Banca Popolare di Sondrio (SUISSE)

2019 ANNUAL REPORT

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

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BOARD OF DIRECTORS

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Vice Chairman

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Member and Secretary

Giovanni Ruffini
Member

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Head of Logistics Division

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Member of the Executive Committee
Head of Front Division

INTERNAL AUDITING

Alberto Bradanini
President

EXTERNAL AUDITOR

Ernst & Young SA
Lugano

La Main ouverte,
watercolour on paper,
1954.

With full hands I have received; with full hands I give.

Le Corbusier

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

CONTENTS

Charles-Édouard Jeanneret
(left) with his brother Albert
in the studio at Villa Jeanneret-Perret
in La Chaux-de-Fonds, c. 1912.

Villa Jeanneret à Vevey,
graphite pencil and pastel on paper,
dated between 1925 and 1930.

* Le Corbusier's father

Edouard enjoys attending the École d'Art,
where he does engravings and drawings and seems to be one of the best students.

Georges-Édouard Jeanneret-Gris*

CHAIRMAN'S FOREWORD

The start of the new year gives me the opportunity to use this space to wish you all a prosperous 2020 and, even more importantly, good health and peace of mind.

January is a month for taking stock. Looking back helps us to understand the present and plan for the future. It gives us space to reflect, following a ritual that prompts me to make a few brief observations.

We are living in a globalised world, where distances are constantly shrinking, everything is happening in real time and economies are continuously intertwining and influencing one other – sometimes positively, sometimes negatively depending on individual cases and circumstances.

The US economy fared well in 2019, with unemployment falling to around 3.5%.
The tariffs imposed by the superpower from across the Atlantic have hit the economies of China and other countries, including in the EU, slowing their growth. Germany is a case in point: a shining example of solidity and competitiveness, yet one whose output and exports have fallen sharply. This has had a negative impact on other countries, including Switzerland – a not insignificant trading partner for the so-called locomotive of Europe.

Brexit may not yet be resolved, but the UK's general election on 12 December last year sounded the death knell for the "Remain" camp and removed any residual uncertainty surrounding the country's exit from the EU. Indeed, the new government is working hard to get it done fairly quickly.

In terms of the eurozone countries, it would be remiss of me not to mention Italy, with whom we Swiss have always had an important commercial, regulatory and cultural relationship. Among other things, Switzerland can rely on a number of viable businesses and many cross-border commuters and workers on seasonal and annual contracts who come here from our southern neighbour. Keen to contribute, they are used to earning their daily bread through hard graft and without expecting any special treatment. They show great respect for their host country, do themselves proud and play a part in the development of our cantons, where, as we know, there is no lack of work for those willing to roll up their sleeves. I should add at this point that our parent company is the Italian Banca Popolare di Sondrio. In a sign of faith in our country and its system, it founded this Bank 25 years ago, a move welcomed by locals and the authorities alike.

Turning now to Switzerland, I would like to start by saying that it offers some promising and encouraging aspects: firstly, the opinions expressed about the country by the major ratings agencies, which continue to place it right at the top in terms of political stability, administrative efficiency, competitiveness, balanced taxation, a stable and prudent economic policy and much more besides.

Gross domestic product (GDP), which reflects economic growth, rose by around 1% in 2019, down slightly on the more than 1.6% recorded in 2016 and 2017. This dip was due in part to the global economic slowdown. No comparison can be made with the 2.8% rise in GDP seen in 2018, which was driven by exceptional factors that will be difficult to repeat.

Exports performed well overall, with significant volume increases for consumer goods, pharmaceuticals and, in particular, electricity, where supply outstripped the usual domestic demand. By contrast, exports of electrical and mechanical engineering products fell.

The construction sector reported positive sales figures. The demand for housing from private individuals, especially for rented properties, failed to keep up with supply. Vacancy rates climbed in an increasingly saturated market.

Domestic consumption by households and individuals grew significantly, benefiting output, commerce and employment.

The Swiss franc enhanced its reputation as a safe-haven currency, offering the prospect of continued strength. It remained largely stable against the US dollar and the euro.

The Swiss National Bank kept its reference interest rates at -0.75%. No longer a temporary measure, negative interest rates are now becoming the order of the day. What was initially a tool devised for a specific set of circumstances now risks becoming an inherent part of the system.

If you read about unemployment in certain European countries, either in the print media – particularly the foreign press – or online, and you compare these stories with those in Switzerland, you realise just how small the phenomenon is in our country. Unemployment here remains low: around 2.3% in 2019, even lower than the previous year (2.5%). Meanwhile, inflation rose by 0.4% compared with more than 0.9% last year.

Let us now turn our attention to our Bank, which continues to comprise 21 operational branches, as there were no additions this year. Nineteen of them are in the cantons of Grisons, Ticino, Basel, Zurich, Bern, Neuchâtel and Valais. They are supplemented by the virtual branch in Lugano and the foreign branch in Monaco, which has its registered office in the principality of the same name.

The situation in Switzerland proved unfavourable to banks for a number of reasons, including: regulatory costs; increasingly low interest rates pushing into negative territory; the aforementioned uncertainties over the global economy; fierce competition in the financial industry; and slim earnings per share. This spurred us on to work hard, with no let-up – we left no stone unturned in our hunt for the best opportunities. And we succeeded thanks to the unstinting commitment of our 337 staff – seven more than the previous year – all of whom were ready and willing to get stuck in.

Our employees were also able to work efficiently thanks to our Bank's smooth-running organisation and the benefits of digitalisation brought by state-of-the-art IT tools. It is a well-known fact that you need to embrace the virtual world these days if you are to remain an effective market player that offers value for money, benefiting both your company and your clients – who have the power to make detailed assessments, comparisons and informed choices, all according to their individual needs.

We drew on our CHF 4.974 billion in deposits (up 3% year on year) to issue loans of various kinds totalling CHF 4.498 billion (up 7% year on year). These were granted to companies (the healthy ones, of course), to families and to individuals in general, with preference given to the regions we serve – as is only right for a popular bank such as ours.

At CHF 16.764 million, or 11% more than in 2018, the net profit for the year can be considered a good result, not least because it was achieved in an environment that was hardly ideal for banks, as noted above.

Following these brief considerations and observations, I feel it my duty to thank first of all the members of the Board of Directors for all the inspired work that they do with professionalism and passion, and to extend my thanks to the Executive Board and all staff.

I would also like to express my gratitude to FINMA, the Swiss Federal Financial Market Supervisory Authority, which has overseen our work carefully and in the time-honoured spirit of collaboration.
Another word of thanks is owed to our external auditors at EY (formerly Ernst & Young), who have the tricky and important task of recommending our Annual Report for approval.
Both my and the whole Bank's gratitude goes to our parent company in Sondrio for their active cooperation, which, as usual, they have given generously.

I would like to thank our clients, who, by placing their trust in us, have given us the freedom across the board to work to everyone's satisfaction and in our mutual interest. It goes without saying that we will do our best to ensure that the products and services that this Bank offers them continue to meet their needs, even the most complex ones.

Finally, I would like to wish you all the best for a fulfilling 2020. May it be a year of positive feelings, harmony and general goodness.

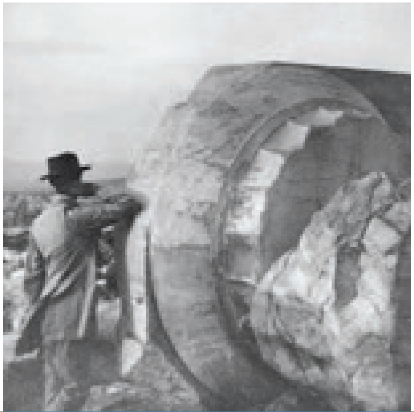
Lugano, 1 January 2020

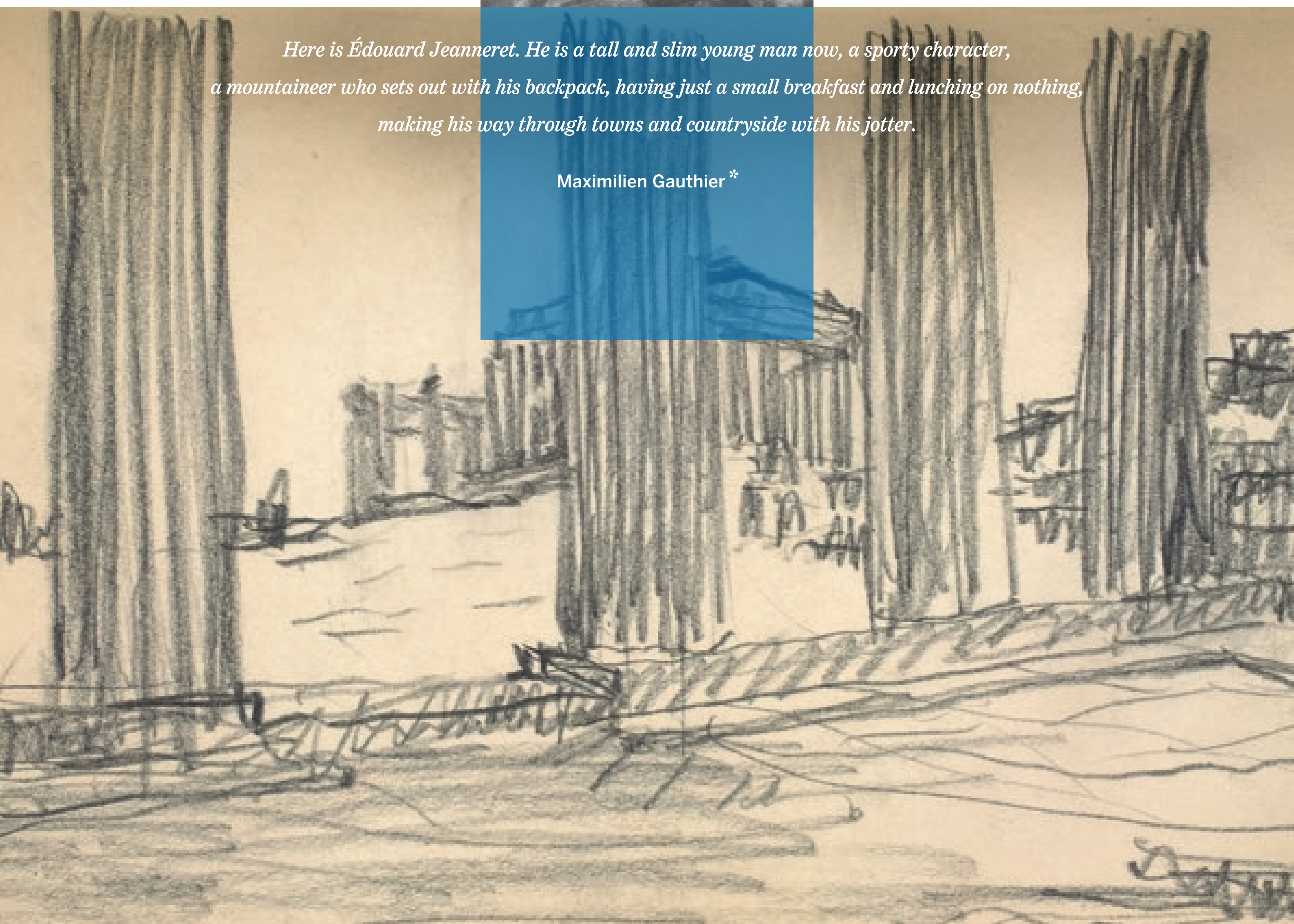
Chairman
Mario Alberto Pedranzini

Charles-Édouard Jeanneret
at the Acropolis in Athens, 1911.

The Parthenon, Athens,
in Carnet du Voyage d'Orient n. 3,
1911.

*Le Corbusier's biographer





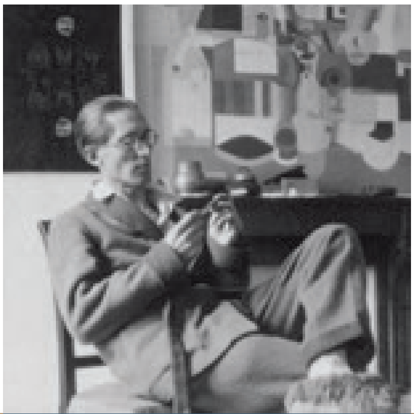
Here is Édouard Jeanneret. He is a tall and slim young man now, a sporty character, a mountaineer who sets out with his backpack, having just a small breakfast and lunching on nothing, making his way through towns and countryside with his jotter.

Maximilien Gauthier *

Charles-Édouard Jeanneret
in his apartment on Rue Jacob
in Paris, c. 1920.

Auguste Perret in the principal room at the Palais des Expositions,
ink on paper, 1924.

*Le Corbusier's teacher



You [Le Corbusier, ed.] will be my right hand!

Auguste Perret*

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

International panorama

Digital innovation is exerting an ever-growing influence on how people, machines and IT systems interact, while socio-economic change is forcing market players to take another look at their business models. Adopting an attitude of passive resistance may slow but can never halt the onward march of technologies that are increasingly sophisticated and globally influential, as unstoppable as a river that has burst its banks: the river of progress, if you will.

Civil society is ringing the alarm bells of climate change, backed up by scientific studies. The calls for more sustainable development, coming mainly – but by no means exclusively – from the younger generations, has forced people to review their agendas and priorities. Some major undertakings have been announced. Overcoming the challenge also means overcoming national barriers and interests, which can sometimes be the biggest obstacle. The awareness that entering the new era in development policy too rapidly could create imbalances that are difficult to assess is merely adding to the uncertainty and complexity. With so many economic activities contributing to environmental pollution, logic and reasoning are required here. In the world of economics and finance, the rules of responsible investing are encapsulated by the acronym ESG, which stands for environmental, social and corporate governance. The level of interest being shown in the subject can be seen in portfolio size – and those of the institutional players in particular are definitely on the up.

So let us look ahead to the future, without forgetting a bit of retrospective analysis too. Right from the outset, we can say that the vast majority of legacy issues are far from being solved. We are referring here to the tone of international relations, starting with those between two global giants – the US and China – and going on to the political situation in the EU and some of its member states, the handling of Brexit, migration flows, strategic competition over technology, public and private debt and negative interest rates, to name but a few. Not that “few” really paints an accurate picture.

The economic slowdown affecting several parts of the world in 2019 has led governments to rethink the true value of globalisation and try to assuage domestic fears over the loss of jobs and development opportunities. Attention thus focused on the potential renegotiation of international treaties on the movement of people and goods and the possible introduction of protectionist measures.

The taxation of products and services sold online is under discussion, as is the cross-border distribution chain, with the possibility of re-weighting the tax base to the benefit of consumer countries.

More than ten years after it struck, the economic and financial crisis has been tackled by the relevant authorities with good results, avoiding a downward spiral with unpredictable effects. Nevertheless, the last chapter in the story, which is not the responsibility of the central banks this time, seems to be missing. Although further expansionary monetary policy measures cannot be ruled out, they are unlikely to have a lasting effect on economic growth.

Switzerland: the economy and the financial system

The fact that the Swiss economy is now so enmeshed in its European and global counterparts calls for a period of reflection and evaluation. The slowdown – albeit fairly moderate – in GDP growth during the year under review came as no surprise. Political uncertainties and trade tensions added more weaknesses to the investment landscape despite favourable financing conditions.

The modest rise in the Swiss franc impacted negatively on competitiveness in the sectors that are most vulnerable to international competition, prompting renewed debate on how to best cope with the situation. Relations between the economic and financial organisations are good, and everyone largely shares the same vision: there is a clear willingness to support and cooperate with one another, and efforts are concerted.

The property industry has felt the effects of lower immigration. The large number of newbuilds has combined with sluggish demand to push up vacancy rates and saturate the markets to some degree, all under the watchful eye of the regulator. Nevertheless, construction activity in general still enjoys favourable prospects – except for the market for commercial space, which is mirroring the overarching trend in the sector and thus greater caution on the part of investors.

The authorities have welcomed the introduction of stricter rules, in force since 1 January 2020, on financing buy-to-let residential properties as part of the self-regulation approved by FINMA. The aim is to cool this overheated segment, which is attracting excessive investment by institutional and private investors on the hunt for a limited but still positive return on investment.

The labour market has performed positively, as reflected in a steadily falling unemployment rate, and this has boosted consumption.

Inflation hovering just above zero and interest rates still in negative territory complete the overall picture.

There is nothing to suggest that the Swiss National Bank will change its monetary policy in the short term. More than five years after they were introduced, the negative reference rates seem unlikely to come to an end any time soon, despite fervent hopes to the contrary. The risk that the distortions that they are causing to savings, pensions, portfolio investments and the lending market will become entrenched stands in stark contrast to the view that this aberration is a "lesser evil" to ensure the stability of the system.

A particularly dynamic year on the international stock markets for almost all asset classes, such as 2019 was, does not in itself exclude the risk of future turbulence. If the environment remains steady, however, the possibility of more gains cannot be ruled out in view of post-election developments in some major countries. Anyone looking to mitigate their risks and maximise their return on investment will therefore need to know they can rely on expert hands and accredited professionals.

The provisions of the Swiss Financial Services Act (FinSA) and the Swiss Financial Institutions Act (FinIA), which set out to create a level playing field for all financial intermediaries and improve client and investor protection, come into force this year after a long time spent on the drawing board. Given the importance and impact of the relevant changes, a two-year transitional period has been agreed in some areas.

Overall, the banking industry has shown a good level of resilience. The effects of the sustained economic and financial crisis and the changes to the international tax transparency regime have prompted some in-depth reflections on strategies, business models, structure and organisation. This has injected new momentum into consolidation efforts in the industry geared towards leveraging economies of scale – something easier said than done – and encouraging specialisation, all serving to benefit competitiveness.

The stalemate in the negotiations between Switzerland and some EU member states regarding market access for the provision of financial services is not giving cause for optimism. In fact, the failure to agree on stock market equivalence was precisely the opposite: a backward step, and one not motivated by technical considerations.

The condition of having a bricks-and-mortar presence abroad in the form of an operational branch, as well as a subsidiary, has so far met with little interest from the system, as clients are mainly interested in obtaining financial services and dealing directly with the company concerned on Swiss territory. Although doubts remain about the possible outcome, technical negotiations are officially under way.

In the meantime, Swiss regulations are continuing to converge with international provisions governing money laundering, depositor protection, data protection and, as previously mentioned, investor protection – to name just the most important ones.

Performance during the year

We managed our Bank in line with our development strategy and produced some positive results, confirming that the choices we made were the right ones – despite the difficult challenges facing the sector, fiercer competition and the adverse environment.

The growth in aggregates was encouraging, even outperforming the market average in some areas in our view. Profitability ultimately turned out positive, despite the difficulties posed by the challenges described above.

Having a presence in all four linguistic regions of Switzerland plus the Principality of Monaco is both an added layer of complexity and a factor in our success. You could say that, in the individual centres, we travel at different speeds – just like the expectations and sensitivities of our clients are different.

We reviewed our internal organisational structure once again with a view to making our work more streamlined and efficient. Head office is increasingly becoming a provider of internal services to the rest of the Bank: analysis, processing and, as far as possible, administrative activities. In some areas, it is the clients themselves who make use of our structure without any intermediaries, getting in touch with their contact if they need something out of the ordinary or for a discussion that is more strategic than operational in nature.

In terms of our regional presence, we have 19 offices in seven cantons and the Principality of Monaco alongside our representative office in Verbier and our *Direct Banking* virtual branch. The facilities in Chiasso saw investments in logistics, with some services and offices being transferred from the Via Maggio office. This has allowed resources to be redistributed more effectively and space to be freed up in Lugano. The agency in Biasca was moved to a building in a prime location, with large offices and ample parking. The space and the setup at the Basel branch have been adapted in line with changing work requirements and to promote advisory services.

The IT department, an essential part of any development project, was put in charge of the tender to choose a supplier for parameterising and testing the new version of our underlying IT system Olympic. Migration is expected in the coming months and will allow the infrastructure to be brought up to date. Our online banking service GoBanking was revamped during the year. Enhanced with new features, it allows users to monitor their positions online and issue instructions relating to their accounts and is now even easier to use. Many more innovations are planned.

Cooperation and discussions with our parent bank covered a wide range of topics and benefited both sides.

The new regulatory provisions in the banking and accounting sectors are no longer unfamiliar. In many cases, the extent of the changes they are introducing impacts right across the board at various levels. This is the case with the Swiss Financial Services Act (FinSA) mentioned above, which required us to modify our IT procedures, introduce new client and product classifications, train staff, adapt our organisational structure in operations and controlling, reassess our relationships with central counterparties, and much more besides. The project is already at an advanced stage of implementation, making it likely we will make little use of the transitional period established by the regulator.

Our new website was launched a few weeks after the start of our 25th year in business. Designed to be user-friendly, it is easy to use on smartphones and other devices. The first in a series of initiatives planned for 2020, it is a testimony to the Bank's keenness to celebrate, if you can put it like that, this major milestone.

Growth in certain sectors saw staff numbers increase to 337 (+7 on the previous year). Enhancing the Bank's internal resources through updates and professional growth was a key element in which it was deemed appropriate to invest.

On the commercial front, the Bank's products and services are aligned with its strategic positioning. This is geared toward a 360° pursuit of its target clients, meeting their current and future needs in both their personal and professional lives – in other words, with savings, investments, loans and general services across cantonal and national boundaries. Our foreign branch in Monaco allows clients to be served in both the Principality itself and in France. Via our parent company, our entire range of products and services is also available in Italy and, thanks to its extensive network and decades of expertise, in other countries too.

Let us now take a look at the figures.

Customer deposits totalled CHF 4,974,000,000 (+3%). The increase was due to net new money inflows and growth in the main asset classes, although this effect was partially offset by the rise in the Swiss franc. Direct deposits rose to CHF 3,099,100,000 (+3%), while indirect deposits came to CHF 1,874,900,000 (+4%). Underpinned by a satisfactory performance, the trend in assets under management was particularly pleasing.

Popso (Suisse) Investment Fund SICAV, a vehicle under Luxembourg law that we manage and that is also based in Italy via our parent bank, marked its 20th anniversary with an 8% increase in its assets to CHF 771,800,000. It reviewed and updated its products and services during the year, having launched some new sub-funds and merged existing ones in line with the latest trends in demand. More projects are also in the pipeline.

The 3rd-pillar pension foundation *Life Benefit* has assets consisting wholly of liquid investments in the amount of CHF 174,700,000 (-7%). Particular attention in terms of conditions is focused on the *Premium* component, which is exclusively for clients who also use other products or services from the Bank.

Sales of *Retail* products – both investment fund savings plans and *PassparTu* packages – were positive.

Loans to clients increased significantly, totalling CHF 4,497,900,000 (+7%) net of provisions. Mortgage loans accounted for CHF 3,991,200,000 (+6%), with other client loans making up CHF 506,700,000 (+13%). Impairment losses on loans remained low thanks to the good quality and broad diversification of the relevant portfolio.

Our partnership with the Swiss central mortgage bond institution *Pfandbriefbank Schweizerischer Hypothekarinstitute AG* allowed us to participate in new placements and in the extension of tranches about to mature. The features of the financial instrument and its top credit rating attract particularly favourable conditions. Our exposure amounted to CHF 469,100,000 (+13%) at year-end.

The figures on the income statement are satisfactory.

The *net result from interest operations* improved substantially to CHF 51,173,000 (+5%), underpinned by the increase in disbursements.

Net Result from commission business and services income came to CHF 23,963,000 (+2%). The modest fall in income from securities trading was largely offset by the positive trend in commission from loans and other services.

The *result from trading activities and the fair value option* amounted to CHF 22,878,000 (+9%). This increase was mainly due to foreign currency swaps as well as the contribution from ordinary client operations.

Operating expenses rose only slightly to CHF 69,879,000 (+1%) despite increased activity and the challenging projects under way. *Personnel expenses* came to CHF 48,149,000 (+1%). *General and administrative expenses* remained unchanged year on year at CHF 21,730,000.

The *Operating result* net of depreciation, amortisation and provisions came to CHF 21,839,000 (+9%).

A Net *profit* of CHF 16,764,000 (+11%) was achieved.

In accordance with Art. 22 of the Articles of Association, the Board of Directors is proposing to the General Meeting of Shareholders that a dividend of CHF 4,050,000 be paid and that the remaining CHF 12,714,000 be allocated to the *Statutory retained earnings reserve*.

Thanks go to our clients, our staff, our parent bank, our supervisory authority FINMA and our external auditors EY (formerly Ernst & Young).

Lugano, 4. February 2020 **The Board of Directors**

From the left: Amédée Ozenfant,
Albert Jeanneret and Charles-Édouard
Jeanneret at Villa Jeanneret-Perret
in La Chaux-de-Fonds.

The Bottle of Orange Wine,
oil on canvas, c. 1922.

*French painter and art theorist;
founder of the art movement known as
Purism alongside Le Corbusier.

I taught him my painting methods and confided in him about my ideas;
… I provided the sound, and he the echo that reinforced it.

Amédée Ozenfant*

2019 FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2019 (WITH 2018 COMPARATIVE FIGURES)

ASSETS

in CHF	Note	2019	2018	Change
Liquid assets		730 903 289	684 933 325	45 969 964
Amounts due from banks		155 479 325	120 027 453	35 451 872
Amounts due from customers	2	506 656 397	448 297 339	58 359 058
Mortgage loans	2	3 991 200 561	3 752 427 668	238 772 893
Positive replacement values of derivative financial instruments	4	1 417 584	6 323 849	(4 906 265)
Financial investments	5	53 556 210	52 606 390	949 820
Accrued income and prepaid expenses		7 924 234	7 027 692	896 542
Participations	6, 7	1 190 728	1 190 728	-
Tangible fixed assets	8	17 913 958	17 148 986	764 972
Other assets	10	17 172 173	23 233 955	(6 061 782)
Total assets		**5 483 414 459**	5 113 217 385	370 197 074
Total subordinated claims		-	-	-

LIABILITIES

in CHF	Note	2019	2018	Change
Amounts due to banks		1 428 019 594	1 215 361 423	212 658 171
Amounts due in respect of customer deposits		3 076 487 154	3 001 172 064	75 315 090
Negative replacement values of derivative financial instruments	4	60 675 249	54 445 995	6 229 254
Cash bonds	15	22 580 000	22 052 000	528 000
Bond issues and central mortgage institution loans	15	469 100 000	415 400 000	53 700 000
Accrued expenses and deferred income		22 046 598	18 617 411	3 429 187
Other liabilities	10	4 438 592	5 960 773	(1 522 181)
Provisions	16	6 862 383	3 766 777	3 095 606
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		181 440 942	166 288 925	15 152 017
Voluntary retained earnings reserves		-	-	-
Profit/Loss (result of the period)		16 763 947	15 152 017	1 611 930
Total liabilities		5 483 414 459	5 113 217 385	370 197 074
Total subordinated liabilities		-	-	-

OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2019 (WITH 2018 COMPARATIVE FIGURES)

in CHF	Note	2019	2018	Change
Contingent liabilities	2, 28	228 986 390	224 356 331	4 630 059
Irrevocable commitments	2	31 824 742	19 888 906	11 935 836
Derivative financial instruments	4	2 696 190 495	2 706 474 031	(10 283 536)
Positive replacement values, gross		1 417 584	6 323 849	(4 906 265)
Negative replacement values, gross		60 675 249	54 445 995	6 229 254
Fiduciary transactions	30	13 198 763	49 371 725	(36 172 962)

INCOME STATEMENT FOR THE 2019 FINANCIAL YEAR (WITH 2018 COMPARATIVE FIGURES)

in CHF	Note	2019	2018	Change
Interest income:				
- Interest and discount income	33	69 044 105	65 232 712	3 811 393
- Interest and dividend income from financial investments		754 346	705 827	48 519
- Interest and dividend income from trading portfolios		-	-	-
Interest expense		(16 001 700)	(14 893 510)	(1 108 190)
Gross result from interest operations		53 796 751	51 045 029	2 751 722
Changes in value adjustments for default risks and losses from interest operations		(2 624 165)	(2 182 765)	(441 400)
Subtotal net result from interest operations		51 172 586	48 862 264	2 310 322
Commision income:				
- from securities trading and investment activities		17 224 121	17 797 701	(573 580)
- from lending activities		2 678 228	1 859 188	819 040
- from other services		6 867 743	6 716 887	150 856
Commission expense		(2 806 758)	(2 866 388)	59 630
Subtotal result from commission business and services		23 963 334	23 507 388	455 946
Result from trading activities and the fair value option	32	22 877 858	20 987 467	1 890 391
Result from the disposal of financial investments		(203 883)	1 096 308	(1 300 191)
Income from participations		11 374	11 374	-
Result from real estate		131 708	147 554	(15 846)
Other ordinary income		1 392 765	507 315	885 450
Other ordinary expenses		(996 601)	(1 055 303)	58 702
Other result from ordinary activities		335 363	707 248	(371 885)
Personnel expenses	34	(48 148 868)	(47 628 431)	(520 437)
General and administrative expenses	35	(21 730 090)	(21 644 967)	(85 123)
Total operating expenses		(69 878 958)	(69 273 398)	(605 560)

INCOME STATEMENT FOR THE 2019 FINANCIAL YEAR (CONTINUED)

in CHF	Note	2019	2018	Change
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	8	**(3 411 799)**	(4 857 845)	1 446 046
Changes to provisions and other value adjustments, and losses		**(3 219 005)**	38 028	(3 257 033)
Operating result		**21 839 379**	19 971 152	1 868 227
Extraordinary income	36	**37 135**	210 865	(173 730)
Extraordinary expenses	36	**(12 567)**	-	(12 567)
Changes in reserves for general banking risks		**-**	-	-
Taxes	39	**(5 100 000)**	(5 030 000)	(70 000)
Profit (Result of the period)		**16 763 947**	15 152 017	1 611 930

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT (WITH 2018 COMPARATIVE FIGURES)

in CHF	Note	2019	2018	Change
Profit (Result of the period)		**16 763 947**	15 152 017	1 611 930
Profit/Loss carried forward		**-**	-	-
Distributable profit		**16 763 947**	15 152 017	1 611 930
The Board of Directors proposes to allocate the balance sheet profit totalling CHF 16 763 947 as at 31 December 2019 as follow:				
Dividend		**4 050 000**	-	4 050 000
Statutory retained earnings reserve		**12 713 947**	15 152 017	(2 438 070)
Retained earnings to be carried forward		**-**	-	-

CASH FLOW STATEMENT 2019 (WITH 2018 COMPARATIVE FIGURES)

CASH FLOW FROM OPERATING ACTIVITIES

CHF in thousands	2019		2018	
	Source	Utilisation	Source	Utilisation
Profit (Result of the period)	16 764	-	15 152	-
Value adjustment on participations, depreciaton and amortisation of tangible fixed assets and intangible assets	3 412	-	4 858	-
Value adjustments	-	-	-	-
Provisions and other value adjustments	3 096	-	-	2 394
Change in reserve for general banking risks	-	-	-	-
Accrued income and prepaid expenses	-	897	-	49
Accrued expenses and deferred income	3 429	-	506	-
Positive replacement values of derivative financial instruments	4 906	-	75 398	-
Negative replacement values of derivative financial instruments	6 229	-	24 835	-
Other assets	6 062	-	7 830	-
Other liabilities	-	1 522	1 186	-
Net operating cash flow	41 479	-	127 322	-

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	-	-	-	-
Real estate	-	4	-	17
Other fixed assets	-	4 172	154	3 833
Intangible fixed assets	-	-	-	-
Net cash flow from investment activities	-	4 176	-	3 696

CASH FLOW STATEMENT 2019 (CONTINUED)

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2019		2018	
	Source	Utilisation	Source	Utilisation
Balance brought forward	41 479	4 176	127 322	3 696
Non-current operations (> 1 year)				
Amounts due to banks	863 770	-	-	706 760
Amounts due in respect of customer deposits	-	-	-	-
Cash bonds	339	-	-	11 499
Bond issues and central mortgage institution loans	43 700	-	50 900	-
Client loans	5 733	-	16 380	-
Mortgage loans	-	25 093	-	134 073
Financial investments	-	8 447	2 196	-
Current operations				
Amounts due to banks	-	651 112	625 920	-
Amounts due in respect of customer deposits	75 315	-	49 331	-
Cash bonds	189	-	-	23 221
Bond issues and central mortgage institution loans	10 000	-	10 000	-
Amounts due from banks	-	35 452	162 990	-
Amounts due from customers	-	64 092	-	28 574
Mortgage loans	-	213 680	-	145 628
Financial investments	7 497	-	6 057	-
Trading portfolio assets/Trading portfolio liabilities	-	-	-	-
Net cash flow from banking activities	8 667	-	-	125 981
Total cash flow	50 146	4 176	127 322	129 677
Change in cash flow	45 970	-	-	2 355

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 01.01.2019	180 000 000	-	166 288 925	15 000 000	-	-	15 152 017	376 440 942
Appropriation of net profit for 2018	-	-	15 152 017	-	-	-	(15 152 017)	-
Profit/Loss (result of the period)	-	-	-	-	-	-	16 763 947	16 763 947
Equity as at 31 December 2019 before appropriation of net profit for 2019	**180 000 000**	**-**	**181 440 942**	**15 000 000**	**-**	**-**	**16 763 947**	**393 204 889**

Le Corbusier in Chandigarh
with the map of the new capital
and the model for the Modulor, 1950s.
Photograph by Pierre Jeanneret.

Tapestry design for the upper court
of Chandigarh (to scale),
graphite and tempera on paper, 1954.

* Swiss art historian;
founder of the CIAM alongside
Le Corbusier in 1928.

*Le Corbusier is the only universal talent of our age:
architect, painter, sculpture and town planner, with the vision of a poet …
But this is used against him with the accusation of amateurism.*

Sigfried Giedion*

NOTES TO THE 2019 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 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 (with a representative office in Verbier) and the Principality of Monaco. At the end of the year, our staff numbered 337 employees (end of 2018: 330 employees), which represented a total of 319.7 fulltime equivalent positions (2018: 312.4 FTEs).
From September 2018 the Bank outsourced domestic and international interbank payments system. A dedicated contract was signed for this purpose with a segment leader in Switzerland.

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.
Buildings ear-marked for sale are valued at the cost incurred or the market value, whichever is lower.

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.

	2019	2018
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 1.0850 (2018: 1.1273); USD 0.9670 (2018: 0.9834).

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 "Liabilities from other financial instruments at fair value". 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 resulting difference is assigned to a clearing account in "Other assets" or "Other liabilities" with no impact on the income statement, since the purpose is hedging; the accrued interest is recorded in the adjustment accounts.

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 2019 compared with the financial year ended 31 December 2018.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

Since the balance sheet date, no significant events have occurred that might have warranted inclusion in the 2019 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 2019 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" 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 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.

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.

From its parent bank, the Bank receives a summary of the effectiveness tests of outstanding interest rate swaps. The effectiveness criteria are inspired by those specified in International Accounting Standard IFRS 9. 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. Repurchase 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

Positions in derivative instruments are partly held for the account of clients and are covered by similar transactions with bank counterparties. For the structural management of the balance sheet, the Bank hedges interest rate risk by using Interest Rate Swaps.

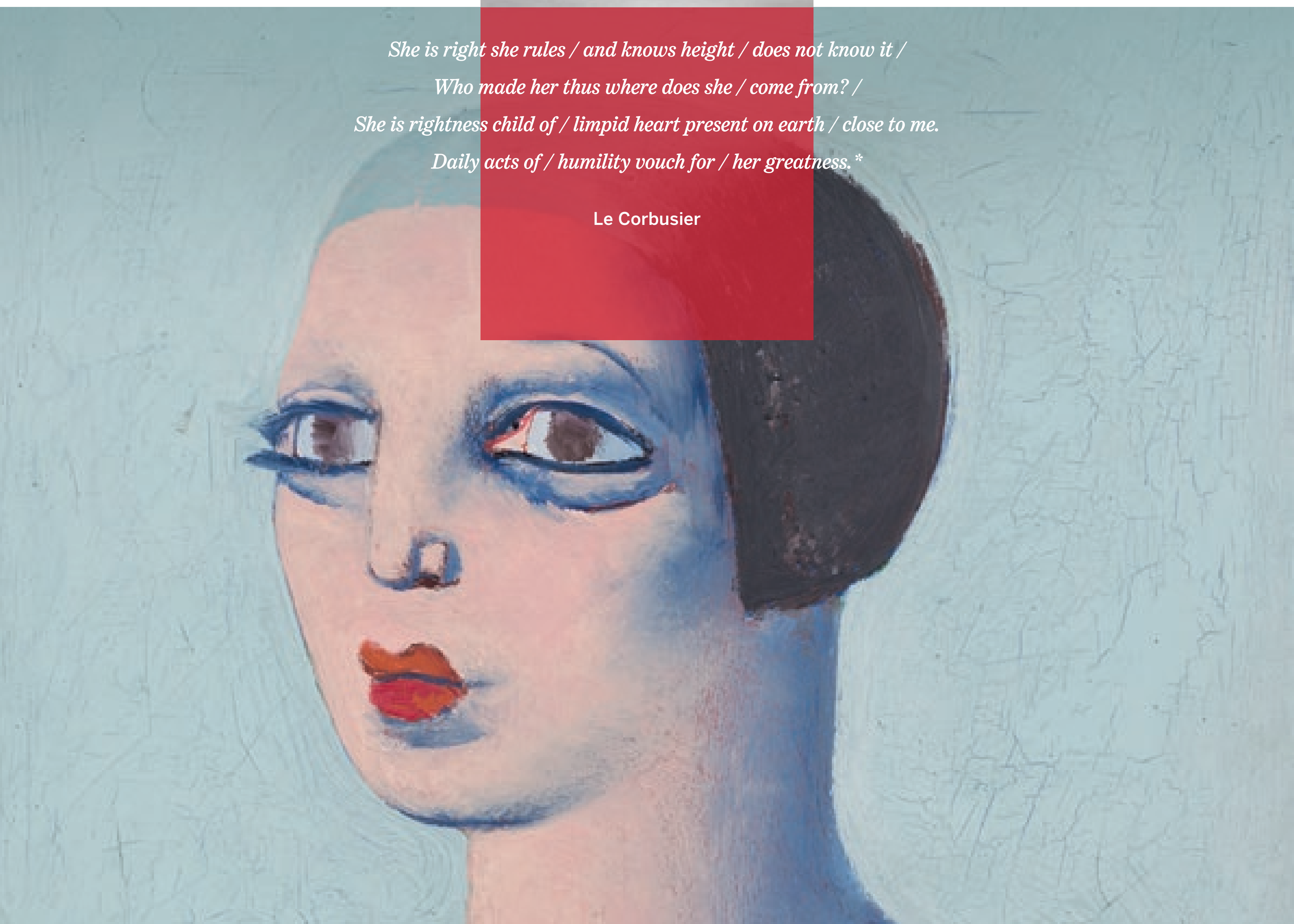
INFORMATION ON CORPORATE GOVERNANCE

Corporate governance information in accordance with Annex 5 to FINMA Circular 2016/1 is available from the Bank’s website.

Le Corbusier and his wife Yvonne
with their French “Voisin” car,
1920s.

Portrait of Yvonne,
oil on canvas, undated.

* The English translation is taken from:
Le Corbusier, *Le Poème de l’angle droit. Lithographies Originales*,
Hatje Cantz Verlag, Ostfildern, 2012,
p. 169.



She is right she rules / and knows height / does not know it /
Who made her thus where does she / come from? /
She is rightness child of / limpid heart present on earth / close to me.
*Daily acts of / humility vouch for / her greatness.**

Le Corbusier

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	195 990 677	280 243 999	48 224 473	524 459 149
Mortgage loans				
Residential property	3 743 346 905	-	-	3 743 346 905
Office and business premises	245 835 186	-	-	245 835 186
Commercial and industrial premises	19 284 304	-	-	19 284 304
Other	-	-	-	-
Total loans (before netting with value adjustments – table 16) at 31 December 2019	**4 204 457 071**	**280 243 999**	**48 224 473**	**4 532 925 543**
Total at 31 December 2018	3 968 423 482	220 565 036	49 428 578	4 238 417 095
Total loans (after netting with value adjustments) at 31 December 2019	**4 185 466 379**	**279 714 501**	**32 676 079**	**4 497 856 958**
Total at 31 December 2018	3 950 130 327	220 148 582	30 446 099	4 200 725 007
Off-balance-sheet				
Contingent liabilities	3 559 146	197 489 099	27 938 145	228 986 390
Irrevocable commitments	14 424 033	3 714 709	13 686 000	31 824 742
Credit commitments	-	-	-	-
Total at 31 December 2019	**17 983 179**	**201 203 808**	**41 624 145**	**260 811 132**
Total at 31 December 2018	7 987 277	190 454 665	45 731 432	244 173 374

Impaired loans	Importo lordo	Stima valore di realizzazione delle garanzie	Importo netto	Rettifiche di valore singole
Total at 31 December 2019	**36 200 015**	**14 595 870**	**21 604 145**	**21 604 145**
Total at 31 December 2018	39 823 533	15 322 740	24 500 793	24 500 793

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	-	-	-	-	11 806 234	298 000 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Foreign exchange/Precious metals						
Forward contracts	1 112 027	48 563 458	2 329 646 072	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	8 136	-	-	-
Options (OTC)	69 025	69 025	33 868 090	-	-	-
Options (exchange traded)	690	690	394 495	-	-	-
Equity securities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	263	263	289 209	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	235 578	235 578	31 944 203	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	2 040 291	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total before effect of netting contracts						
Total at 31 December 2019	**1 417 584**	**48 869 015**	**2 398 190 495**	**-**	**11 806 234**	**298 000 000**
Total at 31 December 2018	6 323 849	35 909 480	2 241 274 031	-	18 536 515	465 200 000

4. (CONTINUED)

in CHF

Total after netting agreements

	Cumulative positive replacement value	Cumulative negative replacement value
Total at 31 December 2019	**1 417 584**	**60 675 249**
Total at 31 December 2018	6 323 849	54 445 995

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 2019	-	901 675	515 909

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.

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 2019 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	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
Debt securities	41 762 081	38 495 803	42 128 173	39 135 129
Of which:				
Intended to be held to maturity	41 762 081	38 495 803	42 128 173	39 135 129
Not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	852 129	1 748 587	873 096	1 748 587
Of which:				
Qualified participations	-	-	-	-
Deposit bonds (purchase value)	2 000 000	2 000 000	2 000 000	2 000 000
Precious metals	-	-	-	-
Real estate	8 942 000	10 362 000	13 766 000	12 624 000
Total financial investments	**53 556 210**	52 606 390	**58 767 269**	55 507 716
Of which:				
Securities eligible for repo transactions in accordance with liquidity requirements	14 839 883	13 153 053	-	-

Breakdown of counterparties by rating At 31 December 2019	AAA to AA	A+ to A-	BBB+ to BBB-	BB + to B-	Below B-	Unrated
Debt securities						
Book values	41 762 081	-	-	-	-	-
Equity securities						
Book values	-	-	-	56 090	-	796 039

6. PRESENTATION OF PARTICIPATIONS

in CHF

	Acquisition cost	Accumulated value adjustments and changes in book value	Book value previous year end	Reclassifications	Additions	Disposals	Value adjustments	Changes in book value of participations 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 2019.

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 31.12.2018	Reclassi-fication	Additions	Disposals	Depreciation & amorti-sation	Revaluation	Book value as at 31.12.2019
Fixed assets									
Bank buildings	22 401 323	(10 129 520)	12 271 803	-	4 200	-	(617 899)	-	11 658 104
Proprietary or separately acquired software	46 271 282	(44 927 244)	1 344 038	-	2 003 523	-	(1 558 542)	-	1 789 019
Other tangible fixed assets	81 984 469	(78 451 324)	3 533 145	-	2 169 048	-	(1 235 358)	-	4 466 835
Total	**150 657 074**	**(133 508 088)**	**17 148 986**	**-**	**4 176 771**	**-**	**(3 411 799)**	**-**	**17 913 958**

Disclosure of the total amount of non-recognised operating leases commitments	**114 460**
Of which:	
Expiring within 12 months	9 155
Expiring more than 12 months and up to five years	105 305

9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF

	Other assets		
	31.12.2019	31.12.2018	Change
Compensation account	11 806 234	18 536 515	(6 730 281)
Swiss Federal Tax Administration	1 646 845	1 500 840	146 005
Others	3 719 094	3 196 600	522 494
Total	**17 172 173**	23 233 955	(6 061 782)

	Other liabilities		
	31.12.2019	31.12.2018	Change
Swiss Federal Tax Administration	1 139 320	661 366	477 954
Suppliers	2 071 232	2 684 835	(613 603)
Others	1 228 040	2 614 572	(1 386 532)
Total	**4 438 592**	5 960 773	(1 522 181)

11. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP AT 31 DECEMBER 2019

in CHF

Pledged/assigned assets	**Book values**	**Effective commitments**
Mortgages securing loans at central mortgage bond institutions	1 206 197 534	469 100 000
Securities used as collateral at the SNB	4 881 490	4 881 490
Securities used as collateral at SIX SIS	5 240 446	5 240 446
Securities repurchase (Repo) operations	-	-
Securities (financial investments) pledged to secure Repo operations	4 717 947	No liabilities
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)

AGBR	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
Employer sponsored funds / employer sponsored 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 without overfunding/ underfunding	-	-	-	-	-	5 706 714	5 436 117

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**	
Year	Interest rate									**31.12.19**	31.12.18	**31.12.19**	31.12.18
	0.050	0.175	0.300	0.425	0.550	0.675	0.800	1.050	1.425				
2019	-	-	-	-	-	-	-	-	-	**-**	-	**-**	10 000
2020	20 000	-	-	-	-	-	-	-	-	**-**	-	**20 000**	20 000
2021	20 000	-	-	-	-	-	-	-	-	**-**	-	**20 000**	20 000
2022	18 100	-	-	-	-	-	-	-	-	**-**	-	**18 100**	17 400
2023	5 000	25 000	-	-	-	-	-	10 000	-	**-**	-	**40 000**	30 000
2024	3 000	15 000	-	-	-	-	20 000	-	5 000	**-**	-	**43 000**	40 000
2025	-	13 500	5 000	10 000	20 000	22 200	-	-	-	**-**	-	**70 700**	65 700
2026	-	-	32 900	-	-	-	-	-	-	**-**	-	**32 900**	25 000
2027	-	5 600	5 000	4 000	-	-	-	-	-	**-**	-	**14 600**	14 600
2028	-	13 600	-	6 500	39 700	6 900	-	-	-	**-**	-	**66 700**	66 700
2029	-	-	-	-	20 000	-	-	-	-	**-**	-	**20 000**	20 000
2030	-	-	5 000	20 000	-	-	-	-	-	**-**	-	**25 000**	20 000
2031	-	-	-	-	-	10 000	-	-	-	**-**	-	**10 000**	10 000
2032	-	15 000	-	-	-	-	-	-	-	**-**	-	**15 000**	15 000
2033	-	-	-	-	-	10 000	-	-	-	**-**	-	**10 000**	10 000
2034	-	-	10 000	-	-	10 000	5 000	-	-	**-**	-	**25 000**	5 000
2035	-	-	-	-	-	5 000	-	-	-	**-**	-	**5 000**	5 000
2038	-	-	10 000	-	-	-	1 000	-	-	**-**	-	**11 000**	11 000
2039	-	-	-	5 000	-	5 000	-	-	-	**-**	-	**10 000**	10 000
2044	-	-	-	-	2 100	-	-	-	-	**-**	-	**2 100**	-
2046	-	-	-	5 000	-	-	-	-	-	**-**	-	**5 000**	-
2049	5 000	-	-	-	-	-	-	-	-	**-**	-	**5 000**	-
Total	71 100	87 700	67 900	50 500	81 800	69 100	26 000	10 000	5 000	**-**	-	**469 100**	415 400

15. (CONTINUED)

Medium-term notes in circulation at 31.12.2019

Interest rate	2020	2021	2022	2023	2024	2025	2026	2027	**Total**
-0.250%	5 000	-	-	-	-	-	-	-	5 000
0.000%	5 000	1 000	-	-	-	-	-	-	6 000
0.050%	120	200	-	-	-	-	-	-	320
0.100%	150	30	-	180	-	-	-	-	360
0.150%	-	-	-	-	-	30	-	-	30
0.200%	360	-	-	10	50	-	50	-	470
0.250%	-	100	-	-	-	-	-	-	100
0.300%	-	-	180	-	-	-	50	40	270
0.500%	20	6 642	-	-	-	-	-	-	6 662
1.000%	1 472	85	-	-	-	-	-	-	1 557
1.100%	-	150	-	-	-	-	-	-	150
1.125%	115	45	-	-	-	-	-	-	160
1.250%	-	220	190	-	-	-	-	-	410
1.375%	-	-	230	90	91	10	-	-	421
1.500%	136	-	-	-	-	-	-	-	136
1.625%	125	30	-	-	-	-	-	-	155
1.750%	50	-	-	-	-	-	-	-	50
2.125%	-	4	-	-	-	-	-	-	4
2.250%	10	-	-	-	-	-	-	-	10
2.375%	-	55	-	-	-	-	-	-	55
2.500%	10	250	-	-	-	-	-	-	260
Total	**12 568**	**8 811**	**600**	**280**	**141**	**40**	**100**	**40**	**22 580**

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, 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	326 318	-	-	-	-	-	(108 935)	217 383
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	3 440 459	-	-	(8 459)	-	3 377 000	(164 000)	6 645 000
Total provisions	**3 766 777**	**-**	**-**	**(8 459)**	**-**	**3 377 000**	**(272 935)**	**6 862 383**
Reserve for general banking risks	**15 000 000**	**-**	**-**	**-**	**-**	**-**	**-**	**15 000 000**
Value adjustments for default and country risks (deducted from the balance sheet receivables)	**37 692 089**	**(4 529 905)**	**(548 703)**	**(31 545)**	**(4 261 504)**	**7 036 727**	**(288 574)**	**35 068 585**
Of which:								
Value adjustments for default risks in respect of impaired loans/receivables	24 500 793	(4 521 054)	(548 703)	(13 970)	(2 338 521)	4 814 174	(288 574)	21 604 145
Value adjustments for latent risks	-	-	-	-	-	-	-	-

The “Reserve for general banking risks” is not taxed.
“Other provisions” mainly includes provisions for legal and fiscal litigations.

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 1% 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	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018	**31.12.2019**	31.12.2018
Members of the Board of Directors	-	-	-	-	-	-	-	-
Members of the Board of Directors	24 431	19 953	56 090	58 932	-	-	-	-
Employees	-	-	-	-	-	-	-	-
Total	**24 431**	19 953	**56 090**	58 932	**-**	-	**-**	-

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**		
	31.12.2019	31.12.2018	Change	**31.12.2019**	31.12.2018	Change
Holders of qualified participations	**55 844 363**	40 274 728	15 569 635	**1 345 477 360**	1 145 844 862	199 632 498
Governing bodies	**9 770 000**	9 770 000	-	**5 216 840**	4 372 721	844 119

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 Holders of qualified participations have been undertaken on market terms and conditions.
For off-balance sheet transactions, please refer to Table 4, where all the hedging operations presented are made with the parent company, as well as to Table 30, which provides a breakdown of fiduciary transactions.

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 2018 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	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	730 903 289	-	-	-	-	-	-	730 903 289
Amounts due from banks	122 879 325	-	32 600 000	-	-	-	-	155 479 325
Amounts due from clients	4 779 263	273 467 667	90 093 231	109 289 314	26 516 036	2 510 886	-	506 656 397
Mortgage loans	6 820 561	246 841 662	375 755 775	827 742 833	1 706 092 519	827 947 211	-	3 991 200 561
Positive replacement values of derivative financial instruments	1 417 584	-	-	-	-	-	-	1 417 584
Financial investments	852 128	-	4 236 987	7 533 327	31 991 768	-	8 942 000	53 556 210
Total at 31.12.2019	**867 652 150**	**520 309 329**	**502 685 993**	**944 565 474**	**1 764 600 323**	**830 458 097**	**8 942 000**	**5 439 213 366**
Total at 31.12.2018	813 180 687	442 195 829	423 771 368	809 274 198	1 813 159 960	752 671 980	10 362 000	5 064 616 023
Amounts due to third parties								
Amounts due to banks	45 729 594	-	231 105 000	174 685 000	976 500 000	-	-	1 428 019 594
Amounts due in respect of customer deposits	1 831 144 864	988 328 748	93 155 044	163 858 498	-	-	-	3 076 487 154
Negative replacement values of derivative financial instruments	60 675 249	-	-	-	-	-	-	60 675 249
Cash bonds	-	-	360 000	12 208 000	9 832 000	180 000	-	22 580 000
Bond issues and central mortgage institution loans	-	-	-	20 000 000	121 100 000	328 000 000	-	469 100 000
Total at 31.12.2019	**1 937 549 707**	**988 328 748**	**324 620 044**	**370 751 498**	**1 107 432 000**	**328 180 000**	**-**	**5 056 861 997**
Total at 31.12.2018	1 879 230 574	955 504 790	409 198 614	936 694 504	209 547 000	318 256 000	-	4 708 431 482

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

CHF in thousands	**31.12.2019**		31.12.2018	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	730 330	573	684 309	625
Amounts due from banks	56 220	99 259	57 866	62 162
Amounts due from customers	256 636	250 020	292 337	155 961
Mortgage loans	3 921 289	69 912	3 682 801	69 627
Positive replacement values of derivative financial instruments	1 294	124	2 957	3 367
Financial investments	10 942	42 614	13 878	38 728
Accrued income and prepaid expenses	7 629	295	6 735	292
Participations	1 191	-	1 191	-
Tangible fixed assets	17 823	91	17 060	88
Other assets	16 955	217	23 146	87
Total assets	**5 020 309**	**463 105**	4 782 280	330 937
Liabilities				
Amounts due to banks	78 520	1 349 500	80 065	1 135 296
Amounts due in respect of customer deposits	1 981 841	1 094 646	1 887 825	1 113 348
Negative replacement values of derivative financial instruments	43 519	17 156	50 798	3 648
Cash bonds	22 580	-	22 052	-
Bond issues and central mortgage institution loans	469 100	-	415 400	-
Accrued expenses and deferred income	16 736	5 311	15 452	3 165
Other liabilities	4 322	116	5 846	115
Provisions	6 537	325	3 541	225
Reserve for general banking risks	15 000	-	15 000	-
Share capital	180 000	-	180 000	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	181 441	-	166 289	-
Voluntary retained earnings reserve	-	-	-	-
Profit/Loss (result of the year)	16 764	-	15 152	-
Total liabilities	**3 016 360**	**2 467 054**	2 857 420	2 255 797

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

CHF in thousands	31.12.2019		31.12.2018	
	Total	in %	Total	in %
Switzerland	5 020 308	92%	4 782 280	93%
Italy	104 751	2%	83 093	2%
OECD countries	132 312	2%	108 710	2%
Other countries	226 042	4%	139 134	3%
Total assets	**5 483 414**	**100%**	5 113 217	100%

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

Country	Rating Fitch	Net foreign exposure **At 31 December 2019**		Net foreign exposure At 31 December 2018	
		In CHF	Share as %	In CHF	Share as %
Germany	AAA	42 906 554	9.26	40 579 028	15.53
Luxembourg	AAA	16 810 595	3.63	15 636 783	5.98
Netherlands	AAA	3	0.00	1 426 431	0.55
Sweden	AAA	5 212 637	1.13	5 201 269	1.99
Singapore	AAA	85	0.00	37	0.00
USA	AAA	7 962 593	1.72	3 875 791	1.48
United Kingdom	AA	23 545 937	5.08	18 102 114	6.93
Belgium	AA	2 312 460	0.50	2 764 404	1.06
France	AA	21 553 744	4.65	15 348 860	5.87
Saudi Arabia	AA	0	0.00	88	0.00
Panama	AA	528 934	0.11	1 195 340	0.46
Hong Kong	AA	503 375	0.11	0	0.00
Israel	A+	1 686 549	0.36	1 686 854	0.65
Ireland	A+	306 795	0.07	292 728	0.11
Slovenia	A	650 476	0.14	0	0.00
Spain	A-	2 138 674	0.46	518 908	0.20
Thailand	BBB+	100 092	0.02	101 712	0.04
Italy	BBB	104 751 425	22.62	83 093 134	31.79
Russian Federation	BBB	1 868	0.00	53	0.00
Brazil	BB	682 585	0.15	695 396	0.27
Greece	BB-	59 286	0.01	74 160	0.03
Monaco	Unrated	178 338 258	38.51	63 502 978	24.27
Guernsey	Unrated	40 801 150	8.81	0	0.00
Abu Dhabi	Unrated	1 293 176	0.28	0	0.00
Others	n.a.	10 958 963	2.37	7 315 728	2.80
Total		**463 106 214**	**100.00**	261 411 798	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	725 044	5 390	325	144	730 903
Amounts due from banks	60 000	56 438	10 345	28 696	155 479
Amounts due from customers	257 793	238 770	4 522	5 571	506 656
Mortgage loans	3 921 289	69 912	-	-	3 991 201
Positive replacement values of derivative financial instruments	899	143	332	44	1 418
Financial investments	11 882	2 065	39 609	-	53 556
Accrued income and prepaid expenses	3 718	1 766	2 400	40	7 924
Participations	1 191	-	-	-	1 191
Tangible fixed assets	17 823	91	-	-	17 914
Other assets	16 106	1 049	17	-	17 172
Total assets in the balance sheet	**5 015 745**	**375 624**	**57 550**	**34 495**	**5 483 414**
Off-balance-sheet claims due from foreign exchange spot, forward and option transactions	18 615	2 095 483	202 280	32 243	2 348 621
Total assets at 31.12.2019	**5 034 360**	**2 471 107**	**259 830**	**66 738**	**7 832 035**

Liabilities					
Amounts due to banks	1 401	1 423 039	198	3 382	1 428 020
Amounts due in respect of customer deposits	1 842 565	987 182	205 131	41 609	3 076 487
Negative replacement values of derivative financial instruments	60 114	335	7	219	60 675
Cash bonds	22 580	-	-	-	22 580
Loans from central mortgage bond institutions	469 100	-	-	-	469 100
Accrued liabilities and deferred income	13 409	5 342	3 233	63	22 047
Other liabilities	3 720	712	5	1	4 438
Provisions	6 537	325	-	-	6 862
Reserve for general banking risks	15 000	-	-	-	15 000
Share capital	180 000	-	-	-	180 000
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	181 441	-	-	-	181 441
Voluntary retained earnings reserves	-	-	-	-	-
Profit/Loss (result of the period)	16 764	-	-	-	16 764
Total liabilities in the balance sheet	**2 812 631**	**2 416 935**	**208 574**	**45 274**	**5 483 414**
Off-balance-sheet claims by foreign exchange spot, forward and option transactions	2 218 292	56 490	52 854	20 985	2 348 621
Total liabilities at 31.12.2019	**5 030 923**	**2 473 425**	**261 428**	**66 259**	**7 832 035**
Net position by currency	3 437	(2 318)	(1 598)	479	-

28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

in CHF	**31.12.2019**	31.12.2018	Change
Guarantees to secure credits and similar	205 645 038	204 307 980	1 337 058
Performance guarantees and similar	-	-	-
Irrevocable commitments arising from documentary letters of credit	23 341 352	20 048 351	3 293 000
Other contingent liabilities	-	-	-
Total contingent liabilities	**228 986 390**	224 356 331	4 630 059
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	**31.12.2019**	31.12.2018	Change
Fiduciary investments with third-party companies	13 198 763	13 371 399	(172 636)
Fiduciary investment with group companies and linked companies	-	36 000 326	(36 000 326)
Total	**13 198 763**	49 371 725	(36 172 962)

31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

CHF in million	**31.12.2019**	31.12.2018	Change
A) Type of managed assets			
Assets in collective investment schemes managed by the bank	771.8	714.8	57.0
Assets under discretionary asset management agreements	448.2	358.4	89.8
Other managed assets	4 525.7	4 462.4	63.3
Total managed assets (including double counting)	**5 745.7**	5 535.6	210.1
Of which, double-counted assets	295.5	261.3	34.2

"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.

B) Presentation of the development of managed assets			
Total managed assets (including double counting) at beginning of year	5 535.6	5 646.6	(111.0)
+/- net new money inflow or net new money outflow	(165.7)	(89.1)	(76.6)
+/- price gains/losses, interest, dividends and currency gains/losses	375.8	(21.9)	397.7
+/- other effects	-	-	-
Total managed assets (including double counting) at end of year	**5 745.7**	5 535.6	210.1

The Bank calculates deposits/(withdrawals) by clients net of any accrued interest, exchange rate differences, variations in rates, commissions and debited expenses.
Loans to clients are not deducted from this amount.

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

in CHF	**31.12.2019**	31.12.2018	Change
Interest rate instruments (including funds)	-	-	-
Equity securities (including funds)	14 811	(8 314)	23 125
Foreign currencies	22 743 467	20 873 427	1 870 040
Commodities/precious metals	119 580	122 354	(2 774)
Total result from trading activities	**22 877 858**	20 987 467	1 890 391

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 2.7 million in negative interest, CHF 2.6 million of which is attributable to the floating rate in interest rate swaps used for hedging.

34. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	**31.12.2019**	31.12.2018	Change
Salaries	37 575 609	36 773 067	802 542
Of which:			
Expenses relating to share-based compensation and alternative forms of variable compensation	3 848 000	3 380 000	468 000
Social insurance benefits	9 263 832	9 096 950	166 882
Other personnel expenses	1 309 427	1 758 414	(448 987)
Total	**48 148 868**	47 628 431	520 437

35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

in CHF	**31.12.2019**	31.12.2018	Change
Office space expenses	6 354 681	6 757 044	(402 363)
Expenses for information and communications technology	2 076 887	2 186 619	(109 732)
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	6 628 387	6 054 844	573 543
Fees of audit firm	348 392	359 994	(11 602)
Of which:			
for financial and regulatory audits	348 392	359 994	(11 602)
for other services	-	-	-
Other operating expenses	6 321 743	6 286 466	35 277
Total	**21 730 090**	21 644 967	85 123

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 a commitment amounting CHF 13 791 in "Other liabilities" that did not materialise and CHF 23 344 of sundry recoveries.

"Extraordinary expenses" exclusively comprise expenses relating to the restatement of a non-recurring operation carried out in previous financial years.

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	31.12.2019		
	Switzerland	Abroad*	Total
Net result from interest operations	47 431 629	3 740 957	51 172 586
Net commission and service income	21 940 365	2 022 969	23 963 334
Result from trading activities and the fair value option	22 454 229	423 629	22 877 858
Other result from ordinary activities	363 557	(28 194)	335 363
Operating expenses	66 113 671	3 765 287	69 878 958
Operating result	**26 076 109**	**2 394 074**	**28 470 183**

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

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

As at 31 December 2019, the item exclusively comprises current taxes (average tax rate: 23.4%).

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

Not applicable.

INDEPENDENT AUDITORS' REPORT

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

Lugano, 31 January 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Banca Popolare di Sondrio (Suisse) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in the equity and notes (pages 21 to 58), for the year ended 31 December 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Erico Bertoli	Beatrice Groppelli
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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FOREWORD

A section devoted to culture was introduced into our Bank's Annual Report back in 1997. This coincided with the publication of our first set of annual accounts, which covered the financial years of 1995 (the Bank commenced operations on 3 May that year) and 1996. The aim was to give the accounting document some "decoration", embellishing the dry figures and year-on-year comparisons with cultural texts to soothe the mind. The idea, a highly unusual move for a bank, has been continued to this day and has generally been well received.

As usual, this year's monograph bridges Switzerland and Italy, the latter being the home country of our parent company Banca Popolare di Sondrio. It explores the life of Charles-Édouard Jeanneret-Gris, better known under the pseudonym he adopted in Paris: Le Corbusier. He was an educated and highly versatile character: an architect, urban planner, writer, painter and sculptor.

Born in the Swiss town of La Chaux-de-Fonds on 6 October 1887, from a young age he was taught by his father to appreciate the beauty of nature in all its forms, which would inspire him as he created his many varied works.

After primary school, he enrolled at the École d'Art in La Chaux-de-Fonds, where his teacher Charles L'Éplattenier spotted his keen affinity for architecture and urged him to change course. Le Corbusier himself would write: "One of my teachers – a remarkable teacher – gently dragged me away from a mediocre fate. He wanted to make an architect of me. I despised architecture and architects. I was 16. I accepted the verdict and obeyed: I gave myself to architecture."

Le Corbusier expanded knowledge, experimentation and realism, values exalted by great thinkers both at the time and for centuries past. For example, the famous Chinese philosopher Lao Tzu remarked over 2,500 years ago: "Knowledge is a treasure, but practice is the key to it." A phrase that is always topical and never eroded by time.

Our own great thinker, keen to touch with his own hands the magnificent achievements of the human mind and wanting, as was his wont, to expand his wealth of knowledge ever more fully, went travelling through many countries. Amongst them was Italy, a nation famously rich in history and memory and one that, over the centuries, has spread civilisation and culture and brought forth individuals with a fervent imagination, extraordinary intuition and unsurpassed skill: inventors, explorers, navigators, people of letters, artists of all kinds and flavours. And Le Corbusier, visiting Florence, Siena, Verona, Padua and many other important Italian towns and cities, savoured their greatness and remained fascinated by them.

An eclectic character, a proficient artist and an inspired architect, he was also a talented writer. One of Le Corbusier's most substantial and weighty offerings in terms of innovative ideas was his 1923 work Vers une architecture, which sparked various debates and made a major contribution to the transformation of international architectural thought in the last century. This served to drag the rules for constructing buildings into the modern age.

On 27 August 1965, not long before his 78th birthday, Le Corbusier died in Roquebrune-Cap-Martin, having lived a full-on life brimming with creative drive and enthusiasm.

His was a practical and stylish architecture, one that respected both individual and collective needs with a clarity of form and proportion. Amongst the products at his disposal, Le Corbusier did not turn his nose up at reinforced concrete. Famous for being a "poor man's" material, it nevertheless had the obvious advantage of meeting the requirements of functionality and strength perfectly. He used it sympathetically in his works, always taking care not to offend good taste.

The texts in this monograph are the fruit of meticulous research and due deliberation. The result is an articulate cultural supplement that is harmonious and pleasant to read.

Every one of the authors deserves my heartfelt thanks and congratulations for their sterling work. They are Brigitte Bouvier (from the Fondation Le Corbusier in Paris, which she directs with aplomb and which has also provided us with notes and fascinating photographs, thus deserving twice the thanks), Alessandra Dolci, Marida Talamona, Giampiero Bosoni, Philippe Daverio, Fulvio Irace, Sergio Pace, Bruno Reichlin and Simon Zehnder. I would also like to express my gratitude to those colleagues who, in their various ways, have made a highly appreciated contribution to ensuring the success of this monograph, a cause very dear to their hearts.

Lugano, January 2020

Chairman
Mario Alberto Pedranzini