



BANCA DEL SEMPIONE
SIMPLON BANK
BANQUE DU SIMPLON

Annual Report 2017



Banca del Sempione SA

Annual Report

Report on the fifty-seven year of operations,
presented to the General Meeting of Shareholders on 26 April 2018.



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To the left:
Gole della Breggia Park

Following page:
The bridge connecting Bruzella and Cabbio





Banca del Sempione SA's Board of Directors

Fiorenzo Perucchi ^{1) 2)} chairman
Günter Jehring ¹⁾ deputy chairman
Bruno Armao
Sergio Barutta ^{1) 2)}
Giampio Bracchi
Giovanni Crameri ^{1) 2)}
Massimiliano Danisi
Giuseppe Franchi ^{1) 2)}
Sandro Medici ¹⁾
Silvio Tarchini ²⁾

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

Banca del Sempione SA's Middle Management

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

¹⁾ members of the management committee

²⁾ independent members

* as of 01.03.2018

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 assistant manager, branch manager
Aldo Giamboni assistant manager
Ivan Giamboni assistant manager

Locarno–Muralto

Luciano Soldati joint manager–branch manager
Claudio Lanini assistant manager

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.

Bruno Armao, *director*

Finance Director of Filofibra SA, Lugano, and member of the Board of Directors of Filofibra Holding SA, Lugano. Since 1997, he has been a member of the Board of Directors of Banca del Sempione SA, Lugano.

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 Crameri, *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.

Giuseppe Franchi, *director*

After gaining experience in the real estate sector, he followed the Donelli Family in Switzerland in the 1960s. He has been secretary of the Board of Directors since the foundation 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.

Silvio Tarchini, *director*

Following a series of experiences abroad, he returned to Switzerland to promote an innovative concept of commercial and industrial construction. He established Studio Silvio Tarchini, marking the beginning of the current Tarchini Group, which builds industrial and commercial complexes, the most well-known of which is FoxTown Factory Stores in Mendrisio. Since 2004, he has been an independent member of the Board of Directors of Banca del Sempione SA, Lugano.

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 responsible for all Administration, Accounting and Risk Control activities.

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 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 as Head of Finance at Banca del Sempione SA, Lugano and appointed manager on 1 January 2010. 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 for the Italian market.

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.







The year 2017 will be remembered as a positive one for the financial markets and the economy in general. In fact, the central bank policies have borne their fruits and the stock markets have set historic records, starting with the US. At the opposite spectrum, we witnessed a weakening dollar against the euro and the Swiss franc, which surprised most traders, at least with respect to the way in which it occurred. Even the economies of the major countries showed significant growth, such as the Swiss economy, which demonstrated all of its strength and energy. In particular, the industrial sector, encouraged by the weakening Swiss franc against the euro, once again showed its ability to quickly adapt to market requirements. And the performance of Swiss securities, particularly those of highly specialised medium-sized companies, is a clear demonstration of this.

In such a favourable scenario, even our Bank recorded higher positive results than expected. This was made possible by good team work and, in this respect, it is important to note the significant contribution by our management operations, which stood out for their excellent returns, first in favour of our clientele and, consequently, also benefiting the Banca del Sempione Group's income statement. We expect this trend to continue in the future. A specific objective of the Bank will be to invest time as well as technical and human resources to improve our performance in the fundamental realm of asset management. This will enable us to attract new clients, with a focus on the institutional segment, which pays significant attention to the search for quality products.

We believe this attitude is essential to ensure the future satisfaction of all stakeholders, even in the presence of potential difficulties that could arise on the financial markets in 2018, impacted by the expectation of a hike in interest rates.

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

Lending operations and Interest Income

The results of this specific sector were impacted by a continued situation of negative rates for the Swiss franc and the Euro, the two currencies in which most of our loans are expressed. Therefore, the interesting and targeted efforts to increase income could not generate economic returns proportional to the growth in assets. We expect the situation to improve in 2018.

Commission income

As highlighted in the first part of the report, the figure in question shows a considerable increase thanks to the work of our investment managers, who were able to generate significant performance on managed products, with consequent economic returns for the bank.

Trading operations

The figure in question improved over the prior year, demonstrating the right decisions made and announced in the previous report. The operations implemented to protect positions in US dollars against the Swiss franc and the Euro also facilitated a significant increase in the volumes traded.

Operating costs

From this standpoint, the implementation of several procedures sustained by new technologies has streamlined the relative operating processes, improving the specific efficiency and achieving various degrees of savings without burdening the income statement. Our commitment for the future will head in this direction: exploiting new technologies to obtain greater efficiency and limit fixed costs.

Personnel costs are up, following qualitative investment in professionals, which significantly contributed to the excellent results of our managed products.

Annual average full-time jobs

Following the investments of recent years, the figure in question shows a decline that is predominantly due to a reduction of personnel at a group company. There were 146 total employees at the consolidated level at the end of 2017, corresponding to 142 full-time positions. In 2016 there were 152 employees, corresponding to 147.3 full-time positions.

Research and development

As highlighted previously, this sector is fundamental for the positive continuation and the results of the Bank and of the Group overall. Therefore, our relevant departments were involved in 2017 as well. Mention also goes to the beginning of the advisory mandate that enables us to improve, and provide added value to, our relationship with customers, as well as to the change in our corporate image with a complete overhaul of Banca del Sempione SA's website and company brochure.

Assets Under Management

In commenting on this figure, it is important to clarify the Group's strategic decision to gradually divest its real estate fund management operations. We believe it is important, as indicated in the annual report below, to highlight how the core business recorded positive Net New Money of CHF 287,000,000. If the disposal of a part of the real estate funds managed through Accademia SGR SpA is considered, the positive figure falls to approximately CHF 35,000,000.

Consolidated Operating Result

The final consolidated result reached CHF 8,008,000 showing satisfactory growth of 13.5% on the previous year.

As a result of 2017 performance, Banca del Sempione SA's Board of Directors proposes to the shareholders' meeting the following allocation of CHF 10,292,000 in net earnings:

CHF	500,000	Allocation to statutory retained earnings reserve
CHF	1'500,000	Allocation to voluntary retained earnings reserves
CHF	6'000,000	Distributed profits
CHF	2'292,000	New amount 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 tasks. Our heartfelt thanks to the Financial Market Supervisory Authority (FINMA) for its co-operation 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



The wealth hidden from the eyes of most people

What a common word “wood” is. And yet it is rare, in our everyday lives of built-up towns and roads, to experience a true wood, to plunge into the depths of trees, plants and bushes. On land roughened by rocks, branches and roots. In the shade cut from sudden rays of light.

Those woods do still exist, but only in remote places, away from the masses. And they invite us, thanks to their preservation over the years, to rediscover them. To recognise walnut, elderflower, cherry and chestnut trees. To glimpse perhaps the shape of a fox or a badger where we hear the rustling of leaves. And, again, the colours of spring blossoms and the testimonies of stone from the past: old houses, little churches, bridges and springs.

The Muggio Valley helps us rediscover things we have long forgotten. Riches hidden from the eyes of most. Remembering them and talking about them, for Banca del Sempione, means sharing their value with all its clients, co-workers and stakeholders.

An aerial photograph of a valley. A light-colored, winding road curves through a lush green field. The field is surrounded by dense forests with trees in various shades of green, yellow, and brown, indicating autumn. A small building is visible on the right side of the road. The overall scene is a picturesque landscape.

The Muggio Valley

Previous page:

Armirone farmhouse
on the path towards
Mount Generoso

In sequence:

The Tiralocchio climb

Alpe Génor in the
Muggio Valley

"It must be experienced on foot, up and down the slopes, from one side to the other over its old bridges" wrote the poet Alberto Nessi about the Muggio Valley. Only in this way is it possible to enjoy all its beautiful features, those which in 2014 allowed the Swiss Foundation for Protection of the Landscape to proclaim it "Landscape of the year". Consisting of 70% woodland and with an area of 37 square kilometres squeezed between Mount Generoso and Mount Bisbino, this region is a symbol of history, tradition and conservation and is considered one of the most authentic places in Canton Ticino. It is unique from the geographical point of view, too: it is the southernmost valley of the whole of Switzerland and the only one to be included in the Italian catchment basin of the Lario and the river Adda. One of its symbols is the Breggia torrent, *"with its low bank, hiding like a prehistoric snake in its gully dug out over the centuries!"* writes Nessi. The torrent which separates the two municipalities of Castel San Pietro and Breggia, in fact unites the populations: its source is in Italy where it flows into lake Como, after crossing the whole valley along the beautiful gullies of the same name, part of the smallest geological and nature reserve in Switzerland (the Parco delle Gole della Breggia).

The typically insubric climate, with hot summers, mild winters and abundant rainfall, creates a very rich, varied natural landscape. In fact this area has more than 800 plant species, some of the most precious in the Canton, which can be seen at an altitude of between 300 and 1,700 meters. Due to the coolness and humidity of the valley bottom, the landscape is composed of thick alder, ash and poplar forests; the typical fauna is composed of foxes, badgers, deer, roe deer, boars, whole colonies of chamois and more than a hundred species of birds which can be easily seen in the summer. The villages are surrounded by huge clearings created by deforestation; by sometimes steep

meadows which have always provided hay for the cattle; and by terraced fields which bear witness to the centuries' old work of man. These charming little villages are characterised by little churches, ancient wash-houses, mills, furnaces, bird-snares and stone or wooden bridges. Don't just stop here, but climb up as far as Mounts Pianella and the pastures of Alpe di Sella, crossing over into Erbonne, a tiny, ancient Italian village, where most of the inhabitants are Swiss, just a half-hour's walk from Scudellate with which it has always had very close links. In fact, Erbonne, Scudellate, Roncapiano and Casiroli were the main mountain pastures of Muggio.



In Caneggio, Bruzella, Cabbio and Muggio as far as Scudellate, located at an altitude of 923 meters, it seems as if time has stopped. All around there is an explosion of nature: walnuts, cherry-trees, elders and above all chestnut woods introduced by man and flourishing in spite of the limestone soil, dating back to 190 million years ago. The wood of the chestnut is used for timber while its fruit, a complete food from the nutritional point of view, is used to make flour. This area has always been an area of transit, where camps were set up, as the various finds which can be dated back to the Palaeolithic and Iron Ages demonstrate. The region has a landscape of transition between the harsh Alpine environment and the nearby Po





In sequence:
Geological strata in the
Gole della Breggia

Vault of a "nevèra"
in Nadigh

Following page:
The Pianspessa
bird-snare, Muggio

Valley. The beautiful leaves of the beech, oak, lime, maple and birch tree glades in Autumn create colour contrasts fit for a postcard. In addition to this is the geological spectacle of blue, grey, yellow and white rocky layers, created by the different reactions of the rock to erosion. Saved from the last Ice Age, on the summit of Mount Generoso a unique and protected flora has developed, which cannot be found in the rest of Switzerland, containing about twenty varieties of orchids.

The Muggio Valley enjoyed a prosperous past linked to the products of artisans, for example the typical baskets made by weaving thin strips of hazelnut wood called *scodigh*, always useful in farming activities but also very popular with the bourgeoisie living in the Po Valley. The work of artisans hasn't completely disappeared thanks to a renewed interest from the citizens of the Ticino and Switzerland and foreigners living in the valley. The legacy of the Alpine economy is illustrated by the "nevère", unusual round buildings, two-thirds buried in the ground, found in such high numbers in Switzerland only in the Muggio Valley. Remarkable examples of "architect-less architecture", the nevère were filled with snow and in this Karst environment were used to preserve milk before it was processed. A further boost was given to knowledge of the valley by the establishment in 1980 of the Ethnographic Museum of the Muggio Valley (MEVM) founded in 2003 in the Casa Cantoni in Cabbio. Due to the fact that they escaped the intensive urbanisation of the plain, the middle and upper parts of the Muggio Valley, in particular, for several years have been undergoing a sensitive and sustainable rebirth in residential terms.

Renovated old buildings, projects for lovers of trekking and nature, food and wine projects, carried out thanks to the constant widespread commitment of associations, cooperatives, tourist bodies and residents demonstrating their attachment to their local area. The Valley continues to produce very popular local specialities such as cheeses, formagelle, the typical little cheeses, the "zincarlin", honey, cold cuts, bread and flour, wine and even an organic spirit, "Bisbino Gin", which ferments at Sagno thanks to a secret recipe of herbs, spices and roots. The success of the folklore events, such as the annual Chestnut Festival held in rotation in the various towns every October, or the intelligent event held in the canton dating back to the Sixties where a tree nursery is set up in Lattecaldo dedicated to the local flora, demonstrate, without a doubt, that the region can look forward to a promising future.





Consolidated annual financial statements

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CONSOLIDATED BALANCE SHEET AT 31.12.2017

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		127,510	154,978
Amounts due from banks		96,737	163,946
Amounts due from customers	8.1	257,353	227,697
Mortgage loans	8.1	156,026	150,325
Trading portfolio assets	8.2	616	662
Positive replacement values of derivative financial instruments	8.3	5,766	3,822
Financial investments	8.4	125,345	138,390
Accrued income and prepaid expenses		8,441	4,465
Non-consolidated participations	8.5	20	20
Tangible fixed assets	8.7	29,352	29,791
Other assets	8.8	3,582	3,714
Total assets		810,748	877,810
Total subordinated claims		3,174	2,879
Liabilities			
Amounts due to banks		28,470	26,208
Amounts due in respect of customer deposits		628,814	695,371
Negative replacement values of derivative financial instruments	8.3	4,936	3,268
Accrued expenses and deferred income		7,635	5,016
Other liabilities	8.8	2,314	8,437
Provisions	8.12	2,964	7,392
Reserves for general banking risks	8.12	15,910	15,910
Bank's capital		20,000	20,000
Retained earnings reserve		91,656	89,064
Minority interests in equity		41	92
Consolidated profit		8,008	7,052
<i>of which, minority interests in consolidated profit</i>		-13	-12
Total liabilities		810,748	877,810
Off-balance-sheet transactions			
Contingent liabilities	9.1	4,379	4,457
Irrevocable commitments		2,452	2,320

CONSOLIDATED INCOME STATEMENT 2017

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Result from interest operations			
Interest and discount income		4,076	3,905
Interest and dividend income from trading portfolios		7	69
Interest and dividend income from financial investments		2,043	2,498
Interest expense		-105	-229
Gross result from interest operations		6,021	6,243
Changes in value adjustments for default risks and losses from interest operations		-170	-12
Subtotal net result from interest operations		5,851	6,231
Result from commission business and services			
Commission income from securities trading and investment activities		35,813	27,027
Commission income from lending activities		97	103
Commission income from other services		1,965	2,450
Commission expense		-2,485	-2,173
Subtotal result from commission business and services		35,390	27,407
Result from trading activities		2,638	1,667
Other result from ordinary activities			
Result from the disposal of financial investments		326	507
Income from participations		5	25
Result from real estate		706	716
Other ordinary income		192	39
Other ordinary expenses		-8	-63
Subtotal other result from ordinary activities		1,221	1,224
Operating expenses			
Personnel expenses	10.1	-22,823	-20,704
General and administrative expenses	10.2	-8,950	-8,240
Subtotal operating expenses		-31,773	-28,944
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-1,988	-1,931
Changes to provisions and other value adjustments, and losses		-806	2,894
Operating result		10,533	8,548
Taxes	10.4	-2,525	-1,496
Consolidated profit		8,008	7,052
<i>of which, minority interests in consolidated profit</i>		<i>-13</i>	<i>-12</i>

CONSOLIDATED CASH FLOW STATEMENT 2017

	Year under review		Previous year	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
(amount expressed in CHF 1,000)				
Cash flow from operating activities (internal financing)				
Consolidated profit	8,008		7,052	
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	1,988		1,931	
Provisions and other value adjustments	401	4,829	462	3,951
Change in value adjustments for default risks and losses		170		12
Accrued income and prepaid expenses		3,976	1,079	
Accrued expenses and deferred income	2,619		1,621	
Previous year's dividend		5,000		5,000
Subtotal		959	3,182	
Cash flow from shareholder's equity transactions				
Recognised in reserves	489			45
Subtotal	489			45
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations				
Real estate		254		132
Other tangible fixed assets		1,295		963
Subtotal		1,549		1,095
Cash flow from banking operations				
<i>Medium and long-term business (> 1 year)</i>				
Mortgage loans		5,701		12,830
Financial investments	13,045		5,065	
<i>Short-term business</i>				
Amounts due to banks	2,262		8,525	
Amounts due in respect of customer deposits		66,557	97,258	
Negative replacement values of derivative financial instruments	1,668			2,965
Other liabilities		6,123	4,525	
Amounts due from banks	67,209		12,638	
Amounts due from customers		29,486		62,428
Trading portfolio assets	46		4,025	
Positive replacement values of derivative financial instruments		1,944	2,042	
Other assets	132			375
<i>Liquidity</i>				
Liquid assets	27,468			57,522
Subtotal	2,019			2,042
Total	2,508	2,508	3,182	3,182

STATEMENT OF CHANGES IN EQUITY 2017

(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	89,064	15,910	92	7,052	132,118
Previous year profit allocation		7,052			-7,052	
Other changes		37		-38		-1
Minority interests in profit		13		-13		
Currency translation differences		490				490
Dividends		-5,000				-5,000
Result of the period					8,008	8,008
Equity at end of current period	20,000	91,656	15,910	41	8,008	135,615



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.

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 in 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. 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. 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 amortization 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 2017 are the same as those applied in the previous financial year.

Recording of transactions

All the 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:

	2017		2016	
	Year End	Average	Year End	Average
EUR	1.1718	1.1144	1.0730	1.0889
USD	0.9769		1.0174	
GBP	1.3199		1.2585	
YEN	0.8681		0.8710	

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".

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 intact the solidity and reputation of the Group 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, the Board of Directors 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, 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 587'000. 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 reviewed every quarter. 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 risk 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.

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 so in order to reduce risks immediately by controlling exposure or supplying additional guarantees, as far as possible resorting to settlement of the portfolio and full reimbursement of the line of credit.

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	5,293	216,517	37,787	259,597
Mortgage loans				
- Residential property	126,422			126,422
- Office and business premises	26,282		1,341	27,623
- Commercial and industrial premises	3,322			3,322
Total loans (before netting with value adjustments)				
Current year	161,319	216,517	39,128	416,964
Previous year	157,102	189,625	34,667	381,394
Total loans (after netting with value adjustments)				
Current year	161,319	216,517	35,543	413,379
Previous year	157,102	189,625	31,295	378,022
Off-balance-sheet				
Contingent liabilities		4,147	232	4,379
Irrevocable commitments			2,452	2,452
Total off-balance-sheet				
Current year		4,147	2,684	6,831
Previous year		4,184	2,593	6,777

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	3,697	170	3,527	3,527
Previous year	3,617	310	3,307	3,307

8.2 Breakdown of trading portfolios

(importi in CHF 1,000)	Year under review	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions (listed)	129	108
Equity securities		33
Precious metals and commodities	487	521
Total	616	662

8.3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
(amount expressed in CHF 1,000)			
Foreign exchange/precious metals			
Forward contracts	8,401	7,571	1,386,712
Options (OTC)	676	676	96,487
Total before netting agreements	9,077	8,247	1,483,199
Previous year	5,584	5,030	1,329,645
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	5,766	4,936	
Previous year	3,822	3,268	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		5,224	542

8.4 Breakdown of financial investments

	Book value		Fair value			
(amount expressed in CHF 1,000)	Year under review	Previous year	Year under review	Previous year		
Debt securities, intended to be held to maturity	92,317	111,956	93,271	113,487		
Equity securities	33,028	26,434	34,081	26,511		
Total	125,345	138,390	127,352	139,998		
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>14,118</i>	<i>13,675</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)	41,877	32,760	12,060	3,320		2,300

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 of capital	Share of votes
			in %	in %
Fully consolidated companies (held directly)				
Imocentro SA, Lugano	Real Estate	CHF 700,000	100.0	100.0
Finrate SA in liquidation, Lugano	Financial	CHF 200,000	100.0	100.0
Accademia SGR SpA, Milano	Asset Management	EUR 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

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	Reversals	
Bank buildings	50,694	23,320	27,374		254		-799		26,829
Proprietary or separately acquired software	21,499	19,917	1,582		1,033		-933		1,682
Other tangible fixed assets	10,124	9,289	835		262		-256		841
Total tangible fixed assets	82,317	52,526	29,791		1,549		-1,988		29,352

Operating leases	65
<i>of which, maturing within one year</i>	<i>22</i>
<i>of which, maturing with-in one year - five years</i>	<i>43</i>

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	324	334	837	975
Advance foreign taxes		2,385		6,857
Other assets and liabilities	3,258	995	1,477	605
Total	3,582	3,714	2,314	8,437

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	1,069	1,069
Financial investments	8,913	4,271
Total	9,982	5,340

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	4,998	5,555

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	4,100				1,297	1,297	1,326

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 124%) 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	161	-32		12		175		316
Other provisions	5,391	-4,570	-84	85		226	-240	808
Total provisions	7,392	-4,602	-84	97		401	-240	2,964
Reserves for general banking risks	15,910							15,910
Value adjustments for default and country risks	3,372			40	3	222	-52	3,585
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	<i>3,307</i>			<i>40</i>	<i>3</i>	<i>222</i>	<i>-45</i>	<i>3,527</i>
<i>of which, value adjustments for latent risks</i>	<i>65</i>						<i>-7</i>	<i>58</i>

The taxed portion of reserves for general banking risks corresponds to CHF 8.6 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

	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
(amount expressed in CHF 1,000)				
Holders of qualified participations	3,484	2,824	22,963	22,219
Linked companies	16,535	12,114	3,762	4,588
Transactions with members of governing bodies	3,835	4,536	6,361	6,936

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	127,510								127,510
Amounts due from banks	59,617		37,120						96,737
Amounts due from customers		240,184	10,286	5,948	935				257,353
Mortgage loans	267	26,879	22,316	21,285	52,605	32,674			156,026
Trading portfolio assets	616								616
Positive replacement values of derivative financial instruments	5,766								5,766
Financial investments	32,980		3,270	11,038	50,140	27,917			125,345
Total	226,756	267,063	72,992	38,271	103,680	60,591			769,353
<i>Previous year</i>	<i>276,988</i>	<i>260,490</i>	<i>74,564</i>	<i>47,127</i>	<i>117,379</i>	<i>63,272</i>			<i>839,820</i>
Debt capital/financial instruments									
Amounts due to banks	28,470								28,470
Amounts due in respect of customer deposits	577,853	50,961							628,814
Negative replacement values of derivative financial instruments	4,936								4,936
Total	611,259	50,961							662,220
<i>Previous year</i>	<i>670,224</i>	<i>54,623</i>							<i>724,847</i>

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

(importi in CHF 1,000)	Year under review		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	127,508	2	154,965	13
Amounts due from banks	45,656	51,081	60,952	102,994
Amounts due from customers	47,411	209,942	40,424	187,273
Mortgage loans	127,678	28,348	123,007	27,318
Trading portfolio assets	487	129	521	141
Positive replacement values of derivative financial instruments	5,752	14	3,778	44
Financial investments	9,208	116,137	5,451	132,939
Accrued income and prepaid expenses	8,062	379	3,899	566
Non-consolidated participations	20		20	
Intangible assets	28,998	354	29,689	102
Other assets	1,464	2,118	1,102	2,612
Total assets	402,244	408,504	423,808	454,002
Liabilities				
Amounts due to banks	3,484	24,986	3,259	22,949
Amounts due in respect of customer deposits	337,921	290,893	344,169	351,202
Negative replacement values of derivative financial instruments	4,936		3,241	27
Accrued expenses and deferred income	7,204	431	4,728	288
Other liabilities	1,394	920	1,179	7,258
Provisions	2,193	771	6,766	626
Reserves for general banking risks	15,910		15,910	
Bank's capital	20,000		20,000	
Retained earnings reserve	81,373	10,283	80,737	8,327
Minority interest in equity		41		92
Consolidated profit	8,089	-81	6,636	416
<i>of which, minority interests in consolidated profit</i>		-13		-12
Total liabilities	482,504	328,244	486,625	391,185

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	402,400	49.6	425,974	48.5
Europe others	327,596	40.4	365,823	41.7
<i>of which, Italy</i>	<i>189,140</i>	<i>23.3</i>	<i>183,443</i>	<i>20.9</i>
North America	33,087	4.1	34,939	4.0
South America	33,981	4.2	35,118	4.0
Africa	2,920	0.4	2,677	0.3
Asia	7,966	1.0	10,450	1.2
Australia/Oceania	2,798	0.3	2,829	0.3
Total assets	810,748	100	877,810	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-	653,175	80.6	721,413	82.2
A+/A-	19,859	2.4	13,402	1.5
BBB+/BBB-	124,986	15.4	133,685	15.2
BB+/BB-	7,037	0.9	2,339	0.3
B+/B-	1,972	0.2	4,763	0.5
CCC/C	3,719	0.5	2,208	0.3
Totale attivi	810,748	100	877,810	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				
	CHF	USD	EUR	Other	Total
Assets					
Liquid assets	124,792	136	2,478	104	127,510
Amounts due from banks	14,622	45,426	16,524	20,165	96,737
Amounts due from customers	28,544	20,986	206,900	923	257,353
Mortgage loans	129,416		26,610		156,026
Trading portfolio assets		51	78	487	616
Positive replacement values of derivative financial instruments	682	2,215	225	2,644	5,766
Financial investments	42,971	36,538	45,724	112	125,345
Accrued income and prepaid expenses	4,355	430	3,073	583	8,441
Non-consolidated participations	20				20
Tangible fixed assets	29,243		109		29,352
Other assets	1,244	110	2,189	39	3,582
Total assets shown in the balance sheet	375,889	105,892	303,910	25,057	810,748
Delivery entitlements from spot exchange, forward forex and forex options transactions	283,891	230,831	676,867	291,610	1,483,199
Total assets	659,780	336,723	980,777	316,667	2,293,947
Liabilities					
Amounts due to banks	67	5,301	21,715	1,387	28,470
Amounts due in respect of customer deposits	276,759	67,516	260,119	24,420	628,814
Negative replacement values of derivative financial instruments	843	1,933	830	1,330	4,936
Accrued expenses and deferred income	6,547	214	460	414	7,635
Other liabilities	1,342	38	934		2,314
Provisions	1,877		1,087		2,964
Reserves for general banking risks	15,910				15,910
Bank's capital	20,000				20,000
Retained earnings reserve	91,656				91,656
Minority interests in equity			41		41
Consolidated profit	8,815		-807		8,008
<i>of which, minority interests in consolidated profit</i>			-13		-13
Total liabilities shown in the balance sheet	423,816	75,002	284,379	27,551	810,748
Delivery obligations from spot exchange, forward forex and forex options transactions	244,267	261,537	691,062	286,333	1,483,199
Total liabilities	668,083	336,539	975,441	313,884	2,293,947
Net position per currency	-8,303	184	5,336	2,783	

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	4,379	4,457
Total contingent liabilities	4,379	4,457

9.2 Breakdown of fiduciary transactions

(amount expressed in CHF 1,000)	Year under review	Previous year
Fiduciary investments with third-party companies	13,626	6,867
Total fiduciary transactions	13,626	6,867

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	861,694	797,344
Assets under discretionary asset management agreements	1,058,868	778,754
Other managed assets	2,333,718	2,199,441
Total assets under management (including double counting)	4,254,280	3,775,539
<i>of which, double counting</i>	<i>632,848</i>	<i>479,726</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	3,775,539	3,449,401
Net new money inflow or net new money outflow	286,921	297,549
Price gains/losses, interest, dividends and currency gains/losses	444,049	28,589
Transfer/liquidation of investment funds managed by Accademia SGR	-252,229	
Total assets under management (including double counting) at the end of the period	4,254,280	3,775,539

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 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)	18,866	17,034
Social insurance benefits	3,578	3,294
Other personnel expenses	379	376
Total personnel expenses	22,823	20,704

10.2 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,782	1,577
Expenses for information and communications technology	3,281	3,280
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	168	159
Fees of audit firms (Art. 961a no. 2 CO)	514	398
<i>of which, for financial and regulatory audits</i>	<i>502</i>	<i>398</i>
<i>of which, for other services</i>	<i>12</i>	
Other operating expenses	3,205	2,826
Total of general and administrative expenses	8,950	8,240

10.3 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	3,391	685	3,432	473
Interest and dividend income from trading portfolios	7		69	
Interest and dividend income from financial investments	1,989	54	2,430	68
Interest expense	-105		-229	
Gross result from interest operations	5,282	739	5,702	541
Changes in value adjustments for default risks and losses from interest operations	-170		-12	
Subtotal net result from interest operations	5,112	739	5,690	541
Result from commission business and services				
Commission income from securities trading and investment activities	27,230	8,583	19,136	7,891
Commission income from lending activities	91	6	100	3
Commission income from other services	1,689	276	2,114	336
Commission expense	-2,103	-382	-1,868	-305
Subtotal result from commission business and services	26,907	8,483	19,482	7,925
Result from trading activities	2,967	-329	1,811	-144
Other result from ordinary activities				
Result from the disposal of financial investments	254	72	470	37
Income from participations	5		25	
Result from real estate	706		716	
Other ordinary income	93	99		39
Other ordinary expenses		-8	-24	-39
Subtotal other result from ordinary activities	1,058	163	1,187	37
Operating expenses				
Personnel expenses	-18,154	-4,669	-16,288	-4,416
General and administrative expenses	-6,129	-2,821	-6,071	-2,169
Subtotal operating expenses	-24,283	-7,490	-22,359	-6,585
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-1,862	-126	-1,835	-96
Changes to provisions and other value adjustments, and losses	41	-847	3,620	-726
Operating result	9,940	593	7,596	952

10.4 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	2,357	1,498
Expense for deferred taxes	168	-2
Total taxes	2,525	1,496
Average tax rate weighted on the basis of the operating result	22.4%	17.5%

There hasn't been any significant impact on income taxes from changes in the losses carried forwards.

11. Information on Capital and Liquidity Adequacy

11.1 Eligible capital and required capital

(amount expressed in CHF 1,000)	Year under review	Previous year
Common equity Tier 1 capital (CET1)	127,610	125,143
Total eligible capital	127,610	125,143
Credit risk (AS-BRI)	25,679	23,278
Non-counterparty related risk (AS-BRI)	2,352	2,382
Market risk (de minimis)	763	620
Operational risk (basic indicator approach)	6,018	5,747
Total required capital	34,812	32,027
Risk-weighted assets (RWA)	435,150	400,338

Capital ratios

CET1	29.33%	31.26%
T1	29.33%	31.26%
Eligible Capital	29.33%	31.26%
CET1 requirements, according to CAO (Capital Adequacy Ordinance)	5.89%	4.68%
of which, conservation buffer	1.25%	0.00%
of which, countercyclical buffer	0.14%	0.18%
CET1 capital in respect of minimal capital requirements and all additional capital requirements	25.83%	31.26%
CET1 Capital requirement according to FINMA-Circ. 11/2, taking into account the countercyclical buffer	7.14%	7.18%
CET1 actual	25.83%	31.26%
T1 Capital requirement according to FINMA-Circ. 11/2, taking into account the countercyclical buffer	8.64%	8.68%
T1 actual	27.33%	31.26%
Eligible capital requirement according to FINMA-Circ. 11/2, taking into account the countercyclical buffer	10.64%	10.68%
Eligible capital actual	29.33%	31.26%

11.2 Leverage ratio

(amount expressed in CHF 1,000)	Year under review	Previous year
Tier 1 Capital	127,610	125,143
Total Exposure	837,852	895,079
Leverage ratio	15.20%	14.00%

11.3 Liquidity Coverage Ratio (LCR)

(amount expressed in CHF 1,000)	Average			
	I quarter	II quarter	III quarter	IV quarter
Total high quality liquid assets (HQLA)	160,990	162,081	116,820	115,691
Net cash outflows	48,089	52,821	46,481	51,368
Liquidity Coverage Ratio (LCR)	335%	307%	251%	225%





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 2017.

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 2017 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.

PricewaterhouseCoopers SA, via della Posta 7, casella postale, CH-6901 Lugano, Switzerland
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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 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 black ink, appearing to be 'Beresford Caloia'.

Beresford Caloia
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to be 'Salvatore Simone'.

Salvatore Simone
Audit expert

Lugano, 10 April 2018

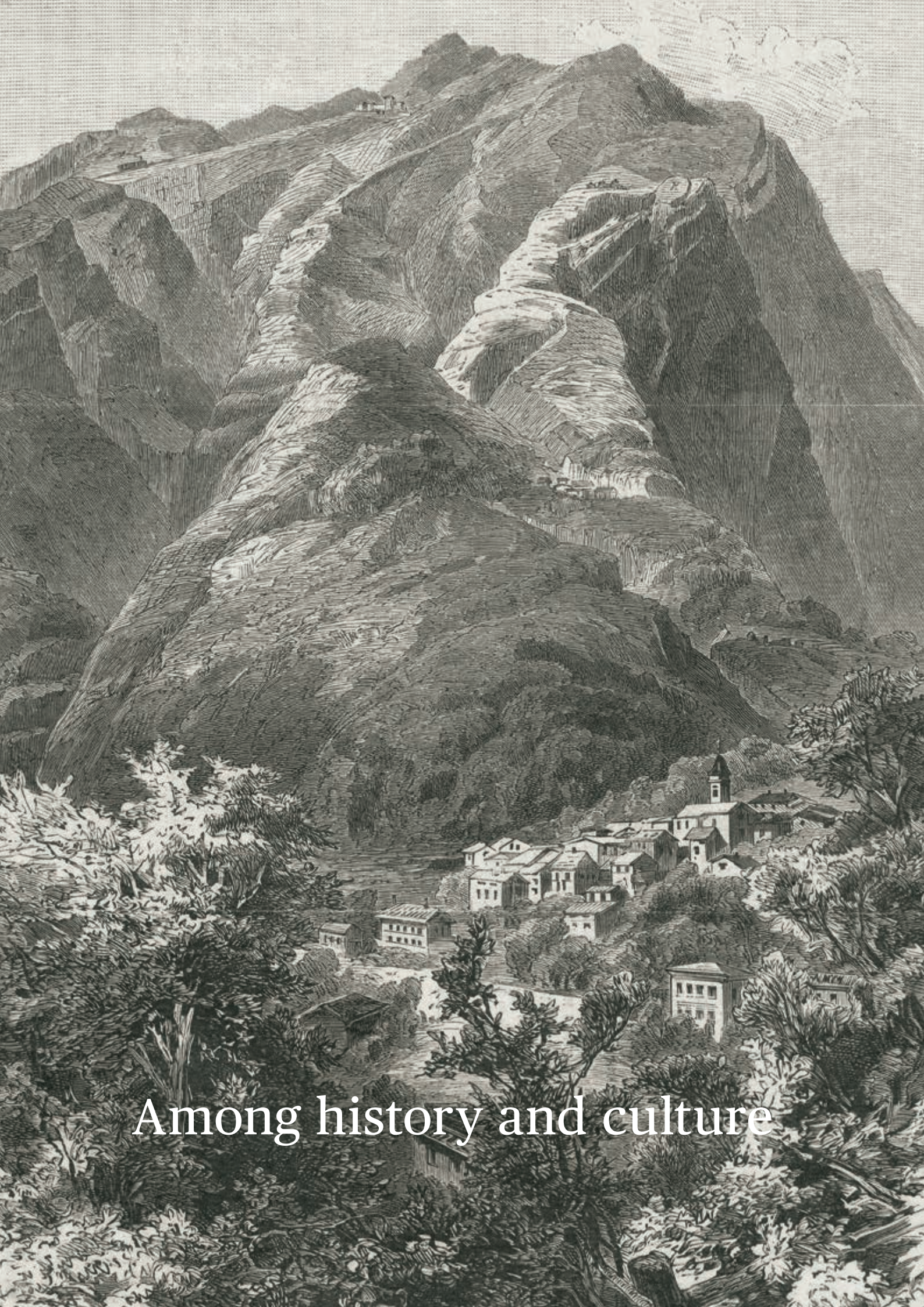
Those who know you will help you as best they can

Remembering is knowing. Knowing is giving value. In the Muggio valley, memory of the past becomes testimony, culture, and even economic driver.

The production and artisan activities that used to animate the valley in the Sixteenth and Seventeenth centuries today survive in an itinerary of museums, not only able to narrate the past to the thousands of visitors who discover it every year, but also to maintain a small production of ancient flours.

The little villages that dot the valley tell of passing artists, architects and men of letters who left their mark in Italy, Germany and the rest of Switzerland.

Diving into these stories can seem to be something only for specialists, and yet it is only by knowing in depth an area, its customs and its past, that we can fully understand the way it exists and feels, and that we can satisfy the needs of its people in the best possible way. It is this deep link with the local area that allows Banca del Sempione to create tailor-made services and responses for its own clients.



Among history and culture



A valley of long farming and artisan tradition, the Muggio can boast precious examples of the past. The Bruzella Mill, squeezed into the valley bottom but easily accessible on foot from Bruzella and Cabbio, is an ancient jewel dating back to the end of the Thirteenth century. It is one of the 25 mills in the Valley recorded by the Ethnographic Museum of the Muggio Valley (MEVM). Handed down by the Frigerio family of Cabbio and then to the Essler heirs, it was sold to the Museum in the Eighties and was intelligently restored after being abandoned for a long period. The venture was so successful that in 1996 "Pro Patria" dedicated a 70 centimes stamp to it. Through a canal and three sluice gates, the Breggia torrent moves the huge iron wheel filling its compartments with water and moving the enormous grindstone. Once, in a small mill further down the valley, chestnut flour (or sweet flour) was also produced. Today the Bruzella Mill grinds not only the classic variety of yellow corn, but also the red one, recovered and re-introduced in 2002 by "Pro Specie Rara" because of its special nutritional qualities. Since 1996, from April to October, the Mill is in operation and can be visited on Wednesdays, Thursdays and Sunday afternoons; every year on the last Sunday in August, a folk festival is held.

The Mill is the first of the Museum's projects, thanks to the commitment and enthusiasm of private individuals and public and private institutions with close links to the Valley. As Paolo Crivelli, the museum's conservation officer states, it was in 1978 that people started to talk about re-valourising the rural cultural heritage, on the wave of the growing interest in ethnographic activities. The aim of the Canton to invest in the mountain regions was successful: at the end of the Eighties, the institution of the

Muggio Valley Region had the idea of creating not a container of objects, but an "open-air museum", an "eco-museum" *within* the territory. It can be said that the MEVM was the precursor of this reality in Ticino. Purchased in 1990 by the Association, Casa Cantoni in Cabbio, a charming example of the XVII century, was restored. Today, not only is it the administrative headquarters, but it is also the information centre of the Museum within the territory.

Over the years, the Museum has made a name for itself as the true "critical conscience" of the region. According to the estimates of the Association, the various museum sections, from Casa Cantoni to the library/media library, the exhibitions, together with the Bruzella Mill and the numerous restored buildings that can be visited in the Valley such as the graa, i.e. the chestnut dryer of Roncapiano, receive as many as 10,000 visits a year. The ethnographic heritage also includes the *nevère* and the six bird-snares of the Valley, for example the one restored at Scudellate, a three-storey tower in brickwork that was used until 1875. The bird-snare is situated in front of carefully pruned trees from which nets were hung to catch migratory birds, such as the woodcock and the thrush. They were first attracted by singers hidden in the foliage, then they were frightened and forced to fly into the nets. During those decades of strong emigration from the Ticino area and of depopulation of the valleys, some people stayed, leading a hard life but without privations. The diet was poor and monotonous, but the chronicles report hunting was



Previous page:
A xylograph of Mount Generoso by Johann Jakob Weber, 1891

In sequence:
The interior of the Bruzella mill

The stamp dedicated to the mill issued by ProPatria in 2002

The bust of architect Simone Cantoni by Francesco Carabelli, 1775 or so.





In sequence:
The Bruzella mill

The hand-operated millstone
in the Bruzella mill

Chestnut drying in the
"graa" (chestnut-drying hut)

Following page:
Writer Alberto Nessi

rich and easy: thanks to the rights of the noble families over woods and forests, the less well-off mountain dwellers could eat dairy products as well as birds, which ended up in the frying pan and were often eaten with polenta (*polenta e usei* - polenta and birds).

The Muggio Valley was the home of famous families of artists and intellectuals appreciated way beyond national borders. For example, the already mentioned Cantoni, an architect, exponent of the first European Neoclassicism, worked above all for the illuminated aristocracy of Lombardy. He designed Palazzo Serbelloni and Palazzo Mellerio in Milan, worked on Villa Olmo in Como and the famous reconstruction of the Palazzo Ducale of Genoa. Also famous both in Italy and abroad between the

Twentieth century was the historian and much awarded writer Francesco Chiesa (Sagno 1871 - Lugano 1973). Born in Caneggio, Giuseppe Maggi (Brunnadern 1910 - Mada 1988) was famous for his forty years of humanitarian work in Africa building hospitals. And how can we fail to mention another Luigi Fontana (Castel San Pietro 1824 - Milan 1894) who made a name for himself, aged twenty, as an architect who emigrated to Saint Petersburg, where he designed many buildings, also for the Russian aristocracy, becoming a court architect for Tsar Alexander I. Today the most famous resident of Bruzella is the greatest living poet from the Ticino and Schiller Prize winner, Alberto Nessi, awarded the Swiss Prize for Literature in 2016. In his *Valle di Muggio*, contained in his collection of poems *Il colore della malva* (Casagrande, 1992), Nessi celebrates place and tradition like this: "S'apre la valle dei verdi profondi/sfiondati dal volo dei rondoni,/il crinale lombardo si disegna/sopra l'uomo che falcia". The valley of deep greens/beaten by the flight of the swallows/the Lombardy ridge stands out/above the man with his sickle).



XV and XIX centuries was the Carlone family, architects, stucco decorators, sculptors and painters, but also the Falcone, Galli, Manni and Mazzetti families. The Nineteenth century would also see various intellectuals from the Muggio Valley make a name for themselves in the Canton. The classicist and teacher Luigi Fontana (Muggio 1812 - Mendrisio 1877) left traces from the Mendrisio area in Compo. The lawyer, journalist and great defender of all things Italian Emilio Bossi (Bruzella 1870 - Lugano 1920) was a federal and canton politician. A true cultural leader for most of the

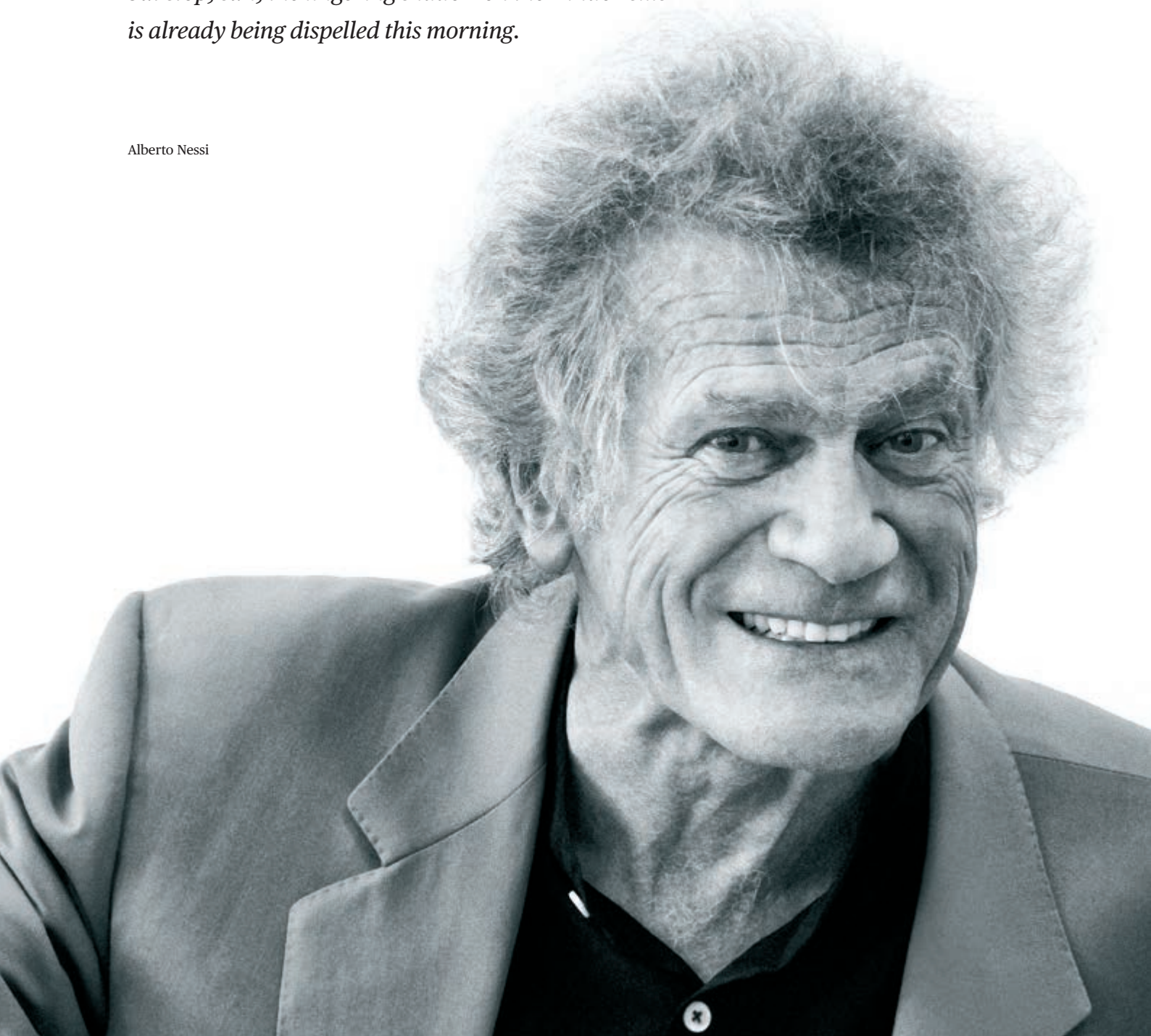


Soon

*Soon the valley bottom will grow clear
the mountains will be streaked with snow
pickles will make an appearance in the kitchens
of Monte Verena: have the smugglers
made it over the border?
Because the snow crunches under feet
that risk all on the crags by night.*

*Soon the time will come when one can walk
safely amidst the chestnuts when the tawny owl calls;
but stop, sun, the lingering shadow on the windowsills
is already being dispelled this morning.*

Alberto Nessi



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 2017, Accademia SGR manages four 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
di gestione del risparmio) SpA**

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Auditor Deloitte & Touche Spa, Milan

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 27 February 2018, the Board of Directors of the SICAV resolved to liquidate the Lepton Sub-Fund with effect from 29 March 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 remaining portion of the sub-fund's total assets may consist of cash with diversification among currencies made through term deposits or investment in derivatives, such as forward contracts and repurchase agreements, currency swaps and currency options.

Base Investment SICAV – Euro Hedging

The objective of this Sub-Fund is to provide an investment instrument linked to the money and bond market invested outside the European currency. It is therefore a product that implies a preliminary choice by the investor aiming at diversifying a portion of his/her/its assets in the currency sense. The investment manager, which must invest at least 85% of the Sub-fund's assets outside the Euro, is left with the task of choosing the best allocation from the foreign currencies exchanged in international markets.

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.

With reference to 2017 performance, it is worthwhile to highlight that the Bonds Value Sub-Fund was awarded the Il Sole 24 Ore High Yield Award (“Premio Alto Rendimento”) 2017, for the third consecutive year, as it ranked as the best bond sub-fund within the Euro-diversified category. The Bonds Value Sub-Fund also received the prestigious Thomson Reuters Lipper Fund Award 2018 in the Global Bond category over a three-year period.

A 2017 High Yield Award was also awarded to the Flexible Low Risk Exposure Sub-Fund, which qualified as best sub-fund within the Mixed Bond Funds category.

The awards were given to Asset Management Companies and Mutual Funds that stood out by the results achieved in the past three years as well as by the commitment and professionalism they demonstrated in managing investments based on the fundamental value of investor protection. Three-year yields as at 31 December 2017 were taken into account in the awarding criteria.



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.



SEMPIONE SIM
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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Knowledge of the past supports modern know-how

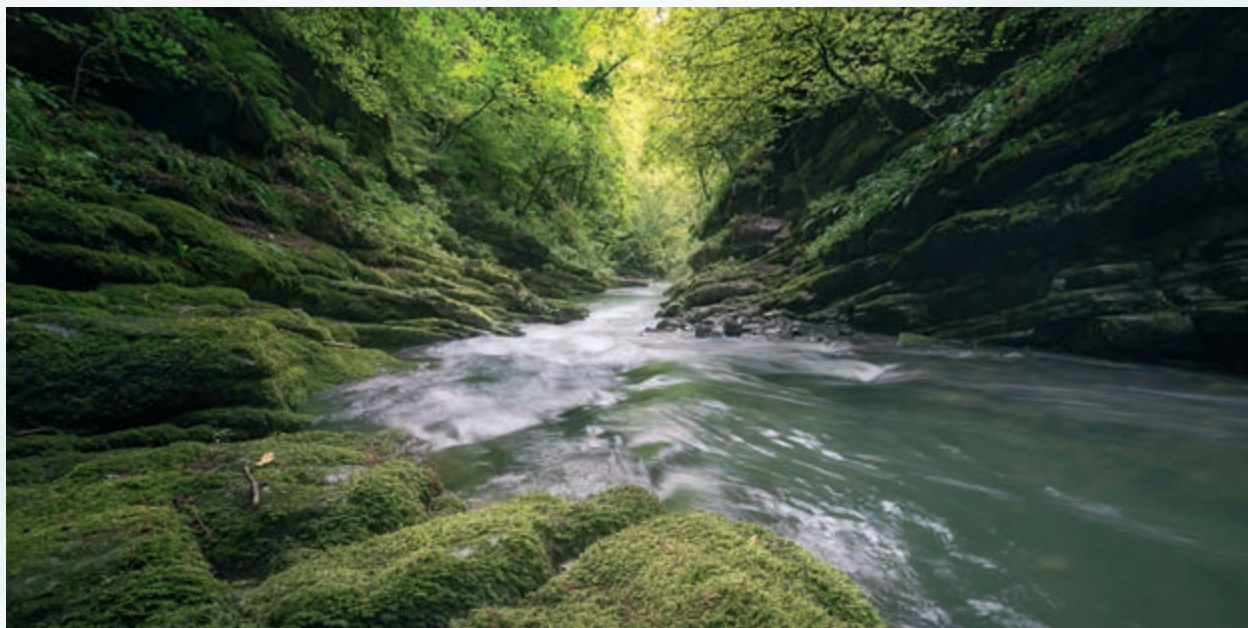
Digging into the unknown. Finding an object we didn't know, an original story or a particular flavour is often what makes the experience of a journey unforgettable and stimulates us to go on, opening ourselves to experiences and meetings that are always new.

Whether it involves food specialities or whether we discover testimonies of life in the past, we become enriched with new knowledge, which will also help us to read our present in greater detail.

It is an exercise very similar to that of the experts of Banca del Sempione, when they observe the financial markets, select investment instruments or assess the right time to carry out a transaction. In order to obtain the best results, you must have an in-depth knowledge of the techniques and technologies for managing money, just as it is indispensable to master the theories and economic events of the past.



Geology and nature



Previous page:
Gole della Breggia's
unusual colours

In sequence:
The river Breggia
at the Bruzella mill.

The Demanio cave

Flavour, taste, emotion, adventure. These are all things we can find in the Muggio region, small in size but large in terms of its history and tradition. Geology, nature, unique flora and fauna, food and wine, these are the characteristics of the region, from the Karst caves of Mount Generoso to the typical "Zincarlin" cheese. For more than two centuries, above all from the second half of the Nineteenth century until the present day, the Valley has been the object of detailed geological and nature studies by various scholars, both Italian such as Antonio Stoppani, and Swiss such as Luigi Lavizzari. Here you can plunge into a world of wells, waterfalls, gullies and eternal rocks smoothed by the running of ancient waters. The particular combination of rock, glacier deposits and water courses, Karst phenomena in this part of the Southern Alps, was formed about 250 million years ago. The current Mount Generoso and the Muggio Valley are the result of an accumulation of Moltrasio limestone sediments with stratifications that can still be seen today. The geological formation of the Muggio Valley dates back to more than 20 million years ago, when the whole Mendrisio area emerged from the sea. In those days the Breggia followed a different path from the current one, due to the constant rises and folds of the Alps, constantly finding new routes for itself in this permeable limestone range of mountains. This led to its course squeezed into its narrow gully, which charms and amazes the visitor. And that is why the landscape is so jagged.

The immense wealth of Karst caves of Mount Generoso is due to the powerful action of the water: up to 99 caves have been recorded, 78 in

Switzerland and 21 in Italy. The three largest and deepest are: "Immacolata", "Sorgente Bossi" and "Nevèra". One of the most famous is the "Grotta del Canalone" in Canton Ticino, considered by experts to be *"one of the most important paleo-speleological revelations"* of the Generoso, thanks to the exceptional deposit of bones of ancient bats and other vertebrates, unique in Switzerland. Then there is the "Grotta Generosa" (or "Grotta dell'Orso") on the Italian side, the only one open to the public for thirty minutes from May to October and one of the most important paleontological sites in Europe. Discovered in 1988 by two speleologists from Ticino, along its length of more than 200 meters it contains a 25-meter corridor with various halls or rooms, an underwater passage (syphon) which leads to a room with various fossil finds to which it owes its nickname. Here are found more than 800 examples of *"Ursus spelaeus"*, the enormous cave bear which populated the area around 60 thousand years ago. Small flint-stones have also been found suggesting that Neanderthals once lived here, and therefore the ability of primitive man to already know how to exploit the natural resources of the Muggio Valley. Examples of this



are also the caves found in the lower part of the valley, such as those at Salorino, already in use in the medieval period for extracting stone sheets, “piode” stone and majolica; or those for the extraction of coal and sandstone opened in the Nineteenth century at Morbio Inferiore, Mendrisio and Castel San Pietro.

The discovery of nature in the Muggio Valley certainly doesn't stop at geology; you just have to open your eyes and look at its meadows and mountains. Here biodiversity is at home! The meadow areas, the result of long and patient agricultural work, contain an infinity of plant and animal species. From springtime onwards, walking in the Valley is like entering the palette of a painter, with its colours and shades. At Roncapiano, in the area of Peregai, at Monte in the area of Roncaia, at Casima in the area of Ai Sassi and at Piansessa, we find meadows and dry pastures of national importance. The areas are rich in plants such as the Asphodel, only found here and in the Vallese; the Alanroot



threatened with extinction, the protected wild Peony and the Cytisus, typical of the area. The dry-stone walls are the perfect habitat for tiny mammals such as the Etruscan shrew, the smallest rodent in the world discovered in 2011, or the lesser white-toothed shrew. This rich biodiversity allows so many other mammals, birds and reptiles to survive. It is also thanks to the willingness of the local farmers to combine their fertilising, grazing and grass cutting activity with the biological cycle of the fauna and flora. So we mustn't be surprised by the fact that the Muggio Valley, with its extraordinary richness, has been included in the Federal Inventory of landscapes, sites and natural monuments of natural importance. The more than 1066 plant species and the 132 bird



species included in the inventory are an example of this, i.e. more than one third of those found in the whole of Canton Ticino. Aren't the fairy-tale environment of the Maggiociondolo woods and the scent of the blue Daphne reasons enough to justify a visit?

There are also plenty of culinary reasons to visit the area, especially for the Zincarlin cheese with its traditional upside-down cup shape. It would seem that the name has Celtic origins deriving from “tsigros” which means cheese, from which the German word “ziger” (ricotta) also derives. Its rediscovery dates back to the beginning of this century, but it was very popular in the past, a derivative of classic little cheeses not sold or eaten which, instead of being thrown away, were reprocessed, seasoned with pepper and left to age. It used to be eaten with polenta or potatoes. Now it is produced after coagulating untreated cows' milk for 24 hours, extracting the whey, followed by straining the curd obtained for another 24 hours in a cloth, until it reaches the right consistency, or alternatively it is pressed. These times depend a lot on climatic conditions, just as the quality of the milk depends on the herbs present in the meadows. The mass, called “paste” by the manufacturers, is mixed with black pepper and salt and then shaped by hand. The cheeses are aged in special cellars for at least two months, producing a lot of mould, on wooden trays which are regularly replaced due to humidity. Each piece is cleaned daily with white wine and salt. A yellowish “skin” forms on the outside and not the classical rind. Inside the cheese will become soft with a special complex and slightly spicy flavour.



In sequence:
The Peony at Alpe Sella

*A chamois on
Mount Generoso*

*The Zincarlin cheese
from Somazzo*

Following page:
The horses of Mount Bisbino



Annual financial statements of parent company

70	Balance sheet
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72	Statement of changes in equity
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84	Report of the statutory auditor on the financial statements

BALANCE SHEET AT 31.12.2017

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		127,508	154,965
Amounts due from banks		56,946	93,118
Amounts due from customers	4.1	243,332	219,002
Mortgage loans	4.1	168,026	163,325
Trading portfolio assets	4.2	616	662
Positive replacement values of derivative financial instruments	4.3	5,751	3,814
Financial investments	4.4	119,910	130,806
Accrued income and prepaid expenses		7,974	3,827
Participations		14,875	15,270
Tangible fixed assets		11,470	11,779
Other assets	4.5	1,463	1,102
Total assets		757,871	797,670
Total subordinated claims			
		3,174	2,879
Liabilities			
Amounts due to banks		45,651	44,840
Amounts due in respect of customer deposits		575,849	619,622
Negative replacement values of derivative financial instruments	4.3	5,117	3,630
Accrued expenses and deferred income		6,965	4,536
Other liabilities	4.5	1,394	1,179
Provisions	4.9	18,103	22,676
Bank's capital	4.10	20,000	20,000
Statutory retained earnings reserve		36,500	36,000
Voluntary retained earnings reserves		38,000	37,000
Profit carried forward		1,687	1,679
Result of the period		8,605	6,508
Total liabilities		757,871	797,670
Off-balance-sheet transactions			
Contingent liabilities	4.1	4,672	4,457
Irrevocable commitments	4.1	2,452	2,320

INCOME STATEMENT 2017

	Notes	Year under review	Previous year
(amount expressed in CHF 1,000)			
Result from interest operations			
Interest and discount income		3,574	3,639
Interest and dividend income from trading portfolios		7	69
Interest and dividend income from financial investments		1,989	2,430
Interest expense		-130	-257
Gross result from interest operations		5,440	5,881
Changes in value adjustments for default risks and losses from interest operations		-170	-12
Subtotal net result from interest operations		5,270	5,869
Result from commission business and services			
Commission income from securities trading and investment activities		27,411	19,310
Commission income from lending activities		91	100
Commission income from other services		2,007	2,420
Commission expense		-2,103	-1,868
Subtotal result from commission business and services		27,406	19,962
Result from trading activities		2,967	1,811
Other result from ordinary activities			
Result from the disposal of financial investments		254	470
Income from participations		2,005	3,525
Result from real estate		93	93
Other ordinary income		80	
Other ordinary expenses			-35
Subtotal other result from ordinary activities		2,432	4,053
Operating expenses			
Personnel expenses	6.1	-18,154	-16,288
General and administrative expenses	6.2	-6,949	-6,944
Subtotal operating expenses		-25,103	-23,232
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-2,288	-4,395
Changes to provisions and other value adjustments, and losses		41	3,620
Operating result		10,725	7,688
Taxes		-2,120	-1,180
Result of the period		8,605	6,508

APPROPRIATION OF PROFIT

(amount expressed in CHF 1,000)	Year under review	Previous year	Change
Result of the period	8,605	6,508	2,097
Profit carried forward	1,687	1,679	8
Distributable profit	10,292	8,187	2,105

Appropriation of profit

Allocation to statutory retained earnings reserve	500	500	
Allocation to voluntary retained earnings reserves	1,500	1,000	500
Dividends	6,000	5,000	1,000
New amount carried forward	2,292	1,687	605

STATEMENT OF CHANGES IN EQUITY 2017

(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	36,000	37,000	1,679	6,508	101,187
Transfer of prior period result				6,508	-6,508	
Dividends				-5,000		-5,000
Allocation to reserves		500	1,000	-1,500		
Result of the period					8,605	8,605
Equity at end of current period	20,000	36,500	38,000	1,687	8,605	104,792





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 2017 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

	Type of collateral			
(amount expressed in CHF 1,000)	Secured by mortgage	Other collateral	Unsecured	Total
Loans (before netting with value adjustments)				
Amounts due from customers	5,293	204,276	36,007	245,576
Mortgage loans				
- Residential property	126,422			126,422
- Office and business premises	38,282		1,341	39,623
- Commercial and industrial premises	3,322			3,322
Total loans (before netting with value adjustments)				
Current year	173,319	204,276	37,348	414,943
Previous year	170,102	182,758	32,839	385,699
Total loans (after netting with value adjustments)				
Current year	173,319	204,276	33,763	411,358
Previous year	170,102	182,758	29,467	382,327
Off-balance-sheet				
Contingent liabilities		4,147	525	4,672
Irrevocable commitments			2,452	2,452
Total off-balance-sheet				
Current year		4,147	2,977	7,124
Previous year		4,184	2,593	6,777

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	3,697	170	3,527	3,527
Previous year	3,617	310	3,307	3,307

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)	129	108
Equity securities		33
Precious metals and commodities	487	521
Total	616	662

4.3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
(amount expressed in CHF 1,000)			
Foreign exchange/precious metals			
Forward contracts	8,400	7,766	1,408,442
Options (OTC)	676	676	96,487
Total before netting agreements	9,076	8,442	1,504,929
Previous year	5,576	5,392	1,369,770
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	5,751	5,117	
Previous year	3,814	3,630	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		5,222	529

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 sucurities, intended to be held to maturity	90,527	107,612	91,427	109,025		
Equity securities	29,383	23,194	30,436	23,270		
Total	119,910	130,806	121,863	132,295		
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>13,917</i>	<i>13,473</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)	41,441	31,915	11,551	3,320		2,300

4.5 Breakdown of other assets and other liabilities

	Other assets		Other liabilities	
	Year under review	Previous year	Year under review	Previous year
(amount expressed in CHF 1,000)				
Indirect taxes	319	331	837	975
Other assets and liabilities	1,144	771	557	204
Total	1,463	1,102	1,394	1,179

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)	Effective	
	Book values	commitments
Pledged/assigned assets		
Amounts due from banks	1,069	1,069
Financial investments	8,913	4,271
Total	9,982	5,340

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	4,998	5,555

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	4,100				1,297	1,297	1,326

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 124%) 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	161	-32		12		175		316
Other provisions	22,515	-4,570		17			-175	17,787
Total provisions	22,676	-4,602		29		175	-175	18,103

Value adjustments for default and country risks

	3,372		40	3	222	-52	3,585
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	3,307		40	3	222	-45	3,527
<i>of which, value adjustments for latent risks</i>	65					-7	58

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

	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
(amount expressed in CHF 1,000)				
Holders of qualified participations	3,484	2,824	17,444	15,414
Group companies	13,306	13,544	38,836	38,292
Linked companies	16,535	12,114	3,762	4,588
Transactions with members of governing bodies	3,834	4,433	6,361	5,444

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 (Gruppo Donelli)	10,400	52.00	10,400	52.00
Molu SA, Lugano (Gruppo Gattei)	7,000	35.00	7,000	35.00
Golden Horn Finanz AG, Lugano (Gruppo Filofibra)	2,600	13.00	2,600	13.00

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

	Net exposure			
	Current year end		Previous year end	
(Rating S&P)	CHF 1,000	%	CHF 1,000	%
AAA/AA-	611,361	80.7	652,243	81.8
A+/A-	19,859	2.6	12,989	1.6
BBB+/BBB-	122,480	16.2	126,784	15.9
BB+/BB-	1,777	0.2	1,349	0.2
B+/B-	693	0.1	2,420	0.3
CCC/C	1,701	0.2	1,885	0.2
Total assets	757,871	100	797,670	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	13,492	6,656
Total of fiduciary transactions	13,492	6,656

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	716,949	443,612
Assets under discretionary asset management agreements	824,641	641,735
Other managed assets	1,786,622	1,633,021
Total assets under management (including double counting)	3,328,212	2,718,368
<i>of which, double counting</i>	<i>523,239</i>	<i>402,575</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	2,718,368	2,230,494
Net new money inflow or net new money outflow	280,021	424,755
Price gains/losses, interest, dividends and currency gains/losses	329,823	63,119
Total assets under management (including double counting) at the end of the period	3,328,212	2,718,368

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 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)	15,116	13,499
Social insurance benefits	2,914	2,679
Other personnel expenses	124	110
Total personnel expenses	18,154	16,288

6.2 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,913	1,884
Expenses for information and communications technology	2,570	2,631
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	188	189
Fees of audit firm (Art. 961a no. 2 CO)	239	265
<i>of which, for financial and regulatory audits</i>	<i>239</i>	<i>265</i>
<i>of which, for other services</i>		
Other operating expenses	2,039	1,975
Total of general and administrative expenses	6,949	6,944

6.3 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	2,120	1,180
Total taxes	2,120	1,180
Average tax rate weighted on the basis of the operating result	19.8%	15.3%

7. Information on Capital and Liquidity Adequacy

7.1 Eligible capital and required capital

(amount expressed in CHF 1,000)	Year under review	Previous year
Common equity Tier 1 capital (CET1)	84,081	82,179
Tier 2 capital (T2)	15,910	15,910
Total eligible capital	99,991	98,089
Required capital	30,536	28,522
Risk-weighted assets (RWA)	381,700	356,525

Capital ratios

CET1	22.03%	23.05%
T1	22.03%	23.05%
Eligible capital	26.20%	27.51%
Countercyclical buffer	0.16%	0.20%
CET1 requirement, according to Annex 8 to CAO (Capital Adequacy Ordinance), taking into account the countercyclical buffer	7.16%	7.20%
T1 requirement, according to Annex 8 to CAO taking into account the countercyclical buffer	8.66%	8.70%
Eligible capital requirement according to Annex 8 to CAO taking into account the countercyclical buffer	10.66%	10.70%

7.2 Leverage ratio

(amount expressed in CHF 1,000)	Year under review	Previous year
Tier 1 Capital	84,081	82,179
Total Exposure	766,047	800,821
Leverage ratio	10.98%	10.30%

7.3 Liquidity Coverage Ratio (LCR)

(amount expressed in CHF 1,000)	Average			
	I quarter	II quarter	III quarter	IV quarter
Total high quality liquid assets (HQLA)	160,571	161,664	116,402	115,277
Net cash outflows	66,611	70,589	63,051	72,843
Liquidity Coverage Ratio (LCR)	241%	229%	185%	158%



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 2017.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to be 'B. Caloia'.

Beresford Caloia
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to be 'S. Simone'.

Salvatore Simone
Audit expert

Lugano, 10 April 2018

Travelling, remembering, building.

A journey is always an imaginary journey. It starts in our mind, with a project, ideal routes and expectations, and it stays with us well beyond its conclusion, through the memories of the experiences we have had.

But also while we travel along a road, pass over an old bridge or visit an ancient building, our imagination is awoken and takes us beyond the dimension of the present. It reminds us of different situations, it makes us think about who passed along this same route, hundreds of years before us and makes us compare buildings and landscapes with those we have met elsewhere. And we learn something from every journey: we learn to valorise experiences, rationalise our priorities, plan future decisions. They are necessary activities if all our projects are to move forward. And they are the same steps that Banca del Sempione takes so that our projects are successful.



From the “Magnificent little
village” to the Alpine
pastures: an excursion

Previous page:
*Alpe Génor in the
Muggio Valley*

In sequence:
The village of Muggio

*Zöch church and the
village of Bruzella
in the background*



As the poet Alberto Nezzi, an inhabitant of Bruzella, used to say, the Muggio Valley offers the best of its splendour to those travelling on foot or by mountain bike. A very interesting suggestion is to start from Mendrisio and head towards the uncontaminated mountain pastures of Bonello and the Bolla: in total a four-five hour walks. There is a difference in altitude of almost 800 meters, starting from the “Magnifico borgo” (“the Magnificent little

village”) at an altitude of 328 meters climbing up to the Bonello mountain pasture situated at 1,115 meters and Alpe della Bolla at 1,129 meters. Walking across Castel San Pietro and continuing along Via dal Punt, dedicated to the ancient bridge over the river Breggia, we come to an enormous building dating back to the beginning of the Twentieth century, almost 80 meters tall and more than 100 long, which the locals used to call “*ul punt da fèr*”. It was built without using scaffolding and was later demolished for safety reasons in 1997, to give way to the current two-lane concrete bridge which links the two sides of the Muggio Valley. Just outside the village of Morbio Superiore there are several religious buildings such as the nineteenth century Charnel House of San Nicolao della Flüe, dedicated to the Patron Saint of the village, and the neo-classical Church of Saint John the Apostle. Climbing further, the landscape is a mixture of chestnut woods, terraces and quiet villages such as Caneggio, until, two hours later, we come to Bruzella and from there, descending along the old ring road, we arrive at the lovely mill where local flour is still produced today, and then Cabbio.





If, instead, we climb above the village, we come to a small promontory of green terraces, where we find the Church of Madonna di Loreto, popularly called “Madonna dello Zocco” or “del Zöcc”, dating back to the end of the XVI century. From here a fine partly paved mule track leads to the Oratory across the Via Crucis with its 13 little eighteenth century chapels. In the village of Cabbio there is a monumental wash-house built in 1843 and designed by Luigi Fontana da Muggio, one of the most famous architects of the Valley. The Karst rock in the Valley makes water a rare asset. To get enough, people used to capture rainwater on their roofs and store it in cisterns, capacious underground rooms used for domestic purposes and for watering their cattle. After passing the Casa Cantoni, arriving in Cabbio and visiting the church, with a facade designed by Simone Cantoni, the mountain pastures situated at an altitude of more than a thousand meters are not far away: we have to calculate a walk of about 4 and a half kilometres, an hour and a half and a 12% slope. The route is very well signposted: you can’t get lost.

From Cabbio we climb above the village and taking the historic nationally important road edged by impressive dry stone walls partly renovated by the MEVM we come to the ruins of Vallera, Croce and Arla. Slightly off the route, we come to the little church of Sant’Antonio al Gaggio, a hamlet of Cabbio, on the right hand side of the Val della Crotta. The modest building was funded by the local Fontana family and built in 1716 on a promontory above the village; it still contains stucco work partly created by local artisans. As we continue we come to various



In sequenza:
Caneggio parish church

Cabbio fountain

*A path in the
Muggio Valley*

Following page:
Turro area, Muggio

old farm buildings and huts, some renovated well and others in a state of abandon but no less attractive, dilapidated and covered in ivy. The inhabitants once lived on the Cabbio mountains all year round and were practically self-sufficient. Passing the farm houses of Arla still used by hunters, we find signs for the verdant Alpi del Bonello and the nearby Bolla, surrounded by woods. Near the border we find a sign easily recognisable as the old customs post. At Bonello we can visit the amazing nevèra restored by the MEVM before tasting some excellent alpine products such as cold cuts and cheeses, or the typical polenta.



Continuing towards Alpe della Bolla and Alpe Pianella we enjoy a wonderful view over the upper Valley before descending and arriving at Muggio. This is one of the many walks offered by the region, a sign of how it is possible to enjoy a day’s walk while appreciating the profound authenticity of traditions.



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Concept and coordination
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A small world to rediscover

After the Campolungo region, in this new annual report the aim of Banca del Sempione is to once again examine a characteristic area of Canton Ticino even though it is not very well-known: the Muggio valley.

A narrow valley stretching between Mount Bisbino, overlooking Lake Como, and Mount Generoso, with its slopes reaching down towards Lake Lugano.

Descending from an altitude of 1,100 meters, the valley opens up towards Chiasso, on the very busy road which links Switzerland and Italy. In spite of this – or perhaps because of it – this sliver of Ticino has remained more or less intact, with its villages, woods, traditions and rarities, such as the Karst caves where fossils can be found dating back 60 thousand years.

A precious jewel, in a delicate balance between the risk of being abandoned and the gamble of keeping its cultural, social and economic fabric alive and well.

This is the wager Banca del Sempione is willing to take, always mindful of the riches of the local area and supporting its potentials by carrying out our banking business with responsibility and passion.

