from the «share premium account» to «share capital» in connection with the bonus issue.
 - to delegate severally to the Chairman and to the Deputy Chairman the powers required to render public and executive according to the law the above shareholders' resolutions; moreover, the power to make to such resolutions any amendments, deletions and/or additions that may be required by the competent authorities for the purposes of their approval, transcription and publication in accordance with the law, all with the promise of full ratification and approval.



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
2002	2,827,584,863	7,117,211,453	9,139,503,657	773,957,639	60,117,119	0.230

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.



INDEX

5	Company boards	149	Appendices
6	Branch network		Statement of changes in financial position
			Statement of changes in shareholders' equity
11	Summary of the bank's growth (1993/2003)		Statement of changes in the staff pension fun
13	Notice of calling		List of equity investments
	to the shareholders' meeting		List of significant equity investments
1.5	ODDINIADY DADT	15/	List of revalued assets still owned by the bank
15	ORDINARY PART	161	
17	Report on performance	1.00	and associated companies
17	Summary of results		Banca Popolare di Sondrio (SUISSE) SA
20	Territorial expansion		Pirovano Stelvio spa
27	Funding		Sinergia Seconda srl
31	Loans Transport and trading apparations		Ripoval spa
	Treasury and trading operations	1/0	Arca Vita spa
41 59	Equity investments International unit	187	Report of the independent auditors
	Services, projects and structure		on the financial statements
76	Risk management	189	Consolidated financial statements
78	Human resources		of the Banca Popolare di Sondrio Group
	Promotional and cultural activities	191	Report on performance
89	Revision of the security plan	199	Report of the Board of Statutory Auditors on the
89	Equity		consolidated financial statements
92	Income statement	201	
94	Adoption of the new IAS, renamed IFRS	202	December 2003
95	Significant subsequent events		Consolidated balance sheet
95	Forecast for operations	205	Consolidated income statement Notes to the consolidated financial statements
96	Allocation of net profit for the year	239	Report of the independent auditors on the
96	Capital and reserves	200	consolidated financial statements
101	Report of the Board of Statutory Auditors	241	Statement of changes in financial position
			Statement of changes in shareholders' equity
105	Financial statements as of 31 December 2003		
106	Balance sheet	245	EXTRAORDINARY PART
106 109	Income statement	247	Directors' report
103		253	Statutory Auditor's report
111	Notes to the financial statements	255	Resolutions of the ordinary and extraordinary
111	Accounting policies	200	annual general meeting of the shareholders
115	Information on the balance sheet		
139	Information on the income statement	261	The Bank's growth since its foundation,
145	Other information		key financial data



Photographs

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