

Banca del Sempione SA

Annual Report

Report on the fifty-eight year of operations,
presented to the General Meeting of Shareholders on 30 April 2019.



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Banca del Sempione SA's Board of Directors

Fiorenzo Perucchi¹⁾ chairman
Günter Jehring deputy chairman
Sergio Barutta¹⁾
Giampio Bracchi
Giovanni Cramerì¹⁾
Massimiliano Danisi
Sandro Medici

Auditor

PricewaterhouseCoopers SA, Lugano

Banca del Sempione SA's Operations Management

Stefano Rogna general manager
Giordano Bellotti deputy general manager
Michele Donelli deputy general manager
Pietro Scibona deputy general manager
Carlo Buono manager
Massimo Gallacchi manager*
Silvia Jehring manager
Athos Walter manager
Angelo Cresta manager**

Banca del Sempione SA's Middle Management

Arianna Baccalà Ghommidh joint manager
Ermes Bizzozero joint manager
Giuliano Flematti joint manager
A. Alessandro Gelsi joint manager*
Fausto Marcantoni joint manager
Dario Piffaretti joint manager
Nicola Bianchi assistant manager
Dibo Corti assistant manager
Fabio Devittori assistant manager*
Angelo Gilardoni assistant manager
Giovanni Kappeler assistant manager
Maria Quagliozi assistant manager
Fabio Sabetti assistant manager
Massimo Valsangiacomo assistant manager
Renato Vosti assistant manager
Peter Wüst assistant manager

¹ independent members

* up to April the 30th 2019

** as of May the 1st 2019

* as of March the 1st 2019

Internal auditors

Gabriele Domenighetti chief inspector
Sascha Ferretti inspector

**Management of Banca
del Sempione SA's branches****Chiasso**

Roberto Piccioli manager, branch manager
Antonella Novati joint manager

Bellinzona

Alan Bottoli joint manager*, branch manager
Aldo Giamboni assistant manager
Ivan Giamboni assistant manager

Locarno–Muralto

Luciano Soldati joint manager, branch manager
Claudio Lanini assistant manager

* as of March the 1st 2019

Banca del Sempione SA's Board of Directors

Fiorenzo Perucchi, *chairman*

Degree in Law from the University of Fribourg (Switzerland) and owner of a well-known law firm in Lugano for many years. In 1988, he joined the Board of Directors of Banca del Sempione SA, in Lugano; since 1998, he has been its Chairman and independent member. From 2007 to 2014, he was Deputy Chairman of Banca Euromobiliare (Suisse), Lugano. He sits on various Boards of Directors in both Swiss and foreign companies.

Günter Jehring, *deputy chairman*

Degree in Organic Chemistry from the University of Pavia (Italy) and member of the Board of Directors and Executive Committee of the Hoechst AG Group in Italy until 1997. From 1998 to 2008, he was an executive at the Clariant chemical group, holding positions of growing responsibility until his appointment as member of the Management Committee of the Masterbatches Division. In 2002, he joined the Board of Directors of Banca del Sempione SA, Lugano as Deputy Chairman. Since 2009, he has been Deputy Chairman of Sempione SIM SpA, Milan.

Sergio Barutta, *director*

He began his career at Banca Popolare Svizzera, Lugano (now Crédit Suisse), holding positions of responsibility at the Lugano branch until 1991. In 1992, he was appointed General Manager of Banca del Sempione SA, Lugano, a position he held until 2005. Since 2006, he has been an independent member of Banca del Sempione SA, Lugano.

Giampio Bracchi, *director*

Degree in Engineering from the Milan Politecnico with post-graduate studies at the University of California, Berkeley (USA). Emeritus Professor at the Milan Politecnico, where he was also pro-rector for a lengthy period. He is founder and President Emeritus of Fondazione Politecnico. He has been member of the Boards of Directors of many listed Italian companies and a number of international foundations. Among his current positions, he is member of Banca del Sempione SA, Lugano, and Chairman of Intesa San Paolo Private Banking, Milan.

Giovanni Cramerì, *director*

From 1976 to 1981, employed at Basilese Assicurazioni in Basel. Since 1981, when he was hired at UBS SA, he has progressively been taking on roles of responsibility, and in 1999 he was appointed Regional Manager of UBS Ticino and head of the Wealth Management Swiss Client division, a position he left at the end of 2014. Since 2015, he has been an independent member of Banca del Sempione SA, Lugano. He is a Major of the Swiss army.

Massimiliano Danisi, *director*

After earning a degree in Political Science from the University of Milan, he held positions of growing responsibility at Filofibra SA, Lugano, where he is currently Sales Manager and member of the Board of Directors. He is also member of the Board of Directors of Filofibra Holding SA, Lugano. Since 2012, he has been member of the Board of Directors of Banca del Sempione SA, Lugano.

Sandro Medici, *director*

After working at the Ministry of the Economy and Finance in Rome, he held the role of Sole Director in various real estate companies in Italy. Since 1988, member of the Board of Directors of Banca del Sempione SA, Lugano. Chairman of the Board of Directors of Accademia SGR SpA, Milan.

Banca del Sempione SA's Operations Management

Stefano Rogna, *general manager*

After completing his higher education, he joined the Banca Popolare di Sondrio Group in 1982, gaining experience in Italy and in Switzerland until 2005, leaving as Deputy General Manager of Banca Popolare di Sondrio (Suisse). In October 2005, he was appointed General Manager of Banca del Sempione SA, Lugano. He sits on the Boards of Directors of the following Group companies: Sempione SIM SpA (Milan), Base Investments SICAV (Luxembourg) and Accademia SGR SpA (Milan). From May 2011 to May 2014, he was a Committee member of ABT (Associazione Bancaria Ticinese - Ticino Banking Association).

Giordano Bellotti, *deputy general manager*

Swiss Certified Public Accountant (1992). After a seventeen-year career at PwC, where he was auditor in charge of banking institutions recognised by the FINMA (Swiss Financial Market Supervisory Authority), in 1998 he joined the Banca del Sempione Group. In 2013, he was appointed Deputy General Manager and is currently Head of the Administration and Risk Control division.

Michele Donelli, *deputy general manager*

After earning a degree in Civil Engineering from the Zurich Federal Polytechnic University (ETH Zurich), he acquired experience at Merrill Lynch Capital Markets AG in Zurich and at BDL Banco di Lugano, in Lugano. In 2004, he was hired at Banca del Sempione SA, Lugano, and in 2016 he was appointed Manager. Since 1 March 2018 he is Deputy General Manager and Head of the Global Wealth Management division.

Pietro Scibona, *deputy general manager*

After graduating from Luigi Bocconi University in Milan, he joined the Banca Popolare di Sondrio Group, where he remained, apart from a brief absence from 1998 to 2002, until 2008. In 2008, he was hired at Banca del Sempione SA, Lugano and appointed manager on 1 January 2010. Since 1 March 2018 he is Deputy General Manager and Head of the Finance and Markets division. Since January 2011, he has been Managing Director of Sempione SIM SpA, Milan, and member of the Board of Directors of Base Investments SICAV, Luxembourg.

Carlo Buono, *manager*

After completing his higher education, he was hired in 1991 by the Banca Popolare di Sondrio Group, acquiring experience in Italy and Switzerland. In 2011, he joined Banca del Sempione SA, Lugano as Head of Sales and Promotion. In 2013, he was appointed Manager and Head of Development.

Massimo Gallacchi, *manager*

Upon earning his degree in Political Science from the Faculty of Economic and Social Sciences at the University of Geneva, he was hired by UBS AG and acquired experience in Lugano, Zurich and Geneva. From August 1988 to December 1993, he worked at the Municipal Offices of Geneva as Assistant Manager in the Human Resources Department. In 1994, he was hired by Banca del Sempione SA, Lugano and in 2003 appointed Manager, responsible for the Logistics Division that includes the IT, Organisation, Back Office and Services sectors.

Silvia Jehring, *manager*

After graduating with a degree in Law from Milan's Università Cattolica del Sacro Cuore, she was employed at the Mondini Rusconi law firm in Milan until March 2005. In the same year, she was hired at Banca del Sempione SA, Lugano. In 2006, she obtained her licence to practise law from the Court of Appeal in Milan and participated in the Executive Master in Compliance Management 2006-2007 at the Banking Studies Centre in Vezia. She has attended numerous training courses in Switzerland, in the tax, legal and compliance areas, including the 2015 Executive Master in International Tax Compliance. In 2016, she was appointed Manager and Head of the Legal & Compliance Department.

Athos Walter, *manager*

After an apprenticeship, he began his career at Banca Cantrade Lugano SA and subsequently at Overland Bank, Lugano until 1992. In 1993, he was hired by Banca del Sempione SA, Lugano, as Head of the Trading Room. He acquired experience as Head of Asset Management and Customer Advisory Services until being appointed Manager in 2009.

Angelo Cresta, *manager*

Graduated with a Bachelor's degree in information technology, he acquired significant working experience, first in Finter Bank, in Zurich, and then in the Banca Arner SA, in Lugano. He joined Avaloq Sourcing SA in 2013 where he held positions of increasing responsibility. He was hired in Banca del Sempione SA in September 2018 as Director. From the 1st May 2019 he will be responsible for all activities related to the systems, information technology, back office and internal services.







The year 2018 ended unsatisfactorily for our Group. After the brilliant results obtained in the last few years, financial market trends and negative performances achieved by almost all asset classes have weighed significantly on the past financial year. 2018 has been defined as the worst year since the great crisis of 1929. Maybe so, but the macroeconomic conditions and the social tensions in several countries in the more industrialised areas have certainly prevented the implementation of investment strategies that could offer returns without some risk-taking in terms of volatility. As a result, clients were less willing to invest, which in turn highly impacted our commission income.

Actually, the tensions between the US and China as well as those in the EU countries, and particularly in neighbouring Italy, have given investors the excuse to exit the equity markets, including the US one, which had been bullish for quite some time. As a result, several billions in terms of capitalisation have been wiped off all share prices. The bond market was also affected by the built-up tensions and could not act as a safe haven asset, as happened other times, except for the bonds of the most virtuous countries - such as Germany, in particular - which have revised their all-time lowest returns. We cannot rule out the emergence in Europe of a similar interest rate scenario to that in Japan where rates have been basically at around zero for decades.

The Swiss stock market also paid its dues, even though it comprises export-based companies with cutting-edge technologies that make them unique on the global market. We are certain that these companies will make up for lost ground. In a scenario such as the one described, the Swiss franc has regained important positions against the main currencies. It is unlikely that the SNB's interest rate policy could change in such a situation, at the risk of a further strengthening of our currency. Suffering the consequences is certainly the banking system. Well capitalised banks, like Banca del Sempione SA, find themselves having to pay hundreds of thousands of Swiss francs to the central bank for the negative interest it applies on stocks beyond the level of compulsory reserves.

As mentioned above, the difficult situation that characterised the final months of 2018 had a significant impact on our management activities, partly thwarting our efforts in the development of new projects and jeopardising expectations linked to the results for the year.

With regard to the individual balance sheet and income statement items, please see details provided below.

Lending operations and result from interest operation

Loan volume remained steady due to a cautious lending policy. As a result of a continued flat trend in interest rates, net income did not show any rise. For the upcoming future, we do not foresee any significant changes that could improve the situation, and we therefore hope to continue to see balanced, quality growth, even at the local level.

Commission income

For the reasons outlined in the introduction, this item returned to the levels recorded in the financial years prior to 2017, which, as we already pointed out, was an extremely favourable year. We are confident that in the presence of greater stability on the markets, the strategies proposed by our managers will be able to provide the right satisfaction, first and foremost to our clients and consequently to our Bank.

Trading operations

The financial market crisis did not help this sector of our business. However, what happened in the last months of 2018 led our clients to invest in safer currencies than the EURO. The resulting increase in traded volumes helped profitability to remain unchanged.

Operating costs

As a result of decreasing revenues, the structure was forced to seek greater efficiency and quality by working intensely on possible cost savings. From this standpoint, a significant amount of work was carried out and obtained satisfactory results. There is still much to do but we are confident that the road undertaken is the right one, thanks to the effectiveness of the measures identified.

Employees

For some years now, our Bank and, more broadly, the Group, have been aiming at making the most of technological innovation and process improvement in order to implement economies of scale and achieve greater efficiency. In such a context, a lowering trend in our staff's average age has started thanks to the employment of new younger resources that may make their contribution in terms of knowledge and professionalism as well as passion and enthusiasm.

At the end of 2018, there were 144 total employees, corresponding to 138 full-time positions. In 2017 there were 146 employees, corresponding to 142 full-time positions.

Research and development

During the course of the year, the analysis and organisation in preparation for the meeting of 01/01/2020 concerning the introduction of the new law on financial markets (known as Swiss Mifid) began. This project will have a heavy impact on the bank/client relationship. Thanks to the expertise and experience acquired in Sempione Sim SpA Milano, Banca del Sempione SA is equipped with an important base that will adequately prepare it for this important regulatory expiry. The commitment will also include the implementation of a new front system to allow our institution to improve reporting and customer relations, combining quality of data with the contractual attention envisaged by the new directive. It is a huge investment, but we are confident that it will lead to advantages and positive developments.

Assets Under Management

The year 2018 was marked by negative performance, which also affected growth in the Group managed assets. A decrease in this item is exclusively due to the market effect which could not be counteracted by effective marketing campaigns.

Consolidated Operating Result

In such a context, and having written down the Bank's stake in Accademia SGR in view of an upcoming sale, the consolidated operating result clearly showed a decline compared to 2017, although it still highlighted a profit for the year of CHF 5,273,000.

In light of the above results, the Board of Directors proposes to Banca del Sempione SA's Annual General Meeting the following allocation of CHF 7,025,000 in distributable profit.

CHF	500,000	Allocation to statutory retained earnings reserve
CHF	500,000	Allocation to voluntary retained earnings reserves
CHF	4,500,000	Distributed profits
CHF	1,525,000	Retained earnings to be carried forward

The Board of Directors thanks Banca del Sempione Group companies' entire staff and Management Teams for the constant commitment and dedication they have demonstrated in the pursuit of their task. Special thanks, along with an affectionate sense of recognition and gratitude, goes to Giuseppe Franchi, who left his position as Secretary of the Board of Directors of Banca del Sempione SA during the year, a position he held since its foundation, for the invaluable work carried out and for his commitment to the Bank during all these years of activity.

Our heartfelt thanks to the Swiss Financial Market Supervisory Authority (FINMA) for its cooperation and to the independent auditors for all the work carried out and the suggestions they have offered.

Avv. Fiorenzo Perucchi
Chairman of the Board of Directors



Water and its form

From the Tigris and Euphrates basin to the Nile, from the Indus to the Yellow River: the first civilisations were born along rivers. It is from them that men and women departed to create new settlements, mark out roads and conquer unknown lands.

It is water which allows us to live and designs the landscape. And to become aware of this we must return to the harsh alpine slopes. Here we will find fractures dug into the rock. The winding paths of mountain rivers. Woods full of plants and insects, amphibians, birds and wild animals. The gentle noise of dew drops and streams and the sombre noise of waterfalls and overflowing streams.

The countless forms which water takes and arouses are all revealed in the Ticino region of Robiei, along the valley which starts around the Maggia river and its changeable moods.

A variety of environments and sensations which remind us of how important it is to preserve this heritage and act in an ethical and sustainable manner. Both in everyday life and in our work and entrepreneurship. A golden rule for Banca del Sempione.



The Maggia Valley



Previous page:
*River Maggia
at Ponte Brolla*

In sequence:
Tegna pool

*Squirrel species that lives
in the Maggia valley*

*Grotti (taverns)
in Cevio Vecchio*

The Robiei region is part of the so-called “wide head” of the beautiful Maggia Valley, Canton Ticino’s richest area from the point of view of scenery, thanks to its length and breadth covering a surface area of almost 570 square meters, in other words, a fifth of the whole canton. The valley, which belongs to the Ticino and Verbano alps, forming part of the Lepontine Alps, contains the most significant peaks and mountains, an infinity of natural beauties to be discovered as you climb up from the valley floor, dominated by the Maggia river. The lower valley, from Avegno to Caveragno, is wide and almost completely flat, while the three spectacular upper valleys, Rovana, Bavona and Lavizzara, from Cevio to Bignasco, are narrow, steep and surrounded by an impressive chain of mountains. The difference in height is striking: from the 200 meters altitude of the Maggia delta there is a climb of more than 3,200 meters up to the Basodino. From the entrance to the valley at Ponte Brolla in fact you cannot imagine the incredible environment to be found at the top: streams, wells, little beaches and waterfalls, huge areas of woods and forests, meadows, hundreds of mountain pastures - more in Vallemaggia than in any other Ticino region -

and around forty alpine natural and man-made lakes, such as the artificial one of Robiei at the foot of the impressive Basodino glacier.

This is an ideal region for spending splendid days in the open air, amongst the tranquillity of nature and the charm of its peaks. A veritable paradise for many trekkers and visitors, thanks to its 700 kilometres of paths. The important work of man in the past can still be seen in Vallemaggia today, above all of agriculture and sheep-farming. Remains have been found bearing witness to prehistoric settlements, while the terraces for chestnut and walnut trees date back to Roman times. Since the Medieval period and for centuries the valley has produced and exported important quantities of cheese, combining artisan activities and marble quarrying from the second half of the XIX century. In addition to the history and culture of the valley, with its museums, churches, “grotti” (i.e. original southern-alpine cellars for conserving wine and cheese) and traditions still alive today, there is a vast wealth of vegetation, above all in the alluvial area which boasts a quarter of Swiss flora, that is to say at least 600 species of different plants. The headquarters of the Vallemaggia Nature Centre are in fact based here at Lodano valorising the enormous wealth of fauna in the valley floor: dozens of species of animals live here including mammals (squirrels, marmots, foxes, wild boars, deer, etc.), insects, amphibians and as many as 10 different species of reptiles and 125 butterflies, i.e. 90% of all the species of the canton.

This extraordinary wealth of nature is actually due to the river Maggia: the valley is dominated by water. The Maggia, running for around 50 kilometres and coming out into Lake Maggiore, in the huge delta with the same name, is considered by experts to be “the most torrential river of Europe”. It seems as if it is calm, but it isn’t. A famous narrator of the Valle Maggia in the Twentieth century, Giuseppe Zoppi (Broglia 1896, Locarno 1952) wrote: “the gravel river bed is dazzlingly white. And so, for kilometres





and kilometres (...)", but when it is in flood "it increases its volume by a hundred percent. It is no longer blue, then. It is brown and black, it changes course and shouts (...)". With its impetuous streams that flow into the three side



valleys, the region in fact has "one of the most exemplary river landscapes of Europe". Due to all these elements, the various areas of the valley take on a national importance and are worthy of protection, both in terms of their natural monuments and as flood plain areas. This is true, for example, of the section between Riveo and Giumaglio (also included in the inventory of flood plain landscapes of international importance), Gordevio and Aurigeno, Cevio and Maggia, Broglio and Prato Sornico, Sonlerto and Sabbione in Val Bavona.

From the geological point of view, the valley mountains are the result of extraordinary glacial erosion dating back to the Quaternary period (around 3 million years ago). The crystalline acid rocks, such as the granite gneiss, predominate. The inhabitants learned how to build among the rocks and with the rocks on terraces and steep slopes: proof of this are the numerous dry-stone walls, "grotti", cellars and spartan houses. In the picturesque villages of Bignasco, Caveragno or Cevio these buildings still give the region a wild and magic dimension. There is no doubt that we owe all of this to the Vallemaggia population of the past and present, stubborn and attached to traditions, but able to exploit the very different altitudes to grow above all grapes and chestnut and fruit trees. We shouldn't be surprised to discover that the Vallemaggia today is the flagship of the canton, thanks to its campsites, hostels and alpine cabins. The valley's contribution to regional tourism is confirmed by the fact that it has the highest rate (47%) of overnight stays in hotels in the canton, exceeding other destinations. In short, all you have to do is visit it, breathing in a bit of its history and culture.

In sequence:
River Maggia in Avegno

Riveo waterfall

Panorama of the town of Maggia

Following page:
The Campo alp seen from the cableway





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CONSOLIDATED BALANCE SHEET AT 31.12.2018

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		224,139	127,510
Amounts due from banks		97,839	96,737
Amounts due from customers	8.1	265,548	257,353
Mortgage loans	8.1	150,094	156,026
Trading portfolio assets	8.2	507	616
Positive replacement values of derivative financial instruments	8.3	2,559	5,766
Financial investments	8.4	112,086	125,345
Accrued income and prepaid expenses		4,756	8,441
Non-consolidated participations	8.5	20	20
Tangible fixed assets	8.7	28,770	29,352
Other assets	8.8	4,429	3,582
Total assets		890,747	810,748
Total subordinated claims		2,530	3,174
Liabilities			
Amounts due to banks		4,037	28,470
Amounts due in respect of customer deposits		745,850	628,814
Negative replacement values of derivative financial instruments	8.3	2,740	4,936
Accrued expenses and deferred income		4,053	7,635
Other liabilities	8.8	1,167	2,314
Provisions	8.12	3,463	2,964
Reserves for general banking risks	8.12	10,910	15,910
Bank's capital		20,000	20,000
Retained earnings reserve		93,205	91,656
Minority interests in equity		49	41
Consolidated profit		5,273	8,008
<i>of which, minority interests in consolidated profit</i>		-23	-13
Total liabilities		890,747	810,748
Off-balance-sheet transactions			
Contingent liabilities	9.1	4,717	4,379
Irrevocable commitments		2,464	2,452

CONSOLIDATED INCOME STATEMENT 2018

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Result from interest operations			
Interest and discount income		4,157	4,076
Interest and dividend income from trading portfolios		5	7
Interest and dividend income from financial investments		1,574	2,043
Interest expense		-77	-105
Gross result from interest operations		5,659	6,021
Changes in value adjustments for default risks and losses from interest operations		19	-170
Subtotal net result from interest operations	10.1	5,678	5,851
Result from commission business and services			
Commission income from securities trading and investment activities		27,721	35,813
Commission income from lending activities		99	97
Commission income from other services		2,064	1,965
Commission expense		-1,779	-2,485
Subtotal result from commission business and services		28,105	35,390
Result from trading activities		2,538	2,638
Other result from ordinary activities			
Result from the disposal of financial investments		-39	326
Income from participations		243	5
Result from real estate		686	706
Other ordinary income		25	192
Other ordinary expenses		-1,920	-8
Subtotal other result from ordinary activities		-1,005	1,221
Operating expenses			
Personnel expenses	10.2	-21,601	-22,823
General and administrative expenses	10.3	-8,658	-8,950
Subtotal operating expenses		-30,259	-31,773
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-1,904	-1,988
Changes to provisions and other value adjustments, and losses		-2,380	-806
Operating result		773	10,533
Changes in reserves for general banking risks		5,000	
Taxes	10.5	-500	-2,525
Consolidated profit		5,273	8,008
<i>of which, minority interests in consolidated profit</i>		-23	-13

CONSOLIDATED CASH FLOW STATEMENT 2018

	Year under review		Previous year	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
<i>(amount expressed in CHF 1,000)</i>				
Cash flow from operating activities (internal financing)				
Consolidated profit	5,273		8,008	
Changes in reserves for general banking risks		5,000		
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	1,904		1,988	
Provisions and other value adjustments	1,102	603	401	4,829
Change in value adjustments for default risks and losses	19			170
Accrued income and prepaid expenses	3,685			3,976
Accrued expenses and deferred income		3,582	2,619	
Previous year's dividend		6,000		5,000
Subtotal		3,202		959
Cash flow from shareholder's equity transactions				
Recognised in reserves		451	489	
Subtotal		451	489	
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations				
Real estate		251		254
Other tangible fixed assets		1,071		1,295
Subtotal		1,322		1,549
Cash flow from banking operations				
<i>Medium and long-term business (> 1 year)</i>				
Mortgage loans	5,932			5,701
Financial investments	13,259		13,045	
<i>Short-term business</i>				
Amounts due to banks		24,433	2,262	
Amounts due in respect of customer deposits	117,036			66,557
Negative replacement values of derivative financial instruments		2,196	1,668	
Other liabilities		1,147		6,123
Amounts due from banks		1,102	67,209	
Amounts due from customers		8,214		29,486
Trading portfolio assets	109		46	
Positive replacement values of derivative financial instruments	3,207			1,944
Other assets		847	132	
<i>Liquidity</i>				
Liquid assets		96,629	27,468	
Subtotal		4,975	2,019	
Total	4,975	4,975	2,508	2,508

STATEMENT OF CHANGES IN EQUITY 2018

(amount expressed in CHF 1,000)	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Minority interests in equity	Consolidated profit	Total
Equity at beginning of current period	20,000	91,656	15,910	41	8,008	135,615
Change of consolidation scope		-238				-238
Other changes		-1		31		30
Minority interests in profit		23		-23		
Currency translation differences		-243				-243
Dividends					-6,000	-6,000
Allocation to reserves		2,008			-2,008	
Transfers from reserves for general banking risks			-5,000			-5,000
Result of the period					5,273	5,273
Equity at end of current period	20,000	93,205	10,910	49	5,273	129,437



1. The Banca del Sempione Group profile

Banca del Sempione SA is a *société anonyme* established under Swiss law in 1960. It has its head office in Lugano and branches in Bellinzona, Chiasso, and Locarno. Abroad the Group operates through two companies based in Milan, named respectively Accademia SGR SpA, specializing in the promotion and management of Italian-law real estate investment funds, and Sempione SIM SpA, operating in the stock brokerage sector, as well as an affiliate located in the Bahamas, Banca del Sempione (Overseas) Ltd.

The Group also promotes a SICAV operating under the laws of Luxembourg, Base Investments SICAV. The Group provides its private and corporate clients with all the services typical of a universal bank. The main focus being on the provision of financial advice, asset administration services as well as securities, derivatives and currencies trading on behalf of its clients. The Group is participating in the pilot project launched by FINMA concerning a regulatory regime for small banks whereby at present they are exempted from drawing up the NSFR (Net Stable Funding Ratio) reporting and allowed to comply with reduced disclosure obligations as to the information required by FINMA Circular 2016/1.

2. Accounting and valuation principles

General principles

The accounting and valuation principles adopted are in compliance with the provisions set out in the Code of Obligations and the Swiss banking law and its relevant Ordinances, as well as with the guidelines issued by FINMA through Circular 2015/1 "Accounting-Banks". The consolidated annual report has been drawn up in accordance with the true and fair view principle.

General valuation principles

The financial statements are prepared on the assumption that the Bank's and Group's business will continue as a going concern. Therefore valuations are made on a going-concern basis. The asset side includes all assets which are available as a result of past events and are likely to involve cash inflow and whose value may be reliably estimated. If no reliable estimate of the value of an asset can be made, it shall be considered as a contingent asset, as explained in the Schedule. Liabilities are entered on the balance sheet as borrowed capital if they have been caused by past events, a cash outflow is probable and their value can be reliably estimated. If no reliable estimate of the value of a liability can be made, it shall be considered as a contingent liability, as explained in the Schedule. Assets, liabilities, and off-balance sheet entries shown under the same item are always subject to an individual valuation. Offsetting and netting of assets and liabilities as well as of income and expenses are not carried out, except for deduction of value adjustments from the corresponding asset item and the netting of positive and negative replacement values.

Cash

This item is shown in the financial statements on the basis of its nominal value.

Amounts due from banks and customers, mortgage lending

Loans are generally booked at nominal value, less any necessary value adjustments. Negative interests on active transactions are under interest income (reduction of interest income). Amounts due in respect of precious metal account deposits are valued at their fair value if the precious metal concerned is traded on a price-efficient, liquid market. The methods used for identifying default risks and determining the need for value adjustments are described in paragraph 4 below. Non performing loans, defined as loans for which the debtor is unlikely to be able to fulfil his/her/its obligations, are valued on a case-by-case basis. Presumed default risks are covered by individual prudential write-downs whose amounts correspond to the difference between the book value of the loan and the sum the Bank believes it can collect depending on the debtor's solvency and any collateral liquidation value (estimated market value less ordinary write-downs and maintenance and liquidation costs). A loan is considered non-performing when interest and repayment are past due by more than 90 days at the latest. In this case, interest not received is directly attributed to write-downs; an entry to revenues is made only when the interest is effectively received. A lump-sum adjustment may be applied to the portion of the portfolio consisting of numerous small loans which are not valued on a case-by-case basis. This adjustment is determined on the basis of empirical values in order to take potential risks into account. Non-performing loans are recognised in the balance sheet net of corresponding write-downs. Changes in the amount of the write-downs, both case-by-case and lump-sum, as well as collections of loans previously amortised, are entered under the income statement item "changes in value adjustments for default risks and losses from interest operations".

Amounts due to banks and in respect of customer deposits

This item is shown in the financial statements on the basis of its nominal value. Negative interests on passive transactions are under interest expenses (reduction of interest expenses). Amounts due in respect of precious metal account deposits are valued at their fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Trading activities

Trading activities include positions actively managed in order to take advantage of market price fluctuations or to achieve arbitrage profits. Trading positions are valued at their fair value. "Fair value" refers to a price set on a liquid, efficient market or calculated with the aid of a pricing model. If, as an exception, no fair value is ascertainable, the lesser value principle shall apply. Gains and losses are shown under the item "Result from trading activities", whereas income from interest and dividend is shown under the item "Interest and dividend income from trading portfolios".

Positive and negative replacement values of derivative financial instruments

All derivative financial instruments are valued at their fair value. The valuation result is recognised under item "Result from trading activities". Netting of positive and negative replacement values is carried out by the Bank with the same counterparty only within the limits of recognised and legally enforceable bilateral agreements.

Financial investments

Financial investments include debt securities, equity securities, physical precious metal holdings as well as real estate that have been acquired as a result of credit activities and are intended for resale. In case of financial investments valued according to the lesser value principle, an upward revaluation to historic acquisition cost or amortised cost at the maximum is to be recognised where the fair value falls below acquisition cost and then recovers. The balance of the value adjustments is shown under items "Other ordinary expenses" and/or "Other ordinary income", as appropriate. *Debt securities intended to be held to maturity* are valued at acquisition cost, according to the accrual method: any transaction premiums and/or discounts (interest components) are accrued over the term. Value adjustments due to default risks are immediately booked under item "Changes in value adjustments for default risks and losses from interest operations". If said securities are sold or redeemed prior to maturity, the profits and losses realised corresponding to the interest component shall not be immediately booked to the income statement but instead accrued over the remaining term to maturity. *Debt securities not intended to be held until maturity* (i.e. intended for sale) are valued based on the lesser value principle. Value adjustments are globally recognised under items "Other ordinary expenses" and/or "Other ordinary income". Value adjustments due to default risk are shown under the item "Changes in value adjustments due to default risks and losses from interest operations". Equity securities, own physical precious metal holdings as well as real estate assets that have been acquired as a result of credit activities and intended for resale are valued according to the lesser value principle. As for real estate assets, the lesser value corresponds to the lower of acquisition cost and liquidation value. Own physical precious metal holdings used to cover commitments resulting from metal accounts are valued at the fair value and recognised in the balance sheet as the precious metal accounts. Value adjustments shall be globally recognised under items "Other ordinary expenses" and/or "Other ordinary income".

Non-consolidated shareholdings

Any minority stakes held by 20%-50% are shown in the financial statements according to the "equity method". The companies in which the Bank holds an equity investment of less than 20% of the voting shares or whose sizes and operations do not have a significant impact on the Group, are shown in the financial statements and individually valued at acquisition price less depreciation and amortisation as appropriate.

Tangible fixed assets

Expenditures in tangible fixed assets are recognised as assets if they can be used for more than one accounting period and exceed the minimum threshold for recognition of CHF 10'000.

Tangible fixed assets are shown in the balance sheet at acquisition cost less accumulated depreciation.

Depreciation is applied according to the straight-line method and is estimated on the basis of the presumed useful life of the assets. The presumed useful life expected for the different categories of assets is set out below:

Real estate, including land	Up to	67 years
Other fixed assets	Up to	10 years
Information technology and other equipment	Up to	5 years

Tangible fixed assets are tested for impairment at each balance sheet date. Such tests are based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is to be determined. An asset is impaired if its book value exceeds its recoverable amount. If an asset is impaired, supplementary depreciation is to be recognised. If, during impairment testing of a tangible fixed asset, a change in the asset's useful life is established, the remaining book value is subject to scheduled depreciation over the newly determined useful life. Ordinary and supplementary amortisation and depreciation are booked under the income statement item "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". Any gains realised on sales of fixed assets are shown under the item "Extraordinary income" and any losses under the item "Extraordinary expenses".

Provisions

Legal and implicit obligations are to be valued on a regular basis. Where a cash outflow is likely to occur and can be reliably estimated, a provision in the corresponding amount must be created. The amount of existing provisions is reassessed on each balance sheet date. Any changes are booked to the income statement based on the following criteria:

- Provision for deferred taxes under the item "Taxes"
- Provisions for pension benefit obligations under the item "Personnel expenses"
- Other provisions under the item "Changes to provisions and other value adjustments, and losses", with the exception of restructuring provisions shown under the item "Personnel expenses".

Provisions no longer necessary for operating purposes and which are not used for other similar needs are liquidated in favour of the income statement.

Reserves for general banking risks

"Reserves for general banking risks" are set up, as a preventive measure, to cover the risks inherent in banking.

The setting up and cancellation of reserves are booked under the income statement item "Changes in reserves for general banking risks". Reserves for general banking risks are partially taxed.

Taxes

Current taxes, as a rule annual direct taxes on income and capital pertaining to the period, are booked in the income statement under the item "Taxes". The relevant liabilities are shown in the item "Accrued expenses and deferred income" (liabilities). Book values that deviate from the values relevant for tax law purposes are determined systematically. Deferred tax income on such different amounts are taken into account by means of a provision booked under the item "Taxes". Deferred tax credits on time differences or on tax losses carried forward are booked in the balance sheet only if it seems likely that they will be offset against sufficient taxable earnings.

Contingent liabilities

These off-balance sheet transactions are booked at nominal value. Value adjustments and provisions are made for all recognisable risks according to the conservative principle.

Employee pension funds

All employees at the Swiss parent company are members of two legally autonomous pension funds. Foreign employees are subject to a professional pension required from local laws. In the absence of such laws, voluntary pensions may be set up. The employer incurs staff pension expenses to the extent set out by legal provisions and the funds' regulations. Premiums paid by the employer are recognised as "Personnel expenses". The funds' contracts and income statements do not show any economic benefit or commitment for the Group. Neither fund includes any employer contribution reserves.

Changes to accounting and valuation principles

The accounting and valuation principles applied to the drawing up of the financial statements as at 31 December 2018 are the same as those applied in the previous financial year.

Recording of transactions

All transactions carried out before the closing date are entered daily into the accounts according to the trade date accounting principle and evaluated according to the applicable accounting principles. Cash operations concluded but not yet executed are registered according to the cash/settlement principle. During the period between the date of conclusion and the date of settlement, the replacement values relating to these operations are shown in the items "Positive/negative replacement values of derivative financial instruments".

Conversion of foreign currencies

Foreign currency transactions are booked at the exchange rate of the transaction date. At year-end assets and liabilities are converted at the exchange rate prevailing on the balance sheet date. Historical exchange rates are applied for equity investments and tangible fixed assets. The result of foreign currency transactions is shown under the item "Result from trading activities". The assets and liabilities of the consolidated companies are converted at the year-end exchange rate, whereas revenues and expenses are converted at the average exchange rate. The resulting differences are directly allocated to the Group equity.

The following table sets out the exchange rates against the major foreign currencies applied for conversion purposes:

	2018		2017	
	Year End	Average	Year End	Average
EUR	1.1231	1.1519	1.1718	1.1144
USD	0.9810		0.9769	
GBP	1.2442		1.3199	
YEN	0.8884		0.8681	

Scope and method of consolidation

Those companies in which the Bank owns more than 50% of capital or shares with voting rights are fully consolidated. In accordance with the full consolidation method, debits and credits, as well as revenues and expenses generated by transactions between consolidated companies, are netted. Consolidation of capital takes place according to the "purchase method". According to this method, book value is offset against net equity existing at the time of formation or acquisition. Any equity investments held by 20%-50% are recognized in the consolidated financial statements according to the "equity method". The companies included in the scope of consolidation are shown in table 8.6 of these Notes.

3. Risk Management

Banking entails exposure to a series of specific risks including credit, market and liquidity risks as well as operating, legal and reputation risks. The Group is equipped with a series of procedures and regulations the aim of which is to supervise and control risks in all fields of business. Clear and prudential limits have been defined for each individual type of risk the observance of which is constantly supervised by functions that are separate from the ones that generated them. These limits are updated regularly and adapted to the risk profile of the activities carried out. A controls certification and reporting system is also available to guarantee an adequate flow of information to all levels. The final purpose is that of maintaining the solidity and reputation of the Group intact even in the presence of particularly adverse conditions and events.

During the year, the Board of Directors, in its capacity as a governing body, regularly analyses the main risks linked to the Group's operations. This analysis is largely based on the information generated by the risk management system that the Group has set up, and the reports issued by Internal Audit, Operations Management, Risk Control, and Compliance. On the basis of its assessments, annually the Board of Directors updates the "Risk Management Framework", which determines the fundamental principles that regulate the Group risk policy and supervises their application.

Operations Management is responsible for implementing the directives issued by the Board of Directors. It is in charge of adequately organising the risk control system and equipping it with appropriate human and technical resources.

The Risk Control unit is endowed with the necessary independence and professionalism. Its operating responsibility is to identify and measure risks as well as to ensure that the Group's policies are implemented and limits respected.

The Risk Control unit also draws up a quarterly report addressed to Operations Management and the Board of Directors.

Counterparty (credit) risks

Amounts due from customers

Risks are minimized by systematic demands on customers for collateral and margin coverage.

Credit activity is almost exclusively carried out by Banca del Sempione SA, which is equipped with a procedure ensuring a rigorous separation of functions between the front-office units, those that are responsible for extending the credit and those in charge of its supervision. Highly restrictive rules require that even from relatively modest amounts the extension is authorised by a credit committee, by an in-house committee of the Board of Directors and, for higher amounts and credits

to correlated parties, by the Board itself.

Any exceptions to the rules envisaged by the Group risk policy are monitored and submitted to the Board of Directors on a quarterly basis. Security-backed loans, accounting for the bulk of the portfolio consisting of accounts receivable from customers, are issued on the basis of collateral values conservatively calculated and daily monitored. The mortgage portfolio mainly refers to residences occupied by the owners themselves. The average mortgage amount issued is CHF 590,000. The collateral value of commercial properties, incoming-producing buildings and private houses of high standing is determined with the help of external appraisers.

Counter-creditors risks in inter-banking business

In inter-banking business and trading activities a system of internal limits is used, the observance of which is checked daily by the Risk Control unit. The Group works essentially with primary counterparts. The amount of the allocated limit mainly depends on the external rating. Limits are regularly reviewed. In the event of extreme market conditions, a daily assessment is carried out. Risks connected with OTC derivative trading operations are further mitigated by complying with the CLS system and entering into netting and collateral agreements.

Risks of interest rate fluctuations

On-balance sheet transactions play a secondary role for the Group. The risks of fluctuation of interest rates however are monitored quarterly by the Risk Control unit and assessed during the ALM committee (ALCO) meeting. Measurement takes place using the “modified duration” method to establish the potential impacts on the income statement and on capital in the event of sudden large-scale movements in the interest rates curve. To date ALCO has not considered it necessary to promote hedging operations with derivative financial instruments.

Other market risks

Currency risks

The Group keeps currency exposure constantly at an essential break-even level in order to minimise the effects deriving from fluctuations in foreign currencies. The position is monitored daily.

Trading activities

Risks are contained by virtue of limited operations carried out on the Group’s own account and strict limits imposed to the operating units managing the Group portfolios. Derivative instrument transactions are carried out exclusively on behalf of clients.

Cash

The Parent Company’s Treasury Department is in charge of operations ensuring compliance with the strategies and limits established by the governing bodies in order to constantly guarantee the Group’s solvency even in critical circumstances.

The Risk Control unit independently measures and assesses exposure to liquidity risk, verifies the observance of legal limits and internal provisions, prepares and runs stress tests, and provides Operations Management and ALCO with all the necessary support.

Operational risk

Operational risks are limited through a series of internal regulations and provisions. A document entitled “Managing Operational risk” sets out the procedures for identifying, measuring, controlling, and mitigating operating risks and establishing risk tolerance (Risk appetite). First-level control is an integral part of daily operations. Second-level control is carried out by departments other than the one being audited and is managed through a controls certification and reporting system able to guarantee an adequate flow of information to all levels.

Internal Audit constantly monitors the adequacy of the procedures. The Compliance service ensures that regulations and diligence requirements affecting the Group’s various areas of operations are respected. The Group has a business continuity plan to ensure operating continuity even in case of extraordinary events that limit the availability of personnel, infrastructure and information systems.

Disclosure obligations required by FINMA Circular 2016/1

The information to be disclosed pursuant to FINMA Circular 2016/1 relating to capital adequacy and other risk indicators is published on the Group’s website (www.bancasempione.ch).

4. Methods used to identify default risks and to establish needs for value adjustments

Credits covered by mortgages

Credits with a potential default risk are identified through monitoring a series of indicators, including delay in paying interests and repayments and unjustified requests to modify the repayment plan established at the time the mortgage was granted. Once a year, the Risk Control unit carries out an analysis of the level of coverage of the individual lines of credit, indexing the evaluations on the basis of the development of market price indices and simulating stress tests.

Credits covered by securities

The development of the use and value of coverage operations is supervised daily in order to reduce risks immediately by controlling exposure or supplying additional guarantees, or even resorting to settlement of the portfolio and full reimbursement of the line of credit if need be.

Unsecured credits

Open credits are granted solely to clients with whom the Group has had a consolidated long-term business relationship. Requirements for the granting of credits undergo an annual internal review. In the case of trade credits, updates are requested on the financial and economic situation of the company as well as the annual certified accounts. For personal credits, updates of the client's assets and liabilities are sufficient.

Any risky loans that emerged from the procedures described above are analysed on a case-by-case basis and where necessary value adjustments are made, the amount of which is determined ultimately by Operations Management.

The credit portfolio is examined annually by the audit Company together with the internal audit in order to ensure that all the problematic positions have been considered.

The list of overdue credits and the relevant value adjustments is submitted to the Board of Directors quarterly.

5. Evaluation of collateral

Credits covered by mortgages

The Parent Company grants credits against mortgage guarantees for an amount corresponding to 50%-70% of the collateral value, depending on the type of real estate.

The collateral value corresponds to the market value or, if lower, to the purchase price. For credits below CHF 1'000'000 the evaluation is carried out by the credits service; in the other cases, reports drafted by authorised external professionals are used. Appraisers' reports and internal evaluations must be updated at least every ten years or when the real estate market shows signs of a possible deterioration in prices.

Credits covered by securities

As a matter of principle, only securities and structured products that can be liquidated easily are accepted in guarantee.

The coverage value is calculated by applying a reduction to the market price so as to take into account fairly any risks of fluctuation in prices and liquidity.

6. Company policy in the use of derivative financial instruments

Trading with derivative financial instruments is carried out solely by the foreign exchange operators of the Parent Company's Treasury Department. No Market-Maker activities are carried out.

Trading is carried out in standardised and OTC instruments almost exclusively on behalf of the clientele.

The underlying assets mainly consist of currencies and to a limited degree of listed shares and stock indexes.

7. Important events after the date on which the financial statements were closed

Following the date on which the financial statements were closed no events occurred which had a significant impact on the financial and income position of the Group.

8. Information on the balance sheet

8.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

(amount expressed in CHF 1,000)	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	5,849	224,400	37,461	267,710
Mortgage loans				
- Residential property	116,953			116,953
- Office and business premises	27,876		1,393	29,269
- Commercial and industrial premises	5,265			5,265
Total loans (before netting with value adjustments)				
Current year	155,943	224,400	38,854	419,197
Previous year	161,319	216,517	39,128	416,964
Total loans (after netting with value adjustments)				
Current year	155,943	224,400	35,299	415,642
Previous year	161,319	216,517	35,543	413,379
Off-balance-sheet				
Contingent liabilities		4,322	395	4,717
Irrevocable commitments			2,464	2,464
Total off-balance-sheet				
Current year		4,322	2,859	7,181
Previous year		4,147	2,684	6,831

Unsecured credits mainly concern loans granted for an amount exceeding the collateral value of securities given in guarantee but lower than the market value.

(amount expressed in CHF 1,000)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans/receivables				
Current year	3,789	286	3,503	3,503
Previous year	3,697	170	3,527	3,527

8.2 Breakdown of trading portfolios

(amount expressed in CHF 1,000)	Year under review	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions (listed)	127	129
Precious metals and commodities	380	487
Total	507	616

8.3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
<i>(amount expressed in CHF 1,000)</i>			
Foreign exchange/precious metals			
Forward contracts	5'382	5'563	1'171'772
Options (OTC)	230	230	15'754
Total before netting agreements	5,612	5,793	1,187,526
Previous year	9,077	8,247	1,483,199
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	2,559	2,740	
Previous year	5,766	4,936	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		1,790	769

8.4 Breakdown of financial investments

	Book value		Fair value	
	Year under review	Previous year	Year under review	Previous year
<i>(amount expressed in CHF 1,000)</i>				
Debt securities, intended to be held to maturity	76,134	92,317	76,281	93,271
Equity securities	35,952	33,028	35,981	34,081
Total	112,086	125,345	112,262	127,352
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>11,935</i>	<i>14,118</i>		

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Breakdown of counterparties by rating (S&P)						
Debt securities (book values)	36,019	23,552	13,863	2,700		

8.5 Presentation of participations

(amount expressed in CHF 1,000)	Acquisition cost	Accumulated value adjustments	Book value previous year end	Year under review				Book value as at end of current year
				Additions	Disposals	Value adjustments	Depreciation reversals	
Non-consolidated participations								
Other participations (without market value)	131	111	20					20
Total non-consolidated participations	131	111	20					20

8.6 Disclosure of companies in which the Bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital	Share	Share
			of capital	of votes
			in %	in %
Fully consolidated companies (held directly)				
Imocentro SA, Lugano	Real Estate	CHF 700,000	100.0	100.0
Accademia SGR SpA, Milano	Asset Management	CHF 2,373,400	98.4	98.4
Sempione SIM SpA, Milano	Asset Management	EUR 2,500,000	100.0	100.0
Banca del Sempione (Overseas) Ltd., Nassau	Bank and Trust	CHF 5,000,000	100.0	100.0

During the financial year, Finrate SA, Lugano, in liquidation, has fallen outside the consolidation scope as the liquidation has been completed.

The company had long been inactive, so the impact on the consolidated accounts is irrelevant.

8.7 Presentation of tangible fixed assets

(amount expressed in CHF 1,000)	Acquisition cost	Accumulated depreciation	Book value Previous year end	Year under review				Book value as at end of current year
				Reclas-sifications	Additions	Disposals	Depreciation	
Group buildings	50,948	24,119	26,829		251		-818	26,262
Proprietary or separately acquired software	22,532	20,850	1,682		996		-898	1,780
Other tangible fixed assets	10,386	9,545	841		75		-188	728
Total tangible fixed assets	83,866	54,514	29,352		1,322		-1,904	28,770

Operating leases	126
<i>of which, maturing within one year</i>	37
<i>of which, maturing with-in one year - five years</i>	89

8.8 Breakdown of other assets and other liabilities

(amount expressed in CHF 1,000)	Other assets		Other liabilities	
	Year under review	Previous year	Year under review	Previous year
Indirect taxes	343	324	526	837
Other assets and liabilities	4,086	3,258	641	1,477
Total	4,429	3,582	1,167	2,314

8.9 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

(amount expressed in CHF 1,000)	Book values	Effective commitments
Pledged/assigned assets		
Amounts due from banks	868	868
Financial investments	8,955	4,012
Total	9,823	4,880

8.10 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

(amount expressed in CHF 1,000)	Year under review	Previous year
At sight accounts	4,126	4,998

8.11 Disclosures on the economic situation of own pension schemes

(amount expressed in CHF 1,000)	Overfunding at end of current year	Economic interest of the group		Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Year under review	Previous year			Year under review	Previous year
Pension plans with overfunding	3,000				1,361	1,361	1,297

Banca del Sempione SA has two pension plans. For the LPP (Legge sulla Previdenza Professionale - Professional Welfare Law) obligatory part the Bank has opted for affiliation to the legally independent, Collective Welfare Foundation of Basilese Insurance. Employees are also affiliated to the Banca del Sempione Pension Fund, which only manages the optional (supplementary) part of professional welfare. Both Funds re-assure risks with a life insurance company, integrally with regard to the obligatory coverage, and solely for the risks of death and disability for the supplementary part.

The excess coverage of the Fund (coverage rate of 117%) may be destined solely in favour of the affiliates. Therefore, as far as the Bank is concerned, no economic advantage or coverage obligation is identified. Any financial commitment of the Bank with regard to the welfare foundations ends with payment of the contributions. Neither Fund includes any employer contribution reserves.

Employees of foreign affiliates benefit from a welfare coverage at independent bodies, in compliance with local provisions. In such case, as well, any financial commitment of the employer ends with payment of the contributions.

8.12 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

(amount expressed in CHF 1,000)	Previous year end	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due, interest recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes	1,840							1,840
Provisions for other business risks	316	-239		-8			-69	
Other provisions	808	-249		-33		1,102	-5	1,623
Total provisions	2,964	-488		-41		1,102	-74	3,463
Reserves for general banking risks	15,910						-5,000	10,910
Value adjustments for default and country risks	3,585			-19	8	67	-86	3,555
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	<i>3,527</i>			<i>-19</i>	<i>8</i>	<i>67</i>	<i>-80</i>	<i>3,503</i>
<i>of which, value adjustments for latent risks</i>	<i>58</i>						<i>-6</i>	<i>52</i>

The taxed portion of reserves for general banking risks corresponds to CHF 3.6 million.

8.13 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 plans

	Number equity securities		Value equity securities	
	Year under review	Previous year	Year under review in CHF 1,000	Previous year in CHF 1,000
Members of the board of directors	25,910	25,910	2,591	2,591
Management	13,866	13,866	1,387	1,387
Employees	5,200	5,200	520	520
Total	44,976	44,976	4,498	4,498

The value assigned to participation rights corresponds to the face value. No employee participation plan is currently implemented with regard to members of Management and the Board of Directors or employees.

8.14 Disclosure of amounts due from/to related parties

(amount expressed in CHF 1,000)	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
Holders of qualified participations	3,483	3,484	24,917	22,963
Linked companies	13,496	16,535	2,346	3,762
Transactions with members of governing bodies	6,954	3,835	3,645	6,361

During the financial period in question no note-worthy transactions occurred in which affiliated entities were counterparts. No significant off-balance sheet transactions have been recorded. The conditions applied in the banking services correspond to those granted to top-ranking clientele. Members of the Bank's governing bodies are granted the same benefits as those applied to all personnel.

8.15 Presentation of the maturity structure of financial instruments

(amount expressed in CHF 1,000)	At sight	Cancellable	Due					Total
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	
Assets/financial instruments								
Liquid assets	224,139							224,139
Amounts due from banks	58,541	1,167	31,392	6,739				97,839
Amounts due from customers		253,665	10,191	1,648	44			265,548
Mortgage loans	260	29,587	9,313	6,037	77,108	27,789		150,094
Trading portfolio assets	507							507
Positive replacement values of derivative financial instruments	2,559							2,559
Financial investments	35,952		3,228	9,250	48,994	14,662		112,086
Total	321,958	284,419	54,124	23,674	126,146	42,451		852,772
<i>Previous year</i>	<i>226,756</i>	<i>267,063</i>	<i>72,992</i>	<i>38,271</i>	<i>103,680</i>	<i>60,591</i>		<i>769,353</i>
Debt capital/financial instruments								
Amounts due to banks	4,037							4,037
Amounts due in respect of customer deposits	693,778	52,072						745,850
Negative replacement values of derivative financial instruments	2,740							2,740
Total	700,555	52,072						752,627
<i>Previous year</i>	<i>611,259</i>	<i>50,961</i>						<i>662,220</i>

8.16 Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

(amount expressed in CHF 1,000)	Year under review		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	224,136	3	127,508	2
Amounts due from banks	39,469	58,370	45,656	51,081
Amounts due from customers	52,255	213,293	47,411	209,942
Mortgage loans	124,553	25,541	127,678	28,348
Trading portfolio assets	380	127	487	129
Positive replacement values of derivative financial instruments	2,539	20	5,752	14
Financial investments	7,386	104,700	9,208	116,137
Accrued income and prepaid expenses	4,147	609	8,062	379
Non-consolidated participations	20		20	
Intangible assets	28,360	410	28,998	354
Other assets	1,663	2,766	1,464	2,118
Total assets	484,908	405,839	402,244	408,504

Liabilities

Amounts due to banks	2,289	1,748	3,484	24,986
Amounts due in respect of customer deposits	343,667	402,183	337,921	290,893
Negative replacement values of derivative financial instruments	2,737	3	4,936	
Accrued expenses and deferred income	3,774	279	7,204	431
Other liabilities	673	494	1,394	920
Provisions	1,840	1,623	2,193	771
Reserves for general banking risks	10,910		15,910	
Bank's capital	20,000		20,000	
Retained earnings reserve	82,824	10,381	81,373	10,283
Minority interest in equity		49		41
Consolidated profit	7,663	-2,390	8,089	-81
<i>of which, minority interests in consolidated profit</i>		-23		-13
Total liabilities	476,377	414,370	482,504	328,244

As for the breakdown between Switzerland and abroad, the principle of customer domicile applies, with the exception of mortgage loans, in respect of which the place where the property is located shall prevail.

8.17 Breakdown of total assets by country or group of countries (domicile principle)

	Year under review		Previous year	
	Absolute CHF 1,000	Share as %	Absolute CHF 1,000	Share as %
Switzerland	484,908	54.4	402,400	49.6
Europe others	339,162	38.1	327,596	40.4
<i>of which, Italy</i>	<i>190,517</i>	<i>21.4</i>	<i>189,140</i>	<i>23.3</i>
North America	28,933	3.2	33,087	4.1
South America	28,953	3.3	33,981	4.2
Africa	1,382	0.2	2,920	0.4
Asia	4,745	0.5	7,966	1.0
Australia/Oceania	2,664	0.3	2,798	0.3
Total assets	890,747	100	810,748	100

8.18 Breakdown of total assets by credit rating of country groups (risk domicile view)

(Rating S&P)	Net exposure			
	Current year end		Previous year end	
	CHF 1,000	%	CHF 1,000	%
AAA/AA-	764,643	85.8	653,175	80.6
A+/A-	15,056	1.7	19,859	2.4
BBB+/BBB-	105,636	11.9	124,986	15.4
BB+/BB-	3,307	0.4	7,037	0.9
B+/B-	773	0.1	1,972	0.2
CCC/C	1,332	0.1	3,719	0.5
Total assets	890,747	100	810,748	100

As for the breakdown of net commitment, the principle of customer domicile applies, with the exception of mortgage loans, in respect of which the place where the property is located shall prevail.

8.19 Presentation of assets and liabilities broken down by the most significant currencies for the Bank

(amount expressed in CHF 1,000)	Currencies				Total
	CHF	USD	EUR	Other	
Assets					
Liquid assets	221,594	179	2,255	111	224,139
Amounts due from banks	12,791	42,642	25,837	16,569	97,839
Amounts due from customers	35,003	21,722	207,049	1,774	265,548
Mortgage loans	126,106		23,988		150,094
Trading portfolio assets		47	80	380	507
Positive replacement values of derivative financial instruments	577	1,001	-95	1,076	2,559
Financial investments	40,762	28,371	42,881	72	112,086
Accrued income and prepaid expenses	1,117	433	2,889	317	4,756
Non-consolidated participations	20				20
Tangible fixed assets	28,669		101		28,770
Other assets	1,413	109	2,906	1	4,429
Total assets shown in the balance sheet	468,052	94,504	307,891	20,300	890,747
Delivery entitlements from spot exchange, forward forex and forex options transactions	245,970	244,486	543,859	153,211	1,187,526
Total assets	714,022	338,990	851,750	173,511	2,078,273
Liabilities					
Amounts due to banks	101	224	2,440	1,272	4,037
Amounts due in respect of customer deposits	296,286	65,093	359,588	24,883	745,850
Negative replacement values of derivative financial instruments	131	788	778	1,043	2,740
Accrued expenses and deferred income	3,231	263	269	290	4,053
Other liabilities	598	38	530	1	1,167
Provisions	2,740		723		3,463
Reserves for general banking risks	10,910				10,910
Bank's capital	20,000				20,000
Retained earnings reserve	93,205				93,205
Minority interests in equity			49		49
Consolidated profit	8,314		-3,041		5,273
<i>of which, minority interests in consolidated profit</i>			-23		-23
Total liabilities shown in the balance sheet	435,516	66,406	361,336	27,489	890,747
Delivery obligations from spot exchange, forward forex and forex options transactions	288,507	272,034	482,251	144,734	1,187,526
Total liabilities	724,023	338,440	843,587	172,223	2,078,273
Net position per currency	-10,001	550	8,163	1,288	

9. Information on off-balance sheet transactions

9.1 Breakdown of contingent liabilities and contingent assets

(amount expressed in CHF 1,000)	Year under review	Previous year
Guarantees to secure credits and similar	4,717	4,379
Total contingent liabilities	4,717	4,379

9.2 Breakdown of fiduciary transactions

(amount expressed in CHF 1,000)	Year under review	Previous year
Fiduciary investments with third-party companies	23,987	13,626
Total fiduciary transactions	23,987	13,626

9.3 Breakdown of assets under management and presentation of their development

(amount expressed in CHF 1,000)	Year under review	Previous year
Breakdown of assets under management		
Assets in collective investment schemes managed by the Bank	694,384	861,694
Assets under discretionary asset management agreements	941,538	1,058,868
Other managed assets	2,180,545	2,333,718
Total assets under management (including double counting)	3,816,467	4,254,280
<i>of which, double counting</i>	<i>516,674</i>	<i>632,848</i>

Other managed assets include all assets for which the Group receives fees and/or additional fees to custodial rights and account fees. The Group has no assets that can be considered as "custody only".

(amount expressed in CHF 1,000)	Year under review	Previous year
Presentation of the development of assets under management		
Total assets under management (including double counting) at the beginning of the period	4,254,280	3,775,539
Net new money inflow or net new money outflow	61,772	286,921
Price gains/losses, interest, dividends and currency gains/losses	-499,585	444,049
Transfer/liquidation of investment funds managed by Accademia SGR		-252,229
Total assets under management (including double counting) at the end of the period	3,816,467	4,254,280

Net new money inflow/outflow includes all incoming and outgoing transfers of liquidity and other investment values, on the basis of the value of the transfer day. On the other hand, interest and dividend income, price and currency gains/losses as well as interest, expenses and commission charges are excluded.

10. Information on the income statement

10.1 Disclosure of material refinancing income in the item "Interest and discount income" as well as material negative interests

The Bank has paid an amount of CHF 463,000 (previous year: CHF 452,000) due to negative interests expenses.

10.2 Breakdown of personnel expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the group's governing bodies, salaries and benefits)	17,727	18,866
Social insurance benefits	3,452	3,578
Other personnel expenses	422	379
Total personnel expenses	21,601	22,823

10.3 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,736	1,782
Expenses for information and communications technology	3,305	3,281
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	185	168
Fees of audit firms (Art. 961a no. 2 CO)	487	514
<i>of which, for financial and regulatory audits</i>	479	502
<i>of which, for other services</i>	8	12
Other operating expenses	2,945	3,205
Total of general and administrative expenses	8,658	8,950

10.4 Presentation of the operating result broken down according to domestic and foreign origin, according to the principle of permanent establishment

(Amount expressed in CHF 1,000)	Year under review		Previous year	
	Domestic	Foreign	Domestic	Foreign
Result from interest operations				
Interest and discount income	3,728	429	3,391	685
Interest and dividend income from trading portfolios	5		7	
Interest and dividend income from financial investments	1,551	23	1,989	54
Interest expense	-59	-18	-105	
Gross result from interest operations	5,225	434	5,282	739
Changes in value adjustments for default risks and losses from interest operations	19		-170	
Subtotal net result from interest operations	5,244	434	5,112	739
Result from commission business and services				
Commission income from securities trading and investment activities	20,483	7,238	27,230	8,583
Commission income from lending activities	98	1	91	6
Commission income from other services	1,815	249	1,689	276
Commission expense	-1,505	-274	-2,103	-382
Subtotal result from commission business and services	20,891	7,214	26,907	8,483
Result from trading activities	2,441	97	2,967	-329
Other result from ordinary activities				
Result from the disposal of financial investments	-31	-8	254	72
Income from participations	243		5	
Result from real estate	686		706	
Other ordinary income		25	93	99
Other ordinary expenses	-1,758	-162		-8
Subtotal other result from ordinary activities	-860	-145	1,058	163
Operating expenses				
Personnel expenses	-17,248	-4,353	-18,154	-4,669
General and administrative expenses	-5,970	-2,688	-6,129	-2,821
Subtotal operating expenses	-23,218	-7,041	-24,283	-7,490
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,765	-139	-1,862	-126
Changes to provisions and other value adjustments, and losses	-19	-2,361	41	-847
Operating result	2,714	-1,941	9,940	593

10.5 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(amount expressed in CHF 1,000)	Year under review	Previous year
Expense for current taxes	536	2,357
Expense for deferred taxes	-36	168
Total taxes	500	2,525

Average tax rate weighted on the basis of the operating result 22.4%

Tax expenses on the year under review essentially concerns taxes on substance. There hasn't been any significant impact on income taxes from changes in the losses carried forwards.







***Report of the statutory auditor
to the General Meeting of Banca del Sempione SA
Lugano***

***Report of the statutory auditor on the consolidated financial
statements***

As statutory auditor, we have audited the consolidated financial statements of Banca del Sempione SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 22 to 43), for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting rules for banks and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with accounting rules for banks and comply with Swiss law.

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PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.



Report on other legal requirements

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

In accordance with art. 728a para. 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

A handwritten signature in dark ink, appearing to read 'Beresford Caloia', written over a light grey circular stamp.

Beresford Caloia
Audit expert
Auditor in charge

A handwritten signature in dark ink, appearing to read 'Salvatore Simone', written over a light grey circular stamp.

Salvatore Simone
Audit expert

Lugano, 10 April 2019

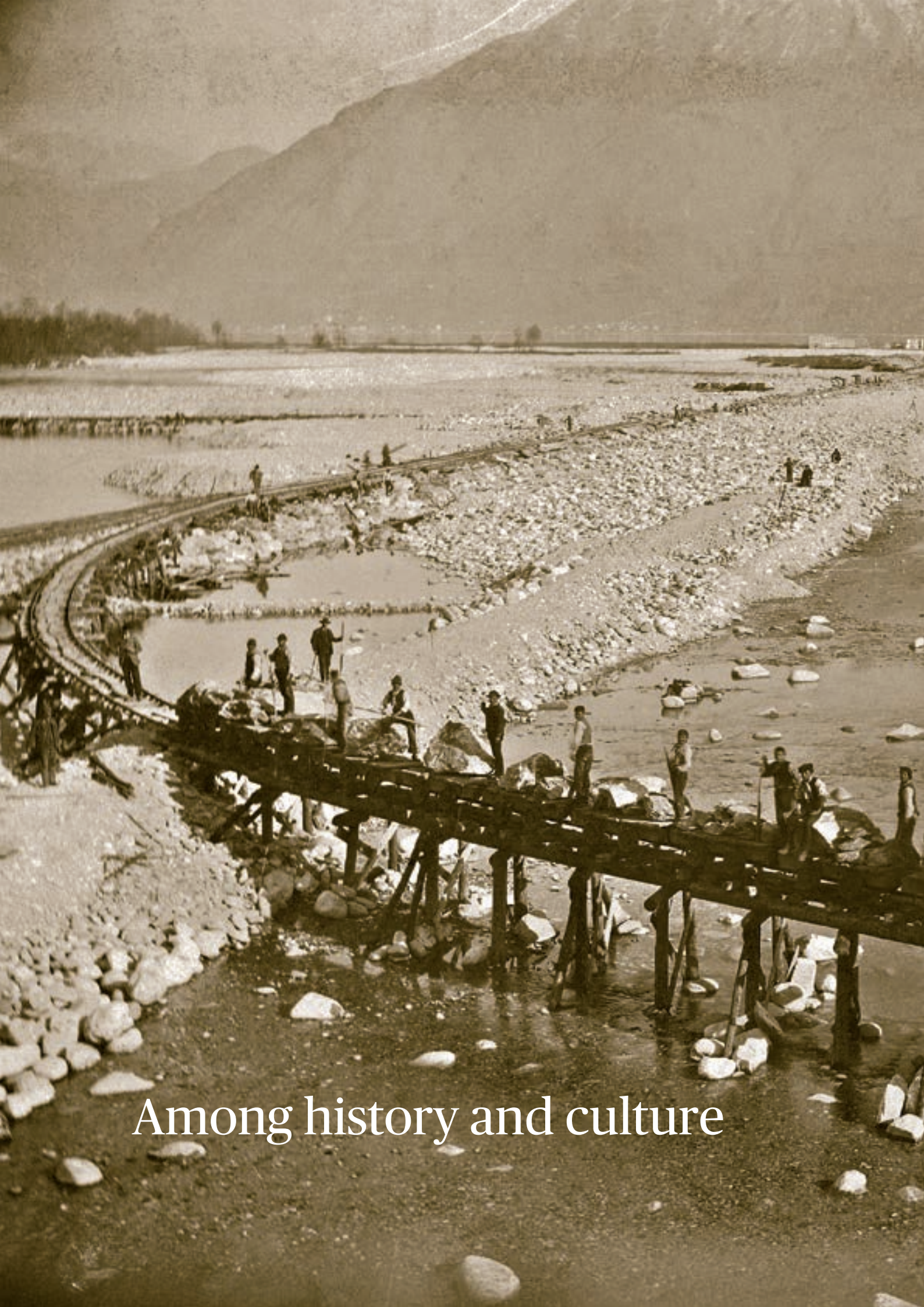
Words of stone

Stone speaks to us. It tells us about the past, inscribed in the layers bent by time, and it shows us the present, in the works of man: its constructions and excavations, sculptures and mountain architecture, extraction of precious rocks, the adaptation of the environment to the needs of protection, trade, employment and relationships.

Stone also tells us about the hostile side of nature, with the marks of the wind and landslides, floods and rock-falls. And then the laborious and creative side of reconstruction.

In the Robiei region there is a special testimony to this creative endeavour of rebuilding. It can be seen in the stone cylinder of Mogno: a modern church built from ancient stones coming from an old church destroyed by a modern disaster.

An eloquent example of that never-ending succession of risk and safety, building and rebuilding. It is the link between modernity and tradition, based on work and expertise, commitment and common sense. The same values which inspire Banca del Sempione in its daily actions in favour of the Ticino territory.



Among history and culture



Previous page:
Maggia canalisation work, 1893

In sequence:
Inside the Museum of the Maggia Valley in Cevio

Museum exterior in Cevio

Exterior of the church of Santa Maria delle Grazie in Maggia and detail one of the frescoes in houses

The Maggia Valley is rich in amazing testimonies of the past and modernity. A jewellery box where breath-taking natural landscapes and places modelled by the patient work of man stand out. Meadows and pastures, small lakes and paths, woods, forests and vineyards emerge among the rock and water, speaking about history and culture made of little churches, museums and villages frozen in time, bridges, mills, fermentation cellars and ancient wash-houses. The valley is strewn with religious architecture such as the Church of Santa Maria delle Grazie (or Santa Maria di Campagna), situated at the entrance to the municipality of Maggia. The building, protected at the cantonal level, was built in the Sixteenth century in renaissance style: it has one single nave, side chapels and a wooden coffered ceiling. Finished in stages up to the XIX century when the vestry was built and the nave was lengthened, it contains splendid cleaned frescoes, such as the 24 ex votos dedicated to the Virgin, works of the painter Aurigeno Giovanni Antonio Vanoni (1810 - 1886).

The most important cultural structure of the district is found in Cevio, the Vallemaggia Museum, the first ethnographic centre in the canton created in 1962. Extensive documentation on local traditions, customs and livelihood takes us on a journey from Prehistoric times to the beginning of the twentieth century in the Maggia Valley. Two splendid buildings in the old

village centre are home to this museum: the fine bourgeois palace of the XVII century of the old Franzoni family and the Respini-Moretti residence. Just a short distance away we find the “Via dei Grotti”, i.e. sixty or so traditional cellars for conserving cold cuts, cheese and wine, built from the rocks of a landslide. The Museum also has a former stable, a sixteenth century press and an ancient granary (also called “torba”) from the end of the Fifteenth century which can only be found in this valley. At Mogno, a small, surreal hamlet of Lavizzara,



we find the little church of San Giovanni Battista, with an elliptic external shape and unmistakable sloping circular roof. Designed by the world-famous Ticino architect Mario Botta in 1992, it was built on top of an ancient “alpine church” of the beginning of the Seventeenth century (1626), destroyed by an avalanche the morning of 25 April 1986. Today all that is left of the original are the two bells dating back to 1746. The modern style of the architect has made it an international tourist attraction with 30/50 thousand visitors a year. It is the symbol of the “positivity of building as an expression of the effort of man” declared the famous architect who wanted to keep the original orientation and the same height as the old bell tower. In 2018 it was made a protected cultural asset. The church is built in local material: grey gneiss from the Riveo quarry and very valuable white, ivory veined marble from the only quarry in the whole of Switzerland, the “Crystalline” at Peccia, a little village in Valle Lavizzara, the





“village of marble and sculpture”, as it is called. Here visitors can follow a kind of “stone street”, starting from the white marble the presence of which is due to the ancient formation of the central massif of the Alps, when the limestone mass suffered enormous pressure, overheating and crystallising. Extraction started in 1946 thanks to a deposit estimated at 150 million cubic metres, enough to guarantee a century of exploitation. In the Sixties, the quarry produced an annual amount of more than 1,500 cubic metres of marble, most of which was exported. This treasure was further valorised in 1984 by Rolf Flachsmann, a sculptor from Zurich, the creator of the Peccia “School of Sculpture” and in 2001 by the “sculpture path”: it passes through the village with new displays at every turn, bringing people and life from everywhere. In 2019 the launch of the “International sculpture centre” is planned.

But as often happens, emotions and beauty must be searched for up high. So, it is worth travelling up to the highest village of Canton Ticino, Bosco Gurin, at 1,506 metres above sea level, also one of the oldest, dating back to seven centuries ago. It is also unique in terms of culture: it is only here that the ancient dialect called “Ggurijnartitsch” is still spoken, a legacy of the ancient Walser colonizers who, starting from the XIII century, arrived there from the upper Valais in search of pastures and land to grow their crops. Their stamp is clear not only in the typical wooden houses and barns (Torbe) supported by stone pillars, but also in the very beautiful ethnographic “Walserhaus” museum, housed in one of the oldest rural houses of Switzerland, dated 1386.

Rock is always the protagonist in the “Stone paths”, part of the “Vallemaggia bare stone” project designed to valorise its landscape, history and culture. There is a wide choice among about thirty routes and there is something for everyone: from the fermentation cellars of Avegno to the wash-houses of Gordevio, from the mills of Fusio to the granaries of Rima, and so forth, with unforgettable excursions and walks. We are certainly not the first to want to



In sequence:
School of sculpture in Peccia

Characteristic anti-rat "mushroom" at a granary in Bosco Gurin

Town of Bosco Gurin

Following page:
The writer Plinio Martini in Foroglio

hand down all of this wealth. One of the most appreciated witnesses of Italian Switzerland is Plinio Martini (1923-1979), first of all a teacher and then a poet, author and scriptwriter whose works have been translated into many languages. His major works were “Requiem for Aunt Domenica” (1976), an evocative novel about the local rural past, but above all “The bottom of the sack” (1970), a story about emigration, family anecdotes and human efforts. The book was set partly in Martini’s home village, Caveragno, extending over almost the whole of the Valle Bavona. This valley is a spectacular amphitheatre of human and natural works well worth a visit.



Landscape

*The mountains shut off the sky to you
village
you are not a child's game.
Perhaps you listen to the arcane shell
of weather that passes through the gorges?
If the wind stops it is the end of the world.
But like the returning wave
one is born
one dies
and the bell tower is a sundial
that marks the hours on the doors.*

Plinio Martini, from "Paese così", Edizione Carminati, Locarno 1951



Other activities of the Group

- 54 Accademia SGR (Società di gestione del risparmio) SpA
- 56 Base Investments SICAV
- 60 Sempione SIM (Società di intermediazione mobiliare) SpA
- 63 Banca del Sempione (Overseas) Ltd.

The Company

Accademia SGR SpA (hereinfter also the “SGR”) is an asset management company specialised in managing Real Estate Funds. Based in Milan, it combines the international experience accumulated in real estate and the asset management business by Banca del Sempione Group with real estate experience gained in the Italian market, particularly Milan and Rome. Accademia SGR SpA is authorised to sponsor and manage Alternative Investment Funds (“AIFs”), also including real estate funds, based on European Directive 2011/61/UE (“AIFMD”).

Investment Philosophy

Accademia SGR SpA independently manages multiple investor funds. Investing in real estate funds allows for portfolio diversification securing attractive yields compared to other traditional forms of stock market investment. The SGR offers customised services to its clients.

The main advantages linked to real estate management via real estate funds are in particular: asset securitisation, debt deconsolidation, professional property management and the separation between characteristic company business and real estate management.

Types of investors

Accademia SGR SpA addresses a restricted number of “Professional and Institutional Investors”, interested in real estate investment and willing to delegate management of their assets to participate in real estate transactions in association with other parties having the same qualifications. The term “Professional Investor”, as defined in Italian Ministerial Decree N. 30/2015, includes private and public professional clients as well as those who, upon request, may be treated as professional clients pursuant to article 1, section 1, paragraph m-undecies and article 6, sections 2-quinquies and 2-sexies of Italian Legislative Decree N. 58/1998 (hereafter also “TUF”– Testo Unico della Finanza) as further amended. Such definition of professional investor is also set out in art. 1, section 1, paragraph m-quater of TUF. The SGR also addresses investors described in art. 14 of Italian Ministerial Decree N. 30/2015. In exchange for shares, it is possible for investors to transfer their real estate assets to a fund that the SGR then professionally manages and increases in value, in the interest of, and independently from, said investors, according to a predefined investment policy. Alternatively, they may invest a portion of their liquid assets in a real estate fund which already contains properties, with the objective of diversifying risk and securing an attractive yield compared to other traditional forms of stock market investment in the current market scenario. The main investment asset classes are office and residential properties, sports facilities and hotels.

How to invest in the Fund

Interested investors may underwrite shares in the real estate fund through:

- underwriting commitment: according to the terms and conditions set in the fund regulations, investors commit, by filling and signing a specific share application form, to paying the SGR the amount underwritten, based on the fund’s investment needs upon the SGR’s demands;
- contribution: subject to the terms and conditions set in the fund regulations, investors may underwrite shares in the fund, transferring not money but “assets” in accordance with the investment criteria prescribed in the regulations (real estate, real estate rights, and equity investments in real estate companies).

Prudential Rules

According to amendments implemented by AIFMD, the leverage of an AIF is expressed as the ratio between the AIF’s exposure and its net asset value. Accademia SGR SpA calculates the exposure of the AIFs it manages according to the “commitment” method pursuant to art. 8 of Delegated Regulation N. 2013/231/UE (“Delegated Regulation”). Accademia SGR SpA also calculates said exposure according to the “gross” commitment pursuant to art. 7 of the aforementioned Regulation during the drawing up of periodic reports.

The exposure of an AIF calculated in accordance with the “commitment” method is the sum of the absolute values of all positions valued pursuant to Article 19 of Directive 2011/61/UE and the relevant delegated acts, without prejudice to the criteria set out in paragraphs 2 to 9.

More in detail, Accademia SGR SpA shall:

- a) convert each derivative instrument position into an equivalent position in the underlying asset by using the conversion methods set out in article 10 and Annex II, points 4 to 9 and 14 of the Delegated Regulation;
- b) carry out the relevant netting and hedging transactions;
- c) calculate the exposure determined by the reinvestment of borrowings where such reinvestment increases the AIF’s exposure pursuant to Annex I, points 1 and 2 of the Delegated Regulation;
- d) include other transactions in the calculation based on Annex I, point 3 and points 10 to 13 of the Delegated Regulation.

The exposure of an AIF calculated in accordance with the “gross” method is the sum of the absolute values of all positions valued pursuant to article 19 of AIFMD and all delegated acts adopted in compliance with such Directive.

More in detail, Accademia SGR SpA shall:

- a) exclude the value of cash and cash equivalents that:
 - are highly liquid investments held in the AIF’s reference currency;
 - are readily convertible to a known amount of cash;
 - are subject to a minor risk of change in value;
 - provide a return no greater than the rate of a three-month high quality government bond;
- b) convert derivative instruments into equivalent positions in their underlying assets by using the conversion methods set out in article 10 and Annex I, points 4 to 9 and 14 of the Delegated Regulation;
- c) exclude cash borrowings that remain in cash or cash equivalent pursuant to point a), when the amounts to be paid are known;
- d) include exposure deriving from the reinvestment of cash borrowings, expressed as the higher market value of the investment realised or the total amount of the cash borrowed pursuant to Annex I, points 1 and 2 of the Delegated Regulation;
- e) include positions within repurchase agreements or reverse repurchase agreements as well as securities lending or securities borrowing arrangements or other transactions pursuant to Annex I, point 3 and points 10 to 13 of the Delegated Regulation.

Fund Duration

The fund duration is set in the fund regulations and may be a maximum of 50 years, except in case of early liquidation of the investment (and cash payment to investors for their shares in the fund) taking place over the life of the fund.

As at year end 2018, Accademia SGR manages three real estate funds (including a fund’s sub-fund).

In order to offer its clients quality and customised services, over the years, the SGR has strengthened its organisation, which now comprises real estate industry and asset management professionals. The company is therefore now able to profitably manage its real estate funds and provide its clients with adequate and thorough real estate advisory services on properties located in Italy and abroad, resorting, if necessary, to the support of well-known real estate experts.



**ACCADEMIA
SGR**

**Accademia SGR (Società
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* As of March the 4th 2019

Auditor Deloitte & Touche Spa, Milan

BASE INVESTMENTS SICAV

In the Grand-Duchy of Luxembourg, Banca del Sempione SA is the sponsor of Base Investments SICAV (the "SICAV"), an open-end investment company with multiple sub-funds established on 29 May 2001 and registered in the official list of Undertakings for Collective Investment pursuant to the Law of 17 December 2010, Section I.

The sub-funds are characterised by different investment objectives in order to offer a range of possibilities to investors and simultaneously respect their risk propensities. With regard to the individual sub-funds, investment policies were defined and summarised in the prospectus approved by the Supervisory Authorities.

More generally speaking, the main commitment of the investment managers is to preserve the capital invested during the more volatile market phases and implement the most effective strategies to increase the value of the assets during the most favourable phases. This is ensured through diversification of the portfolios and special attention to the control of operational risks.

The ideal minimum investment period is 24/36 months, based on the characteristics of the individual sub-funds.

Effective 1 October 2016, the SICAV appointed Edmond de Rothschild Asset Management (Luxembourg) as management company, assigning to it the risk control activities, the calculation of the net asset value as well as the role of transfer agent. Banca del Sempione SA continues in its functions as sponsor and manager for all the sub-funds, also taking on the responsibility of global distributor.

The most modern management techniques are applied to the activities benefitting the client, with the objective of ensuring the desired return. The constant search for the best technological infrastructures and in-depth analyses that lead to definition of the investment strategies also contribute to mitigating risks.

Starting from the principle that the SICAV's various sub-funds are invested in transferable securities, where cash is used on an ancillary basis, the company has carefully picked the markets it wants to operate in, focusing mainly on three asset classes (equity, bond, and cash). In addition to the aforementioned asset classes, the SICAV pursues a diversified approach through the adoption of quantitative strategies, such as the search for macro-economic advantages linked to the trend in variables, such as rates, inflation and economic growth, to generate investment opportunities, using all of the investment tools allowed by law or through investment in other funds with a low correlation to the market and a good risk-return ratio.

With the specific objective of offering investors efficient products compliant with their needs, with a view to rationalising the sub-funds and in order to ensure value from their investment policies, on 20 August 2018, the Board of Directors of the SICAV resolved to liquidate the Euro Hedging Sub-Fund with effect from 21 September 2018. At the basis of this decision was the specific desire to optimise the range of products offered, only including those strategies that truly create value over time.

A list of the sub-funds is provided below, with a brief explanation of their respective investment policies:

Currency and Bond Sub-Funds

Base Investments SICAV – Short Term

The objective of this Sub-Fund is to outperform the JPM Cash EUR 3 Months Index, mainly investing in fixed- or floating-rate securities, such that the portfolio duration does not exceed 12 months.

Base Investments SICAV – Bonds – Multicurrency

The objective of this Sub-Fund is to outperform the Euribor 3 months +1% Index with a time horizon of 3 years, mainly investing in fixed-income securities having a rating of at least BBB- assigned by S&P's (or equivalent). The Sub-Fund will try to benefit from changes in currency exchange rates through diversified investments in currencies and in derivatives, such as forward contracts and repurchase agreements, currency swaps and currency options.

Base Investments SICAV – Bonds Value

The objective of this Sub-Fund is to outperform an index consisting of Citigroup EurobigAll (80%) and JPM Cash Index EUR 3 Months (20%), with a time horizon of 3 years, mainly investing in fixed-income securities, having a rating of at least BBB- according to the S&P's rating system (or an equivalent rating assigned by a different rating agency).

The Sub-Fund may invest up to 15% of its total net assets in non-investment grade bonds.

Base Investments SICAV – Bonds USD

The objective of this Sub-Fund is to outperform the Citigroup EuroDollar Index, with a time horizon of three years, mainly investing in USD-denominated fixed-income securities, having a rating of at least BBB- according to the S&P's rating system (or equivalent).

Base Investments SICAV – Bonds CHF

The objective of this Sub-Fund is to outperform an index consisting of SBI Foreign Rating AAA Total Return (80%) and JPM Cash Index CHF 3 Months (20%), with a time horizon of three years, mainly investing in CHF-denominated fixed-income securities having a rating of at least BBB- according to the S&P's rating system (or equivalent).

Equity Sub-Fund

Base Investments SICAV – Emerging and Frontier Markets Equity

The Sub-Fund's investment objective is long-term capital appreciation by investing at least 51% of its net assets in equity securities of emerging and frontier equity markets companies or those companies which derive a major portion of their revenues or profits from emerging and frontier economies through a value investing stock selection across the entire market capitalisation spectrum. The benchmark index consists of MSCI Emerging (40%), MSCI Frontier (40%) and cash (20%).

Flexible and Balanced Sub-Funds

Base Investments SICAV – Macro Dynamic

The Sub-Fund's objective is to achieve absolute return by means of a dynamic portfolio with a view to obtaining medium to long-term (3 to 5 years) capital appreciation by combining different assets without any geographical or currency constraints. For that purpose, the Sub-Fund implements flexible asset allocation based on the economic scenario, in the investors' interest. The benchmark index is Euribor 3 months +2%.

Base Investments SICAV – Flexible Low Risk Exposure

The objective of this Sub-Fund is to outperform an index consisting of JPM Global Govt. Bond EMU LC. (60%), MTS Italy BOT ex-Bank (30%) and FTSE Eurotop 100 Index (10%), with a time horizon of 3 years, mainly investing in any type of fixed-income transferable security having a rating of at least BBB- according to S&P's (or equivalent).

The sub-fund may also invest up to 20% of its total assets in non-investment grade bonds, shares, other equity market securities, units or shares issued by Undertakings for Collective Investment investing in shares or non-investment grade bonds.

Fund of Funds

Base Investments SICAV – Multi Asset Capital Appreciation Fund of Funds

It is a fund of funds whose objective is to outperform an index consisting of Bloomberg Barclays Global Aggregate (60%) and MSCI World Index (40%), over a 5-year full investment cycle, by integrating quantitative and systematic strategies in the asset allocation with a view to building a robust portfolio and an ordered investment process through a multi-asset investment management strategy.



Base Investments SICAV

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The company is active in asset management, investment advisory, and securities brokerage in general. It is geared towards clients who demand proven asset management skill based on the principles of reliability and common sense, typical of all Banca del Sempione Group companies.

Sempione SIM SpA also aims to be a major independent advisor: based on the Mifid-compliant “Feeonly4you” advisory platform, it can support clients who want to place their assets with one or more banks, professionally and independently guiding them in their investment decisions.

Sempione SIM SpA has also proven itself as a counterparty in the distribution of BASE INVESTMENT Luxembourg SICAV products in Italy, approved for sale by Italian authorities.

In order to build on the relationship with its clientele and satisfy their increasingly sophisticated needs, Sempione SIM SpA has established a Corporate Investment Banking (CIB) team that boasts long-standing experience in financial consulting and in the definition of transactions of key interest to entrepreneurs.

Efficiency, professionalism and independence are the characteristics valued by Clients in dealing with the company’s experts, ready to create tailor-made solutions to ensure optimal satisfaction.

Sempione SIM SpA knows how important values like trust are in the management of significant positions for the company and of the entrepreneur’s portfolio. The CIB division aims to forge long-term relationships with its clients, supporting them in any and all requirements that may arise in the operation of a complex and organised business.

Sempione SIM SpA CIB predominantly operates in three areas: consulting in extraordinary finance projects regarding the company; analysis, definition and finalisation of merger and acquisition transactions; listing of financial instruments on the market (i.e., IPOs and mini-bonds) for small and medium-sized enterprises (SME).

Moreover, through its Corporate Investment Banking Division, Sempione SIM SpA provides assistance to its clients by satisfying their main financial requirements: from the issuance of fairness opinions and valuation of investments in the area of extraordinary finance transactions (M&A, tender offers and IPOs), to the construction and approval of Business Plans and preparation of strategic and debt restructuring plans.

Customisation

Customisation means continuously interacting with the client, through direct contact, pursuing the development of investment decisions so that they are consistent with expectations.

Professionalism

Sempione SIM SpA provides its clients with products and services managed by industry professionals who constantly seek opportunities on international markets and highly diversified investments. Without prejudice to these general principles, in light of financial market difficulties, the company attaches significant importance to currency trading which also is a distinct business in the Italian financial industry.

Research

Management, advisory and order taking are appropriately aided by sources of recognised skill at the national and international level and by a coordinated in-house analysis division that independently evaluates management decisions, favouring dynamic, innovative and transparent trading.

Safety

Through a series of agreements with top banks, Sempione SIM SpA guarantees its clients clear separation between client assets deposited in trading accounts and assets under management by the SIM by virtue of mandates received.



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Gruppo Banca del Sempione

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In an increasingly globalised context, in terms of both markets and products, Banca del Sempione has expressed its vocation for exploration by establishing, as long ago as 2000, its subsidiary Banca del Sempione (Overseas) Ltd. in Nassau, in the archipelago of the Bahamas.

In fact, the capital of the Bahamas is a prestigious financial centre, thanks to tradition, the capacity to innovate and a solid technical infrastructure. Attention for regulatory aspects and the resulting need to update and adapt, caused by the wider objectives proposed by the International community led by the Global Forum, have characterised the last years of business. Commitment to an increasingly pronounced attention towards transparency and cooperation with other Countries was solidified by signature of the multilateral agreement on the exchange of fiscal information and involvement in further projects and measures aimed at countering unequal taxation (e.g. Base Erosion and Profit Shifting) and strengthening the fight against money laundering. A 360-degree effort which is opening the Country up to a more integrated and cooperative context and which, through intense negotiations and international discussion, is aiming for the signature of new treaties, agreements, joint ventures and alliances, too.

A constant commitment of the entire financial sector and in particular of Banca del Sempione (Overseas) Ltd. which, in this renewed context, aims at acting as an important player, continuing to offer top quality and highly sophisticated services both to private and increasingly greater numbers of institutional clients. The main business is focused on asset management through products dedicated to the needs of the clients. Also, securities, derivatives and currency trading operations are not to be excluded.



**BANCA DEL SEMPIONE
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A mountain to be listened to

When you look at the mountains of the Bavona Valley (or “Val Bavona”) you can listen to the never-ending dialogue between man and nature. What we can see with our eyes is only one part of what we can pick up with our other senses.

We see the misshapen crust of the geological eras and broken rock which man has tamed building refuges from it and growing crops. We see the changing seasons and the economy of the mountains: collecting fruit, cutting wood, building dry-stone walls and creating paths. We see roads, cables, tracks, links which human ingenuity has designed to overcome drops, differences in altitude, steep slopes and woods.

And where we see the hand of man, we see the sign of determination: nothing is random, everything springs from the study of the environment and natural phenomena, the search for efficient solutions, the combination of skills, and the strong will to achieve pre-established targets. It is this determination which characterises the people of the mountains and the inhabitants of Ticino as well as their Bank.



Val Bavona - the wild one



Previous page:
Foroglio waterfall

In sequence:
*Roman bridge,
Bavona valley*

*Interior of a construction
under the rock at Bignasco*

A rock amphitheatre, an open-air museum protected at federal level, one of most precious rural landscapes of the whole Alps, a model of conservation containing testimonies to rural traditional and unique life and culture. That is how we can describe the impervious Val Bavona, surrounded by granite mountains and where chestnut woods shade the lower slopes. It is composed of 12 small villages or “lands”, already permanently inhabited in the XV century and points of departure for the transhumance towards the summer pastures. About 12 kilometres long and no more than 500 metres wide, this glacial valley opens up to the north-west stretching from Bignasco to San Carlo

and then on up to the Alpe di Robiei. It has the reputation of being the wildest of the Ticino cantons, thanks also to the splendid waterfalls of Foroglio. Entirely crossed by the river with the same name which then flows into the Maggia, it is considered to be the steepest and most stony of the whole Alps: the Val Bavona is synonymous with adventure and is bound to excite all those who visit it.

We owe its morphology to the river’s floods and above all to the melting glacier which, once there was no longer any pressure against the slopes of the mountains, created its impressive precipices and colossal landslides. Instable rocks, boulders and stones in fact crashed down the valley creating this surreal territory from which man would learn how to obtain sustenance. “They built without measurements or plans, but in the wake of an ancient and safe tradition” Plinio Martini wrote, alluding to the hard, amazing and exhausting human endeavour which modelled the landscape: reclaimed plots, terraces for crops, paved paths, fencing, steps and above all a rudimentary dry-stone architecture stretching everywhere, for example in the Mondada area (Monda and Bosco) or in Fontana (Chiall).

These are natural caves, gorges located under the rock or under enormous boulders providing natural shelter, essentially of three types: “splüi”, “grondàn” (a sort of natural eaves) and “cantìn” (cellars). The latter, estimated at more than thirty in Bavona alone, were used for conserving food products. Typical examples of these are found at Corte di Cima on the Alpe Formazzöö (at 2,080 a/s/l). The around 170 “splüi” recorded together with hundreds of “grondàns” on the valley floor, in Val Calnègia and on the Alps, on the other hand, were generally used as spartan, temporary dwellings for man, stalls for animals and storerooms





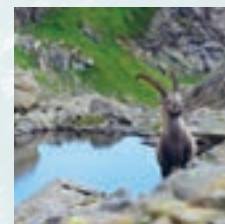
for hay and wood. Sometimes they were used for baking bread, forging, framing or for drying chestnuts (a sort of drying shed or “grá”). They are unique, unrepeatable, small or large examples such as those at Sabbione.

In the Mondada area there is a “splüi” used as an oven, the only one in the whole region made in a natural gorge: it was used for baking bread and the “fiascia” (a focaccia made from chestnut flour), thanks to a sliding door in soapstone. Its function can be explained by the presence of a mortar on its outside dating back to the XIX century, but it was also used as a store room for tools, wood, containers and rye, millet and chestnut flours. Further on we come to the “splüi di chièuri”, one of the largest in the valley, next to a huge grondàn of two and a half tons where goats were kept: the stalls and feeding troughs on the ground floor and the hay above.

These huge boulders from ancient landslides were intelligently used by the inhabitants of the Bavona, due to the few and excessively steep surfaces for growing crops in the valley. Every tiny plot of land was precious, so the earth was carried onto the boulders to create little meadows surrounded by a wall, sheltered from voracious herbivores and floods. Accessible by steps made in the rock, today they are mostly abandoned but the so-called “hanging meadows (or gardens)”, or even “hanging vegetable patches”, have been conserved, where rye, potatoes, onions, grapes and hay for the animals were grown. Travelling up the valley, we cross its little villages through alleyways and typical “caraa”, a word in dialect which means “cartroads” or “road for carts”, to arrive at the last and lost village, San Carlo, located at an altitude of 938 metres, where the first “land owners” settled in the XVII century.

From here we can visit the Alpe di Robiei using a convenient cable-car which has a capacity of 125 people. It is extremely popular from June

to October when it carries around 20 thousand people. In a quarter of an hour we come to the foot of the king of the Val Bavona, the Basodino and the glacier with the same name, the most impressive and important in Canton Ticino (3,273 m a/s/l). The alpine Robiei region offers various magnificent lakes: from the lake with the same name to Lake Bianco, from the Sfundau to the Cavagnöö, areas inhabited by characteristic fauna and flora. The visitor who climbs up to Alpe Lielp can buy excellent “Vallemaggia” cheese, butter and ricotta and can also enjoy a great wealth of minerals. The cable-car dates back to the Sixties when the impressive concrete dam and five recently modernised hydro-electric plants were built. They are some of the major producers of hydro-electricity in the whole of Switzerland, thanks above all to the waters of Robiei and the Basodino. With an average yearly production of 320 thousand Mwh, the plant has guaranteed development and wellbeing to the whole valley for more than 50 years.



In sequence:
Cableway from
San Carlo to Robiei

*Ibex near
Lake Matörgrn*

*Village of Foroglio
from above*

*Evidence
of a hanging garden
in the
Bavona valley*

Following page:
Town of Fontana,
Bavona valley





Annual financial statements of parent company

70	Balance sheet
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BALANCE SHEET AT 31.12.2018

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		224,136	127,508
Amounts due from banks		56,146	56,946
Amounts due from customers	4.1	254,491	243,332
Mortgage loans	4.1	161,094	168,026
Trading portfolio assets	4.2	507	616
Positive replacement values of derivative financial instruments	4.3	2,533	5,751
Financial investments	4.4	107,885	119,910
Accrued income and prepaid expenses		4,065	7,974
Participations		13,681	14,875
Tangible fixed assets		11,138	11,470
Other assets	4.5	1,663	1,463
Total assets		837,339	757,871
Total subordinated claims		2,530	3,174
Liabilities			
Amounts due to banks		24,520	45,651
Amounts due in respect of customer deposits		689,478	575,849
Negative replacement values of derivative financial instruments	4.3	2,907	5,117
Accrued expenses and deferred income		3,486	6,965
Other liabilities	4.5	673	1,394
Provisions	4.9	12,750	18,103
Bank's capital	4.10	20,000	20,000
Statutory retained earnings reserve		37,000	36,500
Voluntary retained earnings reserves		39,500	38,000
Profit carried forward		2,292	1,687
Result of the period		4,733	8,605
Total liabilities		837,339	757,871
Off-balance-sheet transactions			
Contingent liabilities	4.1	4,997	4,672
Irrevocable commitments	4.1	2,464	2,452

INCOME STATEMENT 2018

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Result from interest operations			
Interest and discount income		3,889	3,574
Interest and dividend income from trading portfolios		5	7
Interest and dividend income from financial investments		1,551	1,989
Interest expense		-83	-130
Gross result from interest operations		5,362	5,440
Changes in value adjustments for default risks and losses from interest operations		19	-170
Subtotal net result from interest operations	6.1	5,381	5,270
Result from commission business and services			
Commission income from securities trading and investment activities		20,643	27,411
Commission income from lending activities		98	91
Commission income from other services		2,133	2,007
Commission expense		-1,505	-2,103
Subtotal result from commission business and services		21,369	27,406
Result from trading activities		2,441	2,967
Other result from ordinary activities			
Result from the disposal of financial investments		-31	254
Income from participations		743	2,005
Result from real estate		93	93
Other ordinary income			80
Other ordinary expenses		-1,744	
Subtotal other result from ordinary activities		-939	2,432
Operating expenses			
Personnel expenses	6.2	-17,248	-18,154
General and administrative expenses	6.3	-6,828	-6,949
Subtotal operating expenses		-24,076	-25,103
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-4,124	-2,288
Changes to provisions and other value adjustments, and losses		-19	41
Operating result		33	10,725
Extraordinary income	6.4	5,000	
Taxes	6.5	-300	-2,120
Result of the period		4,733	8,605

APPROPRIATION OF PROFIT

(amount expressed in CHF 1,000)	Year under review	Previous year	Change
Result of the period	4,733	8,605	-3,872
Profit carried forward	2,292	1,687	605
Distributable profit	7,025	10,292	-3,267
Appropriation of profit			
Allocation to statutory retained earnings reserve	500	500	
Allocation to voluntary retained earnings reserves	500	1,500	-1,000
Dividends	4,500	6,000	-1,500
Profit to be carried forward	1,525	2,292	-767

STATEMENT OF CHANGES IN EQUITY 2018

(amount expressed in CHF 1,000)	Bank's capital	Statutory retained earnings reserve	Voluntary retained earnings reserve	Profit carried forward	Result of the period	Total
Equity at beginning of current period	20,000	36,500	38,000	1,687	8,605	104,792
Dividends					-6,000	-6,000
Allocation to reserves		500	1,500		-2,000	
New amount carried forward				605	-605	
Result of the period					4,733	4,733
Equity at end of current period	20,000	37,000	39,500	2,292	4,733	103,525





1. The Bank profile

Banca del Sempione SA's business areas and risk management operations do not differ from those of the Group.

2. Accounting and valuation principles

The accounting and valuation principles adopted are in compliance with the provisions set out in the Code of Obligations and the Swiss banking law and its relevant Ordinances, as well as in the guidelines issued by FINMA through Circular 2015/1 Accounting-Banks.

The statutory single-entity financial statements are drawn up according to the reliable assessment principle.

The Bank benefits from disclosure exemptions envisaged in the publication of consolidated financial statements. The accounting and valuation principles adopted coincide with those applied to the drawing up of the consolidated financial statements, the only exceptions being related to the creation of hidden reserves under the item "Provisions" and the following items.

Participations

This item includes equity securities of Bank-owned companies held with a view to making long-term investments, regardless of the voting share capital owned.

Participations are valued on a case-by-case basis at acquisition cost less any necessary value adjustments.

Participations are tested for impairment at each balance sheet date. Such tests are based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is to be determined. An asset is impaired if its book value exceeds its recoverable amount. The recoverable amount is the higher of the net market value and the value in use. If an asset is impaired, supplementary amortisation and depreciation are to be recognised. Ordinary and supplementary amortisation and depreciation are booked under the income statement item "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets".

Any gains realised on sales of participations are shown under the item "Extraordinary income" and any losses under the item "Extraordinary expenses".

Changes to accounting and valuation principles

The accounting and valuation principles applied to the drawing up of the financial statements as at 31 December 2018 are the same as those applied in the previous financial year.

3. Additional information

For any additional information or clarification required by legal provisions, please refer to the Schedule to the consolidated financial statements (Chapters 3 to 7).

4. Information on the balance sheet

4.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

(amount expressed in CHF 1,000)	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	5,849	214,446	36,358	256,653
Mortgage loans				
- Residential property	116,953			116,953
- Office and business premises	38,876		1,393	40,269
- Commercial and industrial premises	5,265			5,265
Total loans (before netting with value adjustments)				
Current year	166,943	214,446	37,751	419,140
Previous year	173,319	204,276	37,348	414,943
Total loans (after netting with value adjustments)				
Current year	166,943	214,446	34,196	415,585
Previous year	173,319	204,276	33,763	411,358
Off-balance-sheet				
Contingent liabilities		4,322	675	4,997
Irrevocable commitments			2,464	2,464
Total off-balance-sheet				
Current year		4,322	3,139	7,461
Previous year		4,147	2,977	7,124

Unsecured credits mainly concern loans granted for an amount exceeding the collateral value of securities given in guarantee but lower than the market value.

(amount expressed in CHF 1,000)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables				
Current year	3,789	286	3,503	3,503
Previous year	3,697	170	3,527	3,527

4.2 Breakdown of trading portfolios

(amount expressed in CHF 1,000)	Year under review	Previous year
Trading portfolio assets		
Debt securities, money market securities / transactions (listed)	127	129
Precious metals and commodities	380	487
Total	507	616

4.3 Presentation of derivative financial instruments (assets and liabilities)

(amount expressed in CHF 1,000)	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
Foreign exchange/precious metals			
Forward contracts	5,358	5,732	1,184,480
Options (OTC)	230	230	15,754
Total before netting agreements	5,588	5,962	1,200,234
Previous year	9,076	8,442	1,504,929
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	2,533	2,907	
Previous year	5,751	5,117	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		1,789	744

4.4 Breakdown of financial investments

(amount expressed in CHF 1,000)	Book value		Fair value			
	Year under review	Previous year	Year under review	Previous year		
Debt securities, intended to be held to maturity	75,289	90,527	75,431	91,427		
Equity securities	32,596	29,383	32,625	30,436		
Total	107,885	119,910	108,056	121,863		
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	11,935	13,917				
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Breakdown of counterparties by rating (S&P)						
Debt securities (book values)	36,019	22,958	13,612	2,700		

4.5 Breakdown of other assets and other liabilities

(amount expressed in CHF 1,000)	Other assets		Other liabilities	
	Year under review	Previous year	Year under review	Previous year
Indirect taxes	342	319	526	837
Other assets and liabilities	1,321	1,144	147	557
Total	1,663	1,463	673	1,394

4.6 Disclosure of assets pledged or assigned to secure own commitments and of assets under reservation of ownership

(amount expressed in CHF 1,000)	Book values	Effective commitments
Pledged/assigned assets		
Amounts due from banks	868	868
Financial investments	8,955	4,012
Total	9,823	4,880

4.7 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

(amount expressed in CHF 1,000)	Year under review	Previous year
At sight accounts	4,126	4,998

4.8 Disclosures on the economic situation of own pension schemes

(amount expressed in CHF 1,000)	Overfunding at end of current year	Economic interest of the bank		Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Year under review	Previous year			Year under review	Previous year
Pension plans with overfunding	3,000				1,361	1,361	1,297

Banca del Sempione SA has two pension plans.

For the LPP (Legge sulla Previdenza Professionale - Professional Welfare Law) obligatory part the Bank has opted for affiliation to the legally independent, Collective Welfare Foundation of Basilese Insurance. Employees are also affiliated to the Banca del Sempione Pension Fund, which only manages the optional (supplementary) part of professional welfare. Both Funds re-assure risks with a life insurance company, integrally with regard to the obligatory coverage, and solely for the risks of death and disability for the supplementary part.

The excess coverage of the Fund (coverage rate of 117%) may be destined solely in favour of the affiliates. Therefore, as far as the Bank is concerned, no economic advantage or coverage obligation is identified. Any financial commitment of the Bank with regard to the welfare foundations ends with payment of the contributions. Neither Fund includes any employer contribution reserves.

4.9 Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year

(amount expressed in CHF 1,000)	Previous year end	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for other business risks	316	-239		-8			-69	
Other provisions	17,787	-37					-5,000	12,750
Total provisions	18,103	-276		-8			-5,069	12,750

Value adjustments for default and country risks

	3,585			-19	8	67	-86	3,555
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	3,527			-19	8	67	-80	3,503
<i>of which, value adjustments for latent risks</i>	58						-6	52

In the other provisions hidden reserves are included.

4.10 Presentation of the Bank's capital

	Year under review			Previous year		
	Total par value CHF 1,000	No. of shares	Capital eligible for dividend CHF 1,000	Total par value CHF 1,000	No. of shares	Capital eligible for dividend CHF 1,000
Bank's capital						
Share capital	20,000	200,000	20,000	20,000	200,000	20,000
Total Bank's capital	20,000	200,000	20,000	20,000	200,000	20,000

The share capital is fully paid. There are no provisions that may affect the right to vote of the shareholders.

4.11 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 plans

	Number equity securities		Value equity securities	
	Year under review	Previous year	Year under review CHF 1,000	Previous year CHF 1,000
Members of the board of directors	25,910	25,910	2,591	2,591
Management	13,866	13,866	1,387	1,387
Employees	5,200	5,200	520	520
Total	44,976	44,976	4,498	4,498

The value assigned to participation rights corresponds to the face value. No employee participation plan is currently implemented with regard to members of Management and the Board of Directors or employees.

4.12 Disclosure of amounts due from/to related parties

(amount expressed in CHF 1,000)	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
Holders of qualified participations	3,483	3,484	24,313	17,444
Group companies	11,410	13,306	21,007	38,836
Linked companies	13,496	16,535	2,346	3,762
Transactions with members of governing bodies	6,954	3,834	3,630	6,361

During the financial period in question no note-worthy transactions occurred in which affiliated entities were counterparts. No significant off-balance sheet transactions have been recorded. The conditions applied in the banking services correspond to those granted to top-ranking clientele. Members of the bank's governing bodies are granted the same benefits as those applied to all personnel.

4.13 Disclosure of holders of significant participations

	Year under review		Previous year	
	Nominal CHF 1,000	% of equity	Nominal CHF 1,000	% of equity
Holders of participations exceeding 5% of votings rights				
Eburnea Holding SA, Sion (Donelli Family)	10,400	52.00	10,400	52.00
Molu SA, Lugano (Gattei Family)	7,000	35.00	7,000	35.00
Golden Horn Finanz AG, Lugano (Filofibra Group)	2,600	13.00	2,600	13.00

4.14 Breakdown of total assets by credit rating of country groups (risk domicile view)

(Rating S&P)	Net exposure			
	Current year end		Previous year end	
	CHF 1,000	%	CHF 1,000	%
AAA/AA-	708,877	84.7	611,361	80.7
A+/A-	15,040	1.8	19,859	2.6
BBB+/BBB-	109,677	13.1	122,480	16.2
BB+/BB-	2,218	0.3	1,777	0.2
B+/B-	258	0.0	693	0.1
CCC/C	1,269	0.2	1,701	0.2
Total assets	837,339	100	757,871	100

As for the breakdown of net commitment, the principle of customer domicile applies, with the exception of mortgage loans, in respect of which the place where the property is located shall prevail.

5. Information on off-balance sheet transactions

5.1 Breakdown of fiduciary transactions

(amount expressed in CHF 1,000)	Year under review	Previous year
Fiduciary investments with third-party companies	23,673	13,492
Total of fiduciary transactions	23,673	13,492

5.2 Breakdown of assets under management and presentation of their development

(amount expressed in CHF 1,000)	Year under review	Previous year
Breakdown of assets under management		
Assets in collective investment schemes managed by the bank	589,593	716,949
Assets under discretionary asset management agreements	752,821	824,641
Other managed assets	1,638,915	1,786,622
Total assets under management (including double counting)	2,981,329	3,328,212
<i>of which, double counting</i>	<i>442,312</i>	<i>523,239</i>

Other managed assets include all assets for which the Bank receives fees and/or additional fees to custodial rights and account fees. The Bank has no assets that can be considered as "custody only".

(amount expressed in CHF 1,000)	Year under review	Previous year
Presentation of the development of assets under management		
Total assets under management (including double counting) at the beginning of the period	3,328,212	2,718,368
Net new money inflow or net new money outflow	16,419	280,021
Price gains/losses, interest, dividends and currency gains/losses	-363,302	329,823
Total assets under management (including double counting) at the end of the period	2,981,329	3,328,212

Net new money inflow/outflow includes all incoming and outgoing transfers of liquidity and other investment values, on the basis of the value of the transfer day. On the other hand, interest and dividend income, price and currency gains/losses as well as interest, expenses and commission charges are excluded.

6. Information on the income statement

6.1 Disclosure of material refinancing income in the item "Interest and discount income" as well as material negative interests

The Bank has paid an amount of CHF 463'000 (previous year : CHF 452,000) due to negative interests expenses.

6.2 Breakdown of personnel expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	14,285	15,116
Social insurance benefits	2,833	2,914
Other personnel expenses	130	124
Total personnel expenses	17,248	18,154

6.3 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,957	1,913
Expenses for information and communications technology	2,534	2,570
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	215	188
Fees of audit firm (Art. 961a no. 2 CO)	205	239
<i>of which, for financial and regulatory audits</i>	<i>205</i>	<i>239</i>
<i>of which, for other services</i>		
Other operating expenses	1,917	2,039
Total of general and administrative expenses	6,828	6,949

6.4 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 has been generated by the release of hidden reserves.

6.5 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(amount expressed in CHF 1,000)	Year under review	Previous year
Expense for current taxes	300	2,120
Total taxes	300	2,120

Average tax rate weighted on the basis of the operating result 19.8%

Tax expenses on the year under review essentially concerns taxes on substance.





***Report of the statutory auditor
to the General Meeting of Banca del Sempione SA
Lugano***

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Banca del Sempione SA, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 70 to 82), for the year ended 31 December 2018.

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 2018 comply with Swiss law and the company's articles of incorporation.

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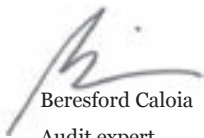
Report on other legal requirements

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


In accordance with art. 728a para. 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 profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Beresford Caloia
Audit expert
Auditor in charge



Salvatore Simone
Audit expert

Lugano, 10 April 2019

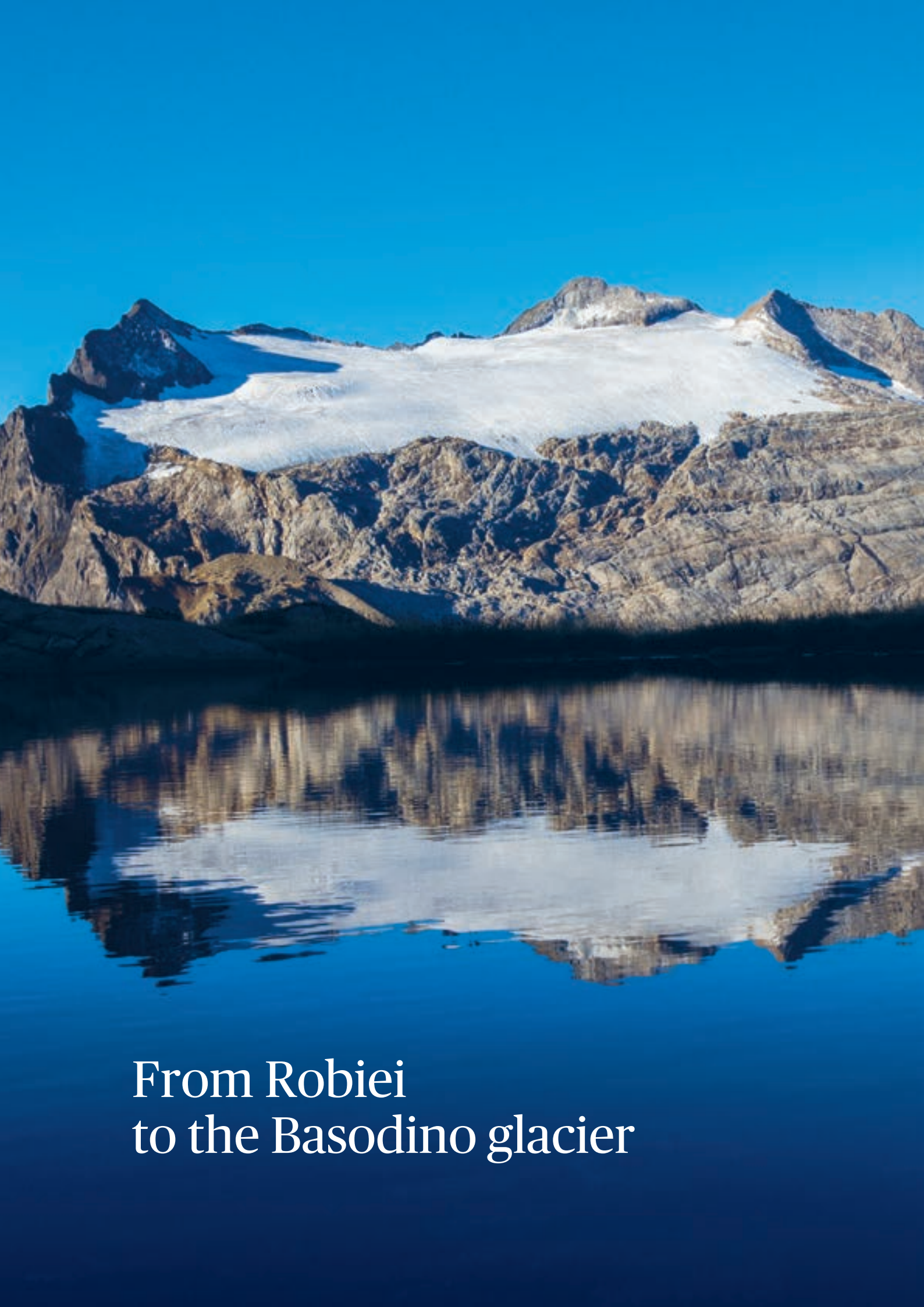
The path awaiting us

Climbing up high. With the cold air coming down from the glacier and the warm touch of the sun in our faces. The shiny light of the snow-covered surfaces. The vastness of the Alps around and beneath us.

Walking in the mountains is invigorating because it brings us in contact with the elements, with the silence of open spaces, with the fresh-smelling air and with our own limitations. We feel the sense of fatigue, our stressed muscles, our breath which fills our lungs and escapes with the wind. We enjoy the walk and the beauty of the places, step after step.

It is an immersive experience among rocks, snow, woods, paths, streams and noises of animals. Unforgettable, but still demanding and potentially dangerous, if we don't tackle it with the necessary preparation, the proper equipment and the responsible awareness of those who are able and ready to prevent any possible risks.

That is what the strategy of Banca del Sempione is all about: preparing, planning and trying to forecast every economic decision that will impact our present and our future, thanks to professionalism and technologies.



From Robiei
to the Basodino glacier



Previous page:

Basodino reflected in a mirror of water on the north-west slope of Poncione di Braga

In sequence:

Panoramic view over Robiei, Basodino and the three lakes

Small lake created by meltwater along the Glaciological Trail on the Basodino glacier in Robiei

Panorama of the Lake Robiei dam from above

“The profile of the Basodino stands out clearly against the cloudless sky” wrote the poet from Locarno Giovanni Bianconi in a fine article in the Thirties, since up there “the tallest peaks emerge from it, like cliffs in the sea”. The Basodino is the largest, most desired and studied glacier in Canton Ticino, with its 3,273 metres a/s/l, a surface area of 2 km² along the Italian-Swiss border. What is particular about it is the absence of a glacial tongue, seracs and pinnacles. It is about 40 meters thick at the top and temperate (on average at around 0° degrees). It is worthy of admiration because of its relatively easy accessibility: only some points between snowfields and streams require some care. You should calculate at least 6 hours to visit the glacier which covers about 11 kilometres and an 800-metre difference in height. On sunny days the view the Basodino offers over the Ticino Alps is not to be missed, as is the silvery shine of its iced surface. Arriving from San Carlo, Val Bavona, with the convenient cable-car which climbs up to Robiei, after being suspended in the air for a quarter of an hour, the “glaciological path” guides us up to 2,430 a/s/l, a fascinating educational and tourist itinerary created in 2011.

The path, which is divided into 8 sections, each equipped with didactic notice boards, first leads to the orographic moraine to the right of the glacier and then descends from the left-hand one: the path takes us through breathtaking scenery, of granite and gneiss, in a rare ecosystem which has been declared a flood land area of national importance. Starting from



Robiei and its dam, the first section brings us to another barrage, that of the blue lake of Zött (at 1,940 m) just a 15 minutes’ walk from the cable-car, along the asphalted road and after two tunnels. The 34 meters high dam, built in 1967, contains a reservoir of 1.65 million cubic meters of water. We then continue towards the second section which from the little lake starts climbing up the right-hand moraine up to an altitude of 2,080 metres a/s/l. Here we take a dive into the ancient geological past of the area due to the tireless erosion of the glacier: here we find erratic boulders, caves and Karst cracks dating back at least 12 thousand years. The lower layer is very ancient: according to geologists the Tectonic unit which includes the Basodino peaks belongs to the so-called “Lebendun stratum”, above which there lies a “paragneiss” zone dating back to the Triassic and Jurassic period. The third section, which





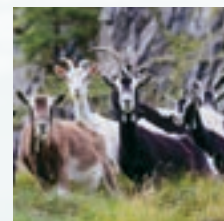
climbs up to 2,230 meters a/s/l, introduces the trekker even better to the geo-morphology of the Basodino.

In the fourth section we finally find ourselves at the foot of the “king of the Bavona”, the glacier, which can then be crossed horizontally along its whole front as far as the fifth and sixth sections of the path. The well sign-posted route stays at around 2,400 meters a/s/l and allows us to experience the excitement of walking on compact, smooth rock, which was once covered by the glacier. The embrace of ice and rock just above us creates a typical environment of clear streams, little waterfalls and bluish caves which form, disappear and reform from one year to the next. From this point of view, every visit to the Basodino is unique and unrepeatable. Descending along the left-hand moraine towards the sixth section, if we are lucky, we may see marmots, chamois and rock goats as well as shining minerals and numerous plant species (Edelweiss, gentians, rhododendrons, mug wort, etc.) which flourish in this special biotope. But the surprises do not end here. The seventh section changes the visitor into a little speleologist: it contains unexpected Karst phenomena due to the presence of marble deposits in the gneiss,

where the melting water has excavated a network of underground passages, canals and tunnels including the famous “Acqua del Pavone” cave, discovered in the Fifties and one of the longest in Canton Ticino, measuring almost 3 kilometres. It can be visited with guides. Continuing to descend from the left-hand moraine we come to the eighth section of the path, in the Randinascia area, where we learn some notions about local ethnology and archaeology. In fact, man travelled over and lived in this hollow since the beginning of time. Research carried out, for example in 1998, discovered samples of coal, objects in quartz and fragments of pottery: because of this it was possible to establish, through carbon dating tests, that, where the artificial lake of Robiei is now found, there used to be an ancient mountain pasture dating back to the late Bronze age (1200 B.C.) and to the first Iron age. It is thought



that there was also an ancient settlement of hunters and, thanks to studies on pollens, a much larger area of woods than exists today. After all, the fact that there is also a “splüi” in Randinascia proving that milk was processed as far back as in the XVII century, makes all of this a certainty: the wealth and beauty of the Robiei region was seducing people back then just as it continues to do today.



In sequence:
Goats in Robiei

*Alpine thistle with butterfly
near the Albergo Robiei*

*Speleologist in the Acqua
del Pavone cave in the
Randinascia area (Robiei)*

Following page:
Lake Matörgrn





Thanks

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legend: t = top, m = middle, d = down, l = left, r = right

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The inserts were drafted by Marco Jeitziner.

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