

2017 ANNUAL REPORT

Banca Popolare di Sondrio (SUISSE) SA
Capital: CHF 180 000 000

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

BOARD OF DIRECTORS

Mario Alberto Pedranzini
Chairman

Brunello Perucchi
Vice Chairman

Plinio Bernardoni
Member and Secretary

Giovanni Ruffini
Member

Daniel Zuberbühler
Member

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

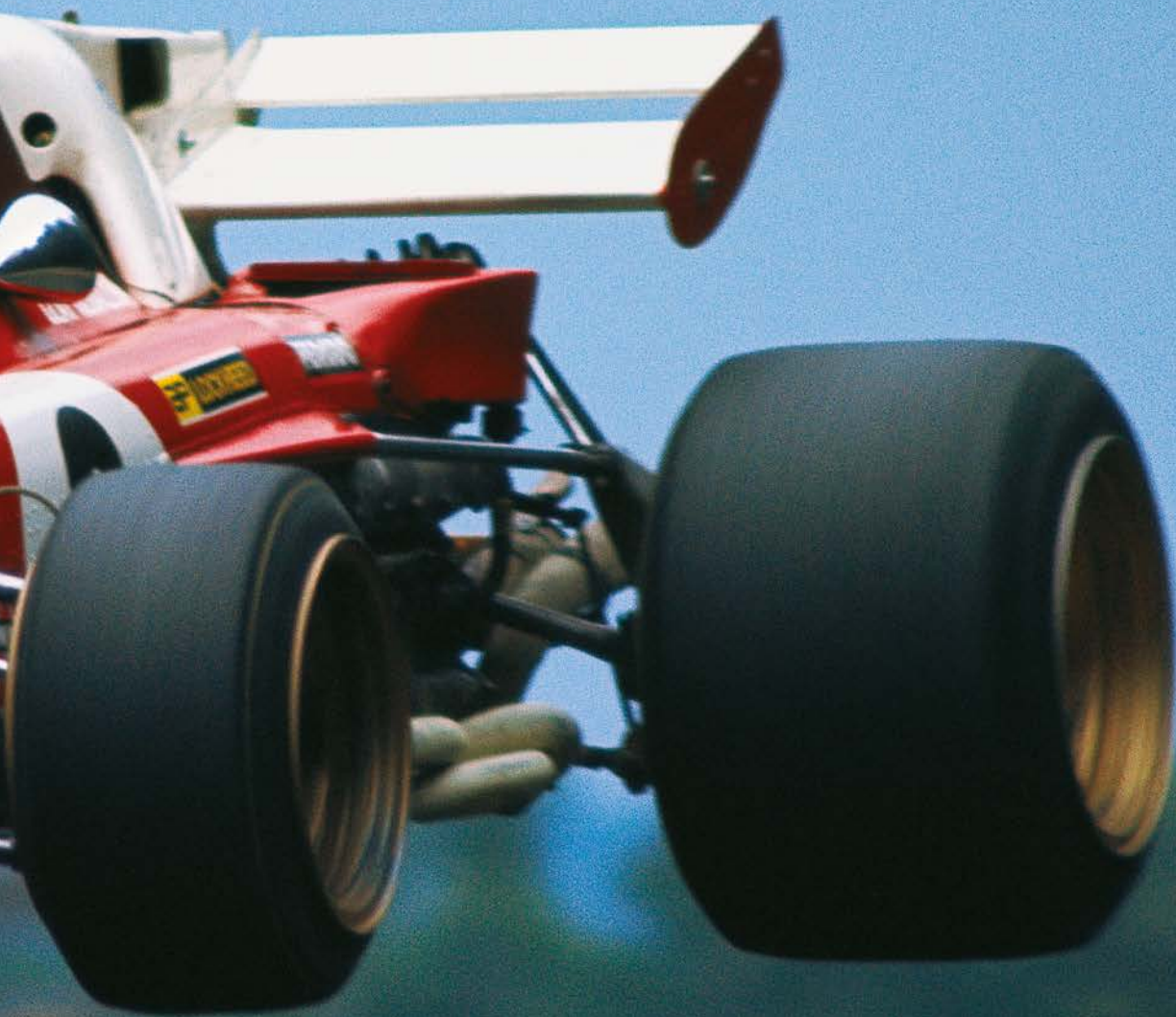
Alberto Bradanini
President

EXTERNAL AUDITOR

Ernst & Young SA
Lugano



Regazzoni's Ferrari 312 B2
taking off at the German Grand Prix,
Nürburgring, 1971.



Truly a great driver, able to push any car to its limits.

PATRICK TAMBAY

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

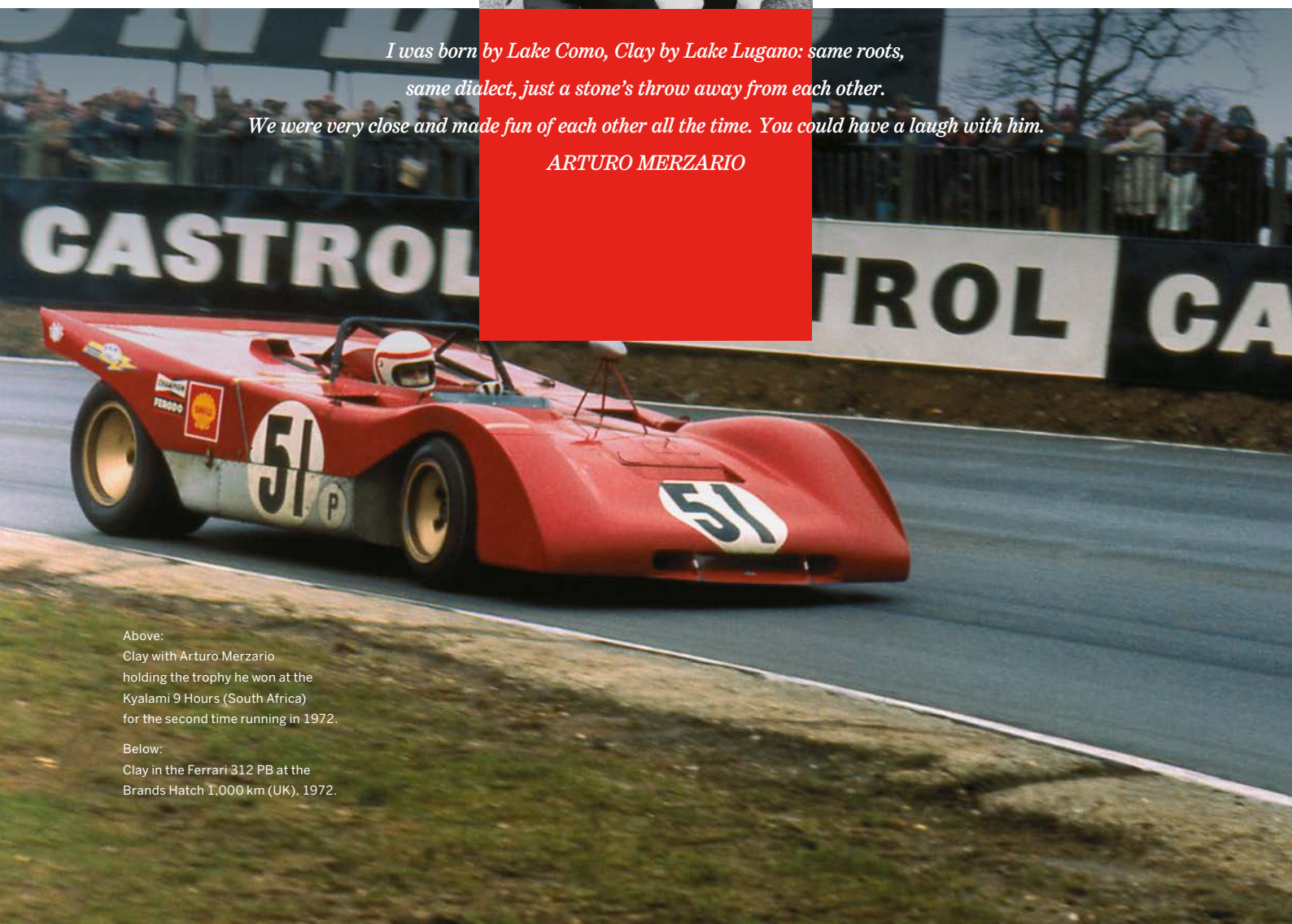
CONTENTS

| | |
|---|--------|
| CHAIRMAN'S FOREWORD | 9 |
| REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 | 15 |
| 2017 FINANCIAL STATEMENTS | 21 |
| BALANCE SHEET AS AT 31 DECEMBER 2017 | 22 |
| INCOME STATEMENT FOR THE 2017 FINANCIAL YEAR | 24 |
| CASH FLOW STATEMENT FOR THE 2017 FINANCIAL YEAR | 26 |
| STATEMENT OF CHANGES IN EQUITY | 28 |
| NOTES TO THE 2017 ANNUAL ACCOUNTS | 31 |
| INDEPENDENT AUDITORS' REPORT | 60 |
| OUR PRODUCTS AND SERVICES | 63 |
| CLAY REGAZZONI THE FEARLESS DRIVER WITH A BIG HEART | |
| Introduction | III |
| Nicola Nenci: Clay Regazzoni and his native country | VII |
| Pino Allievi: The story of an extraordinary career | XI |
| Cristiano Chiavegato: The great man behind the great driver | XVII |
| Cesare De Agostini: The secret path of the heart | XXIII |
| Alessia Giorgetti Regazzoni: My father, Gian Claudio – Clay to everyone else | XXXVII |



*I was born by Lake Como, Clay by Lake Lugano: same roots,
same dialect, just a stone's throw away from each other.
We were very close and made fun of each other all the time. You could have a laugh with him.*

ARTURO MERZARIO



Above:
Clay with Arturo Merzario
holding the trophy he won at the
Kyalami 9 Hours (South Africa)
for the second time running in 1972.

Below:
Clay in the Ferrari 312 PB at the
Brands Hatch 1,000 km (UK), 1972.

CHAIRMAN'S FOREWORD

At the start of a new year, after all the ceremonial well-wishing, hand-shaking and glass-raising is over, we turn to reflect on all that has happened over the past 365 days and on our expectations for the days to come.

The terrifying images of the attacks that robbed yet more lives in several European cities in 2017, spreading fear and uncertainty, are still fresh in all of our minds. Neither can we forget the numerous shipwrecks in the Mediterranean and the tragic loss of those on board: people in search of a better future, far away from war and persecution. A real tragedy.

As for the economy, and the global economy in particular, it is fair to say that the past year has been a positive one for Russia, India and China, while Brazil is now out of the running. The eurozone countries and the US have enjoyed a healthy recovery which is gradually being consolidated, sparking hope for further progress.

Before addressing Switzerland's performance in the year under review, it is worth noting that Switzerland and Italy have always maintained close and profitable ties in the political, cultural (Italian is one of Switzerland's official languages) and economic/financial spheres. Trade between the two countries is worth EUR 300 billion. Italy ranks third among Switzerland's commercial partners, while Switzerland is Italy's seventh largest export market. And that is not all. Every year, various small, viable businesses arrive in Switzerland from neighbouring Italy along with a considerable number of workers known for their reliability, adaptability and good will.

As regards the country as a whole, it is also worth noting how economic robustness and political stability, coupled with innovative capability, legal certainty and a balanced taxation system, have earned Switzerland top marks from credit-rating agency Standard and Poor's, which awarded the country the enviable long-term triple A rating.

Gross domestic product (GDP) increased by 1%, slightly lower year on year given the rather weak performance of some service sectors. The pleasing rate of growth was primarily down to an increase in production, a rise in domestic consumption and a welcome climb in exports equal to roughly 5% of more than CHF 200 billion.

Although demand for housing plummeted, causing a corresponding drop in relative values and rental costs, the real estate sector performed well, providing a boost to numerous ancillary businesses too.

The Swiss franc remained robust and continues to enjoy a reputation as a safe currency. The exchange rate against the euro and US dollar stood at 1.1707 and 0.9735 respectively at year end.

Despite the positive picture on the production front, unemployment decreased only slightly from 3.3% in 2016 to 3.2% in the year under review. It still remains low, however. The story is a little different as regards inflation, which rose by more than 0.5% in comparison to less than 0.4% last year.

The bank has demonstrated that it can keep with the times and has worked extremely hard, placing a special focus on retail, private banking and all of its banking and financial services. We are delighted to call ourselves a Swiss bank with Italian roots; Swiss not just in terms of the law but also in the way we serve those of our clients who live in Switzerland. These are of course the Swiss people and the many first-, second- and third-generation Italians for whom Switzerland, with its unique quality of life, has become home – people whose integration has been cultivated by a common history with the region where our parent company was founded and now operates. “Giving is receiving” is our philosophy. Efforts have been made to channel the money saved back into the same regions the bank serves and, where possible and with all due caution, to make it available to the real economy and to families in the form of loans and credit lines. Specifically, total customer deposits rose by 2% year on year to CHF 4.882 billion. Lendings have risen by 5% since 2016, now standing at CHF 3.909 billion net of provisions.

Very low interest rates and only marginal earnings across the board have not exactly aided the activities of banks like ours. However, we have managed to offset this well thanks to the forward-looking decisions proposed by our committed and expert managers and, where possible, by cutting costs. This way of working has proved effective and has meant that net profit for the year has increased by 18% on the previous year to CHF 14.209 million.

In February 2017, we opened a branch in the prestigious centre of Martigny in the canton of Valais – an industrious town and a popular destination for international tourists too, which has some similarities with Valtellina, if only because of its abundance of vineyards and the surrounding landscape. With the addition of the new branch, BPS (SUISSE) SA counted 20 offices as at 31 December 2017, including the external Monaco branch opened in the eponymous principality, plus the virtual Direct Banking Branch in Lugano.

The bank's staff numbered 316 as at the end of last December, having been bolstered by a further nine recruits. Our staff are well-trained, motivated and accommodating.

With this brief review aside, I would firstly like to thank the Board of Directors and express my gratefulness to the Executive Board and all of my colleagues.

My heartfelt thanks go to FINMA, the Swiss Financial Market Supervisory Authority, which has overseen our work carefully and in a spirit of cooperation.

A word of thanks also goes to our external auditors at EY, who signed the first report of their mandate this year.

Our clients also deserve a special thank you. They are the lifeblood that allows the bank to continue on its path of success and to pursue further growth to the benefit of us all.

I wish each and every one of you all the very best for a healthy and fulfilling 2018.

Lugano, 1 January 2018

Chairman
Mario Alberto Pedranzini

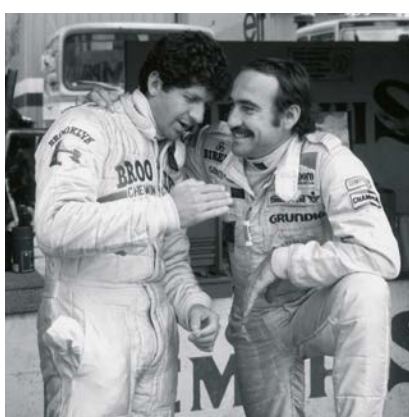


*With his positive thinking and his drive to make the most of every experience,
Clay taught me how to love life.*
NIKI LAUDA



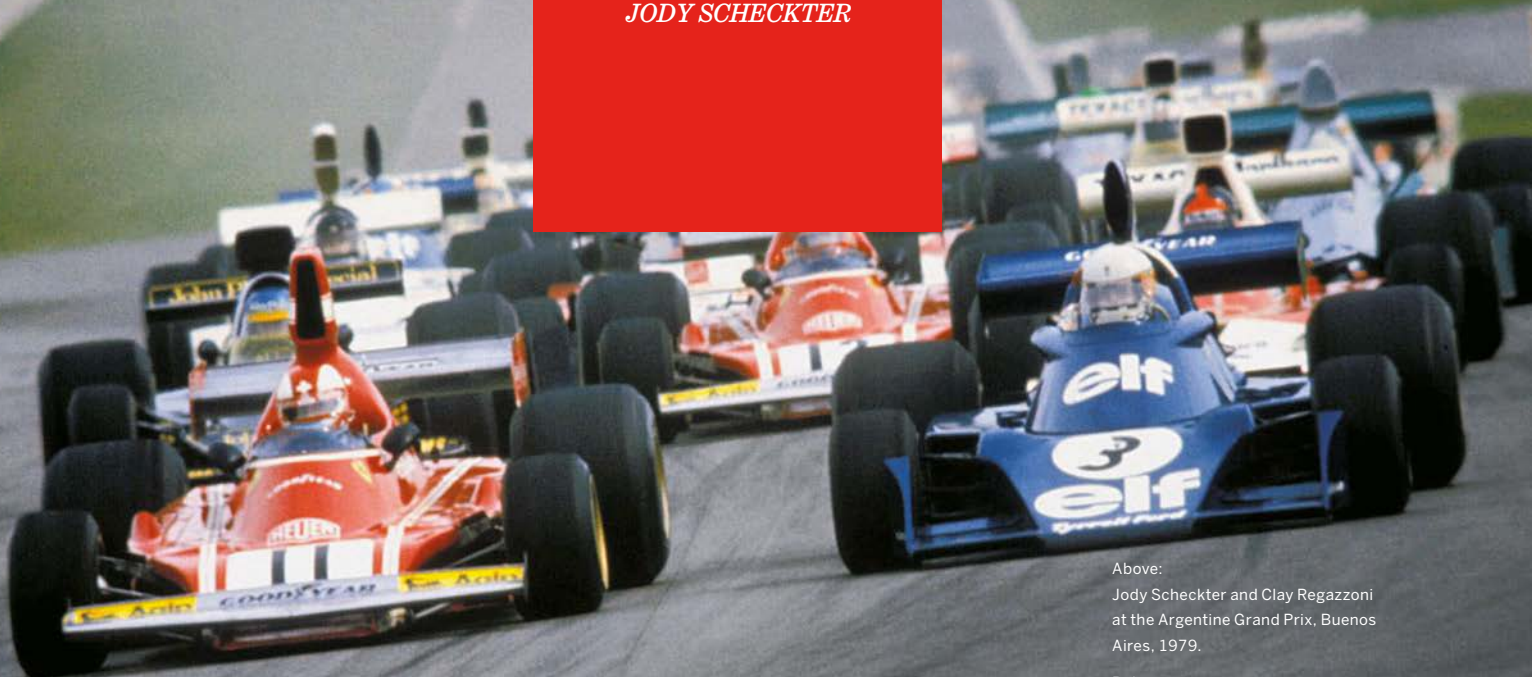
Above:
Clay Regazzoni and Niki Lauda
enjoying a relaxing moment, 1974.

Below:
Start of the Belgian Grand Prix.
Lauda and Regazzoni would take
first and second place, Zolder, 1976.



I remember when I won with Ferrari in Monaco in 1979. And how, with Williams, he did everything to close the gap. He got closer and closer until he was glued to my car. But thankfully the race was already over!

JODY SCHECKTER



Above:
Jody Scheckter and Clay Regazzoni
at the Argentine Grand Prix, Buenos
Aires, 1979.

Below:
Start of the Belgian Grand Prix.
Regazzoni's Ferrari side-by-side
with Scheckter's Tyrrell,
Nivelles-Baulers, 1974.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

International panorama

2017 saw economic growth strengthen and consolidate almost across the board, with expanding global trade helping to reduce unemployment.

However, the extent of the recovery varied somewhat between, and even within, individual sectors of the economy.

News and signals from abroad are providing food for thought. The US administration's tax reforms and deregulation efforts are geared towards boosting so-called corporate America. What ramifications these will have on the international stage is hard to gauge.

Meanwhile, the situation facing the countries of Europe remains complicated as a result of the marked political and economic differences between them on various issues. The Gordian knot that is Brexit has yet to be cut and the debt levels of some EU states are raising questions over how long things can continue like this.

Central banks are proving extremely reluctant to reverse their loose monetary policies, which have distorted prices on some markets. This is symptomatic of the competent authorities' fears concerning the risks that could torpedo the recovery, especially given certain systemic weaknesses.

The US Federal Reserve looks set to stick to its policy following the inauguration of its new Chair, and the dollar is expected to rise in step with US economic growth.

Central banks now have record-high stockpiles of assets on their balance sheets, leading the markets to anticipate (and even price in) a gradual withdrawal from these kinds of investment, even if this will have a barely noticeable impact on share prices. Following an extremely positive 2017 for the stock markets, prospects remain good overall.

Businesses have benefited from the sustained period of loose monetary policy, which has enabled them to obtain funds more cheaply than ever before. The pace of innovation, coupled with the emergence of new business models in both industry and the service sector could revolutionise the economic system in the medium term and usher in a new understanding of global production. The markets seem to be eyeing the opportunities more so than the potential risks.

Raw material prices experienced significant volatility due to the economic cycle, the impact of natural disasters and the political instability in some producer countries.

Switzerland: the economy and the financial system

The economic recovery has been satisfactory, chiefly thanks to the fast pace of export activity driven by the global economy and the Swiss franc's fall against the euro.

The prospects are rosy, with estimates repeatedly being revised upwards. The mood of greater confidence has helped to encourage investment and consumer spending. Engaged in their restructuring and revitalisation activities, companies have shown remarkable resilience. It is no coincidence that Switzerland regularly occupies the top spots in innovation and competitiveness rankings. The excellent business environment that the country offers is consistently seen as one of its distinguishing features.

The real estate sector paints a largely reassuring picture, albeit with some problems in certain regions and for certain property classes, which have seen a modest fall in prices. The regulators deserve recognition for having engineered a soft landing without any major imbalances during difficult years.

Inflation has risen back into positive territory, mirroring the global trend, while unemployment has remained low and has also fallen slightly.

Despite these developments, the Swiss National Bank has stuck to its monetary policy, reiterating its intention to keep on intervening on the markets where required.

The financial industry has been impacted by the restructuring prompted by the paradigm shift in the private banking sector as it works to incorporate the requirements for transparency in international tax matters. Expectations regarding the opening of foreign markets to Swiss financial institutions have so far been disappointed, casting a shadow on business development and profitability. Contrary to the reassuring pronouncements made at European level, various related questions still remain unanswered, such as the issue of regulatory equivalence.

Elsewhere, the financial system is increasingly having to tackle the challenges broadly linked to the innovations being unleashed by the so-called fintechs.

There is a fear that the giants of IT, communications and the Internet could become involved in the financial sector in a big way, causing major upheaval. Of course, we are aware that the onward march of technology has already had a hitherto unforeseen impact on the balance of power between supply and demand for financial services as far as clients and consumers are concerned.

It is the traditional forms of business that are perceived to be at risk, either because transactions are more easily automated and are becoming a commodity in themselves or because “roboadvisors” are able to offer extremely sophisticated, AI-driven solutions to clients seeking advice. Ultimately, the relationship manager – i.e. the human element who uses the new technologies to select investments – will continue to play a key role, at least for a certain type of client. However, banks will have to focus their efforts on tailoring their offering to their various demand segments.

Potential strategies include implementing an integrated digital banking system and thus playing to their strengths such as their available capital, their client base, their skills set and the protection afforded by law to depositors and investors.

Performance during the year

BPS (SUISSE) focused its management activities on developing its core business along clear lines geared towards achieving its key medium- and long-term objectives.

This strategy also involved promoting projects and initiatives designed to ensure high quality standards in client service in response to evolving requirements and expectations.

To support these changes, the Bank pursued a policy of downsizing its commercial presence outside the main urban centres while boosting its expertise and efficiency, with specialists from head office on hand to overlap and dovetail with staff on the ground.

Our network was enhanced in February 2017 when we opened a new branch in Martigny. This is a real milestone as it marks our first presence in the canton of Valais, and it is pleasing to see that we have been well received. We hope to replicate the positive experience we have enjoyed in Neuchâtel, also in French-speaking Switzerland.

Our regional structure now comprises 20 brick-and-mortar offices based in seven cantons and the Principality of Monaco alongside our *Direct Banking* virtual branch.

Information technology is one of our priorities, not least because of the breadth of its scope.

During the year under review, we launched a new loan procedure that will allow many more mortgage-related tasks to be automated, thus increasing efficiency by reducing the time required to work through dossiers and manage operational risks.

Significant investments were made in various upgrades to *GoBanking*, the online banking system at BPS (SUISSE), which combined image with technical functionality and laid firm foundations suitable for providing adequate support to future enhancements.

Numerous projects to modernise operations “behind the scenes” were completed, some of which had been prompted by the need to incorporate new regulatory provisions or by the requirements of our banking group.

We also made major investments in training our staff. The process required to develop qualified client advisors is currently being implemented following a multi-year programme that complies with the regulations set out by our industry associations. Various modernisation measures are planned for our training setup.

The Bank’s growth also brought about an increase in its workforce, which had climbed to 316 at the end of the financial year (+9 since the previous year).

Customer deposits rose by 2% to CHF 4,881,900,000, underpinned by indirect deposits and assets under management. Direct deposits amounted to CHF 3,008,600,000 (-3%), while indirect deposits increased to CHF 1,873,300,000 (+12%).

Popso (Suisse) Investment Fund SICAV, the fund established under Luxembourg law that we manage, holds total assets worth CHF 764,700,000 (+12%).

Our 3rd-pillar pension foundation Life Benefit has assets consisting wholly of liquid investments in the amount of CHF 204,600,000 (-17%).

Encouraging growth in lendings was achieved while keeping a handle on the level of risk. Total assets stood at CHF 3,909,000,000 net of provisions (+5%). Mortgages, nearly all of them homeowner loans, accounted for CHF 3,473,000,000 (+6%) of this figure, while other amounts due from clients totalled CHF 436,100,000.

Deposits in the amount of CHF 354,500,000 (+29%) held via the central mortgage bond institution *Pfandbriefbank schweizerischer Hypothekarinstitute AG* benefited from preferential terms thanks to the institution’s top rating.

The fruits of our labour are illustrated in the income statement, which reveals significant growth year on year.

Boosted by higher volumes under management and more favourable terms for refinancing existing obligations, the *Net result from interest operations* amounted to CHF 43,200,000 (+11%).

Net commission and service income fell to CHF 24,183,000 (-4%), whilst commission income from securities trading held up well thanks to the good work done in Private Banking. Income from other services dropped as some sources of earnings from extraordinary operations in the previous year no longer applied.

The *Result from trading activities and the fair value option* came to CHF 23,349,000 (+7%), a particularly satisfying level in absolute terms as well. The contribution from ordinary client operations increased in line with the trend in assets under management, while that from foreign currency swaps also rose despite interest rate differentials being lower than expected.

Operating expenses amounted to CHF 67,763,000 (+3%). Personnel expenses rose to CHF 45,842,000 (+3%) as a result of the increased headcount and the formation of taskforces for specific projects. Similarly, general and administrative expenses also increased, up by 2% to CHF 21,920,000.

The item *Changes to provisions and other value adjustments, and losses* was positive at CHF 2,945,000 during the year under review following the release of provisions that were no longer required. The impact on the income statement was offset by bringing projects and IT developments forward and by subjecting assets acquired to accelerated depreciation.

The *Operating result* stood at CHF 18,530,000 (+18%).

Net profit for the year came to CHF 14,209,000 (+18%).

In view of the Bank's medium-term targets and following the general strategy of the Group of which it forms part, the Board of Directors recommends to the General Meeting of Shareholders that the net profit be allocated in full, i.e. in the amount of CHF 361,289,000 (+4%), to the statutory retained earnings reserve in accordance with article 22 of the Articles of Association. In line with the regulations set out to date by our parent bank, this sum is to be used to strengthen our asset base and enhance the sustainability aspect of the development plan for future operations.

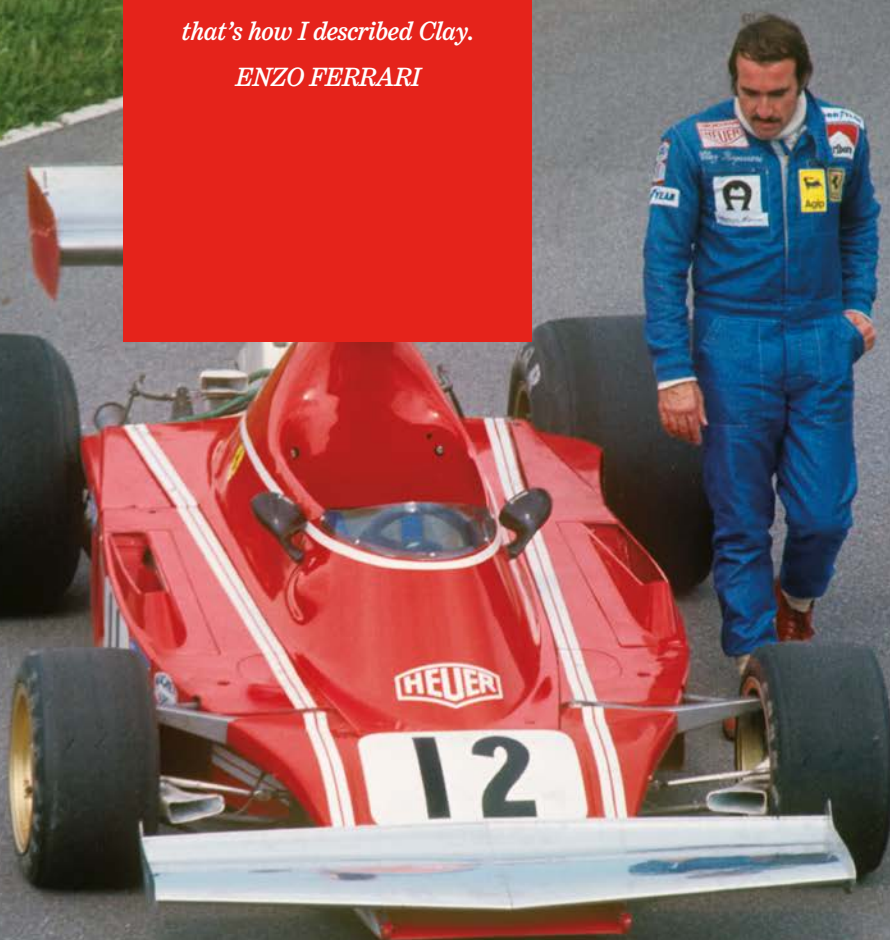
We would very much like to thank the supervisory authority FINMA, our new external auditors EY (Ernst & Young), our clients, our personnel and, last but not least, our parent bank, Banca Popolare di Sondrio.

Lugano, 5 February 2018

The Board of Directors



*He was a dancer, viveur, playboy and a driver in his spare time:
that's how I described Clay.
ENZO FERRARI*



Above:
Clay deep in thought, sitting behind
Enzo Ferrari, 1970.

Below:
Clay standing next to Lauda's
Ferrari 312 B3, 1974.

2017 FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2017 (WITH 2016 COMPARATIVE FIGURES)

ASSETS

| in CHF | Note | 2017 | 2016 | Change |
|---|------|----------------------|----------------------|-------------------|
| Liquid assets | | 687 288 547 | 744 365 898 | (57 077 351) |
| Amounts due from banks | | 283 017 336 | 402 831 405 | (119 814 069) |
| Amounts due from customers | 2 | 436 103 479 | 435 224 929 | 878 550 |
| Mortgage loans | 2 | 3 472 727 021 | 3 288 027 752 | 184 699 269 |
| Positive replacement values of derivative financial instruments | 4 | 81 721 702 | 8 975 089 | 72 746 613 |
| Financial investments | 5 | 60 859 460 | 51 489 235 | 9 370 225 |
| Accrued income and prepaid expenses | | 6 978 292 | 5 523 458 | 1 454 834 |
| Participations | 6, 7 | 1 190 728 | 1 190 728 | - |
| Tangible fixed assets | 8 | 18 310 438 | 23 167 603 | (4 857 165) |
| Other assets | 10 | 31 064 333 | 45 584 416 | (14 520 083) |
| Total assets | | 5 079 261 336 | 5 006 380 513 | 72 880 823 |
| Total subordinated claims | | - | - | - |

LIABILITIES

| in CHF | Note | 2017 | 2016 | Change |
|---|------|----------------------|----------------------|-------------------|
| Amounts due to banks | | 1 296 201 267 | 1 173 829 277 | 122 371 990 |
| Amounts due in respect of customer deposits | | 2 951 841 457 | 2 959 351 387 | (7 509 930) |
| Negative replacement values of derivative financial instruments | 4 | 29 610 703 | 67 342 270 | (37 731 567) |
| Cash bonds | 15 | 56 772 000 | 153 001 000 | (96 229 000) |
| Bond issues and central mortgage institution loans | 15 | 354 500 000 | 274 900 000 | 79 600 000 |
| Accrued expenses and deferred income | | 18 111 139 | 19 011 554 | (900 415) |
| Other liabilities | 10 | 4 774 365 | 4 017 971 | 756 394 |
| Provisions | 16 | 6 161 481 | 7 847 365 | (1 685 884) |
| Reserve for general banking risks | 16 | 15 000 000 | 15 000 000 | - |
| Share capital | 17 | 180 000 000 | 180 000 000 | - |
| Statutory capital reserve | | - | - | - |
| Statutory retained earnings reserve | | 152 079 689 | 140 011 976 | 12 067 713 |
| Voluntary retained earnings reserves | | - | - | - |
| Profit/Loss (result of the period) | | 14 209 235 | 12 067 713 | 2 141 522 |
| Total liabilities | | 5 079 261 336 | 5 006 380 513 | 72 880 823 |
| Total subordinated liabilities | | - | - | - |

OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2017
(WITH 2016 COMPARATIVE FIGURES)

| in CHF | Note | 2017 | 2016 | Change |
|------------------------------------|-------|---------------|---------------|---------------|
| Contingent liabilities | 2, 28 | 187 602 390 | 198 328 206 | (10 725 816) |
| Irrevocable commitments | 2 | 21 930 900 | 23 057 993 | (1 127 093) |
| Derivative financial instruments | 4 | 2 959 827 062 | 3 219 540 638 | (259 713 576) |
| Positive replacement values, gross | | 81 721 702 | 8 975 089 | 72 746 613 |
| Negative replacement values, gross | | 29 610 703 | 67 342 270 | (37 731 567) |
| Fiduciary transactions | 30 | 51 823 148 | 34 919 733 | 16 903 415 |

INCOME STATEMENT FOR THE 2017 FINANCIAL YEAR (WITH 2016 COMPARATIVE FIGURES)

| in CHF | Note | 2017 | 2016 | Change |
|--|------|---------------------|---------------------|--------------------|
| Interest income: | | | | |
| - Interest and discount income | 33 | 61 410 705 | 59 325 683 | 2 085 022 |
| - Interest and dividend income from financial investments | | 625 019 | 767 181 | (142 162) |
| - Interest and dividend income from trading portfolios | | (26) | 44 | (70) |
| Interest expense | | (17 730 224) | (20 797 539) | 3 067 315 |
| Gross result from interest operations | | 44 305 474 | 39 295 369 | 5 010 105 |
| Changes in value adjustments for default risks and losses from interest operations | | (1 105 440) | (241 749) | (863 691) |
| Subtotal net result from interest operations | | 43 200 034 | 39 053 620 | 4 146 414 |
| Commission income: | | | | |
| - from securities trading and investment activities | | 18 021 979 | 17 748 796 | 273 183 |
| - from lending activities | | 1 978 151 | 2 080 285 | (102 134) |
| - from other services | | 7 042 911 | 7 799 019 | (756 108) |
| Commission expense | | (2 860 155) | (2 498 175) | (361 980) |
| Subtotal result from commission business and services | | 24 182 886 | 25 129 925 | (947 039) |
| Result from trading activities and the fair value option | 32 | 23 349 201 | 21 851 371 | 1 497 830 |
| Result from the disposal of financial investments | | (304 460) | (643 267) | 338 807 |
| Income from participations | | 11 374 | 10 120 | 1 254 |
| Result from real estate | | 174 156 | 190 999 | (16 843) |
| Other ordinary income | | 76 685 | 1 106 693 | (1 030 008) |
| Other ordinary expenses | | (819 013) | (444 052) | (374 961) |
| Other result from ordinary activities | | (861 258) | 220 493 | (1 081 751) |
| Operating expenses: | | | | |
| Personnel expenses | 34 | (45 842 369) | (44 421 970) | (1 420 399) |
| General and administrative expenses | 35 | (21 920 421) | (21 499 718) | (420 703) |
| Total operating expenses | | (67 762 790) | (65 921 688) | (1 841 102) |

INCOME STATEMENT FOR THE 2017 FINANCIAL YEAR (CONTINUED)

| in CHF | Note | 2017 | 2016 | Change |
|--|------|-------------------|-------------------|------------------|
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets | 8 | (6 522 858) | (4 455 951) | (2 066 907) |
| Changes to provisions and other value adjustments, and losses | 36 | 2 944 876 | (136 419) | 3 081 295 |
| Operating result | | 18 530 091 | 15 741 351 | 2 788 740 |
| Extraordinary income | 36 | 543 238 | 415 520 | 127 718 |
| Extraordinary expenses | 36 | (24 094) | (56 771) | 32 677 |
| Changes in reserves for general banking risks | | - | - | - |
| Taxes | 39 | (4 840 000) | (4 032 387) | (807 613) |
| Profit/Loss (result of the period) | | 14 209 235 | 12 067 713 | 2 141 522 |

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT (WITH 2016 COMPARATIVE FIGURES)

| in CHF | Note | 2017 | 2016 | Change |
|---|------|-------------------|-------------------|------------------|
| Profit for the year | | 14 209 235 | 12 067 713 | 2 141 522 |
| Profit/Loss carried forward | | - | - | - |
| Available earnings | | 14 209 235 | 12 067 713 | 2 141 522 |
| The Board of Directors proposes to allocate the balance sheet profit totalling CHF 14 209 235 as at 31 December 2017 to the statutory retained earnings reserve | | | | |
| Retained earnings to be carried forward | | - | - | - |

CASH FLOW STATEMENT 2017 (WITH 2016 COMPARATIVE FIGURES)

CASH FLOW FROM OPERATING ACTIVITIES

| CHF in thousands | 2017 | | 2016 | |
|---|--------|-------------|--------|-------------|
| | Source | Utilisation | Source | Utilisation |
| Result of the period | 14 209 | - | 12 068 | - |
| Value adjustment on participations, depreciaton and amortisation of tangible fixed assets and intangible assets | 6 523 | - | 4 456 | - |
| Provisions and other value adjustments | - | 1 686 | 992 | - |
| Change in reserve for general banking risks | - | - | - | - |
| Accrued income and prepaid expenses | - | 1 455 | 228 | - |
| Accrued expenses and deferred income | - | 900 | 1 667 | - |
| Positive replacement values of derivative financial instruments | - | 72 747 | 11 061 | - |
| Negative replacement values of derivative financial instruments | - | 37 732 | 4 746 | - |
| Other assets | 14 520 | - | 17 898 | - |
| Other liabilities | 756 | - | - | 5 255 |
| Net operating cash flow | - | 78 512 | 47 861 | - |

CASH FLOW FROM SHAREHOLDER'S EQUITY TRANSACTIONS

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

CASH FLOW (STATEMENT) RESULTING FROM CHANGES IN FIXED ASSETS

| | | | | |
|---|-------|-------|---|-------|
| Participations | - | - | - | 68 |
| Real estate | - | 31 | - | 49 |
| Other fixed assets | 2 681 | 4 315 | - | 2 605 |
| Intangible fixed assets | - | - | - | - |
| Net cash flow from investment activities | - | 1 666 | - | 2 722 |

CASH FLOW STATEMENT 2017 (CONTINUED)

CASH FLOW FROM BANKING OPERATIONS

| CHF in thousands | 2017 | | 2016 | |
|--|---------|-------------|---------|-------------|
| | Source | Utilisation | Source | Utilisation |
| Balance brought forward | - | 80 178 | 47 861 | 2 722 |
| Non-current operations (> 1 year) | | | | |
| Amounts due to banks | 390 570 | - | 320 620 | - |
| Amounts due in respect of customer deposits | - | - | - | - |
| Cash bonds | - | 29 754 | - | 53 110 |
| Bond issues and central mortgage institution loans | 79 600 | - | 113 000 | - |
| Client loans | - | 1 012 | - | 13 678 |
| Mortgage loans | - | 185 127 | - | 43 122 |
| Financial investments | - | 5 324 | 9 383 | - |
| Current operations | | | | |
| Amounts due to banks | - | 268 198 | - | 367 815 |
| Amounts due in respect of customer deposits | - | 7 510 | 40 333 | - |
| Cash bonds | - | 66 475 | 24 249 | - |
| Amounts due from banks | 119 814 | - | 97 195 | - |
| Amounts due from customers | 134 | - | 49 753 | - |
| Mortgage loans | 428 | - | - | 191 713 |
| Financial investments | - | 4 045 | - | 10 869 |
| Trading portfolio assets/Trading portfolio liabilities | - | - | - | - |
| Net cash flow from banking activities | 23 101 | - | - | 25 774 |
| Total cash flow | 23 101 | 80 178 | 47 861 | 28 496 |
| Change in cash flow | 57 077 | - | - | 19 365 |

STATEMENT OF CHANGES IN EQUITY

| | Bank's capital | Statutory capital reserve | Statutory retained earnings reserve | Reserves for general banking risks | Own shares | Voluntary retained earnings reserves and profit carried forward | Net profit for the year | Total |
|--|--------------------|---------------------------------|--|---|---------------|---|----------------------------|--------------------|
| Equity at 01.01.2017 | 180 000 000 | - | 140 011 976 | 15 000 000 | - | - | 12 067 713 | 347 079 689 |
| Appropriation of net profit for 2016 | - | - | 12 067 713 | - | - | - | (12 067 713) | - |
| Capital increase | - | - | - | - | - | - | - | - |
| Profit/Loss (result of the period) | - | - | - | - | - | - | 14 209 235 | 14 209 235 |
| Equity as at 31 December 2017 before appropriation of net profit for 2017 | 180 000 000 | - | 152 079 689 | 15 000 000 | - | - | 14 209 235 | 361 288 924 |



What a fighter, what a heart, what a lion on the track! He was a true friend with whom I shared some amusing times in my life. But he was one of the toughest rivals.

MARIO ANDRETTI



Above:
Clay with Mario Andretti
on the Jarama circuit (Spain), 1972.

Below:
Start of the Spanish Grand Prix.
Lauda (no.12) on the inside
of the first bend and Regazzoni
(no.11) almost level with him,
Barcelona, 1975.

NOTES TO THE 2017 ANNUAL ACCOUNTS

1. DESCRIPTIONS OF SEGMENTS AND INFORMATION ON PERSONNEL

Banca Popolare di Sondrio (SUISSE) SA, a universal bank founded in Lugano on 3 May 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, a branch in St Moritz (with four agencies in Poschiavo, Castasegna, Pontresina and Samedan plus one sub-branch in Celerina), a branch in Bellinzona (with an agency in Biasca), and branches in Chiasso, Chur, Basel, Locarno, Zurich, Berne, Neuchâtel, Martigny and the Principality of Monaco. At the end of the year, our staff numbered 316 employees (end of 2016: 307 employees), which represented a total of 301.8 fulltime equivalent positions (2016: 292.8 FTEs).

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 Swiss Banking Ordinance (BO Arts. 25 et seqq.) as formalised in FINMA Circular 2015/1 "Accounting – banks" of 27 March 2014 according to the principle of "reliable assessment statutory single-entity financial statements". 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 recognised at face value, net of necessary adjustments in value. Interest received is recognised on a pro rata basis at the contractual interest rate.

Customer loans and mortgages are corrected with value adjustments to account for potential lending risk using an internal rating model. Writedowns of non-performing loans are determined on an individual basis.

Interest at risk is treated as prescribed by law. Accrued interest not collected within 90 days after the due date is provided for and deducted from the items "Due from clients" and "Mortgage loans".

FINANCIAL INVESTMENTS

Securities owned by the Bank but not held for trading and equity investments not meant to be held long term (interest- and dividend-bearing securities) are valued individually at the lower of purchase cost and market value.

PARTICIPATING INTERESTS

These are valued individually at purchase 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.

The assets acquired in 2017 were subjected to accelerated depreciation in accordance with the Legislative Decree of the Canton of Ticino enacted on 13 November 1996 and subsequently extended until 31 December 2019.

| | 2017 | 2016 |
|-------------------------------------|------------|------------|
| 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 |

DUE TO BANKS, DUE TO CLIENTS, CASH BONDS

Due to banks, due to clients and cash bonds are recognised at nominal value.

LOANS FROM CENTRAL MORTGAGE BOND INSTITUTIONS AND OTHER LOANS

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

PROVISIONS

Provisions, estimated reliably on the basis of prudence, are made for all risks identifiable on the balance sheet date.

REPLACEMENT VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are purchased/sold on behalf of clients and for the Bank's asset and liability management (hedging). The positive and negative replacement values of derivative financial instruments generated by clients and open at the balance sheet date are measured at fair value based on market price – or, if market price is not available, using common estimation methods and valuation models – and recognised in the balance sheet under “Derivative financial instruments: positive replacement values” or “Derivative financial instruments: negative replacement values”. For instruments traded on behalf of customers, the fair value change is recognised under “Result from trading activities”. 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 contained in “Other assets” or “Other liabilities”, without any effect on the income statement. If hedging operations relate to interest-bearing products, the fair value changes are recognised under “Net result from interest operations”.

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.

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 in the income statement in "Result from trading activities".

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 "Result from trading activities".

The year-end conversion rates used for the main currencies were as follows: EUR 1.1707 (2016: 1.0723); USD 0.9735 (2016: 1.0158).

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 RATE 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.

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.

CHANGES IN ACCOUNTING PRINCIPLES RELATING TO PRESENTATION AND VALUATION

There were no changes in the Bank's accounting principles relating to the preparation of its financial statements or to valuation in 2017 compared with the financial year ended 31 December 2016.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

Since the balance sheet date, no significant events have occurred that might have warranted inclusion in the 2017 annual financial statements.

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.. In February 2017 the Board of Directors updated its "Risk Appetite Framework". That document sets out the Bank's risk appetite and risk tolerance, including quantitative metrics designed for that purpose in the various risk categories.

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 2017/1 Circular "Corporate Governance - banks", which entered into force on 1 July 2017, the Bank has a Risk Control Department in charge of supervising, measuring and analysing the Bank's risk profile and ensuring its compliance with risk policies, risk limits and internal rules.

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, by a unit that is independent from the offices responsible for buying and selling and is based on parameters set out in the Bank's criteria. The risk classes are differentiated for retail customers (simplified criteria) and corporate customers, based on quantitative (analysis of the financial statements), qualitative and performance factors. Recovery rates are established as flat rates according to the type of collateral provided (mortgage, Lombard loan or unsecured) and the loan-to-value ratio.

Risk assessments are updated through regular controls, file reviews and the monitoring of normal debt servicing. On these occasions, changes can be made to the rating or recovery rate of the loan.

With regard to the credit risk, the Executive Board is authorised to review the parameters used to calculate value adjustments periodically or as required.

Value 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 value 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, the Bank allocates risks equally across its portfolio by diversifying investments to an appropriate extent.

Country risk refers to the aggregated risk that may apply when investments are made in foreign countries; it is mainly based on the domicile of the risk.

MARKET RISKS (PRICES, RATES, 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 such as 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 synchronise funding transactions with the use of the funds.

Interest rate swaps (macro hedges) are used if necessary 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 parent bank while receiving the floating rate indexed to the LIBOR.

From its parent bank, the Bank receives a summary of the effectiveness tests of outstanding interest rate swaps. The effectiveness criteria are those specified in International Accounting Standard IAS 39 (80-125%). Whether the hedging relationship qualifies as effective is determined in accordance with the hedge accounting rules contained in FINMA Circular 2015/1: "Accounting-banks". More specifically, at the start of the hedging relationship, the risk management strategy and the risk management objective derived therefrom are formally documented; in addition, the economic correlation between the basic transaction and the hedging transaction is determined.

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 have been 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.

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 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.

LIQUIDITY AND REFINANCING RISKS

Liquidity risk refers to the ability to access the market, the risk of failing to meet payment commitments and the risk of not being able to sell an asset or sell it at close to market prices.

The Bank obtains refinancing from its own resources, client assets deposited with the Bank, the parent bank and deposits made by other financial intermediaries. Repurchases agreements (repos) can also be carried out with other counterparty banks to minimise refinancing costs.

Capital and liquidity information in accordance with FINMA Circular 2016/1 "Publications – banks" is published separately on the Bank's website.

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.

Legal services are provided by a dedicated department at the Bank, which may liaise with external firms that specialise in certain fields or regions.

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 carefully selecting its reference markets.

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.

INFORMATION ON CORPORATE GOVERNANCE

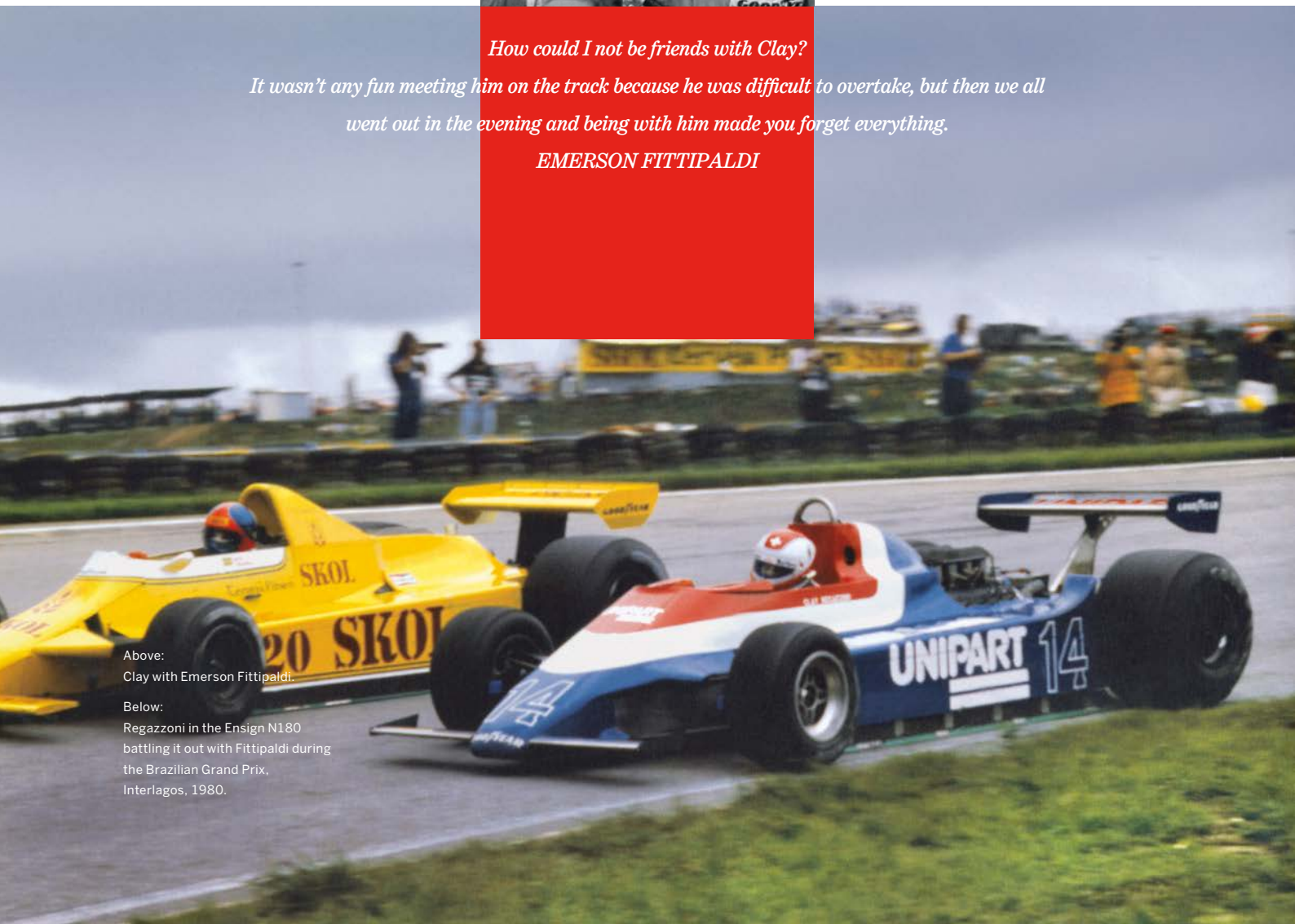
Corporate governance information in accordance with Annex 7 to FINMA Circular 2016/1 is available from the Bank's website.



How could I not be friends with Clay?

It wasn't any fun meeting him on the track because he was difficult to overtake, but then we all went out in the evening and being with him made you forget everything.

EMERSON FITTIPALDI



Above:
Clay with Emerson Fittipaldi.

Below:
Regazzoni in the Ensign N180
battling it out with Fittipaldi during
the Brazilian Grand Prix,
Interlagos, 1980.

1. BREAKDOWN OF SECURITIES FINANCING TRANSACTIONS (ASSETS AND LIABILITIES)

Not applicable.

2. PRESENTATION OF COLLATERAL FOR LOANS/RECEIVABLES AND OFF-BALANCE-SHEET TRANSACTIONS, AS WELL AS IMPAIRED LOANS/RECEIVABLES

in CHF

| | Type of collateral | | | |
|---|----------------------|---|-------------------|------------------------------|
| | Mortgage collateral | Other collateral | Unsecured | Total |
| Loans | | | | |
| Amounts due from customers | 167 861 239 | 236 198 718 | 53 507 685 | 457 567 642 |
| Mortgage loans | | | | |
| Residential property | 3 232 690 484 | - | - | 3 232 690 484 |
| Office and business premises | 239 996 188 | - | - | 239 996 188 |
| Commercial and industrial premises | 15 192 238 | - | - | 15 192 238 |
| Other | - | - | - | - |
| Total loans (before netting with value adjustments – table 16) at 31 December 2017 | 3 655 740 149 | 236 198 718 | 53 507 685 | 3 945 446 551 |
| Total at 31 December 2016 | 3 486 316 744 | 209 725 199 | 65 315 729 | 3 761 357 672 |
| Total loans (after netting with value adjustments) | 3 638 572 529 | 235 709 729 | 34 548 242 | 3 908 830 500 |
| Total at 31 December 2016 | 3 468 086 265 | 209 397 694 | 45 768 721 | 3 723 252 681 |
| Off-balance-sheet | | | | |
| Contingent liabilities | 1 806 155 | 141 146 774 | 44 649 461 | 187 602 390 |
| Irrevocable commitments | 7 395 619 | 651 855 | 13 883 426 | 21 930 900 |
| Credit commitments | - | - | - | - |
| Total at 31 December 2017 | 9 201 774 | 141 798 629 | 58 532 887 | 209 533 290 |
| Total at 31 December 2016 | 8 441 462 | 134 739 617 | 78 205 120 | 221 386 199 |
| Impaired loans | | | | |
| | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
| Total at 31 December 2017 | 31 548 203 | 10 903 280 | 20 644 923 | 20 644 923 |
| Total at 31 December 2016 | 26 071 108 | 5 937 113 | 20 133 995 | 20 133 995 |

3. BREAKDOWN OF TRADING PORTFOLIOS AND OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE

Not applicable.

4. PRESENTATION OF DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

| in CHF | Trading instruments | | | Hedging instruments | | |
|---|----------------------------|----------------------------|----------------------|----------------------------|----------------------------|--------------------|
| | Positive replacement value | Negative replacement value | Contract volumes | Positive replacement value | Negative replacement value | Contract volumes |
| Interest rate instruments | | | | | | |
| Forward contracts, FRAS | - | - | - | - | - | - |
| Swaps – IRS | - | - | - | - | 25 969 497 | 648 200 000 |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (exchange traded) | - | - | - | - | - | - |
| Foreing exchange/Precious metals | | | | | | |
| Forward contracts | 81 187 815 | 3 107 320 | 2 257 404 229 | - | - | - |
| Combined swaps (interest/currency) | - | - | - | - | - | - |
| Futures | 5 150 | 5 150 | 3 667 780 | - | - | - |
| Options (OTC) | 20 823 | 20 823 | 1 724 511 | - | - | - |
| Options (exchange traded) | - | - | - | - | - | - |
| Equity securities/Indices | | | | | | |
| Forward contracts | - | - | - | - | - | - |
| Swaps | - | - | - | - | - | - |
| Futures | 448 306 | 448 306 | 10 124 832 | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (exchange traded) | 56 523 | 56 523 | 13 032 319 | - | - | - |
| Credit derivatives | | | | | | |
| Credit default swaps | - | - | - | - | - | - |
| Total return swaps | - | - | - | - | - | - |
| First to default swaps | - | - | - | - | - | - |
| Other credit derivatives | - | - | - | - | - | - |
| Other | | | | | | |
| Forward contracts | - | - | 25 290 490 | - | - | - |
| Swaps | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (exchange traded) | 3 085 | 3 085 | 382 900 | - | - | - |
| Total before effect of netting contracts | | | | | | |
| Total at 31 December 2017 | 81 721 702 | 3 641 206 | 2 311 627 062 | - | 25 969 497 | 648 200 000 |
| Total at 31 December 2016 | 8 975 089 | 26 539 472 | 2 228 740 638 | - | 40 802 798 | 990 800 000 |

4. (CONTINUED)

in CHF

Total after netting agreements

| | Cumulative positive replacement value | Cumulative negative replacement value |
|----------------------------------|--|--|
| Total at 31 December 2017 | 81 721 702 | 29 610 703 |
| Total at 31 December 2016 | 8 975 089 | 67 342 270 |

The Bank has not concluded any netting agreements.

Breakdown by counterparty

| | Central clearing houses | Banks and securities dealers | Other customers |
|---|----------------------------|------------------------------------|--------------------|
| Positive replacement values (after netting agreements) at 31 December 2017 | - | 80 269 406 | 1 452 296 |

The internal effectiveness criteria as described in the Risk Management section for interest rate swaps used for hedging purposes are those defined by the parent bank (80–125%).

Any ineffective portion of hedging transactions is recognised in “Net income from trading operations”.

The replacement values of “Forward contracts” on foreign currencies are calculated based mainly on currency swaps conducted without forex risk for the Bank.

All spot (cash) transactions reported under “Forward contracts” in the “Other” item that occurred before 31 December 2017 and that had not been settled by the balance sheet date are shown as at their value date.

5. BREAKDOWN OF FINANCIAL INVESTMENTS

| in CHF | | Carrying value | | Market value | | |
|---|--|----------------|------------|--------------|------------|------------------|
| | | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 | |
| Financial investments | | | | | | |
| Debt securities | | | | | | |
| | | 38 130 596 | 36 921 371 | 38 293 726 | 36 975 307 | |
| Of which: | | | | | | |
| Own bonds or medium-term notes | | - | - | - | - | |
| Held to maturity | | - | - | - | - | |
| Valued at lower of cost or market | | 38 130 596 | 36 921 371 | 38 293 726 | 36 975 307 | |
| Equity securities | | | | | | |
| | | 4 078 864 | 3 028 864 | 4 412 306 | 3 063 412 | |
| Of which: | | | | | | |
| Qualified participations | | - | - | - | - | |
| Deposit bonds (purchase value) | | 2 000 000 | 2 000 000 | 2 000 000 | 2 000 000 | |
| Precious metals | | - | - | - | - | |
| Real estate | | 16 650 000 | 9 539 000 | 16 650 000 | 9 539 000 | |
| Total financial investments | | 60 859 460 | 51 489 235 | 61 356 032 | 51 577 719 | |
| Of which: | | | | | | |
| Securities eligible for repo transactions in accordance with liquidity requirements | | 12 786 713 | 11 133 055 | - | - | |
| Breakdown of counterparties by rating | | | | | | |
| At 31 December 2017 | | AAA to AA | A+ to A- | BBB+ to BBB- | BB + to B- | Below B- Unrated |
| Debt securities | | | | | | |
| Book values | | 38 130 596 | - | - | - | - |
| Equity securities | | | | | | |
| Book values | | - | - | - | 53 915 | - 4 024 949 |

6. PRESENTATION OF PARTICIPATIONS

in CHF

| | Acquisi- tion cost | Accu- mulated value adjustments and changes in book value | Book value previous year end | Reclassi- fications | Additions | Disposals | Value adjust- ments | Changes in book value of participa- tions valued using the equity method | Book value as at end of current year | Market value |
|-----------------------------|-----------------------|---|------------------------------------|------------------------|-----------|-----------|---------------------------|---|---|-----------------|
| Other participations | | | | | | | | | | |
| Market value | - | - | - | - | - | - | - | - | - | - |
| Without market value | 1 190 728 | - | 1 190 728 | - | - | - | - | - | 1 190 728 | N/A |
| Total | 1 190 728 | - | 1 190 728 | - | - | - | - | - | 1 190 728 | N/A |

7. DISCLOSURE OF COMPANIES IN WHICH THE BANK HOLDS A PERMANENT DIRECT OR INDIRECT SIGNIFICANT PARTICIPATION

| Company name and domicile | Business activity | Company capital | Share of capital (in %) | Share of votes (in %) | Held directly | Held indirectly |
|------------------------------|----------------------|--------------------|----------------------------|--------------------------|------------------|--------------------|
| Sofipo SA (in liquidation) | | | | | | |
| - Lugano | Fiduciary services | 2 000 000 | 30% | 30% | 600 000 | - |
| Pfandbriefbank - Zurich | Mortgage institution | 900 000 000 | 0.06% | 0.06% | 517 000 | - |

The share capital of the "Sofipo" participation is fully paid up.

In accordance with Art. 34 of the Swiss Banking Ordinance (BankO), there is no obligation to prepare consolidated financial statements as at 31 December 2017.

The costs relating to the purchase of the "Pfandbriefbank – Zurich" participation amount to CHF 590 728.

8. PRESENTATION OF TANGIBLE FIXED ASSETS

in CHF

Current year

| | Purchase price | Accumulated depreciation & amortisation | Book value as at 31.12.2016 | Reclassification | Additions | Disposals | Depreciation & amortisation | Revaluation | Book value as at 31.12.2017 |
|---|--------------------|---|-----------------------------|------------------|------------------|--------------------|-----------------------------|-------------|-----------------------------|
| Fixed assets | | | | | | | | | |
| Bank buildings | 22 353 194 | (8 907 319) | 13 445 875 | - | 30 973 | - | (608 059) | - | 12 868 789 |
| Other real estate | 276 660 | (111 660) | 165 000 | - | - | - | (11 000) | - | 154 000 |
| Proprietary or separately acquired software | 40 461 471 | (38 623 960) | 1 837 511 | - | 3 193 810 | - | (3 555 300) | - | 1 476 021 |
| Other tangible fixed assets | 82 326 323 | (74 607 106) | 7 719 217 | - | 1 121 660 | (2 680 750) | (2 348 499) | - | 3 811 628 |
| Capitalised cost (capital increase) | 895 128 | (895 128) | - | - | - | - | - | - | - |
| Total | 145 417 648 | (123 145 173) | 23 167 603 | - | 4 346 443 | (2 680 750) | (6 522 858) | - | 18 310 438 |
| Insurance value | | | | | | | | | |
| Property used by the Bank | - | - | 17 595 200 | - | - | - | - | - | 17 190 200 |
| Other tangible fixed assets | - | - | 35 162 000 | - | - | - | - | - | 32 662 000 |

9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF

| | Other assets | | |
|----------------------------------|-------------------|-------------------|---------------------|
| | 31.12.2017 | 31.12.2016 | Change |
| Compensation account | 25 969 497 | 40 802 798 | (14 833 301) |
| Swiss Federal Tax Administration | 1 807 216 | 1 462 786 | 344 430 |
| Suppliers | - | - | - |
| Others | 3 287 620 | 3 318 832 | (31 212) |
| Total | 31 064 333 | 45 584 416 | (14 520 083) |

| | Other liabilities | | |
|----------------------------------|-------------------|------------------|----------------|
| | 31.12.2017 | 31.12.2016 | Change |
| Swiss Federal Tax Administration | 1 051 670 | 1 221 017 | (169 347) |
| Suppliers | 2 499 932 | 1 189 897 | 1 310 035 |
| Others | 1 222 763 | 1 607 057 | (384 294) |
| Total | 4 774 365 | 4 017 971 | 756 394 |

11. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP AT 31 DECEMBER 2017

in CHF

| Pledged/assigned assets | Book values | Effective commitments |
|--|-------------|-----------------------|
| Mortgages securing loans at central mortgage bond institutions | 776 091 474 | 354 500 000 |
| Securities used as collateral at the SNB | 4 600 764 | No liabilities |
| Securities used as collateral at SIS | 5 211 332 | No liabilities |
| Securities repurchase (Repo) operations | - | - |
| Securities (financial investments) pledged to secure Repo operations | 2 974 617 | - |
| Assets under reservation of ownership | - | - |

12. DISCLOSURE OF LIABILITIES RELATING TO OWN PENSION PLANS, AND NUMBER AND NATURE OF EQUITY INSTRUMENTS OF THE BANK HELD BY OWN PENSION PLANS

Not applicable.

13. 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 subject to old age and survivors' insurance (OASI) contributions of up to 500% of the maximum basic OASI pension. Executives aged 40 or more 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 subject to OASI contributions that exceeds 500% of the maximum basic OASI pension. Executives aged 40 or more 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.

a) Employer contribution reserves (ECR)

| | Nominal value at current year end | Waiver of use at current year end | Net amount at current year end | Net amount at previous year end | Influence of ECR on personnel expenses at current year end | Influence of ECR on personnel expenses at previous year end |
|---|---|---|--------------------------------------|---------------------------------------|---|--|
| AGBR | | | | | | |
| Employer sponsored funds / employer spon- sored pension schemes | - | - | - | - | - | - |
| Pension schemes | - | - | - | - | - | - |

b) Presentation of the economic benefit/obligation and the pension expenses

| | Overfunding/ underfunding at end of current year | Economic interest of the bank/financial group at end of current year | Economic interest of the bank/financial group at end of previous year | Change in economic interest (economic benefit/ obligation) versus previous year | Contributions paid for the current period | Pension expenses in personnel expenses at end of current year | Pension expenses in personnel expenses at end of previous year |
|---|---|---|--|--|--|--|---|
| Pension plans with- out overfunding/ underfunding | - | - | - | - | - | 5 137 059 | 4 783 908 |

14. PRESENTATION OF ISSUED STRUCTURED PRODUCTS

Not applicable.

15. PRESENTATION OF BONDS OUTSTANDING AND MANDATORY CONVERTIBLE BONDS

CHF in thousands

| Maturities | Loans from central mortgage bond institutions | | | | | | | | Bond loans | | Grand total | |
|--------------|--|--------|--------|--------|--------|--------|--------|--------|------------|------------|-------------|------------|
| | Interest rate | | | | | | | | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Year | 0.050 | 0.175 | 0.300 | 0.425 | 0.550 | 0.675 | 0.800 | 1.050 | | | | |
| 2019 | - | 10 000 | - | - | - | - | - | - | - | - | 10 000 | 10 000 |
| 2020 | 20 000 | - | - | - | - | - | - | - | - | - | 20 000 | 20 000 |
| 2021 | 20 000 | - | - | - | - | - | - | - | - | - | 20 000 | 20 000 |
| 2022 | 12 400 | - | - | - | - | - | - | - | - | - | 12 400 | 7 400 |
| 2023 | - | 20 000 | - | - | - | - | - | 10 000 | - | - | 30 000 | 30 000 |
| 2024 | - | - | - | - | - | - | 20 000 | - | - | - | 20 000 | 20 000 |
| 2025 | - | 13 500 | - | 10 000 | 20 000 | 22 200 | - | - | - | - | 65 700 | 52 200 |
| 2026 | - | - | 20 000 | - | - | - | - | - | - | - | 20 000 | 10 000 |
| 2027 | - | 5 600 | - | - | - | - | - | - | - | - | 5 600 | 600 |
| 2028 | - | 13 600 | - | 1 500 | 39 700 | - | - | - | - | - | 54 800 | 49 700 |
| 2029 | - | - | - | - | 15 000 | - | - | - | - | - | 15 000 | 5 000 |
| 2030 | - | - | - | 20 000 | - | - | - | - | - | - | 20 000 | 20 000 |
| 2031 | - | - | - | - | - | 10 000 | - | - | - | - | 10 000 | 10 000 |
| 2032 | - | 15 000 | - | - | - | - | - | - | - | - | 15 000 | 10 000 |
| 2033 | - | - | - | - | - | 10 000 | - | - | - | - | 10 000 | 10 000 |
| 2035 | - | - | - | - | - | 5 000 | - | - | - | - | 5 000 | - |
| 2038 | - | - | 10 000 | - | - | - | 1 000 | - | - | - | 11 000 | - |
| 2039 | - | - | - | 5 000 | - | 5 000 | - | - | - | - | 10 000 | - |
| Total | 52 400 | 77 700 | 30 000 | 36 500 | 74 700 | 52 200 | 21 000 | 10 000 | - | - | 345 500 | 274 900 |

15. (CONTINUED)

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

| Interest rate | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Total |
|---------------|---------------|---------------|--------------|------------|------------|------------|------------|-----------|-----------|---------------|
| -0.230 % | 20 000 | | | | | | | | | 20 000 |
| 0.000 % | | 10 000 | 5 000 | | | | | | | 15 000 |
| 0.030 % | 800 | | | | | | | | | 800 |
| 0.050 % | 340 | 665 | 100 | | | | | | | 1 105 |
| 0.100 % | 50 | | 150 | 30 | | | | | | 230 |
| 0.125 % | 200 | | | | | | | | | 200 |
| 0.150 % | 650 | | | | | | | | | 650 |
| 0.200 % | | 140 | 360 | | | 10 | 50 | | | 560 |
| 0.250 % | | | | 100 | | | | | | 100 |
| 0.300 % | | | | | 180 | | | | 50 | 230 |
| 0.350 % | 12 636 | | | | | | | | | 12 636 |
| 0.500 % | | | 20 | | | | | | | 20 |
| 0.550 % | 100 | 175 | | | | | | | | 275 |
| 0.625 % | 145 | | | | | | | | | 145 |
| 0.750 % | | 85 | | | | | | | | 85 |
| 1.000 % | 158 | 245 | 1 472 | 85 | | | | | | 1 960 |
| 1.100 % | | | | 150 | | | | | | 150 |
| 1.125 % | | | 115 | 45 | | | | | | 160 |
| 1.250 % | 30 | | | 220 | 190 | | | | | 440 |
| 1.375 % | | 20 | | | 230 | 90 | 106 | 10 | | 456 |
| 1.500 % | 250 | | 136 | | | | | | | 386 |
| 1.625 % | 60 | 50 | 125 | 30 | | | | | | 265 |
| 1.750 % | | | 50 | | | | | | | 50 |
| 2.000 % | 60 | | | | | | | | | 60 |
| 2.125 % | 20 | | | 4 | | | | | | 24 |
| 2.250 % | | 15 | 10 | | | | | | | 25 |
| 2.375 % | 1 | | | 65 | | | | | | 66 |
| 2.500 % | | 246 | 10 | 250 | | | | | | 506 |
| 2.625 % | 100 | 88 | | | | | | | | 188 |
| Total | 35 600 | 11 729 | 7 548 | 979 | 600 | 100 | 156 | 10 | 50 | 56 772 |

16. PRESENTATION OF VALUE ADJUSTMENTS AND PROVISIONS, RESERVES FOR GENERAL BANKING RISKS, AND CHANGES THEREIN DURING THE CURRENT YEAR

| in CHF | Previous year end | Use in conformity with designated purpose | Change of purpose, with reclassification, transfers | Currency differences | Past due interest, recoveries | New creations charged to income | Releases to income | Balance at current year end |
|---|-------------------|---|---|----------------------|-------------------------------|---------------------------------|--------------------|-----------------------------|
| Provisions for deferred taxes | - | - | - | - | - | - | - | - |
| Provisions for pension benefit obligations | - | - | - | - | - | - | - | - |
| Provisions for off-balance-sheet operations | 802 593 | - | - | - | - | - | (319 384) | 483 210 |
| Provisions for other business risks | - | - | - | - | - | - | - | - |
| Provisions for restructuring | - | - | - | - | - | - | - | - |
| Other provisions | 7 044 772 | - | 1 405 000 | - | - | 48 000 | (2 819 500) | 5 678 271 |
| Total provisions | 7 847 365 | - | 1 405 000 | - | - | 48 000 | (3 138 884) | 6 161 481 |
| Reserve for general banking risks | 15 000 000 | - | - | - | - | - | - | 15 000 000 |

| | | | | | | | | |
|--|-------------------|--------------------|--------------------|----------------|--------------------|------------------|------------------|-------------------|
| Value adjustments for default and country risks (deducted from the balance sheet receivables) | 38 104 991 | (1 201 569) | (1 405 000) | 291 171 | (4 988 984) | 5 930 853 | (115 411) | 36 616 051 |
|--|-------------------|--------------------|--------------------|----------------|--------------------|------------------|------------------|-------------------|

Of which:

| | | | | | | | | |
|--|------------|-------------|-----------|---------|-----------|-----------|---------|------------|
| Value adjustments for default risks in respect of impaired loans/receivables | 20 133 995 | (1 100 072) | (566 000) | 253 741 | (310 948) | 2 241 822 | (9 637) | 20 642 901 |
| Value adjustments for latent risks | - | - | - | - | - | - | - | - |

The "Reserve for general banking risks" is not taxed.

The item "Other provisions" mainly comprises value adjustments on properties acquired at auction, which are reported under "Financial investments", and provisions for legal disputes.

17. PRESENTATION OF THE BANK'S CAPITAL

| in CHF | Current year | | | Previous year | | |
|---------------|--------------|------------------|-------------------|---------------|------------------|-------------------|
| | Par value | Number of shares | Par value holding | Par value | Number of shares | Par value holding |
| Share capital | 180 000 000 | 1 800 000 | 180 000 000 | 180 000 000 | 1 800 000 | 180 000 000 |

The share capital is fully paid up.

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 makeup of its shareholders. In accordance with the law, a shareholder may not hold more than 0.5% of the share capital and inclusion in the shareholders' register is subject to an approval clause. Each shareholder is entitled to one vote at the General Meeting of Shareholders, irrespective of the number of shares held. The shares are listed on the Electronic Share Market (MTA) of the Milan Stock Exchange.

18. NUMBER AND VALUE OF EQUITY SECURITIES OR OPTIONS ON EQUITY SECURITIES HELD BY ALL EXECUTIVES AND DIRECTORS AND BY EMPLOYEES, AND DISCLOSURES ON ANY EMPLOYEE PARTICIPATION SCHEMES

| | Number of participation rights in Banca Popolare di Sondrio Scpa, Italy | | Value in CHF of participation rights in Banca Popolare di Sondrio Scpa, Italy | | Number of options | | Value in CHF of options | |
|-----------------------------------|---|--------------|---|---------------|-------------------|------------|-------------------------|------------|
| | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Members of the Board of Directors | - | - | - | - | - | - | - | - |
| Members of the Board of Directors | 15 609 | 8 792 | 53 915 | 29 490 | - | - | - | - |
| Employees | - | - | - | - | - | - | - | - |
| Total | 15 609 | 8 792 | 53 915 | 29 490 | - | - | - | - |

Disclosures on the participation plan

Insofar as it exceeds the materiality threshold set by the Board of Directors in terms of either its amount or its impact on the fixed remuneration component, the variable component agreed is subject to the rules governing deferral and payment with financial instruments that are deemed expedient to ensure compliance with the company's long-term targets, taking account of the limits applied to the variable remuneration:

- an up-front instalment corresponding to 60% of the total is paid by June of the following year;
- three equal annual instalments adding up to 40% of the total shall be deferred for three years from the year following that in which the up-front instalment is paid;
- 50% of the up-front instalment and 50% of the deferred instalment shall be paid in the form of shares in Banca Popolare di Sondrio. These shares shall be subject to a retention period lasting two years in respect of the up-front payment and one year in the case of the deferred payment.

19. DISCLOSURE OF AMOUNTS DUE FROM/TO RELATED PARTIES

| in CHF | Amounts due from | | | Amounts due to | | |
|--|--------------------|-------------|---------------|----------------------|---------------|------------|
| | 31.12.2017 | 31.12.2016 | Change | 31.12.2017 | 31.12.2016 | Change |
| Holders of qualified participations | | | | | | |
| Group companies | 213 094 254 | 341 527 009 | (128 432 755) | 1 145 362 573 | 1 128 061 043 | 17 301 530 |
| Governing bodies | 9 146 502 | 9 095 000 | 51 502 | 4 726 376 | 5 658 189 | (931 813) |

The amounts due from governing bodies are in the form of mortgages and granted in compliance with usual loan-to-value ratios.

The above amounts due from and to the Bank's governing bodies have been loaned on the same terms and conditions as are offered to staff.

Transactions with group companies have been undertaken on market terms and conditions.

20. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

All shares have been held by the parent company since the Bank was established.

21. DISCLOSURE OF OWN SHARES AND COMPOSITION OF EQUITY CAPITAL

The parent company holds 100 % of the equity capital, as it did in the 2016 financial year.

22. DISCLOSURES IN ACCORDANCE WITH THE ORDINANCE AGAINST EXCESSIVE COMPENSATION WITH RESPECT TO LISTED STOCK CORPORATIONS AND ARTICLE 663C PARA. 3 CO FOR BANKS WHOSE EQUITY SECURITIES ARE LISTED

Not applicable.

23. PRESENTATION OF THE MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

in CHF

| 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 |
| Assets/financial instruments | | | | | | | | |
| Liquid assets | 687 288 547 | - | - | - | - | - | - | 687 288 547 |
| Amounts due from banks | 103 317 336 | - | 179 700 000 | - | - | - | - | 283 017 336 |
| Amounts due from clients | 4 816 386 | 199 202 886 | 76 770 789 | 104 173 162 | 34 103 988 | 17 036 268 | - | 436 103 479 |
| Mortgage loans | 14 691 814 | 277 541 161 | 247 689 299 | 557 930 967 | 1 653 839 490 | 721 034 290 | - | 3 472 727 021 |
| Positive replacement values of derivative financial instruments | 81 721 702 | - | - | - | - | - | - | 81 721 702 |
| Financial investments | 4 078 863 | - | 12 784 185 | 9 313 164 | 17 542 683 | 490 565 | 16 650 000 | 60 859 460 |
| Total at 31.12.2017 | 895 914 649 | 476 744 046 | 516 944 273 | 671 417 293 | 1 705 486 161 | 738 561 123 | 16 650 000 | 5 021 717 546 |
| Total at 31.12.2016 | 899 307 932 | 439 857 426 | 707 443 645 | 605 533 315 | 1 538 695 200 | 730 537 790 | 9 539 000 | 4 930 914 307 |
| Amounts due to third parties | | | | | | | | |
| Amounts due to banks | 125 979 532 | - | 175 126 735 | 175 605 000 | 819 490 000 | - | - | 1 296 201 267 |
| Amounts due in respect of customer deposits | 1 792 519 181 | 913 193 102 | 128 865 483 | 117 263 691 | - | - | - | 2 951 841 457 |
| Negative replacement values of derivative financial instruments | 29 610 703 | - | - | - | - | - | - | 29 610 703 |
| Cash bonds | - | - | 1 410 000 | 34 190 000 | 20 856 000 | 316 000 | - | 56 772 000 |
| Bond issues and central mortgage institution loans | - | - | - | - | 62 400 000 | 292 100 000 | - | 354 500 000 |
| Total at 31.12.2017 | 1 948 109 416 | 913 193 102 | 305 402 218 | 327 058 691 | 902 746 000 | 292 416 000 | - | 4 688 925 428 |
| Total at 31.12.2016 | 1 835 783 601 | 860 004 194 | 443 427 476 | 734 462 664 | 529 030 000 | 225 716 000 | - | 4 628 423 934 |

24. PRESENTATION OF ASSETS AND LIABILITIES BY DOMESTIC AND FOREIGN ORIGIN IN ACCORDANCE WITH THE DOMICILE PRINCIPLE

| CHF in thousands | 31.12.2017 | | 31.12.2016 | |
|---|------------------|------------------|------------------|------------------|
| | Switzerland | Abroad | Switzerland | Abroad |
| Assets | | | | |
| Liquid assets | 686 674 | 615 | 743 768 | 598 |
| Amounts due from banks | 34 485 | 248 532 | 35 597 | 367 235 |
| Amounts due from customers | 303 800 | 132 303 | 308 305 | 126 920 |
| Mortgage loans | 3 472 727 | - | 3 288 028 | - |
| Positive replacement values of derivative financial instruments | 51 255 | 30 467 | 4 539 | 4 436 |
| Financial investments | 20 203 | 40 656 | 16 213 | 35 276 |
| Accrued income and prepaid expenses | 6 715 | 263 | 5 131 | 392 |
| Participations | 1 191 | - | 1 191 | - |
| Tangible fixed assets | 18 175 | 135 | 20 316 | 2 851 |
| Other assets | 30 829 | 236 | 45 182 | 402 |
| Total assets | 4 626 053 | 453 208 | 4 468 269 | 538 111 |
| Liabilities | | | | |
| Amounts due to banks | 124 182 | 1 172 019 | 39 564 | 1 134 265 |
| Amounts due in respect of customer deposits | 1 864 787 | 1 087 055 | 1 868 342 | 1 091 009 |
| Negative replacement values of derivative financial instruments | 27 720 | 1 891 | 59 910 | 7 432 |
| Cash bonds | 56 772 | - | 153 001 | - |
| Bond issues and central mortgage institution loans | 354 500 | - | 274 900 | - |
| Accrued expenses and deferred income | 15 273 | 2 838 | 17 117 | 1 894 |
| Other liabilities | 4 524 | 251 | 3 800 | 218 |
| Provisions | 6 143 | 18 | 7 847 | - |
| Reserve for general banking risks | 15 000 | - | 15 000 | - |
| Share capital | 180 000 | - | 180 000 | - |
| Statutory capital reserve | - | - | - | - |
| Statutory retained earnings reserve | 152 080 | - | 140 012 | - |
| Voluntary retained earnings reserve | - | - | - | - |
| Profit/Loss (result of the year) | 14 209 | - | 12 068 | - |
| Total liabilities | 2 815 190 | 2 264 071 | 2 771 562 | 2 234 818 |

25. BREAKDOWN OF TOTAL ASSETS BY COUNTRY OR GROUP OF COUNTRIES

| CHF in thousands | 31.12.2017 | | 31.12.2016 | |
|---------------------|------------------|-------------|------------------|-------------|
| | Total | in % | Total | in % |
| Switzerland | 4 626 053 | 91% | 4 468 270 | 89% |
| Italy | 251 031 | 5% | 381 556 | 8% |
| OECD countries | 152 854 | 3% | 110 966 | 2% |
| Other countries | 49 324 | 1% | 45 589 | 1% |
| Total assets | 5 079 261 | 100% | 5 006 381 | 100% |

26. BREAKDOWN OF TOTAL ASSETS BY CREDIT RATING OF COUNTRY GROUPS
(RISK DOMICILE VIEW)

| Country | Rating Fitch | Net foreign exposure At 31 December 2017 | | Net foreign exposure At 31 December 2016 | |
|----------------|--------------|---|---------------|---|---------------|
| | | In CHF | Share as % | In CHF | Share as % |
| Germany | AAA | 67 699 472 | 14.94 | 40 473 779 | 7.52 |
| Canada | AAA | - | 0.00 | 1 266 | 0.00 |
| Luxembourg | AAA | 14 086 662 | 3.11 | 9 645 023 | 1.79 |
| Netherlands | AAA | 2 535 863 | 0.56 | 1 094 359 | 0.20 |
| Sweden | AAA | 8 756 827 | 1.93 | 9 106 484 | 1.69 |
| Singapore | AAA | 102 | 0.00 | - | 0.00 |
| USA | AAA | 7 566 | 0.00 | 2 502 905 | 0.47 |
| United Kingdom | AA | 21 157 103 | 4.67 | 16 112 135 | 2.99 |
| Belgium | AA | 6 126 413 | 1.35 | 4 903 962 | 0.91 |
| France | AA | 21 616 725 | 4.77 | 20 627 274 | 3.83 |
| Saudi Arabia | AA | 22 | 0.00 | - | 0.00 |
| Israel | A+ | 100 701 | 0.02 | 2 264 196 | 0.42 |
| Ireland | A+ | 304 716 | 0.07 | 54 | 0.00 |
| Spain | A- | 4 909 563 | 1.08 | 674 286 | 0.13 |
| Thailand | BBB+ | 99 992 | 0.02 | 103 861 | 0.02 |
| Italy | BBB | 251 031 074 | 55.39 | 381 555 794 | 70.91 |
| Panama | BBB | 1 218 474 | 0.27 | 1 393 031 | 0.26 |
| Russia | BBB- | 8 817 | 0.00 | 2 386 766 | 0.44 |
| Brazil | BB | 700 776 | 0.15 | 704 615 | 0.13 |
| Egypt | B+ | - | 0.00 | 4 | 0.00 |
| Greece | B- | 74 176 | 0.02 | 107 992 | 0.02 |
| Monaco | Ohne Rating | 44 388 687 | 9.79 | 38 409 168 | 7.14 |
| Others | Ohne Rating | 8 385 046 | 1.85 | 6 044 370 | 1.12 |
| Total | | 453 208 779 | 100.00 | 538 111 324 | 100.00 |

The Fitch rating for Switzerland is AAA.

27. PRESENTATION OF ASSETS AND LIABILITIES BROKEN DOWN BY THE MOST SIGNIFICANT CURRENCIES FOR THE BANK

CHF in thousands

| Assets | CHF | EUR | USD | Other | Total |
|---|------------------|------------------|----------------|---------------|------------------|
| Liquid Assets | 682 255 | 4 576 | 304 | 154 | 687 289 |
| Amounts due from banks | 182 215 | 66 660 | 2 388 | 31 754 | 283 017 |
| Amounts due from customers | 271 205 | 152 686 | 5 598 | 6 614 | 436 103 |
| Mortgage loans | 3 410 258 | 62 470 | - | - | 3 472 727 |
| Positive replacement values of derivative financial instruments | 81 059 | 98 | 466 | 98 | 81 722 |
| Financial investments | 28 119 | 1 615 | 31 126 | - | 60 859 |
| Accrued income and prepaid expenses | 7 805 | (858) | 23 | 8 | 6 978 |
| Participations | 1 191 | - | - | - | 1 191 |
| Tangible fixed assets | 18 175 | 135 | - | - | 18 310 |
| Other assets | 29 574 | 1 468 | 21 | 1 | 31 064 |
| Total assets in the balance sheet | 4 711 855 | 288 850 | 39 927 | 38 630 | 5 079 261 |
| Off-balance-sheet claims due from foreign exchange spot, forward and option transactions | 45 153 | 1 903 624 | 300 049 | 34 736 | 2 283 563 |
| Total assets at 31.12.2017 | 4 757 008 | 2 192 474 | 339 976 | 73 366 | 7 362 824 |
| Liabilities | | | | | |
| Amounts due to banks | 71 493 | 1 198 984 | 22 889 | 2 835 | 1 296 201 |
| Amounts due in respect of customer deposits | 1 728 845 | 902 490 | 269 236 | 51 270 | 2 951 841 |
| Negative replacement values of derivative financial instruments | 28 769 | 627 | 20 | 195 | 29 611 |
| Cash bonds | 56 772 | - | - | - | 56 772 |
| Loans from central mortgage bond institutions | 354 500 | - | - | - | 354 500 |
| Accrued liabilities and deferred income | 15 854 | 1 754 | 454 | 49 | 18 111 |
| Other liabilities | 4 057 | 708 | 7 | 3 | 4 774 |
| Provisions | 6 143 | 18 | - | - | 6 161 |
| Reserve for general banking risks | 15 000 | - | - | - | 15 000 |
| Share capital | 180 000 | - | - | - | 180 000 |
| Statutory capital reserve | - | - | - | - | - |
| Statutory retained earnings reserve | 152 080 | - | - | - | 152 080 |
| Voluntary retained earnings reserves | - | - | - | - | - |
| Profit/Loss (result of the period) | 14 209 | - | - | - | 14 209 |
| Total liabilities in the balance sheet | 2 627 722 | 2 104 581 | 292 606 | 54 352 | 5 079 261 |
| Off-balance-sheet claims by foreign exchange spot, forward and option transactions | 2 120 593 | 93 569 | 50 772 | 18 629 | 2 283 563 |
| Total liabilities at 31.12.2017 | 4 748 315 | 2 198 150 | 343 378 | 72 981 | 7 362 824 |
| Net position by currency | 8 693 | (5 677) | (3 402) | 386 | - |

28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

| in CHF | 31.12.2017 | 31.12.2016 | Change |
|--|--------------------|--------------------|---------------------|
| Guarantees to secure credits and similar | 165 633 049 | 183 144 309 | (17 511 259) |
| Performance guarantees and similar | - | - | - |
| Irrevocable commitments arising from documentary letters of credit | 21 969 341 | 15 183 897 | 6 785 444 |
| Other contingent liabilities | - | - | - |
| Total contingent liabilities | 187 602 390 | 198 328 206 | (10 725 815) |
| Contingent assets arising from tax losses carried forward | - | - | - |
| Other contingent assets | - | - | - |
| Total contingent assets | - | - | - |

29. BREAKDOWN OF CREDIT COMMITMENTS

Not applicable.

30. BREAKDOWN OF FIDUCIARY TRANSACTIONS

| in CHF | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|-------------------|
| Fiduciary investments with third-party companies | 14 436 843 | 675 832 | 13 761 011 |
| Fiduciary investment with group companies and linked companies | 37 386 305 | 34 243 901 | 3 142 404 |
| Total | 51 823 148 | 34 919 733 | 16 903 415 |

31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

| CHF in million | 31.12.2017 | 31.12.2016 | Change |
|---|----------------|----------------|--------------|
| A) Type of managed assets | | | |
| Assets in collective investment schemes managed by the bank | 764.7 | 680.0 | 84.7 |
| Assets under discretionary asset management agreements | 368.0 | 349.3 | 18.7 |
| Other managed assets | 4 513.9 | 4 430.9 | 83.0 |
| Total managed assets (including double counting) | 5 646.6 | 5 460.2 | 186.4 |
| Of which, double-counted assets | 284.2 | 254.4 | 29.8 |
| Net increase/(decrease) (including double-counted assets) | (181.0) | (286.2) | 105.2 |

"Other managed assets" encompass all the assets deposited by clients in respect of which the Bank performs any services, including those of an administrative nature. Loans to clients are not deducted from this amount. The Bank calculates deposits/(withdrawals) by clients net of any accrued interest, exchange rate differences, variations in rates, commissions and debited expenses.

B) Presentation of the development of managed assets

| | | | |
|--|----------------|----------------|--------------|
| Total managed assets (including double counting) at beginning of year | 5 460.2 | 5 555.3 | (95.1) |
| +/- net new money inflow or net new money outflow | (181.0) | (286.2) | 105.2 |
| +/- price gains/losses, interest, dividends and currency gains/losses | 367.4 | 191.1 | 176.3 |
| +/- other effects | - | - | - |
| Total managed assets (including double counting) at end of year | 5 646.6 | 5 460.2 | 186.4 |

32. BREAKDOWN OF THE RESULT FROM TRADING ACTIVITIES AND THE FAIR VALUE OPTION

| in CHF | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|------------------|
| Interest rate instruments (including funds) | - | - | - |
| Equity securities (including funds) | (4 288) | (5 165) | 877 |
| Foreign currencies | 22 992 740 | 21 860 685 | 1 132 055 |
| Commodities/precious metals | 360 749 | (4 149) | 364 898 |
| Total result from trading activities | 23 349 201 | 21 851 371 | 1 497 830 |

33. DISCLOSURE OF MATERIAL REFINANCING INCOME IN THE ITEM INTEREST AND DISCOUNT INCOME AS WELL AS MATERIAL NEGATIVE INTEREST

The item "Interest and discount income" contains CHF 6.58 million in negative interest, CHF 5.8 million of which is attributable to the floating rate in interest rate swaps used for hedging.

34. BREAKDOWN OF PERSONNEL EXPENSES

| in CHF | 31.12.2017 | 31.12.2016 | Change |
|--|-------------------|-------------------|------------------|
| Salaries | 35 755 321 | 34 856 281 | 899 040 |
| Of which: | | | |
| Expenses relating to share-based compensation and alternative forms of variable compensation | 3 120 000 | 3 430 000 | (310 000) |
| Social insurance benefits | 8 536 211 | 7 918 024 | 618 187 |
| Other personnel expenses | 1 550 837 | 1 647 665 | (96 828) |
| Total | 45 842 369 | 44 421 970 | 1 420 399 |

35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

| in CHF | 31.12.2017 | 31.12.2016 | Change |
|---|-------------------|-------------------|----------------|
| Office space expenses | 7 215 619 | 7 019 305 | 196 314 |
| Expenses for information and communications technology | 2 231 489 | 2 336 206 | (104 717) |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 5 674 821 | 5 300 407 | 374 414 |
| Fees of audit firm | 607 489 | 638 493 | (31 004) |
| Of which: | | | |
| for financial and regulatory audits | 607 489 | 638 493 | (31 004) |
| for other services | - | - | - |
| Other operating expenses | 6 191 003 | 6 205 307 | (14 304) |
| Total | 21 920 421 | 21 499 718 | 420 703 |

36. EXPLANATIONS REGARDING MATERIAL LOSSES, EXTRAORDINARY INCOME AND EXPENSES, AS WELL AS MATERIAL RELEASES OF HIDDEN RESERVES, RESERVES FOR GENERAL BANKING RISKS, AND VALUE ADJUSTMENTS AND PROVISIONS NO LONGER REQUIRED

"Extraordinary income" mainly comprises an allocation from composition proceedings in the amount of CHF 177 616, a dividend from composition proceedings in the amount of CHF 31 172, proceeds from legal proceedings in the amount of CHF 31 050, and an unrealised obligation reported under "Other liabilities" in the amount of CHF 287 228. "Extraordinary liabilities" in the amount of CHF 24 000 are attributable to various arrangements.

The item "Changes to provisions and other value adjustments, and losses" relate to the release of provisions no longer required, due in particular to the ending of legal proceedings in the Bank's favour.

37. DISCLOSURE OF AND REASONS FOR REVALUATIONS OF PARTICIPATIONS AND TANGIBLE FIXED ASSETS UP TO ACQUISITION COST AT MAXIMUM

No revaluation was performed in the year under review.

38. PRESENTATION OF THE OPERATING RESULT BROKEN DOWN ACCORDING TO DOMESTIC AND FOREIGN ORIGIN, ACCORDING TO THE PRINCIPLE OF PERMANENT ESTABLISHMENT

| in CHF | 31.12.2017 | | |
|--|-------------------|------------------|-------------------|
| | Switzerland | Abroad* | Total |
| Net result from interest operations | 40 019 915 | 3 180 119 | 43 200 034 |
| Net commission and service income | 22 316 296 | 1 866 590 | 24 182 886 |
| Result from trading activities and the fair value option | 22 910 643 | 438 558 | 23 349 201 |
| Other result from ordinary activities | (814 300) | (46 958) | (861 258) |
| Operating expenses | 64 051 732 | 3 711 058 | 67 762 790 |
| Operating result | 20 380 822 | 1 727 251 | 22 108 073 |

* The "Abroad" column refers to the branch in the Principality of Monaco.

39. PRESENTATION OF CURRENT TAXES, DEFERRED TAXES, AND DISCLOSURE OF TAX RATE

At 31 December 2017 there were only current taxes amounting to CHF 4 840 000.

40. DISCLOSURES AND EXPLANATIONS OF THE EARNINGS PER EQUITY SECURITY IN THE CASE OF LISTED BANKS

Not applicable.

INDEPENDENT AUDITORS' REPORT



Ernst & Young Ltd
Corso Elvezia 9
P.O. Box
CH-6901 Lugano

Phone +41 58 286 24 24
Fax +41 58 286 24 00
www.ey.com/ch

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

Lugano, 30 January 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited financial statements of Banca Popolare di Sondrio (Suisse) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 21-58), for the year ended 31 December 2017.



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 2017 comply with Swiss law and the company's articles of incorporation.

Other matter

The financial statements of Banca Popolare di Sondrio (Suisse) SA for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 3 February 2017.



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.

Ernst & Young Ltd



Erico Bertoli
Licensed audit expert
(Auditor in charge)



Beatrice Groppelli
Licensed audit expert

OUR PRODUCTS AND SERVICES

CURRENT ACCOUNTS

DEPOSIT AND INVESTMENT ACCOUNTS

FIDUCIARY AND FORWARD DEPOSITS

LIFE BENEFIT - PILLAR 3A RETIREMENT ACCOUNT

CREDIT AND OTHER BANK CARDS

PACKAGE OF BANKING SERVICES

PAYMENT TRANSFERS

SAFE DEPOSIT BOXES

SECURITIES CUSTODY

ASSET MANAGEMENT
AND INVESTMENT ADVISORY SERVICES

INVESTMENT ADVISORY

INVESTMENT FUNDS
POPSO (SUISSE) INVESTMENT FUND SICAV

MEDIUM-TERM NOTE ISSUES

EXCHANGE AND TRANSACTIONS IN FOREIGN CURRENCIES
AND PRECIOUS METALS

MORTGAGE, LOMBARD AND COMMERCIAL LOANS

DOCUMENTARY CREDITS AND COLLECTIONS

GUARANTEES AND SURETYSHIPS

LIFE INSURANCE PRODUCTS

GOBANKING (e-BANKING)

CALL CENTRE 00 800 800 767 76

FOREWORD

Sport has played and continues to play a pivotal role in the vast field of human knowledge. The literary works of antiquity frequently tell of competitions organised in celebration of major events or to mark important occasions. You needn't look far – just think of Homer's *Iliad* and *Odyssey* or Virgil's *Aeneid*, for example.

Games – in other words sports – are an inherent part of human life that allows us to put our physical and psychological capabilities to the test in order to develop our muscles and minds. Just like in music, sport brings joy to anyone who plays it or takes an interest in it, breaking down barriers and bringing people together. One person who dedicated heart and soul to sport was the Swiss-born Clay (Gian Claudio Giuseppe) Regazzoni, who was born in Lugano on 5 September 1939. He adored cars and motorsport and began competing in Formula 3 at the age of 24. Regazzoni is the hero of the monograph that makes up the cultural section of the BPS (SUISSE) 2017 Annual Report.

The talented Swiss racer competed in numerous Formula 3, 2 and 1 races and was known for his iron will, indisputable skill and consistently outstanding results, which regularly saw him finish first or in the top few places. These achievements always earned him widespread acclaim accompanied by wonder and admiration. He made his Formula 1 debut in 1970 at the wheel of a Ferrari. The fireball of the eponymous Italian car manufacturer known for its prancing horse mascot, the Ferrari embodies a glorious history of responsibility, sacrifice and success.

Regazzoni was an instinctive driver with an aggressive yet steady driving style. His in-depth knowledge of mechanics gained at his family's body shop helped him get his racing cars ready for action.

His competitive career broke off in 1980 on the Californian circuit in Long Beach following a serious accident that left the champion in a wheelchair.

However, Clay Regazzoni battled against the struggles that had so suddenly befallen him and believed he still had something left to offer his fans and the world of motorsport. His determination and extraordinary passion for cars coupled with his strong desire to be of use to people – despite everything – prompted him, among other things, to design hand-controlled driving systems. In this way, Regazzoni promoted the integration of the disabled into sport – a group for which he felt a particular affinity. He was one of the founders of the Federazione Italiana Sportiva Automobilismo Patenti Speciali [Italian Motorsport Federation for Special Licences, FISAPS]. His work with associations and charitable organisations, to which he gave both his time and money, were testament to the exceptional altruism which was such a natural part of who he was and which, strange though it may seem, was only sharpened by his disability. Even after his dreadful accident in the US, he managed to rediscover and maintain his positive outlook and easy-going nature.

The fearless driver from Ticino was 67 at the time of his death on 15 December 2006, when his car crashed into a truck on the Autostrada del Sole motorway in the municipality of Fontevivo (Parma). The champion was laid to rest overlooking Lugano, the town where he was born, at the cemetery in Porza.

First and foremost, I would like to express my gratitude to the widow of this extraordinary Swiss celebrity, Mariapia Regazzoni, and to her children, Alessia and Gian Maria, all of whom have consistently taken a keen and active interest in this monograph on Clay – a beloved husband and father.

On top of this, I would also like to commend Alessia Regazzoni on the vivid accounts she has shared with such affection in her contributions to this study on her father. The other contributors include Pino Allievi, Nicola Nenci, Cristiano Chiavegato, Cesare De Agostini, Piero Ferrari and Mauro Forghieri. I would like to extend my heartfelt thanks to them all and to congratulate them on the quality of these pieces, in which they fondly recall all manner of different stories of the Ticinese star and poignant anecdotes from his life.

I would also like to thank my colleagues at BPS (SUISSE) and our parent company in Sondrio who, in many different ways, have dedicated their time and energy to ensure success.

Lugano, January 2018

Chairman
Mario Alberto Pedranzini