

2020 ANNUAL REPORT

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

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

BOARD OF DIRECTORS

Mario Alberto Pedranzini
Chairman

Brunello Perucchi
Vice Chairman

Maria Galliani
Member and Secretary

Giovanni Ruffini
Member

Daniel Zuberbühler
Member

GENERAL MANAGEMENT

Mauro De Stefani
Chief Executive Officer

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

Paolo Camponovo
Member of the Executive Committee
Head of Logistics Division

Roberto Mastromarchi
Member of the Executive Committee
Head of Front Division

INTERNAL AUDITING

Alberto Bradanini
President

EXTERNAL AUDITOR

Ernst & Young SA
Lugano





The idea is inside the materials and inside yourself, all you have to do is set it free.

Gualtiero Marchesi

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

CONTENTS

CHAIRMAN'S FOREWORD	9
REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020	15
2020 FINANCIAL STATEMENTS	21
BALANCE SHEET AS AT 31 DECEMBER 2020	22
INCOME STATEMENT FOR THE 2020 FINANCIAL YEAR	24
CASH FLOW STATEMENT FOR THE 2020 FINANCIAL YEAR	26
STATEMENT OF CHANGES IN EQUITY	28
NOTES TO THE 2020 ANNUAL ACCOUNTS	31
INDEPENDENT AUDITORS' REPORT	60
OUR PRODUCTS AND SERVICES	63
GUALTIERO MARCHESI A WORLD FULL OF FLAVOURS, MUSIC AND COLOURS	I
Introduction	III
The life of Gualtiero Marchesi and Italian cuisine	V
The best way to teach is by example	XIII
My first real teacher	XXI
An intellectual in the kitchen	XXV
A tribute to Gualtiero Marchesi (also the name of one of my dishes)	XXXI
The eclectic language of food	XXXVII
A "Renaissance" artist	XLV
Cookery and forms	XLIX
Gualtiero Marchesi's economic contribution to the restaurant industry	LV
The unforgettable memory of papà Gualtiero	LIX



*I've always been fascinated by the creative process:
the combination of flavours, the combination of shapes.*

CHAIRMAN'S FOREWORD

As we rang in 2020, we exchanged our best wishes and, in the hope of making the most of every single day of the year, packed our diaries full of good intentions, sure in the knowledge that we would achieve them. Well, we can definitely say that we did all we could, combining a desire to get things done with energy and tenacity and reaping the reward of positive results. We got stuck into our daily lives as we looked with confidence to the future – a future that only a clairvoyant could have predicted. And then we were taken by surprise: what began as a virus nobody knew anything about soon spiralled into a global crisis, one that left us fragile and bewildered in the face of the uncertainty to come.

It was a year – coincidentally a leap year – that started badly and got worse and that also left its mark on our Bank's Board of Directors. It is with great respect and sadness that we remember Plinio Bernardoni, a lawyer by profession, who died on 14 March 2020 aged 77. Member and Secretary of the Board of Directors since the Bank's foundation in 1995, he played a significant part in its success. His work will always remain a shining example of professionalism and rigour.

Covid-19 – as the virus originating in Wuhan in China was named – spread like wildfire from East to West, invading all continents, sowing grief and bringing the global economy to its knees.

Following an initial bout of disorientation, authorities and governments mounted a huge intervention to cushion the blow.

Central banks staved off global market collapse by injecting liquidity and buying up government bonds on an unprecedented scale.

National governments, meanwhile, launched massive economic support packages.

The pandemic has changed how we think, work and live, forcing us to adopt habits that can only be compared to the curfew during the Second World War or, going further back, to the Spanish flu at the beginning of the last century.

Much remains to be done to pull national economies out of the quagmire caused by the succession of lockdowns imposed during the year.

The launch of vaccination drives in all major countries bodes well for potentially bringing an end to this nightmare.

As 2020 draws to a close, we can see that the worst-affected country – the US – has also been the one best able to contain the economic fallout. Europe and the UK are struggling to cope with the challenging situation. One country worthy of particular mention is China: having brought the virus under control, it is demonstrating its undisputed new status of global economic power thanks to the free trade agreement between 15 Asian countries that make up over 30% of the world's GDP.

One remarkable political achievement from within the European Union concerns Brexit, which finally came to fruition thanks to the eleventh-hour agreement reached in December between the EU and UK that averted the dreaded "no deal".

Within the eurozone, we should mention our neighbour Italy: not only because of its good relations with Switzerland but also because of the many willing Italian workers who have at times been forced to stop working in our country.

Switzerland has so far been able to cushion the impact and costs of the pandemic effectively, with favourable prospects for an orderly recovery.

The Federal Council also acted promptly and efficiently to impose strict regulations in order to minimise the negative economic consequences. The country's system held up, demonstrating – if ever there was a need to – that it is both enterprising and robust. This was exemplified by the leading rating agencies awarding Switzerland the highest possible recognition in the form of the much-coveted triple "A" rating in 2020, as they had in previous years.

In the financial sector, meanwhile, the main issue to be resolved remains access to the European market by individual countries, something that needs to be settled in bilateral negotiations.

Our Bank remained profitable despite all the adverse circumstances. Profit rose 20% to hit CHF 20,178,000 at year-end on the back of some tireless work that, as we have mentioned, was done in an extraordinarily difficult and uncertain environment.

Our robustness, high-quality assets and excellent liquidity situation also led us to increase our total assets.

Always attentive to change, we focused more on sustainable investments from an ESG perspective.

Driven by innovation, we invested in improving our IT system, which will allow us to develop numerous IT projects that are already in the pipeline.

We continued our well-thought-through policy of regional expansion by opening a branch in Vevey in the canton of Vaud.

I would like to follow these brief remarks by thanking my colleagues on the Board of Directors, whose work has been characterised by preparedness and skill combined with dedication and foresight. My thanks likewise go to the Executive Board and to all employees for their hard work during the problem-strewn year that was 2020.

I would like to express my gratitude to FINMA, the Swiss Financial Market Supervisory Authority, for the attention devoted to us.

Thanks are also due to the members of the external auditors EY (Ernst & Young) for their skilled and meticulous work.

I would like to thank our Italian parent company, Banca Popolare di Sondrio, which, as always, has lent us its unwavering support. This year marks the 150th anniversary of its foundation, as it was established in the capital of the Valtellina region on 4 March 1871. On behalf of BPS (SUISSE), I would like to express my best wishes on the occasion of this major milestone and hope that our parent bank will continue on its journey of expansion and profitability just as it has to this day. All the signs are good.

It is also my duty – and my great pleasure – to thank our clients for the trust that they have placed in us. This Bank will remain close to them and will do all it can to ensure that business relationships are always conducted to their complete satisfaction and in everyone's mutual interest.

To complete the expected "rebirth", it is worth mentioning the virtuous fight for environmental sustainability, which must be pursued relentlessly with new policies geared towards protecting the planet. Preserving the Earth means preserving and loving life, for our own benefit and that of future generations.

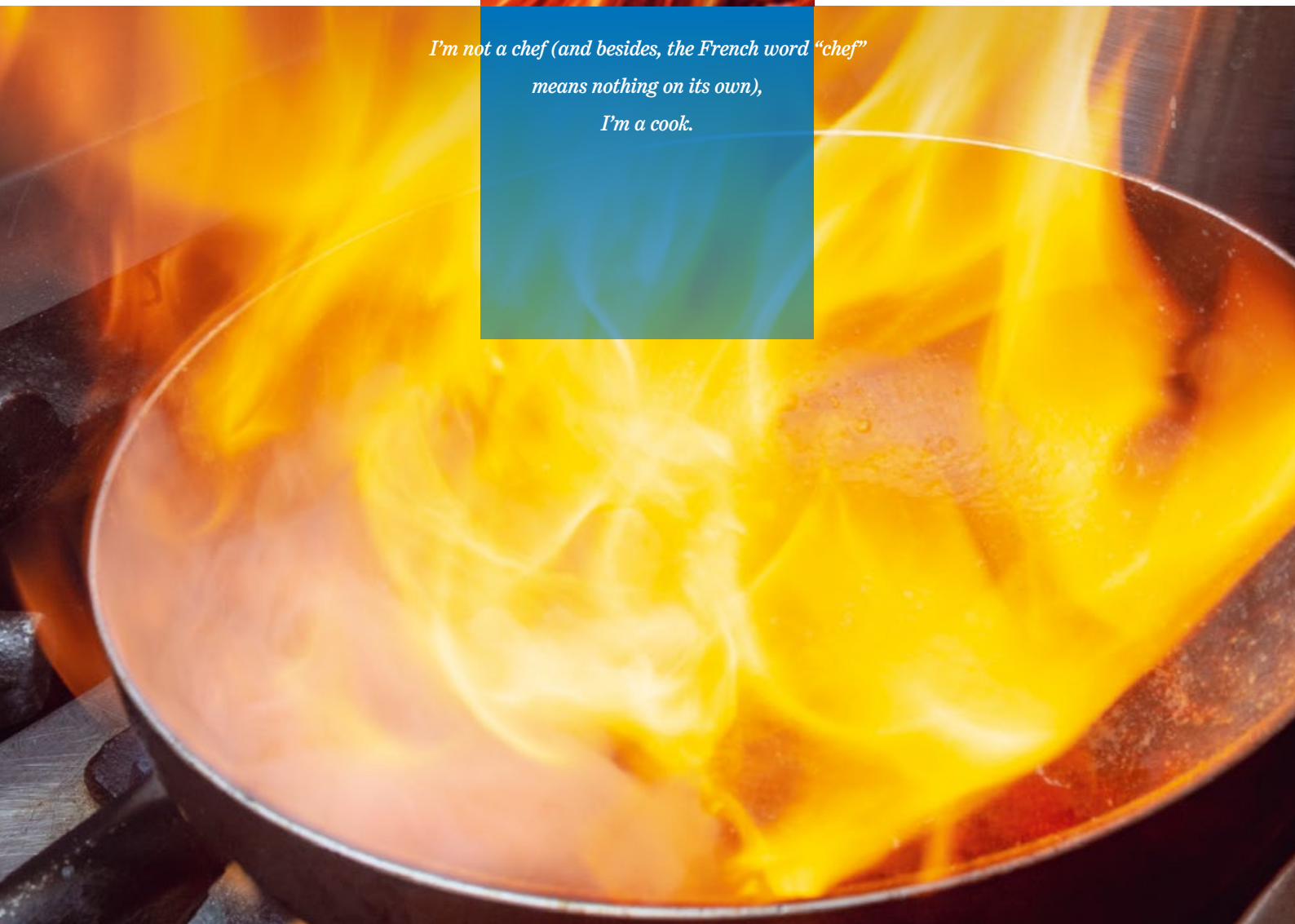
To sum up, while the results achieved are undoubtedly a comfort, we cannot ignore the fact that the coronavirus has spoiled the party. However, this would be a fairly tolerable sacrifice to make if we could see the light at the end of the tunnel as we gradually reclaim an acceptable standard of economic and social life in the "new normal".

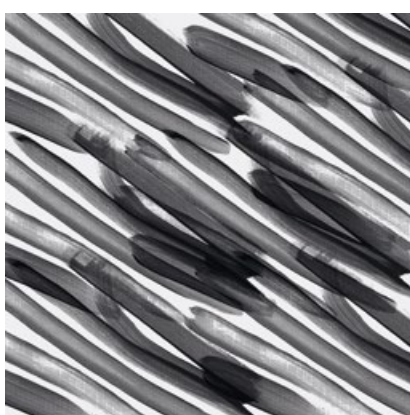
With this in mind, I am hoping for a 2021 marked by a turnaround and economic recovery. I wish everyone good health and prosperity.

Chairman
Mario Alberto Pedranzini

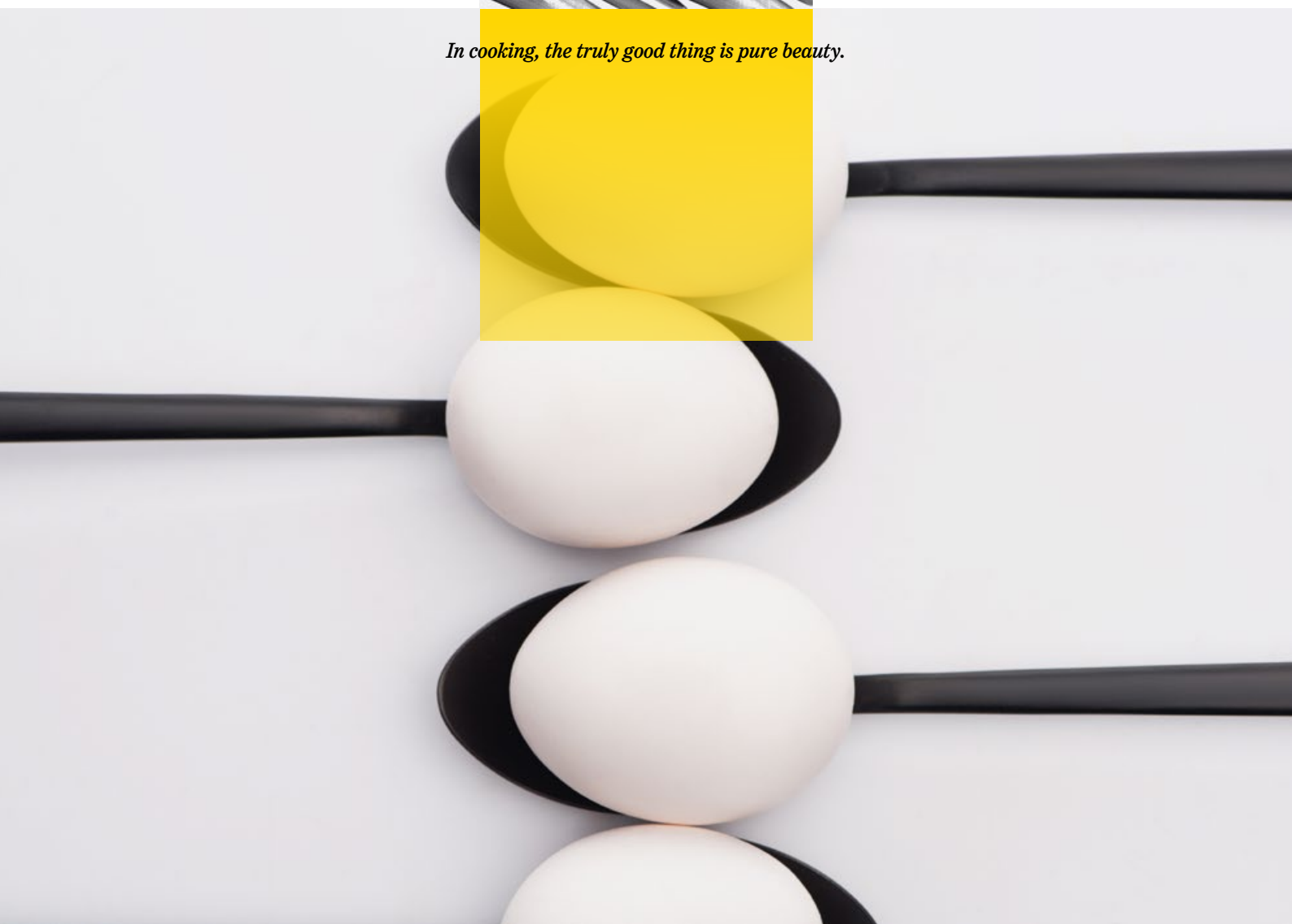


*I'm not a chef (and besides, the French word "chef"
means nothing on its own),
I'm a cook.*





In cooking, the truly good thing is pure beauty.



REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

International panorama

2020 will be remembered as the year of the Covid-19 pandemic. Our experience of the lockdowns and the haunting images from intensive care units in hospitals around the world will remain forever etched on our individual and collective memories.

This is due not least to the public health, economic and political crises that have compounded the coronavirus crisis.

The initial response to the emergency was for individual countries to close their external borders before imposing new internal restrictions and limiting freedom of movement according to rules that varied depending on infection rate trends.

Following the initial bewilderment, the world ploughed huge resources into developing a vaccine that was produced in record time and whose mass distribution began in January 2021.

The pandemic has had severe social and economic consequences, and an assessment of its medium-term impact gives cause for concern. Some of the changes brought about by the crisis may have a lasting effect on future developments, and not only in negative terms.

Technological progress has played a decisive role in wide-ranging areas of activity. In the wake of the regulations and recommendations for social distancing, the use of digital channels has at least partly allowed work, schooling and public and personal activities to continue.

The economic standstill during the initial phases of immense uncertainty had a serious impact. In the periods that followed, the extent of the ramifications was interpreted as a function of the recessionary curve in the various sectors and the time needed to recover to pre-crisis levels. Much will depend on the effectiveness of the actions taken by individual countries to tackle the situation and build back better.

Past crises give us experience and have prepared us for recessions even as severe as this one (the Great Depression, the oil crisis, the dot-com bubble, the financial crisis), allowing the authorities to respond with incisive measures rolled out on a huge scale.

Once the healthcare emergency has been overcome, the main worry will be the impact on government finances of the huge cost of supporting citizens and businesses. The fear is that the sudden, sharp fall in their debt-to-GDP ratios will trigger a renewed public debt crisis in weaker countries.

However, the unprecedented fiscal policy measures envisaged as part of the EU's huge recovery programme cannot be put off without causing irreparable damage to the manufacturing industry.

More wide-ranging reflections led to the prevailing economic model – that of globalisation and free markets – being rejected as serious vulnerabilities and weaknesses emerged. A general repositioning of the economy should take a fresh look at elements such as stability – both legal and geographical – and the ready availability of resources, production sources and stockpiles, irrespective of price efficiencies.

The leading global powers should take this into account with long-term initiatives, as has already been announced.

The new Biden administration in the US has some great expectations to live up to: reviving its partnership with Europe, reviewing its protectionist policies and rejoining the Paris Climate Agreement.

The European Union is expected to implement its “Next Generation EU” multi-year stimulus package and the sustainable growth strategy outlined in its Green Deal. In institutional terms, the questions post-Brexit range from the need to accept greater internal cohesion to the fading notion of a multi-speed Europe, although there is always the possibility of the current approach being maintained.

China’s appetite for economic negotiations has resulted in the world’s biggest free trade agreement, the Regional Comprehensive Economic Partnership, which covers an area of Asia that is home to a third of the world’s population and accounts for 30% of global GDP. It will be important, including outside our own borders, to see how relations with the US develop.

Closer to home, Switzerland has completed a project of huge importance and great symbolic significance: AlpTransit, which has now finished building the NRLA (New Railway Link through the Alps) on Swiss territory following the opening of the Gotthard Base Tunnel in 2016 and the Ceneri Base Tunnel in late 2020. It is the most important transalpine rail link of the century and will form the beating heart of Europe’s rail freight network from north to south, from Rotterdam to Genoa. It will also have a significant local impact too, specifically in Ticino, boosting mobility within the canton and allowing much faster journeys to German- and French-speaking Switzerland. As well as its invaluable commercial benefits, switching goods from road to rail also gives a significant boost to environmental sustainability coupled with economic efficiency.

The onward march of the trends that form part of the “Fourth Industrial Revolution” – such as interaction between the physical, digital and biological worlds and artificial intelligence (e.g. the Internet and robotics) – may impact on our lives in ways and at a speed never experienced before.

On the business front, a new wave of mergers and acquisitions is on the horizon as firms look to leverage synergy effects and economies of scale. Yet paradigm shifts are expensive and require companies to possess considerable resources if they want to gain a firm footing or even just survive on the market in the areas most affected by the new trends.

Once they had overcome the sharp falls of the first few months of the pandemic, the stock markets capitalised on the post-crisis opportunities and made steady, significant gains. Bucking the global trend, the exchanges in some major European countries remained in negative territory, while Switzerland’s ultimately delivered a solid performance.

Switzerland: the economy and the financial system

Switzerland has been named as one of the countries most resilient to the pandemic-induced recession. This is thanks to several factors, such as good public governance, the structure of its economy, an efficient healthcare system, a flexible labour market, an advanced level of digitalisation and, last but not least, readily available financial resources.

The timely measures taken to support individuals and businesses have enabled the damage to be limited; the Swiss model has worked well. Thanks to the firm commitment shown by the authorities, industry associations and banks, companies were able to get the liquidity they needed quickly and without any red tape as early as the second week of lockdown, thus avoiding a massive economic shock.

Although significant, the fall in GDP was much less severe than the European average, and forecasts of the prospects for a rebound are also brighter. Similar considerations also apply to the unemployment rate. The federal government and the cantons have taken further action to protect jobs and support the worst-affected sectors, referring particularly to “cases of hardship”.

The impact of the burden on public finances, albeit not immaterial, is unlikely to pose an excessive risk in view of the low level of public debt.

Despite the temporary recovery in the domestic economy in the summer, the services sector was hit hardest by the crisis along with the export sector as a result of falling international demand.

The negative trend was exacerbated by the wait-and-see approach being taken with investments, which were often cancelled, downsized or postponed pending clearer signs of an economic recovery.

The real estate sector remained largely stable with an outlook characterised consistently by caution, while the regulatory restrictions on financing buy-to-let properties produced the expected results.

The banking industry mounted an effective response to the coronavirus crisis. As well as safeguarding business continuity and taking the necessary action to protect the health and safety of their employees and customers, the commercial banks shouldered the unprecedented work involved in granting corporate loans under the special Covid-19 scheme.

Negotiations on providing financial services on the European market remain deadlocked. However, the completion of Brexit following UK-EU negotiations has revived tentative hopes on the Swiss side. Specifically, this involves a strategic dossier for banks in order to reactivate the main driver of growth in the private banking industry.

The entry into force of the Swiss Financial Services Act (FinSA) and the Swiss Financial Institutions Act (FinIA) has been well received by interested parties, who appreciate the modern approach and greater flexibility that the two pieces of legislation offer compared with their European counterparts.

Monetary policy remained unchanged, with interest rates kept stable in negative territory and spreads narrowing against the euro and, in particular, the US dollar.

On the foreign exchange markets, the dollar fell significantly against the other leading currencies, while the Swiss franc largely held steady against the euro.

Inflation turned negative, thus moving further away from the official targets set by the Swiss National Bank before the crisis.

Performance during the year

The Bank's day-to-day management was influenced by the emergency measures, both in its capacity as an economic entity and by the effects generated by the financial markets and the real economy.

Despite the challenging environment, the flexibility of our structure and the quality of our internal organisation enabled us to progress our projects on schedule and with a firm handle on the operational risks.

On the commercial side, the restrictions placed on social interactions had a significant impact on our “face-to-face” client relations. Discussions carried on largely in virtual mode, with the hope of re-establishing physical contact in the future.

Activities geared towards acquiring new clients were affected by restrictions on mobility and the impossibility of hosting events.

Nevertheless, the growth in aggregates was encouraging, albeit uneven in terms of geographical areas and business segments.

The Bank’s territorial network was expanded with the opening of the branch in Vevey in the canton of Vaud towards the end of the financial year. It now has 20 bricks-and-mortar offices in eight cantons and the Principality of Monaco alongside its representative office in Verbier in the canton of Valais and its Direct Banking virtual branch.

Logistics were adapted in line with the regulations issued by our “Crisis Unit”, which remains active. Across the board, this has involved the organisational structure for implementing the measures to combat Covid-19 in compliance with the law, the recommendations of the industry associations and the additional precautions ordered by Management.

IT activities focused primarily on parameterising and testing the new version of the Olympic basic IT system, which was migrated successfully from 1 January 2021 onwards. The role played by the supplier, ERI Bancaire, was fundamental, as was the contribution made by the staff involved in the analysis and verification stages. This represented an essential step towards modernising our structure and one that will also allow the resources needed to develop numerous projects for the benefit of clients to be freed up as well as improving internal procedures.

Cooperation with our parent bank in terms of advice and coordination has been fruitful and has allowed us to harness substantial synergy effects.

The Bank’s new website boasts a modern layout with useful features including the new mortgage calculator.

We currently employ 340 staff, three more than the previous year.

Customer deposits totalled CHF 5,140,300,000 (+3%), with an increase in both direct deposits (+5% to CHF 3,254,900,000) and indirect deposits (+1% to 1,885,400,000). Assets under management grew significantly. Our new sustainable finance products were well received by the public. As well as offering investment profiles with specific asset allocation, two new ESG sub-funds were launched via our *Popso (SUISSE) Investment Fund SICAV*. The convertible bond fund was also given a new strategic focus.

The 3rd-pillar pension foundation *Life Benefit* has assets amounting to CHF 156,700,000 (-10%). The fall was attributable to standalone clients, while there was growth in the *Premium* component, which is reserved for clients who also make use of other Bank products or services.

The placement of products for retail clients delivered a satisfactory performance. Positive results were achieved by the *PassparTu* package, which encompasses all day-to-day products and services, and the *investment fund savings plan (PAF)*, which is offered depending on various investment profiles.

Loans to clients net of provisions rose to CHF 4,809,100,000 (+7%). Mortgages accounted for CHF 4,287,700,000 (+7%) of this amount, with other loans to clients contributing CHF 521,400,000 (+3%). These activities were carried out in line with the lending policy focused on the residential property segment. The level of risk was kept within standard limits.

The issue of mortgage bonds under the umbrella of *Pfandbriefbank schweizerischer Hypothekarinstitute AG* continued at its usual pace and amounted to CHF 519,100,000 (+11%). Very favourable terms were offered in accordance with the issuer's top credit rating and the characteristics of the instrument. The Bank subscribed to the capital increase during 2020, thus increasing its stake.

The figures on the *income statement* are satisfactory.

The *net result from interest operations* improved markedly to CHF 58,976,000 (+15%) as a result of the growth in the loan portfolio and lower refinancing costs.

Net commission and service income came to CHF 23,553,000 (-2%). The fall was due to income from other services, with the securities trading and investment segments remaining stable (+1%) in line with expectations.

The *result from trading activities and the fair value option* deteriorated to CHF 20,532,000 (-10%) following the fall in operating activities during lockdown and lower income from currency swaps.

Operating expenses increased somewhat to CHF 70,705,000 (+1%). *Personnel expenses* rose to CHF 49,316,000 (+2%), while *general and administrative expenses* dropped to CHF 21,389,000 (-2%). The good result achieved is testimony to careful management despite the crisis.

Net of depreciation, amortisation and ordinary and extraordinary provisions, the *operating result* came to CHF 27,439,000 (+26%).

Profit (result for the period) passed the CHF 20 million threshold for the first time, ending the year at CHF 20,178,000 (+20%).

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 16,128,000 be allocated to the *statutory retained earnings reserve*.

At the end of a particularly complex financial year, we would like to thank our clients for their trust, the supervisory authority FINMA for its authoritative support, our staff for their unstinting commitment, our parent bank for its customary cooperation and our auditors EY (Ernst & Young) for their rigour and expertise.

Lugano, 3. February 2021

The Board of Directors



*As a young man, I learned to play the piano, and to think of taste
as architecture. What have I learned in the end?
That simplicity is hard.*

2020 FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2020 (WITH 2019 COMPARATIVE FIGURES)

ASSETS

in CHF	Note	2020	2019	Change
Liquid assets		867 648 993	730 903 289	136 745 704
Amounts due from banks		100 728 170	155 479 325	(54 751 155)
Amounts due from customers	2	521 394 939	506 656 397	14 738 542
Mortgage loans	2	4 287 733 483	3 991 200 561	296 532 922
Positive replacement values of derivative financial instruments	4	30 203 409	1 417 584	28 785 825
Financial investments	5	48 183 268	53 556 210	(5 372 942)
Accrued income and prepaid expenses		8 387 410	7 924 234	463 176
Participations	6-7	2 790 135	1 190 728	1 599 407
Tangible fixed assets	8	17 280 021	17 913 958	(633 937)
Other assets	10	10 259 336	17 172 173	(6 912 837)
Total assets		5 894 609 164	5 483 414 459	411 194 705
Total subordinated claims		-	-	-

LIABILITIES

in CHF	Note	2020	2019	Change
Amounts due to banks		1 659 145 097	1 428 019 594	231 125 503
Amounts due in respect of customer deposits		3 230 651 829	3 076 487 154	154 164 675
Negative replacement values of derivative financial instruments	4	15 955 958	60 675 249	(44 719 291)
Cash bonds	15	24 230 000	22 580 000	1 650 000
Bond issues and central mortgage institution loans	15	519 100 000	469 100 000	50 000 000
Accrued expenses and deferred income		22 002 891	22 046 598	(43 707)
Other liabilities	10	5 556 560	4 438 592	1 117 968
Provisions	16	8 634 258	6 862 383	1 771 875
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		194 154 889	181 440 942	12 713 947
Voluntary retained earnings reserves		-	-	-
Profit/Loss (result of the period)		20 177 682	16 763 947	3 413 735
Total liabilities		5 894 609 164	5 483 414 459	411 194 705
Total subordinated liabilities		-	-	-

OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2020
(WITH 2019 COMPARATIVE FIGURES)

in CHF	Note	2020	2019	Change
Contingent liabilities	2, 28	177 366 637	228 986 390	(51 619 753)
Irrevocable commitments	2	24 322 517	31 824 742	(7 502 225)

INCOME STATEMENT FOR THE 2020 FINANCIAL YEAR (WITH 2019 COMPARATIVE FIGURES)

in CHF	Note	2020	2019	Change
Interest income:				
- Interest and discount income	33	70 828 259	69 044 105	1 784 154
- Interest and dividend income from financial investments		-	-	-
- Interest and dividend income from trading portfolios		573 412	754 346	(180 934)
Interest expense		(11 435 606)	(16 001 700)	4 566 094
Gross result from interest operations		59 966 065	53 796 751	6 169 314
Changes in value adjustments for default risks and losses from interest operations		(989 688)	(2 624 165)	1 634 477
Subtotal net result from interest operations		58 976 377	51 172 586	7 803 791
Commission income:				
- from securities trading and investment activities		17 316 554	17 224 121	92 433
- from lending activities		2 696 522	2 678 228	18 294
- from other services		6 139 811	6 867 743	(727 932)
Commission expense		(2 600 044)	(2 806 758)	206 714
Subtotal result from commission business and services		23 552 843	23 963 334	(410 491)
Result from trading activities and the fair value option	32	20 531 764	22 877 858	(2 346 094)
Result from the disposal of financial investments		913 612	(203 883)	1 117 495
Income from participations		11 374	11 374	-
Result from real estate		116 277	131 708	(15 431)
Other ordinary income		1 147 104	1 392 765	(245 661)
Other ordinary expenses		(3 154 627)	(996 601)	(2 158 026)
Other result from ordinary activities		(966 260)	335 363	(1 301 623)
Personnel expenses	34	(49 316 473)	(48 148 868)	(1 167 605)
General and administrative expenses	35	(21 388 479)	(21 730 090)	341 611
Total operating expenses		(70 704 952)	(69 878 958)	(825 994)

INCOME STATEMENT FOR THE 2020 FINANCIAL YEAR (CONTINUED)

in CHF	Note	2020	2019	Change
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	8	(3 544 803)	(3 411 799)	(133 004)
Changes to provisions and other value adjustments, and losses		(405 643)	(3 219 005)	2 813 362
Operating result		27 439 326	21 839 379	5 599 947
Extraordinary income	36	88 356	37 135	51 221
Extraordinary expenses	36	-	(12 567)	12 567
Changes in reserves for general banking risks		-	-	-
Taxes	39	(7 350 000)	(5 100 000)	(2 250 000)
Profit (Result of the period)		20 177 682	16 763 947	3 413 735

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT (WITH 2019 COMPARATIVE FIGURES)

in CHF	Note	2020	2019	Change
Profit (Result of the period)		20 177 682	16 763 947	3 413 735
Profit/Loss carried forward		-	-	-
Distributable profit		20 177 682	16 763 947	3 413 735
The Board of Directors proposes to allocate the balance sheet profit totalling CHF 20 177 682 as at 31 December 2020 as follow:				
Dividend		4 050 000	4 050 000	-
Statutory retained earnings reserve		16 127 682	12 713 947	3 413 735
Retained earnings to be carried forward		-	-	-

CASH FLOW STATEMENT 2020 (WITH 2019 COMPARATIVE FIGURES)

CASH FLOW FROM OPERATING ACTIVITIES

CHF in thousands	2020		2019	
	Source	Utilisation	Source	Utilisation
Profit (Result of the period)	20 178	-	16 764	-
Value adjustment on participations, depreciaton and amortisation of tangible fixed assets and intangible assets	3 545	-	3 412	-
Value adjustments	-	-	-	-
Provisions and other value adjustments	1 772	-	3 096	-
Change in reserve for general banking risks	-	-	-	-
Accrued income and prepaid expenses	-	463	-	897
Accrued expenses and deferred income	-	44	3 429	-
Positive replacement values of derivative financial instruments	-	28 786	4 906	-
Negative replacement values of derivative financial instruments	-	44 719	6 229	-
Other assets	6 913	-	6 062	-
Other liabilities	1 118	-	-	1 522
Dividend previous year	-	4 050	-	-
Net operating cash flow	-	44 536	41 479	-

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	-	1 599	-	-
Real estate	-	2	-	4
Other fixed assets	-	2 909	-	4 172
Intangible fixed assets	-	-	-	-
Net cash flow from investment activities	-	4 510	-	4 176

CASH FLOW STATEMENT 2020 (CONTINUED)

CASH FLOW FROM BANKING OPERATIONS

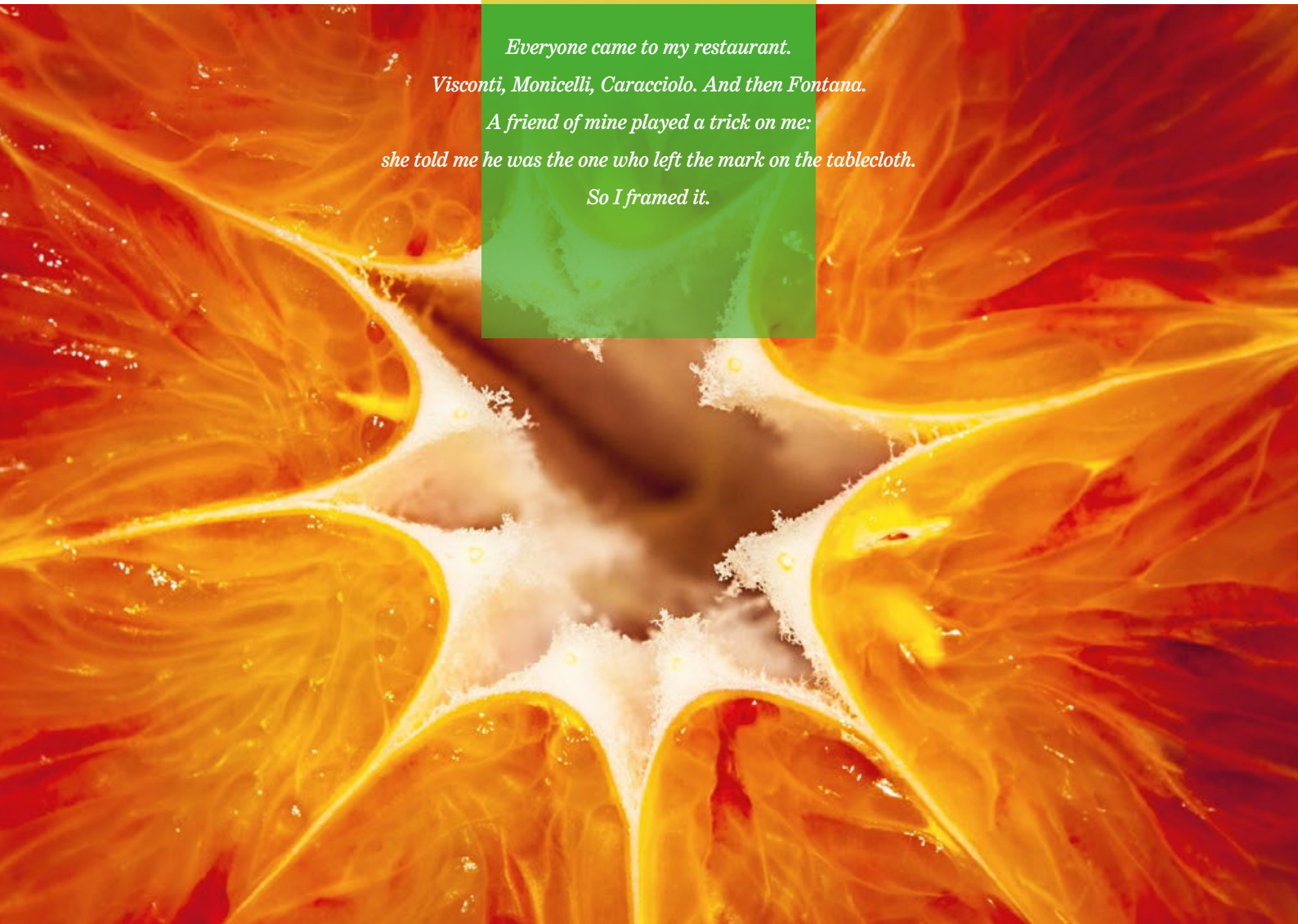
CHF in thousands	2020		2019	
	Source	Utilisation	Source	Utilisation
Balance brought forward	-	49 046	41 479	4 176
Non-current operations (> 1 year)				
Amounts due to banks	-	165 450	863 770	-
Amounts due in respect of customer deposits	-	-	-	-
Cash bonds	5 667	-	339	-
Bond issues and central mortgage institution loans	50 000	-	43 700	-
Client loans	-	61 520	5 733	-
Mortgage loans	164	-	-	25 093
Financial investments	9 420	-	-	8 447
Current operations				
Amounts due to banks	396 575	-	-	651 112
Amounts due in respect of customer deposits	154 164	-	75 315	-
Cash bonds	-	4 017	189	-
Bond issues and central mortgage institution loans	-	-	10 000	-
Amounts due from banks	54 751	-	-	35 452
Amounts due from customers	46 782	-	-	64 092
Mortgage loans	-	296 697	-	213 680
Financial investments	-	4 047	7 497	-
Trading portfolio assets/Trading portfolio liabilities	-	-	-	-
Net cash flow from banking activities	185 792	-	8 667	-
Total cash flow	185 792	49 046	50 146	4 176
Change in cash flow	136 746	-	45 970	-

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 01.01.2020	180 000 000	-	181 440 942	15 000 000	-	-	16 763 947	393 204 889
Dividends	-	-	-	-	-	-	(4 050 000)	(4 050 000)
Allocation to reserves	-	-	12 713 947	-	-	-	(12 713 947)	-
Profit/Loss (result of the period)	-	-	-	-	-	-	20 177 682	20 177 682
Equity as at 31 December 2020 before appropriation of net profit for 2020	180 000 000	-	194 154 889	15 000 000	-	-	20 177 682	409 332 571



*Everyone came to my restaurant.
Visconti, Monicelli, Caracciolo. And then Fontana.
A friend of mine played a trick on me:
she told me he was the one who left the mark on the tablecloth.
So I framed it.*



NOTES TO THE 2020 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), Vevey and the Principality of Monaco. At the end of the year, our staff numbered 340 employees (end of 2019: 337 employees), which represented a total of 322.5 fulltime equivalent positions (2019: 319.7 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.), the FINMA Accounting Ordinance (AO-FINMA) and FINMA Circular 2020/1 "Accounting – banks" of 31 October 2019, 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.

	2020	2019
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 1.0814 (2019: 1.0850); USD 0.8802 (2019: 0.9670).

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 2020 compared with the financial year ended 31 December 2019.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

Since the balance sheet date, no significant events have occurred that might have warranted inclusion in the 2020 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 2020 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 12 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 Accounting Ordinance (AO-FINMA). 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 4 to FINMA Circular 2016/1 is available from the Bank's website.



*The truth of form is the only way to eliminate
the deception of appearance.*



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	189 518 030	302 810 776	46 473 444	538 802 250
Mortgage loans				
Residential property	4 051 935 283	-	-	4 051 935 283
Office and business premises	230 701 213	-	-	230 701 213
Commercial and industrial premises	22 644 654	-	-	22 644 654
Other	-	-	-	-
Total loans (before netting with value adjustments – table 16) at 31 December 2020	4 494 799 180	302 810 776	46 473 444	4 844 083 400
Total at 31 December 2019	4 204 457 071	280 243 999	48 224 473	4 532 925 543
Total loans (after netting with value adjustments) at 31 December 2020	4 475 515 572	302 328 801	31 284 049	4 809 128 422
Total at 31 December 2019	4 185 466 379	279 714 501	32 676 079	4 497 856 958
Off-balance-sheet				
Contingent liabilities	2 796 029	147 535 557	27 035 051	177 366 637
Irrevocable commitments	8 315 361	1 959 756	14 047 400	24 322 517
Credit commitments	-	-	-	-
Total at 31 December 2020	11 111 390	149 495 313	41 082 451	201 689 154
Total at 31 December 2019	17 983 179	201 203 808	41 624 145	260 811 132
Impaired loans				
	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total at 31 December 2020	39 173 643	18 092 354	21 081 289	21 081 289
Total at 31 December 2019	36 200 015	14 595 870	21 604 145	21 604 145

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	-	-	-	-	6 490 220	212 100 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Foreign exchange/Precious metals						
Forward contracts	29 423 287	8 685 616	2 500 465 277	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	8 112	-	-	-
Options (OTC)	450 455	450 455	7 147 199	-	-	-
Options (exchange traded)	6 762	6 762	826 490	-	-	-
Equity securities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	2 089	2 089	393 130	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	320 816	320 816	57 411 217	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	2 319 925	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total before effect of netting contracts						
Total at 31 December 2020	30 203 409	9 465 738	2 568 571 350	-	6 490 220	212 100 000
Total at 31 December 2019	1 417 584	48 869 015	2 398 190 495	-	11 806 234	298 000 000

4. (CONTINUED)

in CHF

Total after netting agreements

	Cumulative positive replacement value	Cumulative negative replacement value
Total at 31 December 2020	30 203 409	15 955 958
Total at 31 December 2019	1 417 584	60 675 249

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 2020	-	29 271 546	931 863

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 2020 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	37 640 109	41 762 081	37 672 294	42 128 173
Of which:				
Intended to be held to maturity	37 640 109	41 762 081	37 672 294	42 128 173
Not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	2 110 159	852 129	2 251 396	873 096
Of which:				
Qualified participations	-	-	-	-
Deposit bonds (purchase value)	2 000 000	2 000 000	2 000 000	2 000 000
Precious metals	-	-	-	-
Real estate	6 433 000	8 942 000	10 516 000	13 766 000
Total financial investments	48 183 268	53 556 210	52 439 690	58 767 269
Of which:				
Securities eligible for repo transactions in accordance with liquidity requirements	13 882 916	14 839 883	-	-

Breakdown of counterparties by rating

At 31 December 2020	AAA to AA	A+ to A-	BBB+ to BBB-	BB + to B-	Below B-	Unrated
Debt securities						
Book values	37 640 109	-	-	-	-	-
Equity securities						
Book values	-	-	70 951	-	-	2 039 208

6. PRESENTATION OF PARTICIPATIONS

in CHF

	Acquisi- tion cost	Accu- mulated value adjustments and changes in book value	Book value previous year end	Reclassi- fications	Additions	Disposals	Value adjust- ments	Changes in book value of participa- tions valued using the equity method	Book value as at end of current year	Market value
Other participations										
Market value	-	-	-	-	-	-	-	-	-	-
Without market value	1 190 728	-	1 190 728	-	1 599 407	-	-	-	2 790 135	N/A
Total	1 190 728	-	1 190 728	-	1 599 407	-	-	-	2 790 135	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	1 000 000 000	0.18%	0.18%	1 774 000	-

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 2020.

The costs relating to the purchase of the "Pfandbriefbank – Zurich" participation amount to CHF 2 190 135.

8. PRESENTATION OF TANGIBLE FIXED ASSETS

in CHF		Current year						
	Purchase price	Accumulated depreciation & amortisation	Book value as at 31.12.2019	Reclassification	Additions	Disposals	Depreciation & amortisation Revaluation	Book value as at 31.12.2020
Fixed assets								
Bank buildings	22 405 523	(10 747 419)	11 658 104	-	2 400	-	(613 752)	- 11 046 752
Proprietary or separately acquired software	48 274 805	(46 485 786)	1 789 019	-	1 591 718	-	(1 586 120)	- 1 794 617
Other tangible fixed assets	84 153 517	(79 686 682)	4 466 835	-	1 316 748	-	(1 344 931)	- 4 438 652
Total	154 833 845	(136 919 887)	17 913 958	-	2 910 866	-	(3 544 803)	- 17 280 021

Disclosure of the total amount of non-recognised operating leases commitments

194 794

Of which:

Expiring within 12 months

15 135

Expiring more than 12 months and up to five years

179 659

9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF

	Other assets		
	31.12.2020	31.12.2019	Change
Compensation account	6 490 220	11 806 234	(5 316 014)
Swiss Federal Tax Administration	1 507 972	1 646 845	(138 873)
Others	2 261 144	3 719 094	(1 457 950)
Total	10 259 336	17 172 173	(6 912 837)

	Other liabilities		
	31.12.2020	31.12.2019	Change
Swiss Federal Tax Administration	953 976	1 139 320	(185 344)
Suppliers	2 396 682	2 071 232	325 450
Others	2 205 902	1 228 040	977 862
Total	5 556 560	4 438 592	1 117 968

11. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP AT 31 DECEMBER 2020

in CHF

Pledged/assigned assets	Book values	Effective commitments
Mortgages securing loans at central mortgage bond institutions	1 418 952 236	519 100 000
Securities used as collateral at the SNB	4 589 726	4 589 726
Securities used as collateral at SIX SIS	4 872 567	4 872 567
Securities repurchase (Repo) operations	-	-
Securities (financial investments) pledged to secure Repo operations	4 420 623	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)

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

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

	Overfunding/ underfunding at end of current year	Economic interest of the bank/financial group at end of current year	Economic interest of the bank/financial group at end of previous year	Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses at end of current year	Pension expenses in personnel expenses at end of previous year
Pension plans with- out overfunding/ underfunding	-	-	-	-	-	6 132 067	5 706 714

14. PRESENTATION OF ISSUED STRUCTURED PRODUCTS

Not applicable.

15. PRESENTATION OF BONDS OUTSTANDING AND MANDATORY CONVERTIBLE BONDS

CHF in thousands

Maturities	Loans from central mortgage bond institutions									Bond loans		Grand total	
	Interest rate									31.12.20	31.12.19	31.12.20	31.12.19
Year	0.050	0.175	0.300	0.425	0.550	0.675	0.800	1.050	1.425				
2020	-	-	-	-	-	-	-	-	-	-	-	-	20 000
2021	20 000	-	-	-	-	-	-	-	-	-	-	20 000	20 000
2022	18 100	-	-	-	-	-	-	-	-	-	-	18 100	18 100
2023	5 000	25 000	-	-	-	-	-	10 000	-	-	-	40 000	40 000
2024	3 000	15 000	-	-	-	-	20 000	-	5 000	-	-	43 000	43 000
2025	-	13 500	5 000	10 000	20 000	22 200	-	-	-	-	-	70 700	70 700
2026	-	-	32 900	-	-	-	-	-	-	-	-	32 900	32 900
2027	-	5 600	5 000	4 000	-	-	-	-	-	-	-	14 600	14 600
2028	-	18 600	-	6 500	39 700	6 900	-	-	-	-	-	71 700	66 700
2029	-	-	-	-	20 000	-	-	-	-	-	-	20 000	20 000
2030	5 000	-	5 000	20 000	-	-	-	-	-	-	-	30 000	25 000
2031	-	-	-	-	-	10 000	-	-	-	-	-	10 000	10 000
2032	-	22 500	-	-	-	-	-	-	-	-	-	22 500	15 000
2033	-	5 000	-	-	-	10 000	-	-	-	-	-	15 000	10 000
2034	-	-	10 000	-	-	10 000	5 000	-	-	-	-	25 000	25 000
2035	-	-	-	-	-	5 000	-	-	-	-	-	5 000	5 000
2036	-	-	5 000	-	-	-	-	-	-	-	-	5 000	-
2038	-	-	10 000	-	-	-	1 000	-	-	-	-	11 000	11 000
2039	-	-	-	5 000	-	5 000	-	-	-	-	-	10 000	10 000
2040	-	12 500	-	-	5 000	-	-	-	-	-	-	17 500	-
2041	-	-	10 000	-	-	-	-	-	-	-	-	10 000	-
2042	-	-	10 000	-	-	-	-	-	-	-	-	10 000	-
2043	-	-	-	5 000	-	-	-	-	-	-	-	5 000	-
2044	-	-	-	-	2 100	-	-	-	-	-	-	2 100	2 100
2046	-	-	-	5 000	-	-	-	-	-	-	-	5 000	5 000
2049	5 000	-	-	-	-	-	-	-	-	-	-	5 000	5 000
Total	56 100	117 700	92 900	55 500	86 800	69 100	26 000	10 000	5 000	-	-	519 100	469 100

15. (CONTINUED)

Medium-term notes in circulation at 31.12.2020

Interest rate	2021	2022	2023	2024	2025	2026	2027	2029	Total
-0.200%	-	-	4 000	-	-	-	-	-	4 000
0.000%	1 000	-	-	-	-	-	-	-	1 000
0.050%	200	50	-	-	-	-	-	-	250
0.100%	30	-	180	40	-	-	-	-	250
0.150%	-	-	-	-	30	-	-	-	30
0.200%	-	-	10	50	-	50	-	-	110
0.250%	100	-	-	-	-	-	-	-	100
0.300%	-	180	-	-	-	50	40	20	290
0.500%	6 382	10 368	-	-	-	-	-	-	16 750
1.000%	85	-	-	-	-	-	-	-	85
1.100%	150	-	-	-	-	-	-	-	150
1.125%	45	-	-	-	-	-	-	-	45
1.250%	220	190	-	-	-	-	-	-	410
1.375%	-	230	90	91	10	-	-	-	421
1.625%	30	-	-	-	-	-	-	-	30
2.125%	4	-	-	-	-	-	-	-	4
2.375%	55	-	-	-	-	-	-	-	55
2.500%	250	-	-	-	-	-	-	-	250
Total	8 551	11 018	4 280	181	40	100	40	20	24 230

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

in CHF	Previous year end	Use in conformity with designated purpose	Change of purpose, with reclassification, transfers	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for off-balance-sheet operations	217 383	-	-	-	-	-	(32 896)	184 487
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	6 645 000	(1 016 655)	-	(1 081)	-	2 822 507	-	8 449 771
Total provisions	6 862 383	(1 016 655)	-	(1 081)		2 822 507	(32 896)	8 634 258
Reserve for general banking risks	15 000 000	-	-	-	-	-	-	15 000 000

Value adjustments for default and country risks (deducted from the balance sheet receivables)

35 068 585	(811 117)	(750 000)	(3 827)	(4 555 263)	6 319 069	(312 469)	34 954 978
------------	-----------	-----------	---------	-------------	-----------	-----------	------------

Of which:

Value adjustments for default risks in respect of impaired loans/receivables	21 604 145	(811 117)	(750 000)	(2 071)	(2 158 089)	3 510 890	(312 469)	21 081 289
Value adjustments for latent risks	-	-	-	-	-	-	-	-

The "Reserve for general banking risks" is taxed.

"Other provisions" mainly includes provisions for legal and fiscal risks. The amount includes CHF 2.7 million in provisions for taxes on the reserves for general banking risks.

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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Members of the Board of Directors	-	-	-	-	-	-	-	-
Members of the Executive Committee	29 959	24 431	70 951	56 090	-	-	-	-
Employees	-	-	-	-	-	-	-	-
Total	29 959	24 431	70 951	56 090	-	-	-	-

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;
- five equal annual instalments adding up to 40% of the total shall be deferred for five 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 one year 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		
	31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
Holders of qualified participations	50 107 516	55 844 363	(5 736 847)	1 541 908 609	1 345 477 360	196 431 249
Governing bodies	7 601 672	9 770 000	(2 168 328)	4 746 484	5 216 840	(470 356)

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 2019 financial year.

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

Not applicable.

23. PRESENTATION OF THE MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

in CHF

in CHF	Maturities							
	At sight	Call/notice	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	Fixed assets	Total
Assets/financial instruments								
Liquid assets	867 648 993	-	-	-	-	-	-	867 648 993
Amounts due from banks	62 228 170	-	38 500 000	-	-	-	-	100 728 170
Amounts due from clients	4 964 716	258 400 718	78 335 485	89 146 657	45 536 066	45 011 297	-	521 394 939
Mortgage loans	8 474 434	232 386 731	540 758 558	972 238 087	1 605 086 311	928 789 362	-	4 287 733 483
Positive replacement values of derivative financial instruments	30 203 409	-	-	-	-	-	-	30 203 409
Financial investments	2 110 159	-	4 646 145	9 912 796	25 081 168	-	6 433 000	48 183 268
Total at 31.12.2020	975 629 881	490 787 449	662 240 188	1 071 297 540	1 675 703 545	973 800 659	6 433 000	5 855 892 262
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
Amounts due to third parties								
Amounts due to banks	34 574 397	41 000 000	431 879 700	340 641 000	811 050 000	-	-	1 659 145 097
Amounts due in respect of customer deposits	1 986 970 536	1 064 480 085	155 486 999	23 714 209	-	-	-	3 230 651 829
Negative replacement values of derivative financial instruments	15 955 958	-	-	-	-	-	-	15 955 958
Cash bonds	-	-	239 000	8 312 000	15 519 000	160 000	-	24 230 000
Bond issues and central mortgage institution loans	-	-	10 000 000	10 000 000	171 800 000	327 300 000	-	519 100 000
Total at 31.12.2020	2 037 500 891	1 105 480 085	597 605 699	382 667 209	998 369 000	327 460 000	-	5 449 082 884
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

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

CHF in thousands	31.12.2020		31.12.2019	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	867 285	364	730 330	573
Amounts due from banks	33 262	67 467	56 220	99 259
Amounts due from customers	284 912	236 483	256 636	250 020
Mortgage loans	4 213 714	74 020	3 921 289	69 912
Positive replacement values of derivative financial instruments	18 123	12 080	1 294	124
Financial investments	8 433	39 750	10 942	42 614
Accrued income and prepaid expenses	7 968	419	7 629	295
Participations	2 790	-	1 191	-
Tangible fixed assets	17 093	187	17 823	91
Other assets	10 158	101	16 955	217
Total assets	5 463 738	430 871	5 020 309	463 105
Liabilities				
Amounts due to banks	106 095	1 553 050	78 520	1 349 500
Amounts due in respect of customer deposits	2 042 238	1 188 414	1 981 841	1 094 646
Negative replacement values of derivative financial instruments	8 928	7 028	43 519	17 156
Cash bonds	24 230	-	22 580	-
Bond issues and central mortgage institution loans	519 100	-	469 100	-
Accrued expenses and deferred income	15 487	6 516	16 736	5 311
Other liabilities	5 333	223	4 322	116
Provisions	8 310	324	6 537	325
Reserve for general banking risks	15 000	-	15 000	-
Share capital	180 000	-	180 000	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	194 155	-	181 441	-
Voluntary retained earnings reserve	-	-	-	-
Profit/Loss (result of the year)	20 178	-	16 764	-
Total liabilities	3 139 054	2 755 555	3 016 360	2 467 054

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

CHF in thousands	31.12.2020		31.12.2019	
	Total	in %	Total	in %
Switzerland	5 463 738	93%	5 020 308	92%
Italy	114 832	2%	104 751	2%
OECD countries	102 912	2%	132 312	2%
Other countries	213 127	3%	226 042	4%
Total assets	5 894 609	100%	5 483 414	100%

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

Country	Rating Fitch	Net foreign exposure At 31 December 2020		Net foreign exposure At 31 December 2019	
		In CHF	Share as %	In CHF	Share as %
Germany	AAA	29 946 884	6.95	42 906 554	9.26
Luxembourg	AAA	14 984 416	3.48	16 810 595	3.63
Netherlands	AAA	3	0.00	3	0.00
Sweden	AAA	4 002 493	0.93	5 212 637	1.13
Singapore	AAA	49	0.00	85	0.00
USA	AAA	2 485 747	0.58	7 962 593	1.72
France	AA	21 392 781	4.97	21 553 744	4.65
United Kingdom	AA-	19 930 828	4.62	23 545 937	5.08
Belgium	AA-	0	0.00	2 312 460	0.50
Hong Kong	AA-	503 382	0.12	503 375	0.11
Israel	A+	1 697 859	0.39	1 686 549	0.36
Ireland	A+	0	0.00	306 795	0.07
Slovenia	A	648 263	0.15	650 476	0.14
Spain	A-	1 016 355	0.24	2 138 674	0.46
Thailand	BBB+	99 911	0.02	100 092	0.02
Panama	BBB	414 399	0.10	528 934	0.11
Russia	BBB	101	0.00	1 868	0.00
Italy	BBB-	114 832 341	26.65	104 751 425	22.62
Greece	BB	225 223	0.05	59 286	0.01
Brazil	BB-	661 193	0.15	682 585	0.15
Monaco	Unrated	177 331 161	41.16	178 338 258	38.51
Guernsey	Unrated	30 124 840	6.99	40 801 150	8.81
Abu Dhabi	Unrated	15 722	0.00	1 293 176	0.28
Others	n.a.	10 557 243	2.45	10 958 963	2.37
Total		430 871 194	100.00	463 106 214	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	862 957	4 427	149	116	867 649
Amounts due from banks	38 876	18 871	5 514	37 467	100 728
Amounts due from customers	295 727	217 443	1 314	6 911	521 395
Mortgage loans	4 213 714	74 020	-	-	4 287 734
Positive replacement values of derivative financial instruments	30 006	74	74	50	30 204
Financial investments	9 770	2 848	35 565	-	48 183
Accrued income and prepaid expenses	4 854	2 359	1 150	24	8 387
Participations	2 790	-	-	-	2 790
Tangible fixed assets	17 093	187	-	-	17 280
Other assets	9 906	353	-	-	10 259
Total assets in the balance sheet	5 485 693	320 582	43 766	44 568	5 894 609
Off-balance-sheet claims due from foreign exchange spot, forward and option transactions	7 986	2 325 939	140 579	31 855	2 506 359
Total assets at 31.12.2020	5 493 679	2 646 521	184 345	76 423	8 400 968
Liabilities					
Amounts due to banks	75 667	1 579 731	73	3 674	1 659 145
Amounts due in respect of customer deposits	1 956 621	1 039 745	175 848	58 437	3 230 651
Negative replacement values of derivative financial instruments	15 366	360	-	230	15 956
Cash bonds	24 230	-	-	-	24 230
Loans from central mortgage bond institutions	519 100	-	-	-	519 100
Accrued liabilities and deferred income	14 151	7 130	692	30	22 003
Other liabilities	4 515	1 041	-	1	5 557
Provisions	8 310	324	-	-	8 634
Reserve for general banking risks	15 000	-	-	-	15 000
Share capital	180 000	-	-	-	180 000
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	194 155	-	-	-	194 155
Voluntary retained earnings reserves	-	-	-	-	-
Profit/Loss (result of the period)	20 178	-	-	-	20 178
Total liabilities in the balance sheet	3 027 293	2 628 331	176 613	62 372	5 894 609
Off-balance-sheet claims by foreign exchange spot, forward and option transactions	2 465 859	17 858	7 687	14 955	2 506 359
Total liabilities at 31.12.2020	5 493 152	2 646 189	184 300	77 327	8 400 968
Net position by currency	527	332	45	(904)	-

28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

in CHF	31.12.2020	31.12.2019	Change
Guarantees to secure credits and similar	155 309 623	205 645 038	(50 335 415)
Performance guarantees and similar	-	-	-
Irrevocable commitments arising from documentary letters of credit	22 057 014	23 341 352	(1 284 338)
Other contingent liabilities	-	-	-
Total contingent liabilities	177 366 637	228 986 390	(51 619 753)
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	31.12.2020	31.12.2019	Change
Fiduciary investments with third-party companies	11 886 404	13 198 763	(1 312 359)
Fiduciary investment with group companies and linked companies	-	-	-
Total	11 886 404	13 198 763	(1 312 359)

31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

CHF in million	31.12.2020	31.12.2019	Change
A) Type of managed assets			
Assets in collective investment schemes managed by the bank	752.3	771.8	(19.5)
Assets under discretionary asset management agreements	484.7	448.2	36.5
Other managed assets	4 655.6	4 525.7	129.9
Total managed assets (including double counting)	5 892.6	5 745.7	146.9
Of which, double-counted assets	297.3	295.5	1.8

“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	5 745.7	5 535.6	210.1
+/- net new money inflow or net new money outflow	(137.0)	(165.7)	28.7
+/- price gains/losses, interest, dividends and currency gains/losses	283.9	375.8	(91.9)
+/- other effects	-	-	-
Total managed assets (including double counting) at end of year	5 892.6	5 745.7	146.9

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	31.12.2020	31.12.2019	Change
Interest rate instruments (including funds)	-	-	-
Equity securities (including funds)	(17 331)	14 811	(32 142)
Foreign currencies	20 374 682	22 743 467	(2 368 785)
Commodities/precious metals	174 413	119 580	54 833
Total result from trading activities	20 531 764	22 877 858	(2 346 094)

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 2.1 million in negative interest, CHF 1.9 million of which is attributable to the floating rate in interest rate swaps used for hedging.

34. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	31.12.2020	31.12.2019	Change
Salaries	37 893 262	37 575 609	317 653
Of which:			
Expenses relating to share-based compensation and alternative forms of variable compensation	3 848 000	3 848 000	-
Social insurance benefits	10 159 578	9 263 832	895 746
Other personnel expenses	1 263 633	1 309 427	(45 794)
Total	49 316 473	48 148 868	1 167 605

35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

in CHF	31.12.2020	31.12.2019	Change
Office space expenses	6 321 543	6 354 681	(33 138)
Expenses for information and communications technology	2 144 134	2 076 887	67 247
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	6 688 294	6 628 387	59 907
Fees of audit firm	361 628	348 392	13 236
Of which:			
for financial and regulatory audits	361 628	348 392	13 236
for other services	-	-	-
Other operating expenses	5 872 880	6 321 743	(448 863)
Total	21 388 479	21 730 090	(341 611)

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 85 615 in "Other liabilities" that did not materialise.

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	31.12.2020		
	Switzerland	Abroad*	Total
Net result from interest operations	51 405 033	7 571 344	58 976 377
Net commission and service income	21 553 967	1 998 876	23 552 843
Result from trading activities and the fair value option	20 179 412	352 352	20 531 764
Other result from ordinary activities	(1 122 556)	156 296	(966 260)
Operating expenses	65 953 099	4 751 853	70 704 952
Operating result	26 062 757	5 327 015	31 389 772

* 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 2020, the item comprises current taxes in the amount of CHF 5.9 million (average tax rate: 21.4%) and taxes on the reserves for general banking risks in the amount of CHF 1.45 million.

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

Not applicable.

INDEPENDENT AUDITORS' REPORT



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

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

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

Lugano, 2 February 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying 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 2020.



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 2020 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 SA



Erico Bertoli
(Qualified
Signature)

Perito revisore abilitato
(Revisore responsabile)



Beatrice Gropelli
(Qualified
Signature)

Perito revisore abilitato

Il rapporto di revisione è stato firmato con firme elettroniche qualificate il 2 febbraio 2021.

Le firme manoscritte sono state apposte ai fini dell'inserimento del rapporto di revisione nel presente Rapporto annuale.

OUR PRODUCTS AND SERVICES

CURRENT ACCOUNTS

DEPOSIT AND INVESTMENT ACCOUNTS

FIDUCIARY AND FORWARD DEPOSITS

LIFE BENEFIT - PILLAR 3A RETIREMENT ACCOUNT

CREDIT AND OTHER BANK CARDS

PACKAGE OF BANKING SERVICES

PAYMENT TRANSFERS

SAFE DEPOSIT BOXES

SECURITIES CUSTODY

ASSET MANAGEMENT
AND INVESTMENT ADVISORY SERVICES

INVESTMENT ADVISORY

INVESTMENT FUNDS
POPSO (SUISSE) INVESTMENT FUND SICAV

MEDIUM-TERM NOTE ISSUES

EXCHANGE AND TRANSACTIONS IN FOREIGN CURRENCIES
AND PRECIOUS METALS

MORTGAGE, LOMBARD AND COMMERCIAL LOANS

DOCUMENTARY CREDITS AND COLLECTIONS

GUARANTEES AND SURETYSHIPS

LIFE INSURANCE PRODUCTS

GOBANKING (e-BANKING)

CALL CENTRE 00 800 800 767 76

FOREWORD

Food, as well as fulfilling its main day-to-day function of giving us nourishment, has been a recurring protagonist throughout history and in a wide range of contexts.

The Greeks and Romans set great store by their banquets and often sang grand songs during them to honour their heroes.

Around the family dinner table, meanwhile, shared mealtimes are accompanied by moments of discussion, debate and decision-making.

In this age of globalisation, food and cooking have become extremely prominent as a means of helping us understand different peoples, their cultures, their ways of life and thus their local traditions. So many recipes have become universal and have been successfully embraced first by restaurants all over the world, then by bistros and inns, thus giving the consumer a much wider range of culinary experiences to choose from.

These are all aspects that inspired us to devote the cultural section of this year's Annual Report of our Bank, covering the 2020 financial year, to a monograph on the subject. Once again, it highlights the link between Switzerland and Italy, the central thread of these annual monographs. And, to satisfy the international palates of those who have chosen Switzerland for its unique characteristics in a wide range of sectors, we chose as our subject a great contemporary Italian chef. He is someone who also spent some of his earlier years training in the country and is universally acclaimed for his skills and creativity: Gualtiero Marchesi.

He was born in Milan on 19 March 1930 into a family of restaurant owners, which gave him the opportunity to grapple with the basics of traditional cooking. He saw with his own eyes that this was not simply an activity geared towards making the same dishes in the same way over and over again, and he soon had his first encounter with gastronomy, i.e. the set of rules and customs governing how food is prepared. It is the art of cooking that contributes to the practice of preparing food by enhancing historical, cultural, technical and material elements in a gradual process. Success and satisfaction are reserved for those in the industry who stand out thanks to their dedication, training and flair. Growing increasingly convinced that this was the case, Gualtiero Marchesi wasted no time in putting his Swiss experience to good use. Encouraged by his mother, he moved there to undertake professional training, first working in the restaurant of a prestigious hotel in St. Moritz and then attending the hotel school in Lucerne from 1948 to 1950. As his daughter Simona remembers, her father did not see himself becoming a chef back then and so trained to work in the dining room. Yet his curiosity – an expression of his lively intellect and open-mindedness – led him to identify the table as the real point of contact between chef and customer.

Returning to Milan, he worked as a chef at Il Mercato, his family's restaurant, serving his customers classic avant-garde cuisine.

Not satisfied with the knowledge and skills he had acquired up to that point, and approaching his 40th birthday, he went to Paris intent on uncovering the secrets of its famed nouvelle cuisine. Talking about his return to Italy, he would remark: "At 40 years old, I knew that I wanted to cook with simplicity, following the golden rule that says matter is form and shining a light on the relationship between pure beauty and true goodness." Marchesi's experience on the other side of the Alps would prove a valuable addition to what was already a rich store of learning.

In 1977, he opened his first restaurant in Milan, in via Bonvesin de la Riva, and it was an instant success. He secured his first Michelin star the following year, gaining a second in 1979 and a third a few years later, before ultimately dropping back down to two in 1997. In 2008, Marchesi complained about the Michelin Guide's scoring system and returned his stars in protest.

His fame spread ever wider as time went on, benefiting not least the good reputation of Italian cuisine, which found itself universally loved as never before. The Latin phrase *Fama crescit eundo* – "rumour grows as it goes" – could have been written for him. As it happened, Marchesi was also instrumental in other areas, which brought him even more popularity and admiration.

Over his long career, the extent to which culture can influence the various manifestations of genius became clear. It is this that helps transform the "chef as craftsman" into the "chef as interpreter", the cook who prepares food to fill people up becomes the one who sees cooking not as an end in itself but as a means for expressing a creative thought. A mastery of technique truly becomes art when it produces excellence.

Cooking was not his only passion, however. He was attracted by everything that had beauty and awakened the emotions, such as music (he played the piano), painting and sculpture. And why not? They too are good, as food is when it is good. Conscious of being recognised as "the Maestro", he assumed – metaphorically speaking – the role of composer, a man always in search of harmonies. As such, he inspired his disciples, both directly and indirectly, to try their hand at creating new works of their own. His passion made it easy for him to take influences from seemingly unrelated arts and crafts and transfer them to the art of cooking. A keen observer of economic and social change, he understood the value of the "brand" associated with food and the new ways of preparing it for mass consumption as well as the importance of sharing knowledge in the truest sense of the word. Cooking is a serious matter, however, which was precisely the reason he was reluctant to get involved in "show cooking".

In 2004, he helped to set up ALMA, the Italian School of Culinary Arts, which is based in Colorno in the province of Parma. He would later go on to establish the Italian Culinary Academy in New York in the US.

Gualtiero Marchesi – a chef of unquestionable worth, who died in Milan in late 2017 aged 87 – received numerous distinguished accolades, honours, prizes and honorary degrees.

Of the many things that could be added to this list, I shall restrict myself to quoting one of his maxims: "Cooking is in itself a science; it's the chef's job to turn it into an art." This motto was what guided him throughout his long life.

I would like to thank the excellent authors behind the pieces that make up this elegant monograph and everyone who, in various ways, has helped make it a success.

Lugano, January 2021

Chairman
Mario Alberto Pedranzini

