Banca Popolare di Sondrio (SUISSE)

2014 ANNUAL REPORT

Banca Popolare di Sondrio (SUISSE) SA
Capital: CHF 150 000 000

Head Office and General Management
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BOARD OF DIRECTORS

Mario Alberto Pedranzini
Chairman

Brunello Perucchi
Vice Chairman

Plinio Bernardoni
Secretary

Giovanni Ruffini

Daniel Zuberbühler

GENERAL MANAGEMENT

Mauro De Stefani
Chief Executive Officer

Mauro Pedrazzetti
Deputy Chief Executive Officer
Head of Lending and Finance Division

Paolo Camponovo
Member of the Executive Committee
Head of Logistics Division

Roberto Mastromarchi
Member of the Executive Committee
Head of Front Division

INTERNAL AUDITING

Alberto Bradanini
President

EXTERNAL AUDITOR

KPMG SA
Zurich

The proliferation of legal stipulations has made the battle for justice all but impossible – which is the greatest expression of individual liberty.

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

Opening spread (pp. 4-5):
The city of Zurich from
the Lindenhof.

Quotations:
The sources for the quotes
on pages 4, 8, 13, 14, 20, 28
and 36 are on page XLVII
of the cultural insert.

CONTENTS

The greater our wealth and power,
the less we are satisfied and the more we strive for more of both.

United States, 1929.
Protests after the crash
of the New York Stock
Exchange; clashes between
police and jobless protestors.

CHAIRMAN’S FOREWORD

Today, the first day of a new year, is a natural time to reflect on the year just ended, when the notorious global crisis continued to bite, with all the negative consequences that entailed.

When 2014 dawned, hopes for a strong global recovery were in the air; at least, that is what respected economists had predicted. Nonetheless, experience teaches that forecasts must always be taken with a pinch of salt.

The USA has posted growth of sorts, but not as vigorous as had been hoped. Even the emerging Asian countries, China in particular, have felt a certain slowdown in production. In the eurozone, the picture is less uniform: some nations have experienced a reasonable revival in production and consumption, whereas others are still bogged down. The crisis has proved persistent and difficult to turn around. The turmoil in the Middle East and the conflict between Ukraine and Russia have certainly not helped the economy and trade.

That brings us to Switzerland, a nation geographically surrounded by states from the European Union, which for political reasons it has preferred not to join. Switzerland has retained its enviable and excellent “AAA” rating, because of various distinctive factors, from its political stability and administrative efficiency to its balanced tax system, technological innovation, and strong competitiveness.

The economy has continued to grow, albeit more steadily, especially around year end. Trade with the eurozone countries has slowed. Industry has had its ups and downs, while the vitally important construction sector, a renowned driver for business in downstream segments, has marked time. Services are as efficient as ever, and unemployment has stayed low.

The ECB’s decision to cut the cost of money, along with other quantitative-easing measures, has gradually increased the pressure on the Swiss franc. Inflation is virtually zero.

In sum, it was a year of growth, with positive GDP.

This scenario, largely one of good health, has also attracted foreign workers and entrepreneurs, including many Italians, who – as everyone knows – are highly regarded for their professionalism, their adaptability, even to tough situations, and their willingness to work hard and do a good job.

On fiscal matters, Switzerland agreed to abide by the OECD standard, which requires data to be exchanged between nations on request under new ad hoc bilateral agreements. Progress on the accords has been slow with some countries, Italy especially. Indeed, Italy has a complex tax system and has been in negotiations for years with Switzerland on various matters, some notoriously complex and protracted, although a successful conclusion seems to be expected eventually.

As ever, Banca Popolare di Sondrio (SUISSE) SA has been tough with itself and has favoured austerity, primarily through containing costs, in homage to the popular saying that every penny saved is a penny earned. The meagre earnings per transaction have been offset by the quality and greater quantity of the transactions processed and by shrewd operating strategies.

Results have been good. At 5.3 billion Swiss francs, deposits were down slightly as compared to 2013. Lending to customers (3.5 billion Swiss francs) is up 6%. We have endeavoured to leave this money in the areas around the branches that received it, by offering finance to local borrowers – personal and business customers – preferring generally to give many small loans than few large ones. Thus, true to its mission, this popular bank has proved itself a committed supporter of its local community.

Operating profits rose 378% to 8.2 million Swiss francs, a result that speaks volumes about the Bank's ability to maintain a strong market presence and to respond promptly and effectively to our clients' needs.

The new Neuchâtel branch, which opened in January 2014 to replace the existing representative office, was the 20th in Switzerland across six cantons, complemented by the Direct Banking virtual counter launched in early 2014 and the Principality of Monaco branch.

At the end of February, Mr Piero Melazzini, holder of the Cavaliere del Lavoro honour, retired from the role of Chairman, and the Board of Directors appointed me in his stead. I would like to place on record again my thanks to my wise and conscientious predecessor for everything he has done and how well he has done it, always putting the company's interests first. Mr Brunello Perucchi, former Chairman of the Executive Committee, has also been appointed Vice Chairman. I am grateful to him both for having accepted this important position and for his fine work over many years at the top of our bank.

I would also like to thank Mr Flavio Pedrazzoli and Mr Kurt Spinnler, who have made valuable contributions to our bank's success during their long years of service in their respective roles as Vice Chairman of the Board and member of the Board of Directors, and the Executive Committee members, in particular Mr Mauro De Stefani, who has occupied the pivotal role of Executive Committee Chairman for a year now and to whom I would like to extend my best wishes once again. I am also grateful to the staff, who have worked with such commitment and professionalism.

I express my warm appreciation to FINMA (the Swiss Financial Market Supervisory Authority), which, as ever, has overseen our operations in a spirit of cooperation.

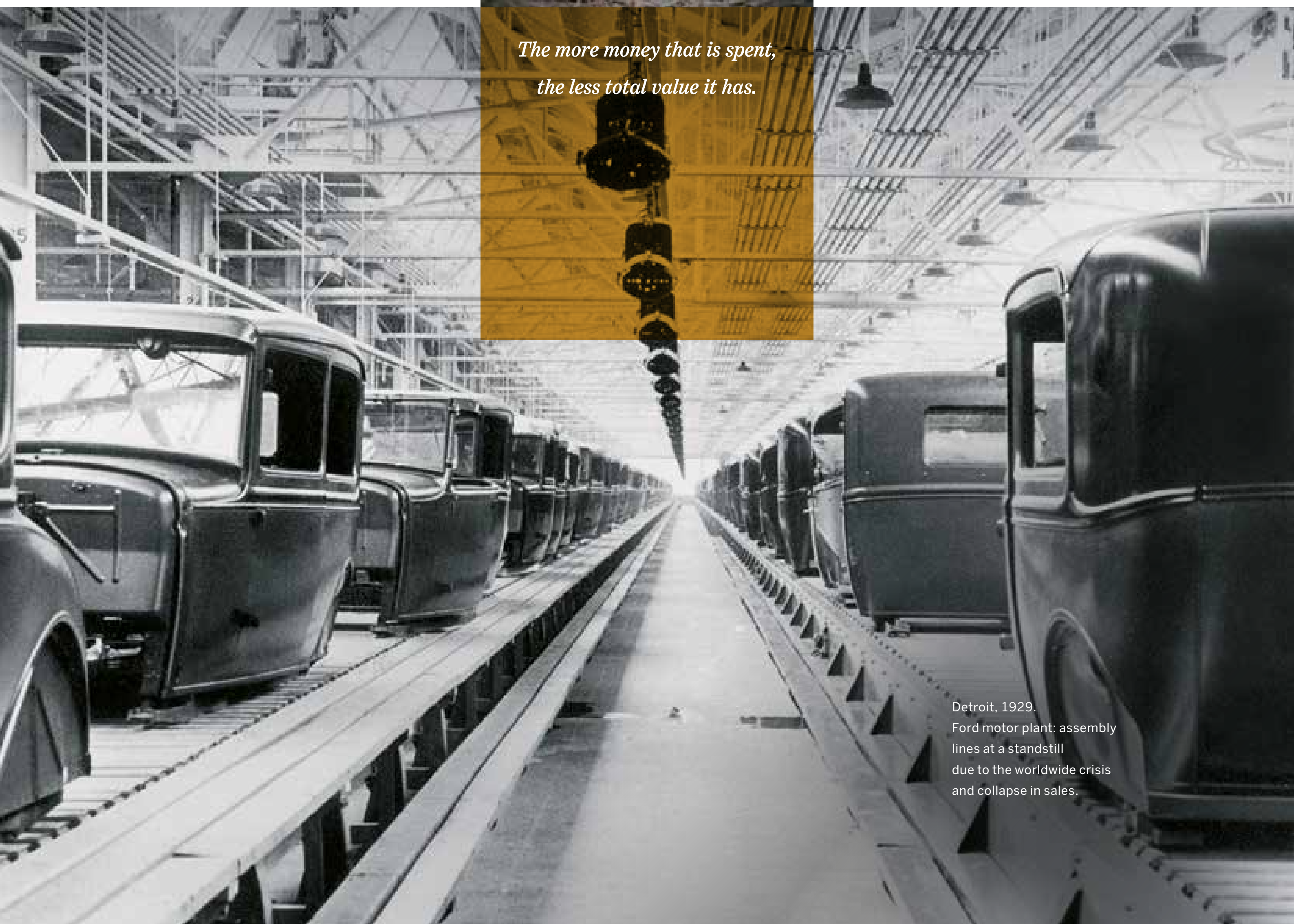
I am grateful to our external auditor, KPMG, and their staff for their important and professional contribution.

And my heartfelt thanks go to our customers. We are always at their disposal, and we trust that our relationship with them and the tasks that we perform for them will always meet with their full approval, in our shared interests and to our mutual satisfaction.

I would like to take this opportunity to wish each of you a peaceful and prosperous 2015.

Lugano, 1 January 2015

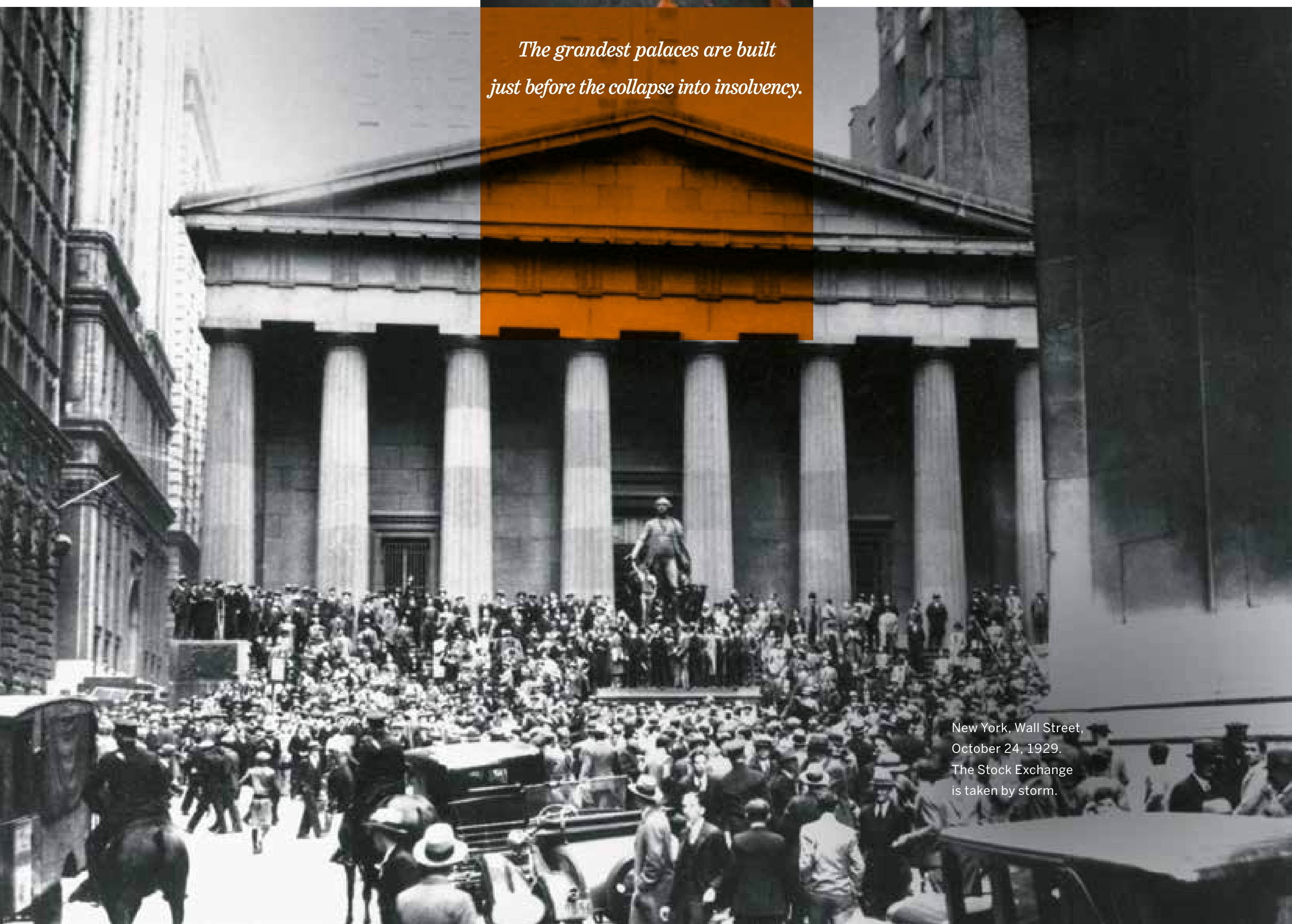
The Chairman
Mario Alberto Pedranzini



The more money that is spent,
the less total value it has.

Detroit, 1929.
Ford motor plant: assembly lines at a standstill due to the worldwide crisis and collapse in sales.

The grandest palaces are built just before the collapse into insolvency.



New York, Wall Street, October 24, 1929. The Stock Exchange is taken by storm.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

In 2015 we are entering the 20th year since our foundation, ready to face the new and important challenges affecting the Swiss banking system.

The hopes of an end to the long international economic and financial crisis have been in vain. The extraordinary, and exceptionally forceful, monetary policy measures deployed have warded off the worst. But the spectre of deflation shows that the downward spiral has not yet been halted.

The United States seems to be the only western country in solid recovery, and its economic cycle is a few years ahead of the old continent. China is still the engine room of the world's growth. Although less potent than before, the Asian giant is in better shape than other emerging countries, some of which are suffering badly for various reasons.

The economic and financial crisis has been exacerbated by geopolitical risk. After the Crimea affair, the Ukrainian crisis has strained relations between Russia and the West. And the conflict in the Middle East is also a concern.

Public-debt sustainability remains a high-profile issue. The tension is reflected only marginally in prices because of the enormous outpouring of liquidity from the central banks.

As Europe awaits reforms to lift the economy, the ball still appears to be in the Central Bank's court.

The single European currency is losing ground in the exchange markets, although it now appears better aligned with the foundations of the economy that it represents, which is good news for exporters.

The nosedive in the oil price in the second half of the year should free up precious resources in consuming countries. The abruptness of the change has prompted the monetary authorities to voice concern about the growing risk of deflation. For how long, then, must the glass still be seen as half empty?

The situation in Switzerland is better than in the neighbouring countries. Switzerland is still rated one of the leading nations for innovation and competitiveness, and growth is consistently at enviable levels of nearly 2%. The main rating agencies have recently confirmed its exalted triple-A status, now the prerogative of very few countries.

Because of international factors, prospects are worsening; significantly, the eurozone is Switzerland's most important trading partner.

Nevertheless, the Swiss market has become more attractive for business and private investors. Far from being a tax haven, here, quality attracts quality. For high-value-added companies and highly trained people, Switzerland is a key target for their future, especially because of the deep crisis affecting the neighbouring nations. In February, the Swiss people voted for immigration restrictions to be introduced. Unable to accept the dilution of one of its fundamental freedoms, the European Union has put the Swiss government in a difficult position at the delicate stage of discussions on the institutional question.

The property market's exuberance seems to have been dampened, partly by the self-regulatory measures introduced by the banking sector. The Central Bank has been very active on this front: midway through the year, it doubled the countercyclical "buffer" introduced by Basel III. The aim is to avoid excessive growth in debt and to make the banks more resilient to potential property-market crises. On that basis, the most likely scenario is a soft landing. Indeed, in the current circumstances, a crisis in the property market must absolutely be avoided.

The Swiss National Bank decided suddenly and unexpectedly on 15 January 2015 to abandon the important bulwark of the minimum exchange rate of 1.20 francs to the euro. This represented the realisation that resisting the overwhelming market forces was impossible, especially given the extraordinary measures expected in the European financial markets. The repercussions of a brusque return to parity with the euro and a major revaluation against the dollar may prove hard for some economic sectors to handle.

The Central Bank has twice cut the three-month Libor reference rate, the second occasion coinciding with the removal of the fixed exchange rate as a safeguard against excessive appreciation of the national currency.

Thus, for the first time since the '70s, the rates applied to the banks and institutions depositing funds at the Central Bank fell into negative territory. The average reference rate is now -0.75%.

The Swiss franc encapsulates and embodies what Switzerland stands for in the eyes of the world: a safe haven.

Interest rates and inflation forecasts are hovering around 0%, some above, some below, depending on expectations and timescales.

The main issue in the newspapers is fiscal transparency, from the USA, regarding the well-known "Program" for participating banks only, to the OECD, to establish how new international standards are to be adopted, and on to the European Union and the individual member states, to update the agreements against double taxation and, more generally, to review ordinary taxpayers' fiscal position.

The ramifications are clear and highly topical. The traditional banking secrecy will continue to apply in the more limited sense of safeguarding the private sphere. Ultimately, it represents the culmination of a process launched nearly two decades ago.

The automatic exchange of information envisaged at the OECD, from 2018, would be a milestone towards the "Weissgeldstrategie", the clean-money strategy for foreign customers.

The agreement with Italy is the hot topic of the moment, now that the "Voluntary Disclosure" bill has emerged onto the statute books, after a decidedly troubled birth. Thus begins a new phase in dealings with the Boot, where the customers' option to sign up seems more "compulsory" than "voluntary", as the alternatives are impracticable or extremely disadvantageous.

The common interest of both countries – and the customers – seems to be for an Italo-Swiss accord to reduce the "one-off" back tax and to take Switzerland off the "black lists", thus boosting the economy.

In exchange, Switzerland offers free access to the foreign market, or rather, to the individual foreign markets. Clearly, that will require a change in Swiss law, partly to mutually recognise the respective legal systems. In such a context of reciprocity and renewed openness, the banks would absolutely need to obtain a level playing field.

All this is set in a context of markedly different customer behaviour, using approaches applied from other economic sectors and enabled by technological progress. We refer to the use of information technology combined with telephony and its progressive penetration of all commercial settings, including ours. The emergence of competitors from outside the banking sector accentuates the phenomenon.

The challenges are manifold; many are important, and some affect us, too.

We have continued to reorganise certain activities, dividing responsibilities differently between head office and the branches. In some contexts, fine tuning was enough; in others, the changes have been more fundamental.

Commercial policy was revisited to focus on objectives where the Bank can combine efficiency, profitability and competitiveness to best effect. Customers have benefited through enhanced service quality and greater satisfaction.

Front-of-house efforts will concentrate even more keenly on direct personal advice to customers while minimising red tape, even though legal requirements are becoming significantly more burdensome.

In 2014, we extended our network with a new branch in Neuchâtel, in French-speaking Romandie. This is a significant step forward in our parent company's original plan to be a "pan-Swiss bank". To enter this culturally rich linguistic region, we have produced a new version of our contracts and our customer-facing communications in the form of notices, brochures and the website. We can exploit this one-off investment again with the subsequent branch openings.

In its first year of operation, the Direct Banking virtual branch is a central feature of the innovative medium-term project to support certain customer groups in a retail setting.

Customers want a "digital-physical relationship" with their adviser. While human relationships are a cornerstone of our banking philosophy, transactions need to be quick, simple and secure – which requires technology. The information must be immediate, clear, complete and effective. Users can obtain statements, assessments, certificates, etc., by serving themselves directly.

Our step-by-step approach leaves us well placed to speed up or slow down the process, poised to capitalise on market trends with the right timing. In this context, a physical counter is an essential reference point. Our network now comprises 21 premises in six Swiss cantons and in the Principality of Monaco, plus the virtual counter.

At year end, we had 300 employees (down 12 on the year before). Training is a constant priority, increasingly aimed at gaining certificates from specialist bodies, so that we are ready if diplomas or "licences" become mandatory for certain roles.

We have worked productively with the parent company to find synergies. As the only banking group operating as a commercial bank on both sides of the Italo-Swiss border, we are often the ideal reference point for customers who are increasingly active at international level.

With the growth of the Popso (Suisse) Investment Fund SICAV, we have continued to update various areas to keep them in line with market demands.

As the year ended, we launched the innovative Personal Budget service, a straightforward personal-finance-management tool, within our ebanking platform, GoBanking.

Total customer deposits stand at CHF 5,308,200,000, slightly down (-1%) on the previous year because of the Swiss franc's revaluation against the euro. Indirect deposits suffered as bonds and cash felt the effects of the continued slide in yields towards – or even below – zero (CHF 2,167,200,000, -8%). Direct deposits have swelled significantly to CHF 3,141,100,000 (+5%). The savings and investment component registered CHF 829,800,000 (+1%), while cash bonds eased back to CHF 149,300,000 (-1%).

Life Benefit, our 3rd-pillar foundation, saw 12% asset growth, due entirely to liquid investments. It offers especially attractive returns for supplementary pension provision.

Customer lending grew in line with the budget, reaching CHF 3,505,900,000 (+6%). Mortgage loans, of CHF 2,901,800,000 (+7%), were almost all for residential property. "Other credits" amounted to CHF 604,100,000 (+2%). The Bank's traditionally prudent lending policy continues, reflecting the care that the climate demands. The result is a credit portfolio with a modest level of risk and suitable provision to cover it.

Through our partnership with Pfandbriefbank schweizerischer Hypothekarinstitute AG of Zurich, of which we have become members and shareholders, we can participate in their bond issues, thus contributing to refinance mortgage-lending activities.

The income statement showed good results, reflecting our continual efforts on all fronts, externally in the commercial domain and internally on efficiency.

Net interest income was CHF 37,956,000 (+8%) thanks to the growth in the loan portfolio and the improved margins, despite the difficult climate.

The Net income from fee and commission business was CHF 37,730,000 (+3%). We are pleased with the solid performance of the managed investments. Performance on the bond and fixed-income markets, where the vast majority of our client portfolios are positioned, has suffered from the further reduction in dividends. The share component has achieved better results through a duly professional cautious approach in line with our primary objective of protecting the assets entrusted to us. The balance between risk and return is the leitmotiv for all our investment recommendations.

Net trading income was strong, at CHF 13,338,000 (+21%), thanks to the excellent work done, assisted by various technical factors.

The total Net income from ordinary banking operations has grown significantly to CHF 89,062,000 (+7%).

Operating expenses fell to CHF 64,407,000 (-2%). Personnel expenses dropped to CHF 42,269,000 (-3%), while Other operating expenses rose to CHF 22,138,000 (+2%), because of measures dictated by regulatory requirements or developed under the internal-efficiency initiatives.

Overall, Gross profit has risen sharply to CHF 24,655,000 (+39%). This is one of the main parameters that we monitor, for it measures commercial effectiveness and internal efficiency.

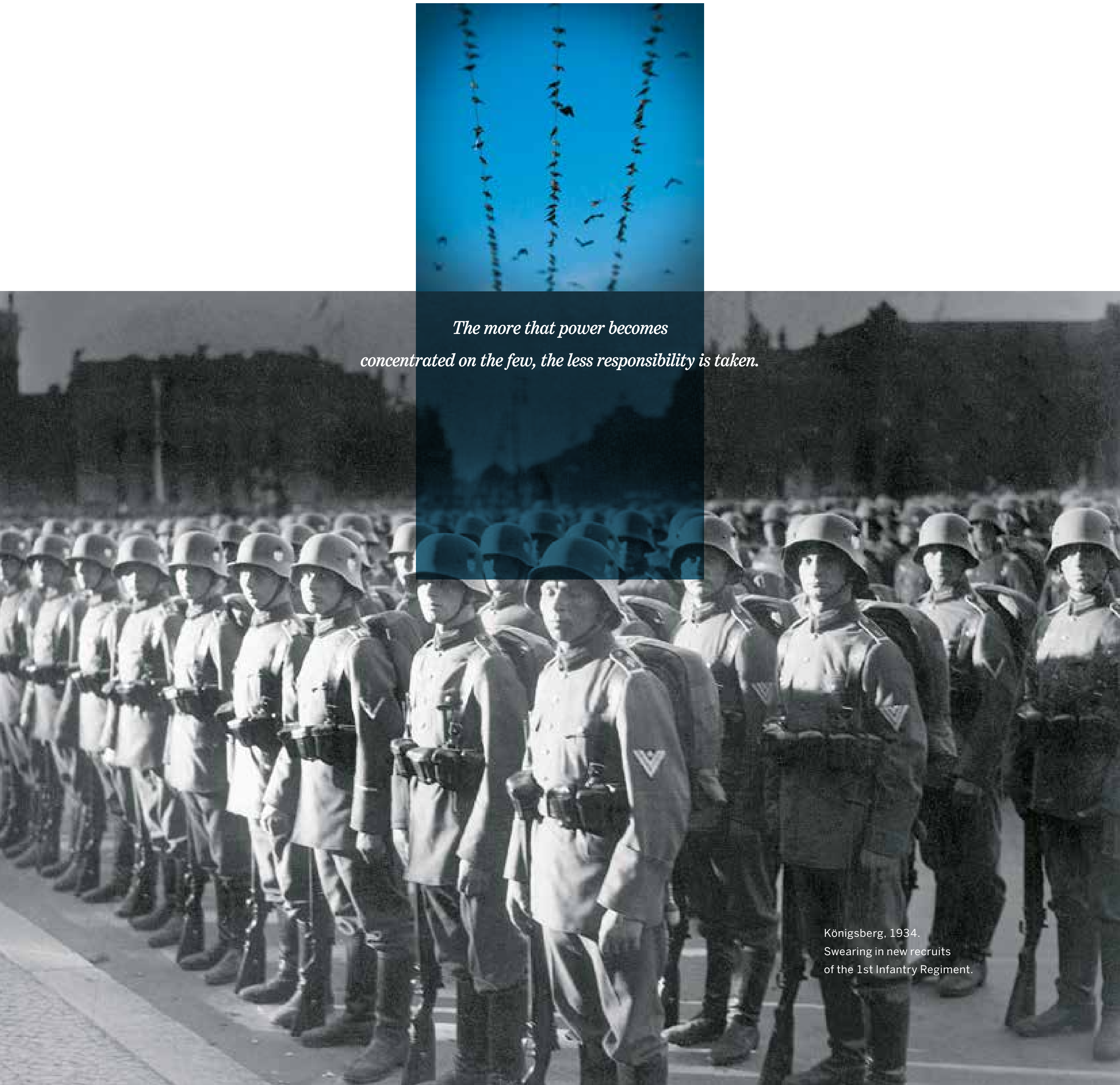
After depreciation, amortisation and ordinary provisions, we allocated a further CHF 1,276,000 to the Reserve for general banking risks, to top it back up to CHF 15,000,000.

Net profit amounted to CHF 8,165,000 (+378%).

The Board of Directors is recommending to the General Meeting of Shareholders that the net profit be transferred in full to the General legal reserve, in accordance with article 22 of the Articles of Association, to strengthen the Bank's capital structure.

We would like to thank our clients for their renewed trust in us, the staff for their professionalism and commitment, the supervisory authority, FINMA, for its valued support, and our estimable external auditors, KPMG, for their impeccable cooperation.

Lugano, 26 January 2015 **The Board of Directors**



The more that power becomes concentrated on the few, the less responsibility is taken.

Königsberg, 1934.
Swearing in new recruits
of the 1st Infantry Regiment.

2014 FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2014

ASSETS

in CHF	Note	2014	2013	Change
Cash		**187 724 344**	106 803 295	80 921 049
Due from banks		**505 156 554**	916 030 391	(410 873 837)
Due from clients	3.1	**604 034 613**	592 460 287	11 574 326
Mortgage loans	3.1	**2 901 826 632**	2 717 640 641	184 185 991
Financial investments	3.2	**58 204 440**	33 413 364	24 791 076
Participating interests	3.2, 3.3, 3.4	**611 356**	603 138	8 218
Fixed assets	3.4	**28 961 929**	26 099 335	2 862 594
Accrued income and prepaid expenses		**7 166 609**	9 072 722	(1 906 113)
Other assets	3.17	**74 823 365**	42 437 973	32 385 392
Total assets		**4 368 509 842**	4 444 561 146	(76 051 304)
Total amounts receivable from group companies and significant shareholders		**455 076 537**	867 192 687	(412 116 150)

LIABILITIES

in CHF	Note	2014	2013	Change
Money market instruments		**74 250**	118 120	(43 870)
Due to banks		**769 953 172**	1 078 120 701	(308 167 529)
Due to clients in savings and investment accounts		**829 812 886**	823 346 060	6 466 826
Other amounts due to clients		**2 161 920 471**	2 006 848 386	155 072 085
Cash bonds	3.8	**149 344 000**	151 212 000	(1 868 000)
Loans from central mortgage bond institutions	3.6, 3.8	**32 200 000**	-	32 200 000
Accrued liabilities and deferred income		**12 757 675**	14 544 124	(1 786 449)
Other liabilities	3.18	**75 842 090**	46 621 105	29 220 985
Valuation adjustments and provisions	3.9	**45 689 954**	42 276 531	3 413 423
Reserve for general banking risks	3.9	**15 000 000**	13 724 000	1 276 000
Share capital	3.10, 3.11	**150 000 000**	150 000 000	-
General legal reserve	3.11	**117 750 119**	116 040 680	1 709 439
Net profit for the year	3.11	**8 165 225**	1 709 439	6 455 786
Total liabilities		**4 368 509 842**	4 444 561 146	(76 051 304)
Total liabilities to group companies and significant shareholders		**669 984 129**	975 187 912	(305 203 783)

OFF-BALANCE-SHEET ITEMS AS AT DECEMBER 31, 2014

in CHF	Note	2014	2013	Change
Contingent liabilities	3.1, 4.1	**355 124 788**	257 522 303	97 602 485
Irrevocable commitments	3.1	**14 948 000**	14 498 000	450 000
Derivative financial instruments	4.2	**3 134 154 403**	3 048 312 692	85 841 711
Positive replacement values		**11 354 743**	3 335 250	8 019 493
Negative replacement values		**63 334 543**	38 021 959	25 312 584
Fiduciary transactions	4.3	**101 173 976**	240 323 881	(139 149 905)

2014 INCOME STATEMENT

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDING DECEMBER 31, 2014

in CHF	Note	2014	2013	Change
Interest income:				
- interest and discount revenue		**77 225 529**	77 243 686	(18 157)
- interest and dividends on financial investments		**535 095**	425 348	109 747
Interest expense		**(39 804 338)**	(42 667 795)	2 863 457
Net interest income		**37 956 286**	35 001 239	2 955 047
Commission income:				
- on credit transactions		**1 816 949**	2 080 400	(263 451)
- on securities trading and investment transactions		**30 844 165**	32 974 836	(2 130 671)
- on other services		**7 910 018**	7 090 075	819 943
Commission expense		**(2 841 545)**	(5 537 438)	2 695 893
Net fee and commission income		**37 729 587**	36 607 873	1 121 714
Net trading income	5.2	**13 338 100**	11 057 675	2 280 425
Net income from disposal of financial investments		**167 369**	216 094	(48 725)
Income from participating interest		**-**	-	-
Profit from real estate		**184 223**	218 703	(34 480)
Other ordinary income		**622 812**	273 130	349 682
Other ordinary expenses		**(936 833)**	(169 572)	(767 261)
Other ordinary income		**37 571**	538 355	(500 784)
Net ordinary banking income		**89 061 544**	83 205 142	5 856 402
Operating expenses:				
Personnel expenses	5.3	**42 268 830**	43 768 538	(1 499 708)
Other operating expenses	5.4	**22 138 070**	21 683 059	455 011
Total operating expenses		**64 406 900**	65 451 597	(1 044 697)
Gross profit		**24 654 644**	17 753 545	6 901 099

INCOME STATEMENT

in CHF	Note	2014	2013	Change
Depreciation/amortisation of fixed assets	3.4	**(5 477 444)**	(6 314 996)	837 552
Valuation adjustments, provisions and losses		**(7 806 812)**	(8 241 769)	434 957
Profit before extraordinary items and taxes		**11 370 388**	3 196 780	8 173 608
Extraordinary income	5.5	**1 152 649**	136 659	1 015 990
Extraordinary expenses	5.5	**(1 334 812)**	-	(1 334 812)
Taxes		**(3 023 000)**	(1 624 000)	(1 399 000)
Net profit for the year		**8 165 225**	1 709 439	6 455 786

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT

in CHF	Note	2014	2013	Change
Profit for the year		**8 165 225**	1 709 439	6 455 786
Profit brought forward		**-**	-	-
Available earnings		**8 165 225**	1 709 439	6 455 786
The Board of Directors proposes to allocate the balance sheet profit as at December 31, 2014, totalling CHF 8 165 225, to the general legal reserve		**8 165 225**	1 709 439	6 455 786
Retained earnings to be carried forward		**-**	-	-

CASH FLOW STATEMENT AS AT DECEMBER 31, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014 (WITH 2013 COMPARATIVE FIGURES)

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

CHF in thousands	**2014**		2013	
	Source	Utilisation	Source	Utilisation
Profit for the year	8 165	-	1 709	-
Depreciation write-offs of fixed assets	5 477	-	6 315	-
Valuation adjustments and provisions	3 414	-	9 007	-
Reserve for general banking risks	1 276	-	-	-
Accrued income and prepaid expenses	1 906	-	-	1 345
Accrued liabilities and deferred income	-	1 786	4	-
Other assets	-	32 385	26 010	-
Other liabilities	29 221	-	-	24 730
Net operating cash flow	15 288		16 970	

CASH FLOW FROM EQUITY TRANSACTIONS

Share capital	-	-	-	-
Total cash flows from equity transactions				

CASH FLOW (STATEMENT) RESULTING FROM CHANGES IN FIXED ASSETS

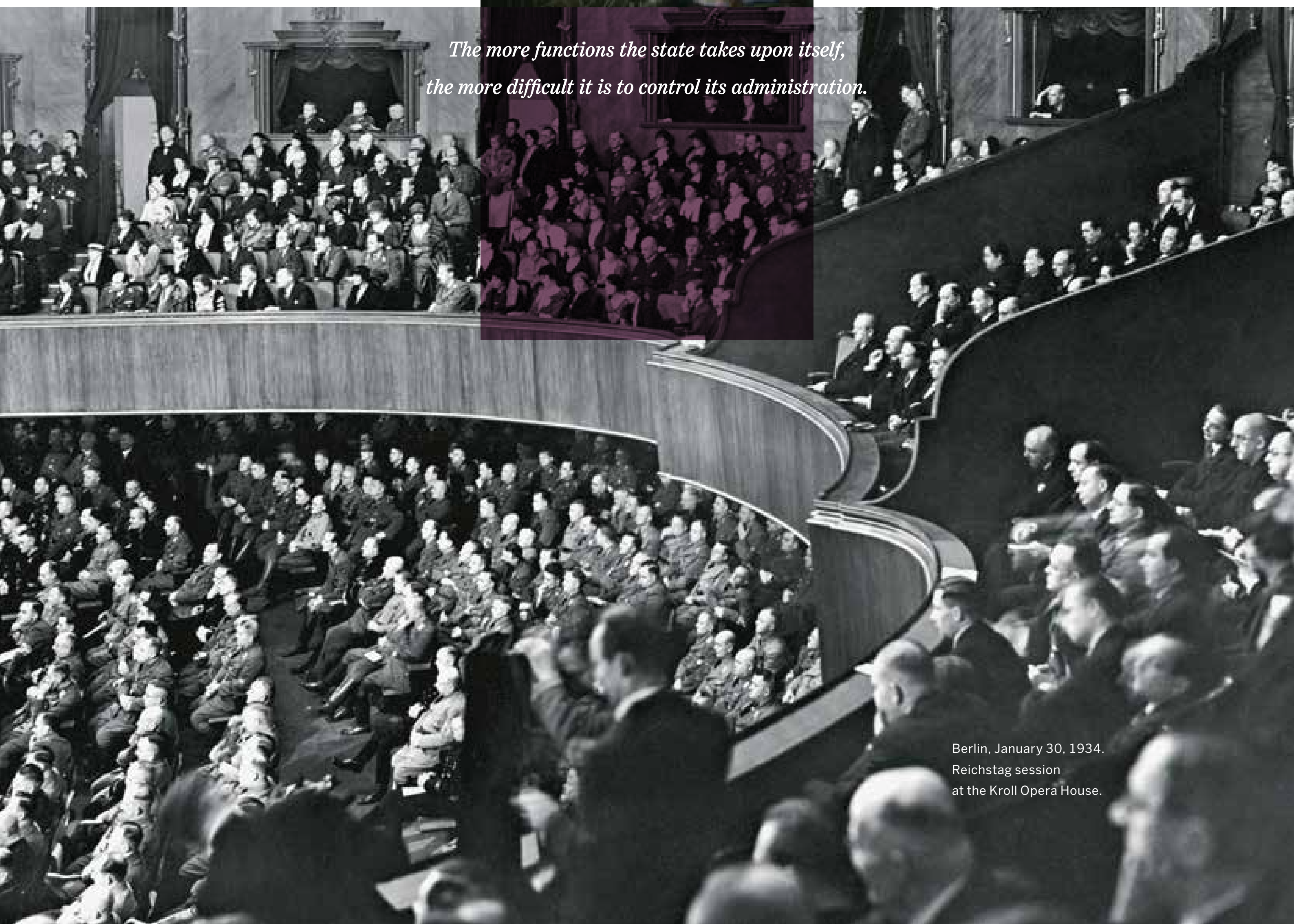
Participating interests	-	11	-	-
Bank buildings	-	10	-	3
Other fixed assets	-	6 001	-	697
Intangible fixed assets	-	2 329	-	1 030
Net cash flow from investment activities		8 351		1 730

CASH FLOW STATEMENT

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	**2014**		2013	
	Source	Utilisation	Source	Utilisation
Balance brought forward	15 288	8 351	16 970	1 730
Non-current operations (> 1 year)				
Due to clients – savings	-	-	-	-
Due to clients – other	10 250	-	-	10 241
Cash bonds	-	51 505	-	778
Loans from central mortgage bond institutions	32 200	-	-	-
Client loans	-	7 572	14 884	-
Mortgage loans	-	185 360	-	109 457
Financial investments	-	18 367	-	9 857
Current operations				
Liabilities under money market instruments	-	44	-	80
Due to banks	-	308 167	74 092	-
Due to clients	144 822	-	63 678	-
Cash from client savings	6 467	-	121 390	-
Cash bonds	49 637	-	12 082	-
Due from banks	410 874	-	-	97 139
Due from clients	-	4 002	29 372	-
Mortgage loans	1 174	-	-	83 041
Financial investments	-	6 423	2 660	-
Securities trading portfolio	-	-	-	-
Net cash flow from banking activities	73 984		7 565	
Total cash flow	89 272	8 351	24 535	1 730
Change in cash flow		80 921		22 805

The more functions the state takes upon itself,
the more difficult it is to control its administration.



Berlin, January 30, 1934.
Reichstag session
at the Kroll Opera House.

NOTES TO THE 2014 ANNUAL ACCOUNTS

1. DESCRIPTIONS OF SEGMENTS AND INFORMATION ON PERSONNEL

Banca Popolare di Sondrio (SUISSE) SA, a universal bank founded in Lugano on May 3, 1995, is mainly active in providing loans, portfolio management, and trading in securities.
The Bank's current network comprises its head office, an agency and a sub-branch in Lugano, an agency in Paradiso, a branch in St Moritz (with four agencies in Poschiavo, Castasegna, Pontresina and Samedan plus one sub-branch in Celerina), branches in Bellinzona (with an agency in Biasca), Chiasso (with an agency in Mendrisio), branches in Chur, Basel, Locarno, Zurich, Berne and the Principality of Monaco, in addition to a representative office in Neuchâtel, which was upgraded to a branch office as of 1 January 2014.
At the end of the year, our staff numbered 300 employees (end of 2013: 312 employees), which represented a total of 286.8 employees (2013: 299.4 employees).
The Bank does not outsource any activities as defined in the FINMA 2008/7 circular "Bank outsourcing".

The Bank has not set up an Audit Committee because the Board of Directors, comprised of five members with extensive banking and financial expertise, meets at frequent intervals and is therefore fully able to handle the functions normally assigned to such a committee.

2. ACCOUNTING AND VALUATION PRINCIPLES USED IN THE ANNUAL ACCOUNTS

The accounts, their presentation and the valuations made are in compliance with the directives of the Swiss Financial Market Supervisory Authority, FINMA, in particular Circular FINMA 2008/2, "Directives on rules concerning the presentation of accounts (Articles 23–27 OBCR)" of January 1, 2009 (in force on June 26, 2013). The transactions carried out by the Bank are recorded in the books on the value date. Cash transactions that had not been settled as of the balance sheet date are included in forward transactions.

ACCOUNTING PRINCIPLES

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS

These items are recorded in the balance sheet at nominal value. For potential lending risks on credit granted to clients, valuation adjustments are made through a provision for this purpose included under "Valuation adjustments and provisions".
Interest at risk is treated as prescribed by law. Accrued interest not collected within 90 days after the due date is booked to the item "Valuation adjustments and provisions".

FINANCIAL INVESTMENTS

The security portfolio that the Bank owns but is not held for trading and the equity securities that are not intended to be held on a continuous basis (for interest/dividend-bearing securities) are valued at the lower of purchase price or market value with respect to each individual security.

PARTICIPATING INTERESTS (SUBSIDIARIES)

Valuation is at historical cost less any economically necessary writedowns.

FIXED ASSETS
Tangible fixed assets are recorded in the balance sheet at historical cost, less a deduction reflecting the depreciation economically necessary, calculated using the straight-line method and based on the estimated useful life of the asset.

	2014	2013
Freehold premises (Own real estate)	33.3 years	33.3 years
Office restructuring	5 years	5 years
Equipment	10 years	10 years
Furniture	8 years	8 years
Office machinery	5 years	5 years
Motor vehicles	5 years	5 years
Hardware	3 years	3 years
Software	3 years	3 years

ACCRUALS, PREPAYMENTS AND DEFERRED INCOME
Interest income and expense, asset management fees, staff costs and other operating expenses are accounted for on an accrual basis.

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

DUE TO BANKS AND DUE TO CLIENTS, BANK'S BONDS
Amounts due to banks and due to clients, as well as medium-term notes, are recorded at their nominal values.

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

DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments are purchased/sold on behalf of clients and for the Bank's asset and liability management (hedging). Positive and negative replacement values of derivative financial instruments generated by the clients and open at the balance sheet date are valued at market prices, or, if such prices are not available, at cost, and recorded as "Other assets" or "Other liabilities" in the balance sheet. The result of the valuation is recorded in the income statement.
Hedging transactions are valued on the same basis as the underlying instruments. The result arising from the difference between the replacement values is recorded in the compensation account "Other assets" or "Other liabilities", without any effect on the income statement.
If hedging operations relate to interest-bearing products, the interest is booked under "Net interest income".

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are converted at the exchange rates prevailing on the balance sheet closing date. Operations in foreign currencies carried out during the year are converted at the exchange rate applicable on the day of the transaction (average rate of exchange).
The result of the valuation is accounted for the income statement in "Net income on trading operations".
Forward contracts (outright) and the forward portion of swaps are converted using the residual rates in force on the balance sheet date. The result of the valuation is recorded in "Net income from trading" in the accounts.
The year-end conversion rates used for the main currencies were as follows: EUR 1.2065 (2013: 1.2268); USD 0.9891 (2013: 0.8904).

FOREIGN CURRENCY TRANSLATION: MONACO BRANCH

Assets, liabilities and items in the income statement are converted at the exchange rate applicable at the balance sheet date. Exchange differences resulting from this conversion are then booked in the income statement in the corresponding items (interest, commission, etc.).

REPURCHASE AGREEMENTS (REPO)

Securities traded by the Bank as part of Repo operations are mainly used as collateral to support refinancing activities. These operations are recorded as deposits with a pledge of securities. The securities remain in the balance sheet of the Bank while the financing is recorded as a liability in the item "Amounts due to banks". The results of these operations are recorded in "Net interest income".

INTEREST RATES SWAPS (IRS)

Income and expense connected to these contracts are entered in the income statement in "Net interest income".
Positive and negative replacement values for outstanding operations are calculated every six months. The difference is recorded in a compensation account under "Other assets" or "Other liabilities" and has no impact on the income statement.

LOANS FROM CENTRAL MORTGAGE BOND INSTITUTIONS

Loans are recognised at nominal value; any discount or premium is amortised over the life of the loan using the accrual method.

CHANGES IN ACCOUNTING PRINCIPLES RELATING TO PRESENTATION AND VALUATION

During 2014, compared to the year ended December 31, 2013, there were no changes in the accounting and valuation principles used except for the recognition of Popso management fees, which from 2014 are shown on a net basis (the fees are credited to us by Swiss & Global after the deduction of trailer fees). This explains the decreases in "Commission income on securities trading and investment transactions" and "Commission expense" in the income statement.

LIABILITIES TO OWN PENSION SCHEMES

The Bank does not have its own occupational pension fund, and instead relies entirely on a private, external insurance company (Swisslife's Fondazione Collettiva LPP) for this purpose. Two pension plans have been underwritten: one for all employees and the second for members of management. Details of risk coverage are provided in the annex to the annual financial statements.
The pension funds operate on a defined contribution basis. Thus, the Bank's sole liability is to pay the premiums calculated by the external company and recorded under personnel expenses in the item "Social contributions". There is no economic liability or benefit for the purposes of Swiss GAAP RPC 16.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

Since the balance sheet date, no significant events have occurred that might have had an impact on figures in the balance sheet or income statement as at December 31, 2014.
After the Swiss National Bank's decision on January 15, 2015 to no longer anchor the Swiss franc to the euro, leading to the devaluation of the euro (along with the US dollar and other major currencies) against the franc, the Bank analysed the potential negative impact on results on the basis of its previously approved 2015 budget. We believe that there will be no negative impact on the Bank's status as a going concern. We do estimate a decrease – although a limited one – in commission income, given that a significant share of customer deposits is denominated in euros. We do not foresee significant losses from the impairment of loans in euros or US dollars, since such positions are well hedged by liabilities in those currencies.

RISK MANAGEMENT

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

GENERAL INFORMATION ON RISK MANAGEMENT

The Bank's policy reflects that of the parent company, which is responsible for group-wide policy and coordination. Risk management is an integral part of the Bank's corporate policy.
It aims to preserve the Bank's resources, improve profitability and increase enterprise value.
The policy is based on the Bank's strategy, objectives and internal regulations, together with the laws and ethical standards that govern Swiss banking and underpin its policy in this area. This is commensurate with the Bank's willingness to accept certain risks, strictly dependent on its organisation and financial structure.
The Bank is committed to promulgating, at all levels in its organisation, a corporate culture that is sensitive to risk. The Board of Directors establishes the Bank's risk tolerance and is responsible for approving the risk policy, as proposed by General Management.
The identification of risks and their incorporation in the Bank's management, control and reporting systems are the responsibility of General Management, which informs the Board of Directors.
For the supervision and enforcement of the financial risk policy, the General Manager relies on the Risk Committee, whose functions are set out in detail in the internal regulations.
In accordance with the FINMA 2008/24 Circular "Supervision and internal control – banks", the Bank set up a Risk Control Department, which took over the functions of the Risk Management Department from 1 January, 2014 and expanded them; it is in charge of the supervision, measurement and analysis of the Bank's risk profile and ensure compliance with risk policies, risk limits and internal rules.

Regarding the devaluation of the euro (along with the US dollar and other major currencies) against the Swiss franc, following the decision of the Swiss National Bank as mentioned in "Significant post-balance-sheet events", the Bank does not expect any material impact on revenues in 2015. We also believe this will cause no significant change in other related risks (credit risk, market risk, interest rate risk) given the Bank's limited euro-denominated exposure to such risks.

SPECIFIC RISKS RELATED TO THE BANK'S ACTIVITY

Risks are subdivided into credit, market, operational, liquidity, strategic and reputational risks.

CREDIT RISK

Credit risk is defined as the risk of incurring loss when a counterparty does not fulfil his or her contractual obligations. Credit risk includes counterparty, concentration and country risk.
If the counterparty becomes insolvent, a bank usually incurs a loss that equals the amount owed by the debtor, net of any amounts recovered from the liquidation of any collateral.

The Bank's exposure relates primarily to the lending activity with private customers. The Bank generally grants mortgage loans mostly for residential properties, Lombard loans and commercial loans. Loans abroad are mainly granted by the Monaco branch and represent only a small portion of the overall lending volume.
Prudential collateral margins are set for all secured loans. For Lombard loans, margins depend on the type and market value of the pledged assets, which are periodically reviewed. For mortgages, the lending value is determined on the basis of the market value of the property (relying on both internal and external appraisals) or the gross rental value, taking into consideration the type of property. The appraisals are periodically reviewed every two to ten years depending on the type of property and the lending value.
Credit risk is assessed by grouping customers into 10 risk classes (according to default risk or probability of insolvency, with 1 being the rating of the lowest risk and 8 being that of the highest risk) and setting recovery rates on the basis of the collateral provided. The risk class is assigned, on the basis of the Bank's internal criteria, by a unit that is independent from the front office. The risk classes are differentiated for retail customers (simplified criteria) and corporate customers, based on quantitative criteria (analysis of the financial statements), qualitative factors and performance. Recovery rates are established as flat rates according to the type of the existing collateral (mortgage, Lombard or unsecured) and the loan-to-value ratio.

Risk assessments are updated through regular controls, file reviews and the monitoring of normal debt service. On these occasions, changes can be made to the rating or recovery rate of the loan.
Provisions and valuation adjustments which are economically necessary to cover credit risk are calculated on a lump-sum basis by rating class, using an automated procedure that adds up the individual risk positions, weighted by the respective default and recovery rates. For non-performing loans and loans at risk, however, individual valuation adjustments are made to take into account the estimated realisable value of the collateral provided.
The Bank works with leading counterparties selected on the basis of specific quality standards.
In order to reduce credit concentration risk with respect to financial investments, it allocates risks equally across its portfolio by diversifying investments to the extent necessary.
Country risk refers to the sum of risks that may apply when investments are made in foreign countries; it's mainly based on the domicile of the risk.

MARKET RISK (PRICES, RATE, EXCHANGE)

Market risk is the risk of loss due to fluctuations in the value of a position caused by a change in the factors that affect the prices of items like shares or raw materials, changes in exchange rates or fluctuations in interest rates.
Price fluctuation risk refers to unexpected changes in the price of securities and is assumed by the Bank on a prudential basis with a view to long-term investments rather than trading in the strict sense. Interest rate risk mainly arises from the failure to properly reconcile the timing between funding transactions and use of the funds.
Interest rate swaps (micro and macro hedges) are used to hedge significant medium- and long-term exposures with the parent bank only.

The bank employs this type of hedging to deal with interest-rate-fluctuation risks on the refinancing of loan contracts with clients who have fixed-rate contracts with -medium and long-term expiry dates. The Bank acts as the swap payer and pays the fixed rate to the receiving parent bank while receiving the floating rate indexed to the LIBOR rate.

The effectiveness criteria are in line with the percentages established by the parent Company (80–125%). Any ineffective portion of hedging operations are recognised in "Net income on trading operations".

The Bank is exposed to limited exchange rate risk, since most transactions are carried out on behalf of clients and on the basis of their requirements.
Prudent maximum exposure levels were set to minimise residual risks. Any positions that are not balanced on an individual basis are therefore managed by the treasury department on a day-to-day basis.

LIQUIDITY AND REFINANCING RISK

Liquidity risk refers to the ability to buy or sell on the market, the risk of failing to meet payment commitments and of not being able to sell an asset or sell it at close to market prices.
The level of liquidity is monitored in accordance with legal requirements.
The Bank's funding derives from its own resources, clients' deposits and the deposits of the parent bank and other financial intermediaries.

In December 2014, the Italian Parliament passed a law on the voluntary disclosure of undeclared assets.
The Bank has analysed the potential outflow of customer assets and concluded that it will probably be modest. The refinancing risk is also limited, especially since the Bank in 2014 became a member and shareholder of the Pfandbriefbank Schweizerischer Hypothekarinstitute AG (based in Zurich) and has already participated in its issues, helping refinance loans at costs in line with the best conditions in the market.

OPERATIONAL RISK

Operational risks comprise the risk of direct and indirect losses caused by human or technological error, shortcomings in internal procedures, or extraneous events.
Risk exposure is minimised by using an internal management system and by establishing of departments to check that rules and procedures are applied.
In order to guarantee IT security, the Bank has set up a control network using support from specialist external companies.

LEGAL RISKS

Legal risks consist of the risk of loss resulting from potential legal action.
To prevent such risks, the Bank ensures that its activity, particularly that involving any external impact, is governed by legal and ethical standards applicable in the banking sector and by ensuring understanding and transparency in its operational and contractual dealings with clients.

The Bank has an internal legal department that can call on the assistance of external firms specialising in particular fields or geographical regions.

US TAX PROGRAM

Within the scope of the joint statement signed at the end of August 2013 between the Swiss authorities and the US authorities to resolve the tax dispute with the United States (known as the "US Tax Program"), the Bank had registered with the US Department of Justice as Category 2 but reserved the right to switch to Category 3.

In September 2014, with support from a specialist American law firm and in agreement with the Department of Justice, the Bank officially left the Program without paying fines or being charged with any violation of US tax law.

REPUTATION AND COMPLIANCE RISKS

The Bank limits its exposure by investing in the training and awareness of its staff in direct contact with clients (duty of due diligence, confidentiality and the prevention of money laundering) and by monitoring the proper implementation of its investment policy.

With regard to compliance activities, which are intended to ensure adherence to applicable laws and regulations, the Bank has a control system based on internal verification procedures. This role is carried out by one of the Bank's departments, which is not part of the operating unit.

BANK POLICY FOR THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are, for the most part, held on behalf of clients. For the structural management of the balance sheet, the Bank hedges interest rate risk by using interest rate swaps.

The more rights people have,
the less aware they are of them.

Zurich, Münsterhof, 1947.
Builders and carpenters protest against the Federal Council's position on prices and wages.

3. BALANCE SHEET INFORMATION

3.1. BREAKDOWN OF LOANS AND OFF-BALANCE-SHEET ITEMS

in CHF	Type of collateral			
	Mortgage collateral	Other collateral	Unsecured	Total
Credit				
Due from clients	181 826 151	330 185 561	92 022 901	604 034 613
Mortgage loans				
Residential property	2 604 201 160	-	-	2 604 201 160
Commercial property	297 625 472	-	-	297 625 472
Other	-	-	-	-
Current year	**3 083 652 783**	**330 185 561**	**92 022 901**	**3 505 861 245**
Previous year	2 910 416 957	297 533 005	102 150 966	3 310 100 928

Off-balance-sheet				
Contingent liabilities	1 247 680	296 849 656	57 027 452	355 124 788
Commitments of payments and additional deposits	-	-	-	-
Irrevocable commitments	-	-	14 948 000	14 948 000
Current year	**1 247 680**	**296 849 656**	**71 975 452**	**370 072 788**
Previous year	1 401 594	201 914 639	68 704 070	272 020 303

IMPAIRED LOANS

in CHF	Gross amount of debt	Estimated liquidation value of collateral	Net amount of debt	Individual value adjustment
Current year	**23 209 286**	**4 128 429**	**19 080 857**	**19 080 857**
Previous year	20 140 761	1 619 550	18 521 211	18 521 211

3.2. FINANCIAL INVESTMENTS AND PARTICIPATING INTERESTS

Financial investments	Carrying value		Market value	
in CHF	**2014**	2013	**2014**	2013
Debt instruments	**56 183 087**	28 840 995	**57 211 917**	29 171 195
of which: own bonds or medium-term notes	-	-	-	-
of which: held to maturity	-	-	-	-
of which: valued at lower of cost or market	56 183 087	28 840 995	57 211 917	29 171 195
Instruments	**2 021 353**	4 572 369	**2 038 844**	4 656 886
Qualified participating interests	-	-	-	-
Deposit bonds (purchase value)	-	-	-	-
Precious metals	-	-	-	-
Real estate	-	-	-	-
Total financial investments	**58 204 440**	33 413 364	**59 250 761**	33 828 081
Securities pledgeable in accordance with liquidity regulations	23 702 908	16 334 424	-	-

Information on treasury shares included in financial investments	Number		Carrying value	
in CHF	**2014**	2013	**2014**	2013
Balance at 01.01.14	-	-	-	-
Purchases (additions)	-	-	-	-
Disposals	-	-	-	-
Writedowns	-	-	-	-
Upward revaluations	-	-	-	-
Balance at 31.12.14	-	-	-	-

Participating interests		
in CHF	**2014**	2013
With stock market value	-	-
Without stock market value	611 356	603 138
Total participating interests	**611 356**	603 138

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

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

The company's share capital is fully paid-in.

In accordance with Art. 23a of the Banking Ordinance, there is no obligation to present consolidated accounts as at December 2014.

3.4. BREAKDOWN OF FIXED ASSETS

in CHF	Purchase price	Accumulated depreciation & amorti-sation	Book value as at 31.12.2013	Reclassifi-cation	Additions	Disposals	Depreciation & amorti-sation	Book value as at 31.12.2014
Equity interests								
Minority holding	1 253 138	(650 000)	603 138	-	11 356	(3 138)	-	611 356
Majority holding	-	-	-	-	-	-	-	-
Total	**1 253 138**	**(650 000)**	**603 138**	**-**	**11 356**	**(3 138)**	**-**	**611 356**
Fixed assets								
Property used by the Bank	22 284 379	(7 055 963)	15 228 416	-	9 564	-	(622 109)	14 615 871
Other tangible fixed assets	75 643 501	(66 666 803)	8 976 698	-	6 001 288	-	(2 962 149)	12 015 837
Intangible fixed assets	35 128 716	(33 696 542)	1 432 174	-	2 329 185	-	(1 666 989)	2 094 370
Capitalised cost (Capital increase)	1 130 979	(668 932)	462 047	-	-	-	(226 196)	235 851
Total	**134 187 575**	**(108 088 240)**	**26 099 335**	**-**	**8 340 037**	**-**	**(5 477 443)**	**28 961 929**
Insurance value								
Property used by the Bank			17 141 000					17 645 000
Other tangible fixed assets			35 162 000					35 162 000

3.5. CAPITALISED ESTABLISHMENT EXPENSES, CAPITAL INCREASE AND ORGANISATION COSTS

Cost of capital increase in CHF

	31.12.2014	31.12.2013
Cost of capital increase (CHF 50 million increase carried out in 2010)	12 000	126 270
Cost of capital increase (CHF 50 million increase carried out in 2012)	223 851	335 778
	235 851	462 048

3.6. ASSETS PLEDGED AS COLLATERAL OR ASSIGNED TO SECURE OWN LIABILITIES AND ASSETS SUBJECT TO RESERVATION OF TITLE (BOOK VALUE)

in CHF

	Current year	**Current year**	Previous year	Previous year
	Book value of assets pledged as collateral or assigned as security	Effective liability	Assets pledged	Effective liability
Mortgages securing loans at central mortgage bond institutions	111 332 705*	32 200 000	-	-
Securities used as collateral at the SNB	3 915 515	No liabilities		
Securities used as collateral at SIS	5 528 395	No liabilities		

Securities repurchase (Repo) operations	**Current year**	Previous year
Securities (financial investments) pledged to secure Repo operations	14 258 998	7 179 209
of which securities where unrestricted right of disposal or subsequent pledge has been granted	-	-

* At Dec. 31, 2014, compared with assets pledged for a total of CHF 111 332 705, only about CHF 34 780 000 (108% of loans received for a total of CHF 32 200 000) had been effectively utilised.

3.7. LIABILITIES TO PENSION PLANS

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

- the first plan insures all employees, including executives, with an annual salary of up to 500% of the maximum basic old-age pension. Executives aged 40 and with three years' service are insured with an annual salary of up to 500% of the maximum executive pension;

- the second plan insures all employees, including executives, for that portion of their annual salary exceeding 500% of the maximum basic old-age pension. Executives aged 40 and with three years' service are insured for that portion of their annual salary exceeding 500% of the maximum executive pension.

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

Lump-sum death benefits and annuities for disabled people, widows or the orphans and children of pensioners are also insured by the plans. The plans are financed one third by the employee and two thirds by the Bank.

All liabilities of the pension fund are covered in full and at all times by the insurance company. There are neither economic liabilities nor economic benefits for the Bank.

Details of pension plans	**31.12.2014**	31.12.2013
in CHF		
a) Employer's contribution reserve		
Nominal value	-	-
Amount for which usage waived	-	-
Credited to employer's contribution reserve	-	-
Balance sheet value of employer's contribution reserve	-	-
Net variation in employer's contribution reserve booked in "Personnel expenses"	-	-
Creation of employer's contribution reserve	-	-
b) Future economic benefits / liabilities		
Pension funds with no surplus or shortfall		
Amount of surplus / shortfall of the pension plan	-	-
Amount of surplus / shortfall relating to the Bank	-	-
Effects on income statement	-	-
c) Pension costs included in "Personnel expenses" (social-security contributions)		
Contributions for the period under review	4 233 663	4 176 095
Changes owing to future economic benefits / liabilities	-	-
Credited to employer's reserve	-	-
Total pension costs included in "Personnel expenses"	**4 233 663**	4 176 095

With the exception of transferable vested benefits, there are no particular obligations arising on the termination of employment contracts.

As there is no surplus, no present value of possible future reductions in contributions has been calculated.

3.8. DEBENTURES

The following debentures were outstanding at the close of the year.

CHF in thousands

		Maturities				
	Interest rate	2015	2016	2017	2018	2019-2025
Loans from central mortgage bond institutions						
	1.05	-	-	-	-	22 200
	0.675	-	-	-	-	10 000
Total at Dec. 31, 2014		**-**	**-**	**-**	**-**	**32 200**
Total at Dec. 31, 2013		-	-	-	-	-
Bond loans						
Total at Dec. 31, 2014		-	-	-	-	-
Total at Dec. 31, 2013		-	-	-	-	-
Grand total at Dec. 31, 2014		**-**	**-**	**-**	**-**	**32 200**
Grand total at Dec. 31, 2013		-	-	-	-	-

3.8. (CONTINUED)

The following medium-term notes were also outstanding at end of the year.

CHF in thousands

	Maturities										
Interest rate	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
0.250 %	82										82
0.400 %		1 263	195								1 458
0.500 %	18 928	770	115								19 813
0.550 %				100							100
0.600 %	3 335	1 780									5 115
0.625 %	10 300	50	135	145							10 630
0.650 %		930	5								935
0.700 %	638		1 630								2 268
0.750 %	60 718	261			85						61 064
0.875 %		85	40								125
1.000 %	665	530	164	158	245	1 472					3 234
1.125 %	635					115	45				795
1.250 %	5	600	310	30			220	190			1 355
1.375 %	65	260			20			230	90	76	741
1.500 %	1 708	330	119	260		136					2 553
1.625 %	300			70	50	125	30				575
1.750 %		1 753	140			50					1 943
1.875 %		250									250
2.000 %	1 109	160	685	60							2 014
2.125 %	28 561	6	20	70			4				28 661
2.250 %		4 420	11		15	10					4 456
2.375 %				1			165				166
2.500 %		50			246	10	250				556
2.625 %				100	88						188
2.750 %	20										20
3.125 %		10									10
3.250 %	111	2									113
3.375 %			10	4							14
3.500 %	110										110
Total	**127 290**	**13 510**	**3 579**	**998**	**749**	**1 918**	**714**	**420**	**90**	**76**	**149 344**

3.9. VALUATION ADJUSTMENTS AND PROVISIONS

in CHF

	Balance as at 31.12.2013	Utilisation and release consistent with specific purpose	Change of purpose	Recoveries, impaired interest and currency differences	New provisions income statement	Release credited to income statement	Balance as at 31.12.2014
Provisions for latent deferred taxes	-	-	-	-	-	-	-
Valuation adjustments and provisions for default and other risks:							
Valuation adjustments and provisions for default risks (credit and country risks)	37 661 531	(2 158 879)	-	1 495 119	3 639 381	(1 079 198)	39 557 954
Valuation adjustments and provisions for other business risks	-	-	-	-	-	-	-
Restructuring provisions	-	-	-	-	-	-	-
Provisions for pension liabilities	-	-	-	-	-	-	-
Other provisions	4 615 000	(1 616 780)	-	-	3 133 780	-	6 132 000
Subtotal	**42 276 531**	**(3 775 659)**	**-**	**1 495 119**	**6 773 161**	**(1 079 198)**	**45 689 954**
Total valuation adjustments and provisions	**42 276 531**	**(3 775 659)**	**-**	**1 495 119**	**6 773 161**	**(1 079 198)**	**45 689 954**
Less: Valuation adjustments set off directly against assets	-	-	-	-	-	-	-
Total valuation adjustments and provisions as per balance sheet	**42 276 531**	**(3 775 659)**	**-**	**1 495 119**	**6 773 161**	**(1 079 198)**	**45 689 954**
Reserve for general banking risks	**13 724 000**	**-**	**-**	**-**	**1 276 000**	**-**	**15 000 000**

The “Reserve for general banking risks” is not taxed.

3.10. SHARE CAPITAL

in CHF	Par value	Number of shares	Par value holding
Share capital	**150 000 000**	**1 500 000**	**150 000 000**

Banca Popolare di Sondrio Scpa, Sondrio (Italy) holds 100% of the share capital and voting rights of the Bank.
Banca Popolare di Sondrio Scpa, Sondrio (Italy) is a cooperative limited by shares and, as such, subject to specific regulations concerning the shareholders' profile. In accordance with the law, a shareholder may not hold more than 0.5% of the share capital; inclusion in the shareholders register is subject to an approval clause. At the General Meeting of Shareholders, each shareholder is entitled to one vote, irrespective of the size of the participant's quota (size of his or her shareholding). The shares are listed on the telematic stock market of the Milan Stock Exchange (MTA).

3.11. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF	**2014**	2013
Total shareholders' equity at the beginning of the period		
Paid-up share capital	150 000 000	150 000 000
General legal reserve	116 040 680	115 569 927
Reserve for general banking risks	13 724 000	13 724 000
Balance sheet profit	1 709 439	470 754
Total	**281 474 119**	279 764 681
Allocation to the general legal reserve	1 709 439	470 754
Dividend and other payments deducted from the previous year's profit	(1 709 439)	(470 754)
Profit for current financial year	8 165 225	1 709 439
Capital increase	-	-
Provision for general banking risks	1 276 000	-
Total shareholders' equity	**290 915 344**	281 474 120
of which:		
Share capital	150 000 000	150 000 000
General legal reserve	117 750 119	116 040 681
Reserve for general banking risks	15 000 000	13 724 000
Balance sheet profit	8 165 225	1 709 439
Total	**290 915 344**	281 474 120

3.12. MATURITY STRUCTURE OF CURRENT ASSETS, FINANCIAL INVESTMENTS AND AMOUNTS DUE TO THIRD PARTIES

in CHF	Maturities							
	At sight	Call/notice	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	Fixed assets	Total
Current assets								
Cash	187 724 344	-	-	-	-	-	-	187 724 344
Due from banks	111 209 350	-	325 232 747	68 714 457	-	-	-	505 156 554
Due from clients	10 271 771	264 055 142	232 333 567	50 324 277	44 002 856	3 047 000	-	604 034 613
Mortgage loans	16 919 145	344 668 072	221 164 575	331 387 610	1 357 407 810	630 279 420	-	2 901 826 632
Financial investments	2 021 353	-	12 273 290	2 378 902	41 040 330	490 565	-	58 204 440
Current financial year	**328 145 963**	**608 723 214**	**791 004 179**	**452 805 246**	**1 442 450 996**	**633 816 985**	**-**	**4 256 946 583**
Previous financial year	478 756 168	336 486 747	1 216 310 734	469 825 586	1 279 162 633	585 806 110	-	4 366 347 978
Amounts due to third parties								
Money market instruments	74 250	-	-	-	-	-	-	74 250
Due to banks	8 492 105	-	733 568 279	27 892 788	-	-	-	769 953 172
Due to clients in savings and investment accounts	829 812 886	-	-	-	-	-	-	829 812 886
Other amounts due to clients	1 781 331 558	-	165 928 784	204 410 129	10 250 000	-	-	2 161 920 471
Medium-term notes	-	-	49 222 000	78 068 000	18 836 000	3 218 000	-	149 344 000
Loans from central mortgage bond institutions	-	-	-	-	-	32 200 000	-	32 200 000
Current financial year	**2 619 710 799**	**-**	**948 719 063**	**310 370 917**	**29 086 000**	**35 418 000**	**-**	**3 943 304 779**
Previous financial year	2 502 308 451	-	1 180 189 046	303 588 770	71 540 000	2 019 000	-	4 059 645 267

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

in CHF	**2014**	2013	Change
Loans to governing bodies	**6 020 000**	5 300 000	720 000

Loans to governing bodies are mortgage-based and have been granted in compliance with usual loan-to-value ratios.
Claims and liabilities shown at the foot of the balance sheet relate solely to interbank operations with the parent company.
These transactions have been undertaken at market terms and conditions.

3.14. BREAKDOWN OF ASSETS AND LIABILITIES BY GEOGRAPHICAL AREA

CHF in thousands	2014		2013	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Cash	186 688	1 036	106 102	701
Due from banks	25 879	479 277	22 990	893 041
Due from clients	464 446	139 589	482 251	110 209
Mortgage loans	2 901 827	-	2 717 641	-
Financial investments	10 476	47 728	1 465	31 948
Participating interests	611	-	603	-
Fixed assets	25 716	3 246	25 972	127
Accrued income and prepaid expenses	6 123	1 044	8 001	1 072
Other assets	70 877	3 946	41 402	1 036
Total assets	**3 692 643**	**675 866**	3 406 427	1 038 134
Liabilities				
Money market instruments	74	-	118	-
Due to banks	99 761	670 192	101 782	976 339
Due to clients in savings and investment accounts	593 053	236 760	579 733	243 613
Other amounts due to clients	1 431 787	730 133	1 379 585	627 263
Other amounts due to clients	149 344	-	151 212	-
Loans from central mortgage bond institutions	32 200	-	-	-
Accrued liabilities and deferred income	11 080	1 678	12 438	2 106
Other liabilities	71 147	4 695	44 394	2 227
Valuation adjustments and provisions	44 963	727	41 652	625
Reserve for general banking risks	15 000	-	13 724	-
Share capital	150 000	-	150 000	-
General legal reserve	117 750	-	116 041	-
Net profit for the year	8 165	-	1 709	-
Total liabilities	**2 724 324**	**1 644 185**	2 592 388	1 852 173

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

CHF in thousands	2014		2013	
	Total	in %	Total	in %
Switzerland	3 692 644	85%	3 406 426	77%
OECD countries	627 318	14%	996 530	22%
Other countries	48 548	1%	41 605	1%
Total assets	**4 368 510**	**100%**	4 444 561	100%

3.16. BREAKDOWN OF ASSETS AND LIABILITIES BY CURRENCY

CHF in thousands

Assets	CHF	EUR	USD	Other	Total
Cash	181 129	5 948	457	190	187 724
Due from banks	306 076	164 576	9 348	25 156	505 156
Due from clients	476 273	109 398	10 047	8 317	604 035
Mortgage loans	2 867 791	34 036	-	-	2 901 827
Financial investments	22 000	20 247	15 957	-	58 204
Participating interests	611	-	-	-	611
Fixed assets	25 716	3 246	-	-	28 962
Accrued income and prepaid expenses	5 346	1 530	192	99	7 167
Other assets	70 071	3 815	72	865	74 823
Total assets in the balance sheet	**3 955 013**	**342 796**	**36 073**	**34 627**	**4 368 509**
Off-balance-sheet claims from foreign exchange spot, forward and option transactions	20 734	1 239 272	264 798	50 872	1 575 676
Total assets	**3 975 747**	**1 582 068**	**300 871**	**85 499**	**5 944 185**

Liabilities					
Money market instruments	49	5	5	15	74
Due to banks	100 314	588 006	79 355	2 278	769 953
Due to clients in savings and investment accounts	682 751	147 062	-	-	829 813
Other amounts due to clients	1 177 363	770 334	166 096	48 127	2 161 920
Cash bonds	149 344	-	-	-	149 344
Loans from central mortgage bond institutions	32 200	-	-	-	32 200
Accrued liabilities and deferred income	10 846	1 507	222	183	12 758
Other liabilities	69 354	4 936	1 397	155	75 842
Valuation adjustments and provisions	44 980	710	-	-	45 690
Reserve for general banking risks	15 000	-	-	-	15 000
Share capital	150 000	-	-	-	150 000
General legal reserve	117 750	-	-	-	117 750
Net profit for the year	8 165	-	-	-	8 165
Total liabilities in the balance sheet	**2 558 116**	**1 512 560**	**247 075**	**50 758**	**4 368 509**
Off-balance-sheet from foreign exchange spot, forward and option transactions	1 421 253	67 129	52 829	34 465	1 575 676
Total liabilities	**3 979 369**	**1 579 689**	**299 904**	**85 223**	**5 944 185**
Net position by currency	(3 622)	2 379	967	276	-

3.17. OTHER ASSETS

in CHF	**2014**	2013	Change
Tax prepayments and recoverable VAT	1 822 329	1 568 098	254 231
Positive replacement values of derivative financial instruments	11 907 692	3 849 900	8 057 792
Compensation account	56 963 455	32 173 802	24 789 653
Other	4 129 889	4 846 173	(716 284)
Total	**74 823 365**	42 437 973	32 385 392

3.18. OTHER LIABILITIES

in CHF	**2014**	2013	Change
Administration of federal contributions	4 625 171	4 714 524	(89 353)
Negative replacement values of derivative financial instruments	63 887 492	38 536 609	25 350 883
Compensation account	-	-	-
Suppliers	5 768 749	1 739 212	4 029 537
Other	1 560 678	1 630 760	(70 082)
Total	**75 842 090**	46 621 105	29 220 985

4. OFF-BALANCE-SHEET INFORMATION

4.1. CONTINGENT LIABILITIES

in CHF	**2014**	2013
Guarantees and similar obligations	259 451 925	228 045 639
Documentary credits	95 672 863	29 476 664
Total contingent liabilities	**355 124 788**	257 522 303

4.2. OUTSTANDING DERIVATIVE FINANCIAL INSTRUMENTS AT END OF YEAR

in CHF	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volumes	Positive replacement value	Negative replacement value	Contract volumes
Interest rate derivatives						
Forward contracts, including FRAS	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	56 963 455	1 380 500 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
Currencies/Precious metals						
Forward contracts	9 223 641	4 239 986	1 580 052 846	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	4	4	902 849	-	-	-
Options (OTC)	117 610	117 610	16 970 954	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
Equities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	115 618	115 618	3 021 614	-	-	-
Options (OTC)	1 897 844	1 897 844	105 158 764	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	47 285 975	-	-	-
Swaps	-	-	-	-	-	-
Futures	26	26	261 401	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange-traded)	-	-	-	-	-	-
Total before effect of netting contracts						
As at December 31, 2014	**11 354 743**	**6 371 088**	**1 753 654 403**	**-**	**56 963 455**	**1 380 500 000**
As at December 31, 2013	3 335 250	5 848 157	1 447 462 692	-	32 173 802	1 600 850 000

4.2. (CONTINUED)

in CHF	Total after effect of netting contracts	
	Cumulative positive replacement value	Cumulative negative replacement value
2014	**11 354 743**	**63 334 543**
2013	3 335 250	38 021 959

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

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

In the line "Forward contracts" of the item "Other", all spot (cash) transactions occurring before December 31, 2014 that had not been settled yet are shown according to the value-date principle.

4.3. FIDUCIARY TRANSACTIONS

in CHF	**2014**	2013	Change
Fiduciary investments with other banks	121 650	864 812	(743 162)
Fiduciary investments with the parent company	101 052 326	239 459 069	(138 406 743)
Total	**101 173 976**	240 323 881	(139 149 905)

4.4. CLIENT ASSETS

CHF in million	**2014**	2013	Change
Client assets by type			
Assets in own managed funds	731.8	726.9	4.9
Assets with discretionary mandate	665.6	642.5	23.1
Other client assets	4 642.6	4 705.2	(62.6)
Total client assets (including double-counted assets)	**6 040.0**	6 074.6	(34.6)
Double-counted assets	325.7	347.7	(22.0)
Net increase/(decrease) (including double-counted assets)	(327.1)	32.9	(360.0)

The line "Other client assets" refers to the total amount of assets on deposit by customers for which the Bank performs any services including services of an administrative nature. The Bank does not have any "custody-only" assets.
Loans to clients are not deducted from "Total client assets".
Net deposits/(withdrawals) by clients were calculated by the Bank without including matured accrued, exchange rate differences, variations in rates, commission and debited expenses.

5. INFORMATION ON THE INCOME STATEMENT

5.1. REFINANCING INCOME BOOKED UNDER NET INTEREST RESULT

The Bank does not make use of this possibility.

5.2. BREAKDOWN OF THE RESULT FROM TRADING OPERATIONS

in CHF	**2014**	2013	Change
Foreign exchange trading	13 350 628	10 951 962	2 398 666
Security trading	(12 528)	105 713	(118 241)
Total	**13 338 100**	11 057 675	2 280 425

5.3. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	**2014**	2013	Change
Salaries	33 005 282	34 047 969	(1 042 687)
Social-security contributions	7 544 059	7 878 715	(334 656)
Other expenses	1 719 489	1 841 854	(122 365)
Total	**42 268 830**	43 768 538	(1 499 708)

5.4. BREAKDOWN OF OTHER OPERATING EXPENSES

in CHF	**2014**	2013	Change
Premises expenses	7 538 296	7 609 809	(71 513)
Expenses for IT, machinery, furnishings, vehicles and other equipment	4 657 899	4 428 175	229 724
Other operating expenses	9 941 875	9 645 075	296 800
Total	**22 138 070**	21 683 059	455 011

5.5. EXTRAORDINARY INCOME AND EXPENSES

“Extraordinary income” derives mainly from the reversal of impairment losses for credit risks in the amount of CHF 1 079 198.

“Extraordinary expenses” consist primarily of the reconstituted “Provisions for general banking risks” totaling CHF 1 276 000.

In 2013, most of the extraordinary income resulted from the release of CHF 136 659 for a commitment (listed under “Other liabilities”) that did not come to pass.

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

No revaluation was performed in the year under review.

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

in CHF	2014		
	Switzerland	Abroad*	Total
Net interest income	35 924 618	2 031 668	37 956 286
Net commission and service income	33 818 571	3 911 016	37 729 587
Net trading income	13 113 988	224 112	13 338 100
Net other ordinary income	37 571	-	37 571
Net ordinary banking income	82 894 748	6 166 796	89 061 544
Operating expenses	60 288 723	4 118 177	64 406 900
Gross profit	**22 606 025**	**2 048 619**	**24 654 644**

* “Abroad” data refers to the branch in the Principality of Monaco.

6. INFORMATION ON THE CALCULATION OF CAPITAL ADEQUACY

Regarding the disclosures required by the 3rd pillar of Basel II, as addressed in Article 35 of the Capital Adequacy Ordinance (CAO) and formalised in FINMA Circular 2008/22, “Disclosure requirements in respect of capital adequacy in the banking sector” (corresponding to the former SFBC Circular CFB 06/4, “Disclosure requirements in respect of capital adequacy”), reference should be made to the upcoming annual report of our parent bank (Banca Popolare di Sondrio) as at December 31, 2014.

INDEPENDENT AUDITORS' REPORT

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Report of the Statutory Auditor to the General Meeting of Shareholders of

Banca Popolare di Sondrio (SUISSE) SA, Lugano

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements (pages 22 to 54) of Banca Popolare di Sondrio (SUISSE) SA, which comprise the balance sheet, income statement, cash flow statement and notes for the year ended 31 December 2014.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Patrizio Aggio	Mirko Liberto
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 26 January 2015

OUR PRODUCTS AND SERVICES

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GOBANKING

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FOREWORD

It is unusual for a bank to make space in its annual report for a cultural feature year after year, as we do! We have considered whether or not to maintain this custom, but the appreciation and positive feedback from no small number of the accounting documentation's recipients have persuaded us to continue.

This year's monograph spotlights the Austro-Swiss banker and economic scholar Felix Somary, who was born in Vienna in November 1881 and died in Zurich in July 1956.

Switzerland was close to his heart, and he took Swiss citizenship in 1932.

He studied law and economics, a subject that suited him well. He was an excellent university teacher and a well-respected banker, mainly in Zurich. During World War I, he was even appointed the Central Powers' economic and political adviser, a duty he fulfilled with skill and foresight.

Reflective and sharply insightful, he examined the various situations profoundly and critically, demonstrating that nothing happens by chance, without a cause; armed with that approach, he was never taken by surprise. For example, he predicted the notorious Wall Street crash of 1929 three years beforehand – albeit unheeded, like a latter-day Cassandra. Firmly convinced that financial and economic catastrophe was coming, he withdrew his savings from foreign banks and kept them safe. He also foresaw the 1932 recovery long before it happened.

He was a remarkable person who lived in an era of remarkable and often troubled events.

Somary's renown and regard spread abroad, including to Italy. So much so that, when the Swiss finance group Blankart & Cie of Zurich, under his authoritative stewardship, indicated its willingness to provide a significant sum towards the planned establishment of Mediobanca – an idea that emerged shortly after World War II ended – the Bank of Italy substantially changed its hitherto rather sceptical view of the venture. The deal with the Zurich banker never actually came to fruition, but the negotiations with him were very important and facilitated the decision to examine the project more closely and to go ahead with it.

I shall add nothing more about Felix Somary, as this eclectic figure has been amply discussed by this monograph's learned authors. I am grateful to each of them for their scholarly commitment and elegant prose. I also extend my thanks to everyone who has contributed in their respective ways to creating this useful and valuable work.

Lugano, January 2015

The Chairman
Mario Alberto Pedranzini