

2021 ANNUAL REPORT

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

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Brunello Perucchi
Vice Chairman

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Member and Secretary

Giovanni Ruffini
Member

Daniel Zuberbühler
Member

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Chief Executive Officer

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

Paolo Camponovo
Member of the Executive Committee
Head of Logistics Division

Roberto Mastromarchi
Member of the Executive Committee
Head of Front Division

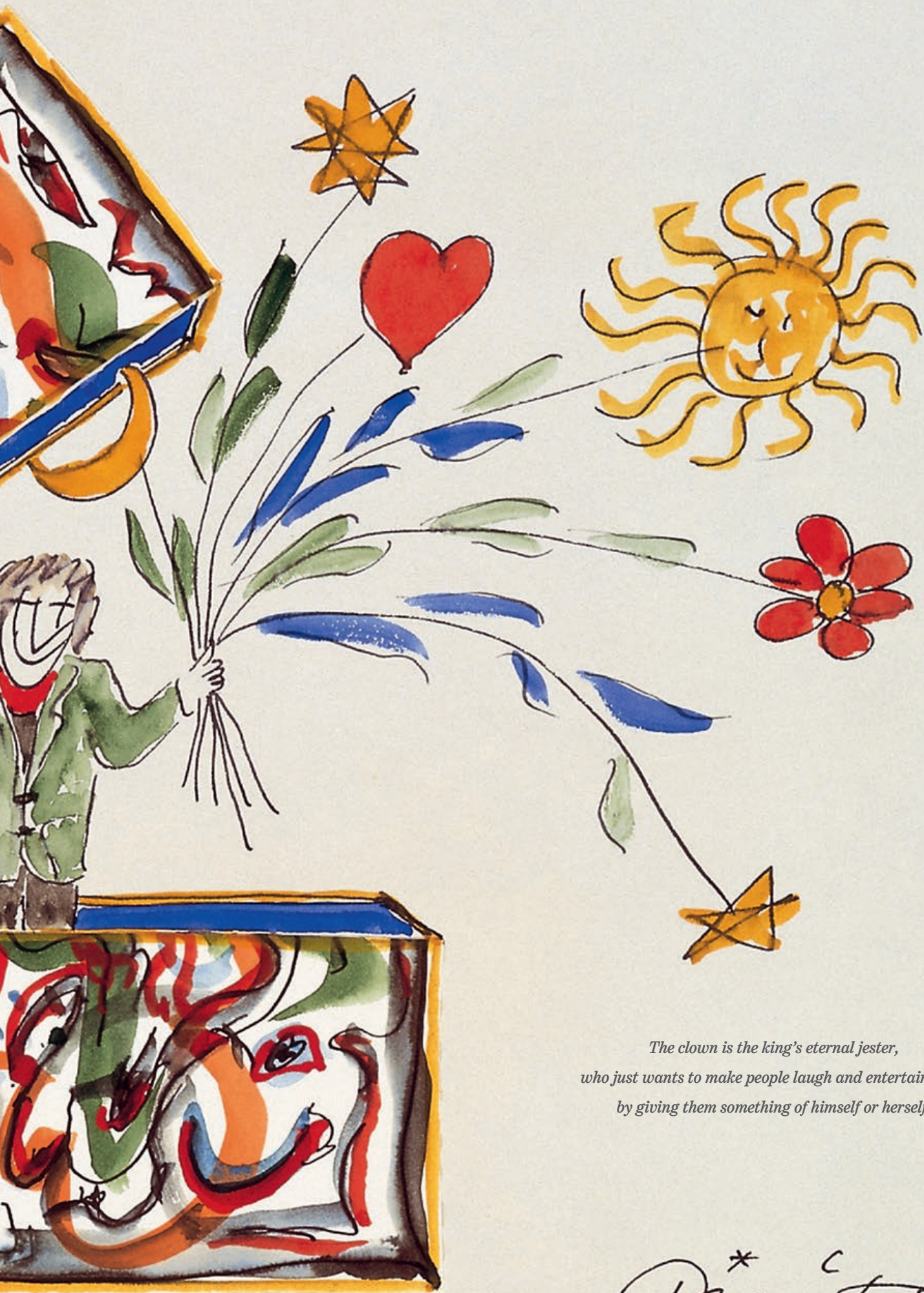
INTERNAL AUDITING

Alberto Bradanini
President

EXTERNAL AUDITOR

Ernst & Young SA
Lugano





*The clown is the king's eternal jester,
who just wants to make people laugh and entertain them
by giving them something of himself or herself.*

**
Dimitri*

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

The watercolours on the pages dividing
the chapters were painted by Dimitri.

Gugus: pp. 4-5.

At the well in front of the gate: p. 8.

Balloons gone wrong: p. 13.

Angel: p. 14.

The Whip: p. 20.

Cou-Cou-Da-Da: p. 30.

The Zen target: p. 38.

CONTENTS

CHAIRMAN'S FOREWORD	9
REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021	15
2021 FINANCIAL STATEMENTS	21
BALANCE SHEET AS AT 31 DECEMBER 2021	22
INCOME STATEMENT FOR THE 2021 FINANCIAL YEAR	24
CASH FLOW STATEMENT FOR THE 2021 FINANCIAL YEAR	26
STATEMENT OF CHANGES IN EQUITY	28
NOTES TO THE 2021 ANNUAL ACCOUNTS	31
INDEPENDENT AUDITORS' REPORT	60
OUR PRODUCTS AND SERVICES	63

DIMITRI MAN, FATHER AND ARTIST. A LIFE ON THE STAGE	I
Introduction	III
Clowns will never die	V
Gunda, <i>Gundamour</i>	IX
The man with the mismatched shoes	XV
The silent poetry of Dimitri	XXI
The therapeutic function of the clown	XXVII
The figure of the clown in art and in Dimitri	XXXI
Dimitri's mystical circus	XXXVII
The importance of learning, the value of teaching	XLIII
My father, a clown of a thousand hues	XLIX
Friends	LV

CHAIRMAN'S FOREWORD

The new year was welcomed joyfully with an abundance of loud bangs and multi-coloured lights all around. Just a few hours later, the merriment has faded to silence, giving way to reflections on what has happened and assessments of what to do next.

Scientists have succeeded in creating vaccines against the coronavirus in record time, making a decisive breakthrough in improving public health in 2021. You could say that science as a discipline working towards a single destination has performed a real miracle, which has allowed life to return to relative normality. However, as 2021 drew to a close and the cold weather set in, Covid reared its ugly head again somewhat – resulting in consequences of varying severity depending on the vaccination status of the various countries and how well their citizens followed the relevant precautions, but, thankfully, without plunging humanity back into terror.

As for the economy, we have seen an improvement in all areas – spurred on in part by the actions of individual countries and central banks, which were put in place to support economic recovery after a difficult 2020 all round.

China was the first of the world's major players to recover. The year got off to a rocky start in the United States of America, but as the months passed, the pace of recovery and trade picked up.

After getting off to a fairly sluggish start, the Eurozone economy has since regained strength.

Part of the Eurozone, of course, is our neighbour Italy, which merits a special mention since it is the country where our parent bank, Banca Popolare di Sondrio, operates and which, incidentally, celebrated its 150th anniversary in 2021, having been established in the capital of the valley of Valtellina on 4 March 1871. Italy's economy, which was quite weak at the beginning of the year under review, gradually regained its strength, with GDP increasing by more than 6%. The forecasts for 2022 are good. It is well known that the business, cultural and personal relations between Italy and Switzerland have always been strong. Now, with the President of the Swiss Confederation Ignazio Cassis (a physician by training and expert in the health and social systems), who was elected at the end of 2021, being both Ticinese and the son of immigrants from Lombardy, the ties between the two countries will be able to continue harmoniously and, who knows? Perhaps they will even grow stronger and more interdependent to their mutual benefit. It is uplifting to remember that a number of Italian companies and many cross-border commuters from Italy – both seasonal and year-round workers – have always worked in our country, bringing commitment, professionalism and even passion with them, and contributing to the development and well-being of their Swiss community.

And now to Switzerland.

After an economically underwhelming year in 2020 due to Covid, which brought the healthcare system and business to their knees, Switzerland turned a corner in 2021 thanks to the roll-out of vaccinations, as mentioned above. Our economy is now gradually emerging from the crisis. International trade in goods has almost completely returned to normal. The pharmaceutical industry came out on top and was the main-

stay of Swiss growth, achieving a significant increase in foreign sales. The rest of the industry, on the other hand, has only partially recovered, and there is still plenty of room for improvement.

Gross domestic product (GDP), i.e. the indicator of economic growth, rose from -2.5% in 2020 to 3.2%, with good chances of further improvement in the current year and beyond.

The housing sector has enjoyed a resurgence, with housing sales approaching pre-Covid levels.

In 2021, the major rating agencies once again awarded Switzerland an enviable “AAA” rating for maximum stability, efficiency and competitiveness, together with balanced taxation and prospects for a calm political sphere.

Unemployment remained virtually the same as the previous year at 3%. Inflation was also modest: 0.5% compared to slight negative inflation of 0.7% the year before.

The Swiss franc has remained solid, with exchange rates of 1.03 against the euro and 0.91 against the US dollar (roughly the same as in 2020), and its reputation as a safe-haven currency has not lost any clout.

Our Bank, in the varied recovery scenario described, worked hard, putting clients and their needs first. It offered its products and services on preferential terms and made itself available to healthy businesses, families and private individuals in general in the regions the Bank serves for their various banking needs, including mortgages and loans, which increased by 6% compared to the previous year.

When presenting securities investments to clients, special consideration was given to ESG (Environmental, Social and Governance) financial products. This is a line of strategic direction that features prominently in the Bank’s objectives for the years to come.

In operations, the whole structure played its part well. This is evidenced by the various positive balance sheet items, not least by the net profit for the financial year – a record high – which amounted to CHF 22.4 million, 11% more than in the previous year.

The Bank’s positive performance is due, above all, to the wise guidance of my colleagues on the Board of Directors, whom I would like to thank most sincerely, and I extend my gratitude to the Executive Board and all Bank staff.

I would like to express my thoughts and thanks to FINMA, the Swiss Financial Market Supervisory Authority, for its careful and cooperative supervision of our work.

I would like to thank the members of the external auditors, EY – Ernst & Young – for the care they took in examining the items, a prelude to endorsing the Financial Statements with full knowledge of the facts.

I would also like to express my gratitude to the parent bank, Banca Popolare di Sondrio, for its incisive cooperation and suggestions, the fruit of a century and a half of experience, profitable lending activity and uninterrupted success.

A special thanks goes to our clients who, by placing their trust in us, encourage us to continue our work with renewed enthusiasm, even in the face of setbacks and sudden difficulties, as was the case with the coronavirus.

To finish, I would like to extend my best wishes for a healthy and fulfilling 2022. May it be a year of strong economic recovery for the country and complete return to normality in everyone's daily lives.

Lugano, 1 January 2022

Chairman
Mario Alberto Pedranzini



*It's not right to complain about the audience.
The audience doesn't owe us anything.
I have to search for the mistake within myself.*





*Clowns are a bit like the children of paradise
because they're forever in search of happiness.*



REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

International panorama

The introduction of new restrictions has highlighted the challenges involved in overcoming the Covid-19 pandemic, a victory that we thought to be imminent. Omicron, the latest variant of the virus, is an example of such an obstacle.

Crisis management efforts in individual countries have made it possible to adapt interventions according to experiences in other countries and regions. In technical terms, it has been a matter of constantly pursuing best practice – even if it feels like you are fighting a many-headed monster.

The interventions in question focused primarily on public health and then on the economy, supporting the incomes of private individuals and businesses and kick-starting the recovery of commercial and production activities.

Analysing the causes of the pandemic has brought the issues of protecting the planet and tackling climate change to the foreground.

Under the Paris Agreement, the main economic sectors have launched a series of crucial programmes with an aim to furthering the energy transition and environmental sustainability. In the immediate future, there will be trade-offs in the use of energy sources since market demand cannot be fulfilled any other way. The exorbitant price of accelerated decarbonisation must also be taken into account.

After decades of expanding globalisation, driven by the search for ever greater value for money, there is now a need for more independence at country level – not only for vaccine production, but also in terms of ensuring the availability of raw materials that are essential in the development of technology.

The circular economy, which aims to reuse and recycle materials and products, the improvement of the energy efficiency of buildings, the development of rail transport and the digitalisation of the economy are integral parts of a more sustainable system for future generations.

A retrospective analysis of the situation shows us that the global economy has achieved a recovery of exceptional magnitude after the disastrous economic fall of the previous year, regaining pre-pandemic values in many sectors.

On the other hand, the significant resurgence in demand has led to supply problems, logistics crises and labour shortages, resulting in price hikes and delivery delays – proof that excessive kick-back, whether positive or negative, can have unfavourable consequences.

A highly expansive monetary policy accompanied the already impressive government plans to tackle the economic recession and generate sustainable growth. In the United States of America, which is further ahead in the economic cycle, the time seems ripe for a gradual withdrawal of intervention, known as tapering, while the choice of action on the European front is more cautious, following a “wait and see” approach. The reality of tackling the current situation is a difficult balancing act: taking into account the possible repercussions of measures to combat variants of the pandemic virus versus the risk of high debt, both public and private, which is sure to affect the economic environment for a long time to come.

Opinions on the inflation rate, apart from the explosion everyone was expecting, remain controversial, with the hope that the positive tendencies driven by the economy will be confirmed in terms of their strength and magnitude, thus exorcising the looming spectre of stagflation.

The climate of uncertainty that the crisis has left in its path has created opposing trends, from cohesion to division, even within individual countries.

Geopolitical issues and strategic debates between the world's superpowers have expanded into the areas of trade, technology and the military. The OECD global minimum tax agreement is one of the few elements on which they can agree.

Equity markets had an excellent year, with double-digit gains almost everywhere, boosted by the considerable lack of alternatives in bonds, except for high-risk alternatives. The situation on the emerging markets was different, with fairly flat or, in the case of China, negative performances.

On the foreign exchange market, it was the year of the US dollar, which recovered substantially against the major currencies.

The subject of cryptocurrencies has also gained importance in quantitative terms. The seven big players in the world economy, the G7 countries, have published guidelines on how it is issued by central banks.

Evaluations of the possible benefits of the wide-ranging application of blockchain, not just for banks and insurance companies, are gaining a growing consensus among technology experts.

At the end of the financial year, the transition process from the use of LIBOR (London Interbank Offered Rate) was completed for the Swiss franc and the euro, while for the other currencies, the divestment is set to take place in the future. The reference rate used worldwide since the 1980s will be replaced by a number of alternative interest rates, such as SARON (Swiss Average Rate Overnight) for the Swiss franc.

Switzerland: the economy and the financial system

The resilience of Switzerland's economic system, as evidenced by the recent recession, which was significantly better than the European average, has allowed it to recover to pre-pandemic levels by as early as the first half of 2021.

The recounts showed a less severe outcome than initially calculated, while the recovery, induced by procyclical drivers, was accentuated by an upturn in consumption and exports.

Extraordinary support measures that were introduced early in the initial and most acute phase of the pandemic proved to be extremely effective. The lines of credit provided by the banking system together with the Swiss Confederation and the cantons will gradually be repaid from the first half of 2022.

Problems in supply chains, both in terms of goods and labour, were also felt in Switzerland. These obstacles prevented the economy from realising its full potential, which is why the forecasts for the last quarter were revised down.

The benefits of the recovery were reflected in the labour market, albeit with a delay. The unemployment rate is expected to return to its pre-crisis level in the coming months.

Inflation came back into positive territory, although it remained well below the European average due to the impact of the Swiss franc's appreciation on import prices.

The health of public finances has not been compromised by the massive interventions to support the economy, in view of the low level of debt. Nevertheless, in line with traditional austerity policy, the desire to gradually return to previous debt levels has been confirmed.

The real estate sector has proved resilient. A number of factors contributed to this, such as the favourable monetary policy, strong demand for housing, reduced construction activity and the positive migratory flow. Supervisory authorities remain highly attentive in view of the significance of a possible real estate crisis.

The Swiss National Bank's policy, with the confirmed lowest benchmark rate in the world, remained unchanged. The appreciation of the exchange rate, whose performance is also closely monitored, reflects the inflation differential between Switzerland and other countries.

Swiss relations with the European Union remained largely unchanged, which is not good news. Following the failure to sign the EU-Swiss Institutional Framework Agreement due to persisting major differences, relations with the EU entered a new phase of discussion, which has yet to be formalised in writing, on how to update existing treaties and negotiate future ones.

The goal of achieving access to the European market in the world of financial services remains complicated and a matter for the distant future. The arduous task of making headway with regard to post-Brexit negotiations has damaged relations with all non-EU countries. Also with regards to cross-border trade, there is more optimism for the agreements between the Swiss Confederation and the United Kingdom, given the already close ties and the mutual desire to achieve significant results without delay.

Performance during the year

Despite the problems associated with the pandemic, the operating flexibility of our organisation and unanimous support of our employees enabled us to drive forward planned projects and initiatives and achieve set objectives to a great extent.

The migration of the core computer system, Olympic, to the new version was successfully implemented. The reopening of the accounts on 1 January 2021 proceeded according to plan and without major impact. The preliminary work carried out in the preceding months with the help of the supplier, ERI Bancaire, paid off and the preparation of staff during the testing and training phases was essential.

Post-migration developments include, in addition to the usual ongoing control activities, numerous enhancements and the launch of a series of significant IT projects designed to benefit ordinary operations and internal efficiency.

In terms of strategy, the central objective is to satisfy the expectations of a clientèle which is clearly evolving as a result of social and cultural changes brought on by new technologies and next-generation updates.

The ongoing challenge is to prepare for tomorrow with the right timing, in the knowledge that making investments has financial implications and implementation times that are sometimes difficult to determine.

Our status as a universal bank is an important element for commercial success and a significant testing ground for our ability to meet the challenges of a varied and, in some segments, very aggressive competition.

The territorial network comprises 20 branches located in eight cantons and the Principality of Monaco, along with our representative office in Verbier (VS) and virtual Direct Banking branch. We believe it is essential to maintain a physical presence at local level, as testimony to the stability of our presence and intention to meet customer needs directly.

Including Head Office staff, our employees numbered 347 at year end (+7 since the previous year).

Our commercial activity was carried out on a wide scale and with varying intensity, due to continuing restrictions on people's movements, which has obliged us to introduce virtual working alongside our face-to-face system and reduce the space dedicated to events.

The health and safety of employees, customers and suppliers has been a major focus at all times for the Bank, including where legal and ethical measures are concerned.

The growth of the aggregates in almost all components was significant, although with different rates of development in the various geographical areas.

Customer deposits reached CHF 5,613,400,000 (+9%), with direct deposits accounting for CHF 3,535,500,000 (+9%) and indirect deposits for CHF 2,077,900,000 (+10%).

Encouraged by the rise in listings and the recovery of investor interest, asset management and investment advice recorded a marked increase. In this connection, increasingly green solutions and proposals were developed, linking performance objectives to ethical, social and environmental values.

Equally positive was the development of Popso (SUISSE) Investment Fund SICAV, a unit trust set up under Luxembourg law of which we are managers and through which the plan of realigning sub-funds towards sustainable finance continues.

Our 3rd-pillar pension foundation, Life Benefit, holds assets consisting wholly of liquid investments in the amount of CHF 148,100,000 (-5%). In line with market demand, the project to expand the offer of third-party funds in cooperation with an external partner is at an advanced stage.

Retail customer activities continued on a solid foundation. The range of products and services is also available by opening a relationship with the Bank online and accessing product packages.

Subscriptions to investment fund savings plans continues to grow steadily due to the associated reduced risk linked to investment timing and regular accumulation of savings generated. The *Plus* version aimed at customers with significant assets (from savings, pension capital redemptions, etc.) achieved reassuring success, also profiting from the latest benefits in terms of remuneration of deposits.

Customer loans grew to CHF 5,083,400,000 (+6%), of which CHF 4,527,100,000 (+6%) were issued in the form of mortgage loans and CHF 556,200,000 (+7%) as other customer loans. The lending policy is adapted to the local community in terms of both commercial aims and accurate risk assessment.

The contribution in terms of central office provision for property bond issues, Pfandbriefbank schweizerischer Hypothekarinstitute AG, was higher than in previous years at CHF 579,100,000 (+12%). The conditions applied were particularly favourable thanks to the maximum rating enjoyed by the issuer and the features of the financial instrument.

Collaboration with the parent bank continued across a wide range of areas: from the transposition of legal and regulatory aspects, the updating of internal regulations, and the treasury and refinancing operations through to risk analysis and control, IT developments and the distribution of our Sicav in Italy.

The expansion of activities proved to be very fruitful in the income statement.

The *Net result from interest operations* grew to CHF 60,730,000 (+3%), owing to the increase in the loans portfolio and reduction in deposit costs.

The *Result from commission business and services result* rose to CHF 28,780,000 (+22%) following the development of assets under advice and management in a favourable environment.

The *Result from trading activities and the fair value option* fell to CHF 14,350,000 (-30%) due to external factors such as the restriction of the Swiss franc rate differential to historic lows in foreign currency swaps.

Operating expenses rose to CHF 74,270,000 (+5%), of which CHF 51,540,000 (+4%) were classed as *Personnel expenses* and CHF 22,730,000 (+6%) as *General and administrative expenses*. The resumption of IT project and development activities and of operational activities in general led to a targeted reinforcement of the related structures.

The *Operating result* net of amortisation and provisions was CHF 28,200,000 (+3%).

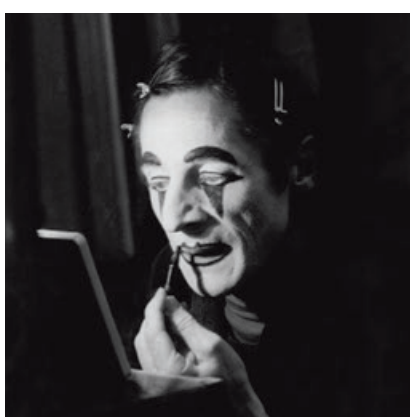
The *Profit (result for the period)* achieved was CHF 22,400,000 (+11%), rounding off a business activity complicated by the challenging situation.

In accordance with Article 22 of the Articles of Association, the Board of Directors recommends to the General Meeting of Shareholders that a dividend of CHF 4,050,000 be paid to the shareholders and that the difference of CHF 18,350,000 be paid to the *Statutory retained earnings reserve*. Equity was also strengthened by the CHF 3 million increase in *Reserves for general banking risks* to CHF 18 million.

To round off this brief report, we feel obliged, and also very honoured, to express our sincere thanks to all those who, for various reasons, have been close to us: first and foremost the Italian parent company Banca Popolare di Sondrio, our clients, staff, the supervisory authority FINMA and the external auditing company Ernst & Young.

Lugano, 24 January 2022

The Board of Directors



*I wanted to be good, I wanted to be the best,
I wanted to get the most out of myself and my body
and be constantly improving.*



2021 FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2021 (WITH 2020 COMPARATIVE FIGURES)

ASSETS

in CHF	Note	2021	2020	Change
Liquid assets		867 780 327	867 648 993	131 334
Amounts due from banks		210 159 440	100 728 170	109 431 270
Amounts due from customers	2	556 248 476	521 394 939	34 853 537
Mortgage loans	2	4 527 108 524	4 287 733 483	239 375 041
Positive replacement values of derivative financial instruments	4	5 107 497	30 203 409	(25 095 912)
Financial investments	5	48 213 398	48 183 268	30 130
Accrued income and prepaid expenses		9 002 028	8 387 410	614 618
Participations	6-7	2 790 135	2 790 135	-
Tangible fixed assets	8	17 649 614	17 280 021	369 593
Other assets	10	7 147 110	10 259 336	(3 112 226)
Total assets		6 251 206 549	5 894 609 164	356 597 385
Total subordinated claims		-	-	-

LIABILITIES

in CHF	Note	2021	2020	Change
Amounts due to banks		1 584 227 652	1 659 145 097	(74 917 445)
Amounts due in respect of customer deposits		3 508 124 936	3 230 651 829	277 473 107
Negative replacement values of derivative financial instruments	4	89 708 337	15 955 958	73 752 379
Cash bonds	15	27 397 000	24 230 000	3 167 000
Bond issues and central mortgage institution loans	15	579 100 000	519 100 000	60 000 000
Accrued expenses and deferred income		21 462 296	22 002 891	(540 595)
Other liabilities	10	5 937 571	5 556 560	381 011
Provisions	16	4 565 301	8 634 258	(4 068 957)
Reserve for general banking risks	16	18 000 000	15 000 000	3 000 000
Share capital	17	180 000 000	180 000 000	-
Statutory capital reserve		-	-	-
Statutory retained earnings reserve		210 282 571	194 154 889	16 127 682
Voluntary retained earnings reserves		-	-	-
Profit/Loss (result of the period)		22 400 885	20 177 682	2 223 203
Total liabilities		6 251 206 549	5 894 609 164	356 597 385
Total subordinated liabilities		-	-	-

OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2021
(WITH 2020 COMPARATIVE FIGURES)

in CHF	Note	2021	2020	Change
Contingent liabilities	2, 28	313 466 075	177 366 637	136 099 438
Irrevocable commitments	2	16 146 986	24 322 517	(8 175 531)

INCOME STATEMENT FOR THE 2021 FINANCIAL YEAR (WITH 2020 COMPARATIVE FIGURES)

in CHF	Note	2021	2020	Change
Interest income:				
- Interest and discount income	33	70 986 930	70 828 259	158 671
- Interest and dividend income from trading portfolios		-	-	-
- Interest and dividend income from financial investments		381 678	573 412	(191 734)
Interest expense		(6 993 736)	(11 435 606)	4 441 870
Gross result from interest operations		64 374 872	59 966 065	4 408 807
Changes in value adjustments for default risks and losses from interest operations		(3 640 195)	(989 688)	(2 650 507)
Subtotal net result from interest operations		60 734 677	58 976 377	1 758 300
Commission income:				
- from securities trading and investment activities		22 106 753	17 316 554	4 790 199
- from lending activities		3 168 339	2 696 522	471 817
- from other services		6 502 014	6 139 811	362 203
Commission expense		(2 995 358)	(2 600 044)	(395 314)
Subtotal result from commission business and services		28 781 748	23 552 843	5 228 905
Result from trading activities and the fair value option	32	14 346 143	20 531 764	(6 185 621)
Result from the disposal of financial investments		1 205 863	913 612	292 251
Income from participations		39 028	11 374	27 654
Result from real estate		50 702	116 277	(65 575)
Other ordinary income		2 541 147	1 147 104	1 394 043
Other ordinary expenses		(872 652)	(3 154 627)	2 281 975
Other result from ordinary activities		2 964 088	(966 260)	3 930 348
Personnel expenses	34	(51 537 160)	(49 316 473)	(2 220 687)
General and administrative expenses	35	(22 728 074)	(21 388 479)	(1 339 595)
Total operating expenses		(74 265 234)	(70 704 952)	(3 560 282)

INCOME STATEMENT FOR THE 2021 FINANCIAL YEAR (CONTINUED)

in CHF	Note	2021	2020	Change
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	8	(3 462 266)	(3 544 803)	82 537
Changes to provisions and other value adjustments, and losses		(899 969)	(405 643)	(494 326)
Operating result		28 199 187	27 439 326	759 861
Extraordinary income	36	1 698	88 356	(86 658)
Extraordinary expenses	36	-	-	-
Changes in reserves for general banking risks		(1 750 000)	-	(1 750 000)
Taxes	39	(4 050 000)	(7 350 000)	3 300 000
Profit (Result of the period)		22 400 885	20 177 682	2 223 203

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT (WITH 2020 COMPARATIVE FIGURES)

in CHF	Note	2021	2020	Change
Profit (Result of the period)		22 400 885	20 177 682	2 223 203
Profit/Loss carried forward		-	-	-
Distributable profit		22 400 885	20 177 682	2 223 203
The Board of Directors proposes to allocate the balance sheet profit totalling CHF 22 400 885 as at 31 December 2021 as follow:				
Dividend		4 050 000	4 050 000	-
Statutory retained earnings reserve		18 350 885	16 127 682	2 223 203
Retained earnings to be carried forward		-	-	-

CASH FLOW STATEMENT 2021 (WITH 2020 COMPARATIVE FIGURES)

CASH FLOW FROM OPERATING ACTIVITIES

CHF in thousands	2021		2020	
	Source	Utilisation	Source	Utilisation
Profit (Result of the period)	22 401	-	20 178	-
Value adjustment on participations, depreciation and amortisation of tangible fixed assets and intangible assets	3 462	-	3 545	-
Value adjustments	-	-	-	-
Provisions and other value adjustments	-	4 069	1 772	-
Change in reserve for general banking risks	3 000	-	-	-
Accrued income and prepaid expenses	-	615	-	463
Accrued expenses and deferred income	-	540	-	44
Positive replacement values of derivative financial instruments	25 096	-	-	28 786
Negative replacement values of derivative financial instruments	73 752	-	-	44 719
Other assets	3 112	-	6 913	-
Other liabilities	381	-	1 118	-
Dividend previous year	-	4 050	-	4 050
Net operating cash flow	121 930	-	-	44 536

CASH FLOW FROM SHAREHOLDER'S EQUITY TRANSACTIONS

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

CASH FLOW (STATEMENT) RESULTING FROM CHANGES IN FIXED ASSETS

Participations	-	-	-	1 599
Real estate	-	23	-	2
Other fixed assets	-	3 809	-	2 909
Intangible fixed assets	-	-	-	-
Net cash flow from investment activities	-	3 832	-	4 510

CASH FLOW STATEMENT 2021 (CONTINUED)

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2021		2020	
	Source	Utilisation	Source	Utilisation
Balance brought forward	121 930	3 832	-	49 046
Non-current operations (> 1 year)				
Amounts due to banks	-	449 325	-	165 450
Amounts due in respect of customer deposits	-	-	-	-
Cash bonds	926	-	5 667	-
Bond issues and central mortgage institution loans	61 900	-	50 000	-
Client loans	2 817	-	-	61 520
Mortgage loans	-	605 078	164	-
Financial investments	4 260	-	9 420	-
Current operations				
Amounts due to banks	374 408	-	396 575	-
Amounts due in respect of customer deposits	277 473	-	154 164	-
Cash bonds	2 241	-	-	4 017
Bond issues and central mortgage institution loans	-	1 900	-	-
Amounts due from banks	-	109 431	54 751	-
Amounts due from customers	-	37 670	46 782	-
Mortgage loans	365 703	-	-	296 697
Financial investments	-	4 291	-	4 047
Trading portfolio assets/Trading portfolio liabilities	-	-	-	-
Net cash flow from banking activities	-	117 967	185 792	-
Total cash flow	121 930	121 799	185 792	49 046
Change in cash flow	131	-	136 746	-

PRESENTATION OF THE STATEMENT OF CHANGES IN EQUITY

	Bank's capital	Statutory capital reserve	Statutory retained earnings reserve	Reserves for general banking risks	Own shares	Voluntary retained earnings reserves and profit carried forward	Result of period	Total
Equity at 01.01.2021	180 000 000	-	194 154 889	15 000 000	-	-	20 177 682	409 332 571
Dividends	-	-	-	-	-	-	(4 050 000)	(4 050 000)
Other allocations to the reserves for general banking risks	-	-	-	3 000 000	-	-	-	3 000 000
Other allocations to the other reserves	-	-	16 127 682	-	-	-	(16 127 682)	-
Profit/Loss (result of the period)	-	-	-	-	-	-	22 400 885	22 400 885
Equity as at 31 December 2021 before appropriation of net profit for 2021	180 000 000	-	210 282 571	18 000 000	-	-	22 400 885	430 683 456



*There are critics who destroy everything,
but there are also critics who find everything indiscriminately good.
Both are useless.*



NOTES TO THE 2021 ANNUAL ACCOUNTS

1. DESCRIPTIONS OF SEGMENTS AND INFORMATION ON PERSONNEL

Banca Popolare di Sondrio (SUISSE) SA, a universal bank founded in Lugano on 3 May 1995, is mainly active in providing loans, portfolio management and trading in securities.

The Bank's current network comprises its head office, an agency and a sub-branch in Lugano, a branch in St Moritz (with four agencies in Poschiavo, Castasegna, Pontresina and one sub-branch in Celerina), a branch in Bellinzona (with an agency in Biasca), and branches in Chiasso, Chur, Basel, Locarno, Zurich, Berne, Neuchâtel, Martigny (with a representative office in Verbier), Vevey and the Principality of Monaco. At the end of the year, our staff numbered 347 employees (end of 2020: 340 employees), which represented a total of 329.7 fulltime equivalent positions (2020: 322.5 FTEs).

From September 2018 the Bank outsourced domestic and international interbank payments system. A dedicated contract was signed for this purpose with a segment leader in Switzerland.

The Bank has not set up an Audit Committee because the Board of Directors, comprised of five members with extensive banking and financial expertise, meets at frequent intervals and is therefore fully able to handle the functions normally assigned to such a committee.

2. ACCOUNTING AND VALUATION PRINCIPLES USED IN THE ANNUAL ACCOUNTS

The accounts, their presentation and the valuations made are in compliance with the Swiss Banking Ordinance (BO Arts. 25 et seqq.), the FINMA Accounting Ordinance (AO-FINMA) and FINMA Circular 2020/1 "Accounting – banks" of 31 October 2019, according to the principle of "reliable assessment statutory single-entity financial statements". The transactions carried out by the Bank are recorded in the books on the value date. Cash transactions that had not been settled as of the balance sheet date are included in forward transactions.

ACCOUNTING PRINCIPLES

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS

These items are recognised at face value, net of necessary adjustments in value. Interest received is recognised on a pro rata basis at the contractual interest rate.

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

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

FINANCIAL INVESTMENTS

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

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

PARTICIPATING INTERESTS

These are valued individually at purchase cost less any economically necessary writedowns.

FIXED ASSETS

Tangible fixed assets are recorded in the balance sheet at historical cost, less a deduction reflecting the depreciation economically necessary, calculated using the straight-line method and based on the estimated useful life of the asset.

	2021	2020
Freehold premises (Own real estate)	33.3 years	33.3 years
Office restructuring	5 years	5 years
Equipment	10 years	10 years
Furniture	8 years	8 years
Office machinery	5 years	5 years
Motor vehicles	5 years	5 years
Hardware	3 years	3 years
Software	3 years	3 years

DUE TO BANKS, DUE TO CLIENTS, CASH BONDS

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

LOANS FROM CENTRAL MORTGAGE BOND INSTITUTIONS AND OTHER LOANS

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

PROVISIONS

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

REPLACEMENT VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

ACCRUALS, PREPAYMENTS AND DEFERRED INCOME

Interest income and expense, asset management fees, staff costs and other operating expenses are accounted for on an accrual basis.

TAXES

The Bank recognises provisions for federal, cantonal and local taxes according to the result for the period and on the basis of the tax regulations in force.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are converted at the exchange rates prevailing on the balance sheet closing date.

Operations in foreign currencies carried out during the year are converted at the exchange rate applicable on the day of the transaction (average rate of exchange).

The result of the valuation is accounted in the income statement in "Result from trading activities".

Forward contracts (outright) and the forward portion of swaps are converted using the residual rates in force on the balance sheet date.

The result of the valuation is recorded in "Result from trading activities".

The year-end conversion rates used for the main currencies were as follows: EUR 1.0335 (2020: 1.0814); USD 0.9125 (2020: 0.8802).

FOREIGN CURRENCY TRANSLATION: MONACO BRANCH

Assets, liabilities and items in the income statement are converted at the exchange rate applicable at the balance sheet date.

Exchange differences resulting from this conversion are then booked in the income statement in the corresponding items (interest, commission, etc.).

REPURCHASE AGREEMENTS (REPO)

Securities traded by the Bank as part of REPO operations are mainly used as collateral to support refinancing activities. These operations are recorded as deposits with a pledge of securities. The securities remain in the balance sheet of the Bank while the financing is recorded as a liability in the item "Liabilities from other financial instruments at fair value". The results of these operations are recorded in "Net interest income".

INTEREST RATE SWAPS (IRS)

Income and expense connected to these contracts are entered in the income statement in "Net interest income".

Positive and negative replacement values for outstanding operations are calculated every six months. The resulting difference is assigned to a clearing account in "Other assets" or "Other liabilities" with no impact on the income statement, since the purpose is hedging; the accrued interest is recorded in the adjustment accounts.

LIABILITIES TO OWN PENSION SCHEMES

The Bank does not have its own occupational pension fund, and instead relies entirely on a private, external insurance company (Swisslife's Fondazione Collettiva LPP) for this purpose. Two pension plans have been underwritten: one for all employees and the second for members of management. Details of risk coverage are provided in the annex to the annual financial statements.

The pension funds operate on a defined contribution basis. Thus, the Bank's sole liability is to pay the premiums calculated by the external company and recorded under personnel expenses in the item "Social contributions". There is no economic liability or benefit for the purposes of Swiss GAAP RPC 16.

CHANGES IN ACCOUNTING PRINCIPLES RELATING TO PRESENTATION AND VALUATION

The amendments to FINMA Circular 2020/01, which came into force on 1 January 2020 and included transitional measures for one year, required banks to consider value adjustments and provisions for potential risks of loss. This change did not have any particular impact on the preparation of financial statements or on the valuation principles, as the Bank has been making provisions for potential risks of loss for some time.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

In January 2022, following the use of a computer program relating to payment transactions, there was a duplication of outgoing messages on the interbank network; this did not have any financial impact on the Bank's clients. The case was immediately addressed and the Bank proceeded to request the return of the funds to the network of correspondents. The return of said funds is subject to varying processing times. It is estimated that the potential repercussions will not have a significant impact on the Bank's assets or financial situation.

RISK MANAGEMENT

The Board of Directors has performed an analysis of the main risks to which Banca Popolare di Sondrio (SUISSE) SA is exposed. The analysis is based on the risk management data and techniques used by the Bank, as described below, and on an estimate of its potential future risks. The internal control system, designed to prevent, reduce and manage risks, was duly taken into account by the Board of Directors during its analysis.

GENERAL INFORMATION ON RISK MANAGEMENT

The Bank's policy reflects that of the parent company, which is responsible for group-wide policy and coordination. Risk management is an integral part of the Bank's corporate policy.

It aims to preserve the Bank's resources, improve profitability and increase enterprise value.

The policy is based on the Bank's strategy, objectives and internal regulations, together with the laws and ethical standards that govern Swiss banking and underpin its policy in this area. This is commensurate with the Bank's willingness to accept certain risks, strictly dependent on its organisation and financial structure.

The Bank is committed to promulgating, at all levels in its organisation, a corporate culture that is sensitive to risk. In April 2021 the Board of Directors updated its "Risk Appetite Framework". That document sets out the Bank's risk appetite and risk tolerance, including quantitative metrics designed for that purpose in the various risk categories.

The identification of risks and their incorporation in the Bank's management, control and reporting systems are the responsibility of General Management, which informs the Board of Directors. For the supervision and enforcement of the financial risk policy, the General Manager relies on the Risk Committee, whose functions are set out in detail in the internal regulations.

In accordance with the FINMA 2017/1 Circular "Corporate Governance - banks" the Bank has a Risk Control Department in charge of supervising, measuring and analysing the Bank's risk profile and ensuring its compliance with the risk appetite assumed, risk limits and internal rules.

SPECIFIC RISKS RELATED TO THE BANK'S ACTIVITY

Risks are subdivided into credit, market, operational, liquidity, strategic and reputational risks.

CREDIT RISK

Credit risk is defined as the risk of incurring loss when a counterparty does not fulfil his or her contractual obligations. Credit risk includes counterparty, concentration and country risk.

If the counterparty becomes insolvent, a bank usually incurs a loss that equals the amount owed by the debtor, net of any amounts recovered from the liquidation of any collateral.

The Bank's exposure relates primarily to the lending activity with private customers. The Bank generally grants mortgage loans mostly for residential properties, Lombard loans and commercial loans. Loans abroad are granted by the Monaco branch and represent only a small portion of the overall lending volume.

Prudential collateral margins are set for all secured loans. For Lombard loans, margins depend on the type and market value of the pledged assets, which are periodically reviewed. For mortgages, the lending value is determined on the basis of the market value

of the property (relying on both internal and external appraisals) or the gross rental value, taking into consideration the type of property. The appraisals are periodically reviewed every two to ten years depending on the type of property and the lending value. Credit risk is assessed by grouping customers into 12 risk classes (according to default risk or probability of insolvency, with 1 being the rating of the lowest risk and 8 being that of the highest risk, while a 0 rating is only used for temporary and transitory purposes for positions awaiting the assignment of an actual rating or formal regularisation) and recovery rates are set according to the hedges in place and setting recovery rates based on the collateral provided. The risk class is assigned by a unit that is independent from the offices responsible for buying and selling and is based on parameters set out in the Bank's criteria. The risk classes are differentiated for retail customers (simplified criteria) and corporate customers, based on quantitative (analysis of the financial statements), qualitative and performance factors.

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

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

Value adjustments which are economically necessary to cover credit risk are calculated on a lump-sum basis by rating class, using an automated procedure that adds up the individual risk positions, weighted by the respective default and recovery rates. For non-performing loans and loans at risk, however, individual value adjustments are made to take into account the estimated realisable value of the collateral provided.

The Bank works with leading counterparties selected on the basis of specific quality standards.

In order to reduce credit concentration risk with respect to financial investments, the Bank allocates risks equally across its portfolio by diversifying investments to an appropriate extent.

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

MARKET RISKS (PRICES, RATES, EXCHANGE)

Market risk is the risk of loss due to fluctuations in the value of a position caused by a change in the factors that affect the prices of items such as shares or raw materials, changes in exchange rates or fluctuations in interest rates.

Price fluctuation risk refers to unexpected changes in the price of securities and is assumed by the Bank on a prudential basis with a view to long-term investments. The Bank does not have a trading portfolio. Interest rate risk mainly arises from the failure to properly synchronise funding transactions with the use of the funds.

Interest rate swaps (macro hedges) are used if necessary to hedge significant medium- and long-term exposures with the parent bank only.

The bank employs this type of hedging to deal with interest rate fluctuation risks on the refinancing of fixed-rate loan contracts with clients with medium- and long-term expiry dates.

From its parent bank, the Bank receives a summary of the effectiveness tests of outstanding interest rate swaps. The effectiveness criteria are inspired by those specified in International Accounting Standard IFRS 9. Whether the hedging relationship qualifies as effective is determined in accordance with the hedge accounting rules contained in FINMA Accounting Ordinance (AO-FINMA). More specifically, at the start of the hedging relationship, the risk management strategy and the risk management objective derived therefrom are formally documented; in addition, the economic correlation between the basic transaction and the hedging transaction is determined.

The Bank is exposed to limited exchange rate risk, since most transactions are carried out on behalf of clients and on the basis of their requirements.

Prudent maximum exposure levels have been set to minimise residual risks. Any positions that are not balanced on an individual basis are therefore managed by the treasury department on a day-to-day basis.

OPERATIONAL RISK

Operational risks comprise the risk of direct and indirect losses caused by human or technological error, shortcomings in internal procedures or extraneous events.

Risk exposure is minimised by introducing a top-level management system and by establishing departments to perform independent checks to ensure that rules and procedures are applied.

In order to guarantee IT security, the Bank has set up a control network using support from specialist external companies.

LIQUIDITY AND REFINANCING RISKS

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

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

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

LEGAL RISKS

Legal risks consist of the risk of loss resulting from potential legal action.

To prevent such risks, the Bank ensures that its activity, particularly that involving any external impact, is governed by legal and ethical standards applicable in the banking sector and by ensuring understanding and transparency in its operational and contractual dealings with clients.

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

REPUTATION AND COMPLIANCE RISKS

The Bank limits its exposure by investing in the training and awareness of its staff in direct contact with clients (duty of due diligence, confidentiality and the prevention of money laundering) and by carefully selecting its reference markets.

With regard to compliance activities, which are intended to ensure adherence to applicable laws and regulations, the Bank has a control system based on internal verification procedures. This role is carried out by one of the Bank's departments which is not part of the operating unit.

BANK POLICY FOR THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Positions in derivative instruments are held for the account of clients. For the structural management of the balance sheet, the Bank hedges interest rate risk by using Interest Rate Swaps (IRS), if necessary.

INFORMATION ON CORPORATE GOVERNANCE

Corporate governance information in accordance with Annex 4 to FINMA Circular 2016/1 is available from the Bank's website.



*I'm a positive, optimistic and cheerful clown, without being superficial.
I don't fit the cliché of the sad, melancholic clown with the tears,
even though I do have tears painted under my eyes.*



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

Not applicable.

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

in CHF

	Type of collateral			
	Mortgage collateral	Other collateral	Unsecured	Total
Loans				
Amounts due from customers	201 161 765	328 337 771	41 343 453	570 842 989
Mortgage loans				
Residential property	4 219 378 602	-	-	4 219 378 602
Office and business premises	289 380 059	-	-	289 380 059
Commercial and industrial premises	36 564 285	-	-	36 564 285
Other	-	-	-	-
Total loans (before netting with value adjustments – table 16) at 31 December 2021	4 746 484 711	328 337 771	41 343 453	5 116 165 935
Total at 31 December 2020	4 494 799 180	302 810 776	46 473 444	4 844 083 400
Total loans (after netting with value adjustments) at 31 December 2021	4 727 284 920	327 907 546	28 164 534	5 083 357 000
Total at 31 December 2020	4 475 515 572	302 328 801	31 284 049	4 809 128 422
Off-balance-sheet				
Contingent liabilities	2 817 491	279 848 530	30 800 054	313 466 075
Irrevocable commitments	2 016 399	305 587	13 825 000	16 146 986
Credit commitments	-	-	-	-
Total at 31 December 2021	4 833 890	280 154 117	44 625 054	329 613 061
Total at 31 December 2020	11 111 390	149 495 313	41 082 451	201 689 154
Impaired loans				
	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total at 31 December 2021	37 859 454	20 077 461	17 781 993	17 781 993
Total at 31 December 2020	39 173 643	18 092 354	21 081 289	21 081 289

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

Not applicable.

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

in CHF	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volumes	Positive replacement value	Negative replacement value	Contract volumes
Interest rate instruments						
Forward contracts, FRAS	-	-	-	-	-	-
Swaps – IRS	-	-	-	-	2 575 230	148 600 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Foreign exchange/Precious metals						
Forward contracts	4 773 852	86 799 462	2 496 042 273	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	6 471	-	-	-
Options (OTC)	35 446	35 446	3 909 605	-	-	-
Options (exchange traded)	4 354	4 354	704 319	-	-	-
Equity securities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	2 945	2 945	210 660	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	290 900	290 900	31 208 564	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	2 877 633	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total before effect of netting contracts						
Total at 31 December 2021	5 107 497	87 133 107	2 534 959 525	-	2 575 230	148 600 000
Total at 31 December 2020	30 203 409	9 465 738	2 568 571 350	-	6 490 220	212 100 000

4. (CONTINUED)

in CHF

Total after netting agreements

	Cumulative positive replacement value	Cumulative negative replacement value
Total at 31 December 2021	5 107 497	89 708 337
Total at 31 December 2020	30 203 409	15 955 958

The Bank has not concluded any netting agreements.

Breakdown by counterparty

	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements) at 31 December 2021	-	4 107 293	1 000 204

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

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

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

All spot (cash) transactions reported under "Forward contracts" in the "Other" item that occurred before 31 December 2021 and that had not been settled by the balance sheet date are shown as at their value date.

5. BREAKDOWN OF FINANCIAL INVESTMENTS

in CHF	Carrying value		Market value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	39 066 733	37 640 109	39 118 762	37 672 294
Of which:				
Intended to be held to maturity	39 066 733	37 640 109	39 118 762	37 672 294
Not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	3 432 665	2 110 159	3 839 934	2 251 396
Of which:				
Qualified participations	-	-	-	-
Deposit bonds (purchase value)	-	2 000 000	-	2 000 000
Precious metals	-	-	-	-
Real estate	5 714 000	6 433 000	9 557 000	10 516 000
Total financial investments	48 213 398	48 183 268	52 515 696	52 439 690
Of which:				
Securities eligible for repo transactions in accordance with liquidity requirements	14 442 570	13 882 916	-	-

Breakdown of counterparties by rating

At 31 December 2021	AAA to AA-	A+ to A-	BB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities						
Book values	38 155 602	911 131	-	-	-	-
Equity securities						
Book values	-	-	-	100 376	-	3 332 289

6. PRESENTATION OF PARTICIPATIONS

in CHF

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

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

Company name and domicile	Business activity	Company capital	Share of capital (in %)	Share of votes (in %)	Held directly	Held indirectly
Sofipo SA (in liquidation)						
- Lugano	Fiduciary services	2 000 000	30%	30%	600 000	-
Pfandbriefbank - Zurich	Mortgage institution	1 000 000 000	0.18%	0.18%	1 774 000	-

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

In accordance with Art. 34 of the Swiss Banking Ordinance (BankO), there is no obligation to prepare consolidated financial statements as at 31 December 2021.

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

8. PRESENTATION OF TANGIBLE FIXED ASSETS

in CHF	Current year							
	Purchase price	Accumulated depreciation & amortisation	Book value as at 31.12.2020	Reclassification	Additions	Disposals	Depreciation & amortisation Revaluation	Book value as at 31.12.2021
Fixed assets								
Bank buildings	22 407 923	(11 361 171)	11 046 752	-	23 400	-	(565 931)	- 10 504 221
Proprietary or separately acquired software	49 866 523	(48 071 906)	1 794 617	-	2 061 900	-	(1 448 488)	- 2 408 029
Other tangible fixed assets	85 470 265	(81 031 613)	4 438 652	-	1 746 559	-	(1 447 847)	- 4 737 364
Total	157 744 711	(140 464 690)	17 280 021	-	3 831 859	-	(3 462 266)	- 17 649 614

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

	129 446
of which expiring within 12 months	-
of which expiring more than 12 months and up to five years	129 446

9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF

	Other assets		
	31.12.2021	31.12.2020	Change
Compensation account	2 575 230	6 490 220	(3 914 990)
Swiss Federal Tax Administration	1 682 727	1 507 972	174 755
Others	2 889 153	2 261 144	628 009
Total	7 147 110	10 259 336	(3 112 226)

	Other liabilities		
	31.12.2021	31.12.2020	Change
Swiss Federal Tax Administration	1 080 562	953 976	126 586
Suppliers	2 252 508	2 396 682	(144 174)
Others	2 604 501	2 205 902	398 599
Total	5 937 571	5 556 560	381 011

11. DISCLOSURE OF ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS AND OF ASSETS UNDER RESERVATION OF OWNERSHIP AT 31 DECEMBER 2021

in CHF

Pledged/assigned assets	Book values	Effective commitments
Mortgages securing loans at central mortgage bond institutions	1 630 438 351	579 100 000
Securities used as collateral at the SNB	4 630 633	4 630 633
Securities used as collateral at SIX SIS	4 969 631	4 969 631
Securities repurchase (Repo) operations	-	-
Securities (financial investments) pledged to secure Repo operations	4 842 306	No liabilities
Assets under reservation of ownership	-	-

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

Not applicable.

13. LIABILITIES TO PENSION PLANS

With regard to pensions and social security, the Bank has covered all its employees through Swiss Life's "Fondazione Collettiva LPP", with two defined-contribution plans:

- the first plan insures all employees, including executives, with an annual salary subject to old age and survivors' insurance (OASI) contributions of up to 500% of the maximum basic OASI pension. Executives aged 40 or more and with three years' service are insured with an annual salary of up to 500% of the maximum executive pension;
- the second plan insures all employees, including executives, for that portion of their annual salary subject to OASI contributions that exceeds 500% of the maximum basic OASI pension. Executives aged 40 or more and with three years' service are insured for that portion of their annual salary exceeding 500% of the maximum executive pension.

For both plans, the amount of pension benefits depends on the savings accumulated up to retirement age and on the annuity rate, based on the collective insurance tariff.

Lump-sum death benefits and annuities for disabled people, widows or the orphans and children of pensioners are also insured by the plans. The plans are financed one third by the employee and two thirds by the Bank.

All liabilities of the pension fund are covered in full and at all times by the insurance company.

There are neither economic liabilities nor economic benefits for the Bank.

a) Employer contribution reserves (ECR)

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

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

	Overfunding/ underfunding at end of current year	Economic interest of the bank/financial group at end of current year	Economic interest of the bank/financial group at end of previous year	Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses at end of current year	Pension expenses in personnel expenses at end of previous year
Pension plans with- out overfunding/ underfunding	-	-	-	-	-	6 601 126	6 132 067

14. PRESENTATION OF ISSUED STRUCTURED PRODUCTS

Not applicable.

15. PRESENTATION OF BONDS OUTSTANDING AND MANDATORY CONVERTIBLE BONDS

CHF in thousands

Maturities	Loans from central mortgage bond institutions									Bond loans		Grand total	
	Interest rate									31.12.21	31.12.20	31.12.21	31.12.20
Year	0.050	0.175	0.300	0.425	0.550	0.675	0.800	1.050	1.425				
2021	-	-	-	-	-	-	-	-	-	-	-	-	20 000
2022	18 100	-	-	-	-	-	-	-	-	-	-	18 100	18 100
2023	5 000	25 000	-	-	-	-	-	10 000	-	-	-	40 000	40 000
2024	3 000	15 000	-	-	-	-	20 000	-	5 000	-	-	43 000	43 000
2025	-	13 500	5 000	10 000	20 000	22 200	-	-	-	-	-	70 700	70 700
2026	-	-	32 900	-	-	-	-	-	-	-	-	32 900	32 900
2027	5 000	5 600	10 000	4 000	-	-	-	-	-	-	-	24 600	14 600
2028	-	23 600	-	6 500	39 700	6 900	-	-	-	-	-	76 700	71 700
2029	-	-	-	-	20 000	-	-	-	-	-	-	20 000	20 000
2030	5 000	-	5 000	20 000	-	-	-	-	-	-	-	30 000	30 000
2031	-	10 000	-	-	-	10 000	-	-	-	-	-	20 000	10 000
2032	-	22 500	-	-	-	-	-	-	-	-	-	22 500	22 500
2033	-	5 000	-	-	-	10 000	-	-	-	-	-	15 000	15 000
2034	-	-	10 000	-	-	10 000	5 000	-	-	-	-	25 000	25 000
2035	-	-	-	-	-	5 000	-	-	-	-	-	5 000	5 000
2036	-	-	5 000	-	-	-	-	-	-	-	-	5 000	5 000
2038	-	-	10 000	-	-	-	1 000	-	-	-	-	11 000	11 000
2039	-	-	-	5 000	-	5 000	-	-	-	-	-	10 000	10 000
2040	-	12 500	-	-	5 000	-	-	-	-	-	-	17 500	17 500
2041	15 000	-	20 000	-	-	-	-	-	-	-	-	35 000	10 000
2042	-	-	15 000	20 000	-	-	-	-	-	-	-	35 000	10 000
2043	-	-	-	10 000	-	-	-	-	-	-	-	10 000	5 000
2044	-	-	-	-	2 100	-	-	-	-	-	-	2 100	2 100
2046	-	-	-	5 000	-	-	-	-	-	-	-	5 000	5 000
2049	5 000	-	-	-	-	-	-	-	-	-	-	5 000	5 000
Total	56 100	132 700	112 900	80 500	86 800	69 100	26 000	10 000	5 000	-	-	579 100	519 100

15. (CONTINUED)

CHF in thousands

Medium-term notes in circulation at 31.12.2021

Interest rate	2022	2023	2024	2025	2026	2027	2028	2029	Total
-0.250%	-	-	5 000	-	-	-	-	-	5 000
-0.200%	-	4 000	-	-	-	-	-	-	4 000
-0.100%	-	-	-	-	5 000	-	-	-	5 000
0.000%	-	1 000	500	-	-	-	-	-	1 500
0.050%	50	300	100	-	-	-	-	-	450
0.100%	-	165	40	50	-	-	-	-	255
0.150%	-	-	-	30	-	-	-	-	30
0.200%	-	10	50	-	50	-	20	-	130
0.300%	180	-	-	-	50	40	-	20	290
0.500%	10 142	-	-	-	-	-	-	-	10 142
1.250%	190	-	-	-	-	-	-	-	190
1.375%	230	90	80	10	-	-	-	-	410
Total	10 792	5 565	5 770	90	5 100	40	20	20	27 397

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

in CHF	Previous year end	Use in conformity with designated purpose	Change of purpose, with reclassification, transfers	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for off-balance-sheet operations	184 487	-	-	-	-	200 814	-	385 301
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	8 449 771	(1 922 422)	(1 250 000)	1	-	490 000	(1 587 350)	4 180 000
Total provisions	8 634 258	(1 922 422)	(1 250 000)	1	-	690 814	(1 587 350)	4 565 301
Reserve for general banking risks	15 000 000	-	1 250 000	-	-	1 750 000	-	18 000 000
Value adjustments for default and country risks (deducted from the balance sheet receivables)								
	34 954 978	(3 027 868)	(2 062 250)	(43 848)	(3 009 284)	7 228 971	(1 231 764)	32 808 935

Of which:

Value adjustments for default risks in respect of impaired loans/receivables	21 081 289	(3 027 868)	(2 062 250)	(13 334)	(337 204)	3 373 124	(1 231 764)	17 781 993
Value adjustments for latent risks	13 873 689	-	-	(30 514)	(2 672 080)	3 855 847	-	15 026 942

The "Reserves for general banking risks" are not taxed and were increased by CHF 3 million during the financial year. This amount is made up of CHF 1.25 million from transfers of provisions that were paid up and CHF 1.75 million from new constitutions charged to the income statement in which provisions of a fiscal nature of CHF 1.45 million, which had been accounted for in the 2020 financial year, were also paid up. The change in "Reserves for general banking risks" thus resulted in a net cost of CHF 0.3 million for the 2021 financial year. The "Other provisions" item consists mainly of provisions for legal risks.

17. PRESENTATION OF THE BANK'S CAPITAL

in CHF

	Current year			Previous year		
	Par value	Number of shares	Par value holding	Par value	Number of shares	Par value holding
Share capital	180 000 000	1 800 000	180 000 000	180 000 000	1 800 000	180 000 000

Share capital is fully paid up.

Banca Popolare di Sondrio, Sondrio (Italy) holds 100% of the share capital and voting rights of the Bank.

The General Meeting of Shareholders of 29 December 2021 resolved to transform Banca Popolare di Sondrio, Sondrio (Italy), from a cooperative limited by shares to a joint-stock company with the consequent adoption of new Articles of Association; the transformation takes effect from 5 January 2022. Its securities are listed on the Mercato Telematico Azionario (MTA) of the Milan Stock Exchange.

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

	Number of participation rights in Banca Popolare di Sondrio, Italy		Value in CHF of participation rights in Banca Popolare di Sondrio, Italy		Number of options		Value in CHF of options	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Members of the Board of Directors	-	-	-	-	-	-	-	-
Members of the Executive Committee	36 372	29 959	100 376	70 951	-	-	-	-
Employees	-	-	-	-	-	-	-	-
Total	36 372	29 959	100 376	70 951	-	-	-	-

Disclosures on the participation plan

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

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

19. DISCLOSURE OF AMOUNTS DUE FROM/TO RELATED PARTIES

in CHF	Amounts due from			Amounts due to		
	31.12.2021	31.12.2020	Change	31.12.2021	31.12.2020	Change
Holders of qualified participations	109 697 159	50 107 516	59 589 643	1 450 954 634	1 541 908 609	(90 953 975)
Governing bodies	7 601 672	7 601 672	-	2 551 585	4 746 484	(2 194 899)

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

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

Transactions with Holders of qualified participations have been undertaken on market terms and conditions.

For off-balance sheet transactions, please refer to Table 4, where all the hedging operations presented are made with the parent company, as well as to Table 30, which provides a breakdown of fiduciary transactions.

20. DISCLOSURE OF HOLDERS OF SIGNIFICANT PARTICIPATIONS

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

21. DISCLOSURE OF OWN SHARES AND COMPOSITION OF EQUITY CAPITAL

The parent company holds 100 % of the equity capital, as it did in the 2020 financial year.

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

Not applicable.

23. PRESENTATION OF THE MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

in CHF

in CHF	Maturities							
	At sight	Call/notice	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	Fixed assets	Total
Assets/financial instruments								
Liquid assets	867 780 327	-	-	-	-	-	-	867 780 327
Amounts due from banks	103 731 440	-	106 428 000	-	-	-	-	210 159 440
Amounts due from clients	5 525 144	261 270 999	102 304 136	99 417 744	34 277 854	53 452 599	-	556 248 476
Mortgage loans	14 544 126	257 677 596	294 495 039	821 437 708	2 143 020 802	995 933 253	-	4 527 108 524
Positive replacement values of derivative financial instruments	5 107 497	-	-	-	-	-	-	5 107 497
Financial investments	3 432 665	-	6 403 241	11 123 822	21 539 670	-	5 714 000	48 213 398
Total at 31.12.2021	1 000 121 199	518 948 595	509 630 416	931 979 274	2 198 838 326	1 049 385 852	5 714 000	6 214 617 662
Total at 31.12.2020	975 629 881	490 787 449	662 240 188	1 071 297 540	1 675 703 545	973 800 659	6 433 000	5 855 892 262
Amounts due to third parties								
Amounts due to banks	7 018 052	39 500 000	437 032 100	738 952 500	361 725 000	-	-	1 584 227 652
Amounts due in respect of customer deposits	2 217 692 225	1 141 775 490	143 895 757	4 761 464	-	-	-	3 508 124 936
Negative replacement values of derivative financial instruments	89 708 337	-	-	-	-	-	-	89 708 337
Cash bonds	-	-	-	10 792 000	16 525 000	80 000	-	27 397 000
Bond issues and central mortgage institution loans	-	-	5 000 000	13 100 000	186 600 000	374 400 000	-	579 100 000
Total at 31.12.2021	2 314 418 614	1 181 275 490	585 927 857	767 605 964	564 850 000	374 480 000	-	5 788 557 925
Total at 31.12.2020	2 037 500 891	1 105 480 085	597 605 699	382 667 209	998 369 000	327 460 000	-	5 449 082 884

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

CHF in thousands	31.12.2021		31.12.2020	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	867 363	418	867 285	364
Amounts due from banks	65 834	144 325	33 262	67 467
Amounts due from customers	345 837	210 412	284 912	236 483
Mortgage loans	4 431 694	95 415	4 213 714	74 020
Positive replacement values of derivative financial instruments	2 249	2 858	18 123	12 080
Financial investments	5 714	42 499	8 433	39 750
Accrued income and prepaid expenses	8 525	477	7 968	419
Participations	2 790	-	2 790	-
Tangible fixed assets	17 507	143	17 093	187
Other assets	6 990	157	10 158	101
Total assets	5 754 503	496 704	5 463 738	430 871
Liabilities				
Amounts due to banks	132 238	1 451 990	106 095	1 553 050
Amounts due in respect of customer deposits	2 337 064	1 171 061	2 042 238	1 188 414
Negative replacement values of derivative financial instruments	60 557	29 151	8 928	7 028
Cash bonds	27 397	-	24 230	-
Bond issues and central mortgage institution loans	579 100	-	519 100	-
Accrued expenses and deferred income	14 978	6 484	15 487	6 516
Other liabilities	5 769	169	5 333	223
Provisions	4 565	-	8 310	324
Reserve for general banking risks	18 000	-	15 000	-
Share capital	180 000	-	180 000	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	210 283	-	194 155	-
Voluntary retained earnings reserve	-	-	-	-
Profit/Loss (result of the year)	22 401	-	20 178	-
Total liabilities	3 592 352	2 658 855	3 139 054	2 755 555

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

CHF in thousands	31.12.2021		31.12.2020	
	Total	in %	Total	in %
Switzerland	5 754 501	92%	5 463 738	93%
Italy	158 998	3%	114 832	2%
OECD countries	123 354	2%	102 912	2%
Other countries	214 354	3%	213 127	3%
Total assets	6 251 207	100%	5 894 609	100%

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

Country	Rating Fitch	Net foreign exposure At 31 December 2021		Net foreign exposure At 31 December 2020	
		In CHF	Share as %	In CHF	Share as %
Germany	AAA	26 459 751	5.32	29 946 884	6.95
Luxembourg	AAA	13 795 037	2.78	14 984 416	3.48
Netherlands	AAA	-	0.00	3	0.00
Sweden	AAA	7 674 871	1.55	4 002 493	0.93
Singapore	AAA	4	0.00	49	0.00
USA	AAA	1 139 917	0.23	2 485 747	0.58
France	AA	37 405 474	7.53	21 392 781	4.97
Abu Dhabi	AA	281 879	0.06	15 722	0.00
United Kingdom	AA-	22 141 833	4.46	19 930 828	4.62
Hong Kong	AA-	849 301	0.17	503 382	0.12
Israel	A+	1 628 530	0.33	1 697 859	0.39
Ireland	A+	191 826	0.04	-	0.00
Slovenia	A	785 243	0.16	648 263	0.15
Spain	A-	7 295 925	1.47	1 016 355	0.24
Thailand	BBB+	99 993	0.02	99 911	0.02
Italy	BBB	158 997 572	32.00	114 832 341	26.65
Russia	BBB	1 614	0.00	101	0.00
Panama	BBB-	624 732	0.13	414 399	0.10
Greece	BB	259 426	0.05	225 223	0.05
Brazil	BB-	637 086	0.13	661 193	0.15
Monaco	Unrated	180 408 185	36.32	177 331 161	41.16
Guernsey	Unrated	27 320 000	5.50	30 124 840	6.99
Others	n.a.	8 707 177	1.75	10 557 243	2.45
Total		496 705 376	100.00	430 871 194	100.00

The Fitch rating for Switzerland is AAA.

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

CHF in thousands

Assets	CHF	EUR	USD	Other	Total
Liquid Assets	864 167	3 376	153	85	867 781
Amounts due from banks	160 521	36 126	3 974	9 538	210 159
Amounts due from customers	360 405	186 846	2 637	6 361	556 249
Mortgage loans	4 431 694	95 415	-	-	4 527 109
Positive replacement values					
of derivative financial instruments	4 224	658	50	175	5 107
Financial investments	7 509	3 282	37 422	-	48 213
Accrued income and prepaid expenses	5 920	2 097	947	38	9 002
Participations	2 790	-	-	-	2 790
Tangible fixed assets	17 507	143	-	-	17 650
Other assets	6 440	707	-	-	7 147
Total assets in the balance sheet	5 861 177	328 650	45 183	16 197	6 251 207
Off-balance-sheet claims due from foreign exchange					
spot, forward and option transactions	12 025	2 167 109	175 870	145 871	2 500 875
Total assets at 31.12.2021	5 873 202	2 495 759	221 053	162 068	8 752 082
Liabilities					
Amounts due to banks	91 059	1 381 966	12	111 191	1 584 228
Amounts due in respect of customer deposits	2 183 825	1 073 798	194 104	56 398	3 508 125
Negative replacement values of derivative					
financial instruments	89 573	63	14	58	89 708
Cash bonds	27 397	-	-	-	27 397
Loans from central					
mortgage bond institutions	579 100	-	-	-	579 100
Accrued liabilities and deferred income	14 790	6 096	518	58	21 462
Other liabilities	4 064	1 262	612	-	5 938
Provisions	4 565	-	-	-	4 565
Reserve for general banking risks	18 000	-	-	-	18 000
Share capital	180 000	-	-	-	180 000
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	210 283	-	-	-	210 283
Voluntary retained earnings reserves	-	-	-	-	-
Profit/Loss (result of the period)	22 401	-	-	-	22 401
Total liabilities in the balance sheet	3 425 057	2 463 185	195 260	167 705	6 251 207
Off-balance-sheet claims by foreign exchange spot,					
forward and option transactions	2 448 059	31 644	9 924	11 248	2 500 875
Total liabilities at 31.12.2021	5 873 116	2 494 829	205 184	178 953	8 752 082
Net position by currency	86	930	15 869	(16 885)	-

28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

in CHF	31.12.2021	31.12.2020	Change
Guarantees to secure credits and similar	287 540 254	155 309 623	132 230 631
Performance guarantees and similar	-	-	-
Irrevocable commitments arising from documentary letters of credit	25 925 821	22 057 014	3 868 807
Other contingent liabilities	-	-	-
Total contingent liabilities	313 466 075	177 366 637	136 099 438
Contingent assets arising from tax losses carried forward	-	-	-
Other contingent assets	-	-	-
Total contingent assets	-	-	-

29. BREAKDOWN OF CREDIT COMMITMENTS

Not applicable.

30. BREAKDOWN OF FIDUCIARY TRANSACTIONS

in CHF	31.12.2021	31.12.2020	Change
Fiduciary investments with third-party companies	2 053 034	11 886 404	(9 833 370)
Fiduciary investment with group companies and linked companies	-	-	-
Total	2 053 034	11 886 404	(9 833 370)

31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

CHF in million	31.12.2021	31.12.2020	Change
A) Type of managed assets			
Assets in collective investment schemes managed by the bank	791.8	752.3	39.5
Assets under discretionary asset management agreements	568.6	484.7	83.9
Other managed assets	5 044.8	4 655.6	389.2
Total managed assets (including double counting)	6 405.2	5 892.6	512.6
Of which, double-counted assets	326.7	297.3	29.4

"Other managed assets" encompass all the assets deposited by clients in respect of which the Bank performs any services, including those of an administrative nature.

B) Presentation of the development of managed assets			
Total managed assets (including double counting) at beginning of year	5 892.6	5 745.7	146.9
+/- net new money inflow or net new money outflow	180.6	(137.0)	317.6
+/- price gains/losses, interest, dividends and currency gains/losses	332.0	283.9	48.1
+/- other effects	-	-	-
Total managed assets (including double counting) at end of year	6 405.2	5 892.6	512.6

The Bank calculates deposits/(withdrawals) by clients net of any accrued interest, exchange rate differences, variations in rates, commissions and debited expenses.

Loans to clients are not deducted from this amount.

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

in CHF	31.12.2021	31.12.2020	Change
Interest rate instruments (including funds)	-	-	-
Equity securities (including funds)	(15 144)	(17 331)	2 187
Foreign currencies	13 026 172	20 374 682	(7 348 510)
Commodities/precious metals	1 335 115	174 413	1 160 702
Total result from trading activities	14 346 143	20 531 764	(6 185 621)

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

The item "Interest and discount income" contains CHF 1.6 million in negative interest, CHF 1.4 million of which is attributable to the floating rate in interest rate swaps used for hedging.

34. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	31.12.2021	31.12.2020	Change
Salaries	39 380 589	37 893 262	1 487 327
Of which:			
Expenses relating to share-based compensation and alternative forms of variable compensation	3 848 000	3 848 000	-
Social insurance benefits	10 761 296	10 159 578	601 718
Other personnel expenses	1 395 275	1 263 633	131 642
Total	51 537 160	49 316 473	2 220 687

35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

in CHF	31.12.2021	31.12.2020	Change
Office space expenses	6 439 511	6 321 543	117 968
Expenses for information and communications technology	2 383 746	2 144 134	239 612
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	7 317 062	6 688 294	628 768
Fees of audit firm	380 670	361 628	19 042
Of which:			
for financial and regulatory audits	380 670	361 628	19 042
for other services	-	-	-
Other operating expenses	6 207 085	5 872 880	334 205
Total	22 728 074	21 388 479	1 339 595

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

With regard to changes in "Reserves for general banking risks" and regarding the dissolution of provisions that have been freed up, please refer to Table 16.

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

No revaluation was performed in the year under review.

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

in CHF	31.12.2021		
	Switzerland	Abroad*	Total
Net result from interest operations	54 961 108	5 773 569	60 734 677
Net commission and service income	26 097 901	2 683 847	28 781 748
Result from trading activities and the fair value option	13 909 846	436 297	14 346 143
Other result from ordinary activities	3 046 377	(82 289)	2 964 088
Operating expenses	68 783 881	5 481 353	74 265 234
Operating result	29 231 351	3 330 071	32 561 422

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

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

As of 31 December 2021, the item refers in full to current taxes (average tax rate: 19.5%).

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

Not applicable.

INDEPENDENT AUDITORS' REPORT



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

Lugano, 15 February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Banca Popolare di Sondrio (Suisse) SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in the equity and notes (pages 21 to 58), for the year ended 31 December 2021.



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 2021 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

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

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

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

Ernst & Young Ltd



Erico Bertoli
(Qualified
Signature)

Audit expert
(Auditor in charge)



Beatrice Groppelli
(Qualified
Signature)

Audit expert

Our audit report has been signed with qualified electronic signatures on 15th February 2022. The handwritten signatures have been affixed for the purpose of inserting the audit report in the present annual report.

OUR PRODUCTS AND SERVICES

CURRENT ACCOUNTS

DEPOSIT AND INVESTMENT ACCOUNTS

FIDUCIARY AND FORWARD DEPOSITS

LIFE BENEFIT - PILLAR 3A RETIREMENT ACCOUNT

CREDIT AND OTHER BANK CARDS

PACKAGE OF BANKING SERVICES

PAYMENT TRANSFERS

SAFE DEPOSIT BOXES

SECURITIES CUSTODY

ASSET MANAGEMENT
AND INVESTMENT ADVISORY SERVICES

INVESTMENT ADVISORY

INVESTMENT FUNDS
POPSO (SUISSE) INVESTMENT FUND SICAV

MEDIUM-TERM NOTE ISSUES

EXCHANGE AND TRANSACTIONS IN FOREIGN CURRENCIES
AND PRECIOUS METALS

MORTGAGE, LOMBARD AND COMMERCIAL LOANS

DOCUMENTARY CREDITS AND COLLECTIONS

GUARANTEES AND SURETYSHIPS

LIFE INSURANCE PRODUCTS

GOBANKING (e-BANKING)

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FOREWORD

Traditionally, the Annual Report reserves space for a cultural section. The reason behind this is to pair the accounting portion, which is, by nature, full of facts, figures and tables, with a section that people can enjoy reading and may find piques their curiosity.

This year's financial statement – covering the 2021 financial year – contains a substantial monograph on Dimitri Jakob Müller, known professionally as "Dimitri", who was born in Ascona on 18 September 1935 and died in Borgnone in Centovalli on 19 July 2016. He was a famous Swiss circus performer, mime and theatre actor.

His meeting with Jean Andreff at Circus Knie at the age of seven was a eureka moment for the future clown. He realised that his vocation was to become a circus performer and that he would do anything to achieve his goal.

After leaving school, he attended a ceramics course while also taking lessons in acting, music, dance and acrobatics. While still a young man, he began performing in a few student shows, where he created his first numbers as a clown and mime.

In 1954, he moved to Aix-en-Provence in France, and then to Paris the following year, where he followed an intensive course of study in mime performance, acrobatics and tightrope walking. Just one of the things he did at the time was become a student of the famous actor Marcel Marceau, who recruited him for a couple of mime shows. In the French capital, he also performed in the prestigious Circus Medrano.

In 1959, he gave his first solo performance in his native Ascona, to great success and admiration. The boy became a man and, as fate would have it, he joined Circus Knie – the very institution that had fascinated him all those years before. A succession of performances on countless tours in Europe, America, China, Japan and Australia then followed.

Among Dimitri's many accomplishments, there are a few particularly significant ones we have to mention: In 1971, he and his wife Gunda founded a theatre in Verscio (in the canton of Ticino) and, four years later, the Scuola Teatro Dimitri, together with Richard Weber. In 1978, he founded the Compagnia Teatro Dimitri and in 1981 the Dimitri Foundation.

Clowns are called upon to entertain an audience of all ages and from all cultures, so the "language" they use has to be flexible, within everyone's grasp – and that's not always easy. Dimitri wasn't only a master at this but also, because of how well he worked, he can be considered a "clown poet" of travelling shows. Giosuè Carducci comes to our aid in defining the poet in a poem of his own, which includes the line: "The poet is a great craftsman, whose craft has given him muscles of steel: he holds his head high on a strong neck, his torso is bare, his arm hard and his eye merry".

Dimitri knew how to transport adults back in time and invite them to dream, turning them back into children. He inspired joy, a desire to communicate, to be together in harmony.

He loved his family very much, and usually involved them in his shows, assigning each member an age-appropriate role. He was strict with himself, methodical, and, before going on stage, he would prepare meticulously so as to leave nothing to chance.

A kind, sensitive and good person, he found the right words to say for those who had done wrong – and he did so with humility, without pretending to have the right to judge. He comforted those in difficulty with advice and his works. In his travels around the world, he often witnessed the inconsolable pain caused by wars, oppression, injustice, and he suffered deeply as a result. This motivated him to speak up for human rights wherever and however he could.

The talented authors of the texts that make up the monograph paint an articulate picture of Dimitri's character. I would like to thank them warmly and commend each and every one of them. I am also grateful to those who, in various different ways, contributed to the success of this year's cultural piece.

Lugano, January 2022

Chairman
Mario Alberto Pedranzini

