Banca Popolare di Sondrio (SUISSE)

2022 ANNUAL REPORT

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

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BOARD OF DIRECTORS

Mario Alberto Pedranzini
Chairman

Brunello Perucchi
Vice Chairman

Maria Galliani
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
(until 30 September 2022)

Roberto Mastromarchi
Deputy Chief Executive Officer (as of 1 October 2022)
Head of Front Division

Paolo Camponovo
Member of the Executive Committee
Head of Logistics Division

HEAD OF LENDING DIVISION

Alberto Donada
President
(from 1 October 2022)

INTERNAL AUDITING

Alberto Bradanini
President

EXTERNAL AUDITOR

Ernst & Young SA
Lugano

A student from the Maria Auxiliadora School in Cacautare takes part in the reforestation campaign. Choluteca Department, Honduras, 2021.

Everyone can, in one way or another, each in their sphere and according to their strength, contribute to some extent to this good work.

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

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The war in Syria began in September 2011. The conflict has destroyed the entire country and unleashed an unprecedented humanitarian catastrophe.

Something always survives the ruin of states and the collapse of empires: it is ideas, these stars of thought, destined to gradually constitute what could come to be called a moral firmament.

CHAIRMAN'S FOREWORD

The turning of our calendars to January marked the start of a new year, which we would like to be better than the one we have just left behind. It is therefore time to take a look back and review what happened last year in order to draw insights and reflect. And my thoughts turn first of all to the Russian-Ukrainian war which broke out last February, with all the negative consequences that ensued, first and foremost in terms of the death toll, injuries and immense destruction, but also in terms of the economic consequences on the Old Continent and the unfortunate repercussions that this has had on the world stage.

The US economy, after a positive start to the year, subsequently shrank.

China's GDP increased less than expected, as the nation itself had to cope with drought and frequent coronavirus lockdowns, which disrupted production.

The European Union suffered from the significant cut in gas and oil supplies from Russia, mainly to the detriment of business activity, especially in energy-intensive companies, which is why the growth of the economy turned out to be rather subdued. Inflation has risen disproportionately, so much so that the European Central Bank, like the other central banks, led by the Federal Reserve, has implemented significant and sudden interest rate increases, the likes of which have not been seen in a long time.

Speaking of EU countries, a specific mention should be made of neighbouring Italy, where Banca Popolare di Sondrio, our parent bank, is based in Valtellina. The Italian economy, too, was particularly affected by the sharp rise in oil and gas prices. Nevertheless, it held up quite well, not least because tourism boomed and benefited those in the supply chain. GDP grew by 3.9%.

Business relations between Switzerland and Italy continued to be fruitful, starting with trade. The contribution to economic growth and the general well-being of the many Italians who work in Switzerland as cross-border commuters, both seasonal and annual, and of the many companies that, operating in our territories, favour trade between our respective countries, in many cases setting up business units in this country, is a positive one.

Switzerland has been able to keep a steady hand on the tiller, managing to counter the damaging effects of the Russian-Ukrainian war better than other European countries: proof of this is, among other things, the triple 'A' rating assigned by the major rating agencies.

The real estate sector remained stable overall, despite an increased vulnerability in the segment of income-producing residential buildings. The hotel and restaurant business, as a result of improvements in people's health following vaccination against the coronavirus, chalked up significant recoveries. Exports turned out to be lower than expected due to the international crisis.

GDP grew by 2% which, although 1.9 percentage points lower than the previous year, can be considered good, given the negative economic situation.

Unemployment stood at 2.2%, a very positive figure and still below the expected 3% recorded in 2021.

The inflation figure of around 3% (0.6% in the year before) is enviable compared to the very high inflation in other countries in Europe and beyond.

The Swiss franc has not lost its solidity and its reputation as a safe-haven currency has been consolidated.

In this varied and complex international and national context, our institution has continued – as has the parent bank – on its specific path as a local bank, at the disposal of the companies and communities we serve, with a particular focus on the domestic sector, which is sometimes in need of extra attention, especially now that the global crisis has filled the world with uncertainties.

The challenge is to design tomorrow with intelligence and passion in order to protect the planet, and thus our future, the future of humanity, by first of all addressing the major issues of the energy transition with surety. For our part, we are committed to implementing the federal government's ESG guidelines in our day-to-day operations, raising awareness among our stakeholders for both financing and investment products. The focus on the environmental sustainability of new buildings goes hand in hand with the investment lines being implemented, with the aim of certifying the compliance of investments with ESG criteria.

In line with the objectives of our business plan, the balance sheet and profit and loss account results are satisfactory, despite the negative effect recorded on trading for the fair value component, which is, however, subject to a write-back for the same amount in 2023.

Work volumes and intermediated assets grew, yielding positive results, mitigated, however, by the negative values expressed by the financial markets. While deposits were down by 3% on the previous year at CHF 5.42 billion, loans increased by 6% to CHF 5.37 billion. With regard to this post, it is worth emphasising the Bank's firm intention to continue to invest the savings it receives locally, in the form of loans and mortgages, for the benefit of the real economy and the communities in the territories it serves.

The Bank's solidity allowed for the opening of the agency in Manno, in the Lugano region, in July, meaning that, by the end of 2022, the network has 21 branches in operation: 20 located in 8 cantons, plus the foreign branch in the Principality of Monaco. They are joined by the Direct Banking virtual branch in Lugano and the representative office in Verbier.

BPS (SUISSE) SA is a well-established, well-respected bank with a workforce comprising 359 well-trained and enthusiastic employees, an increase of 12 individuals in the year under review.

I feel it is my duty to thank all those who contributed to the positive results, first and foremost my fellow members of the Board of Directors, who were attentive to the development of the complex situation and always generous with their ideas and initiatives.

I would like to thank the Executive Board and all employees for their commitment and readiness to do their best.

I would like to express gratitude to FINMA, the Swiss Financial Market Supervisory Authority, for its customary careful supervision of our work.

I would like to thank the members of the external auditor EY-Ernst & Young, who were judicious and professional.

I cannot forget to address special thanks to our parent bank, whose cooperation was, as always, intense and fruitful.

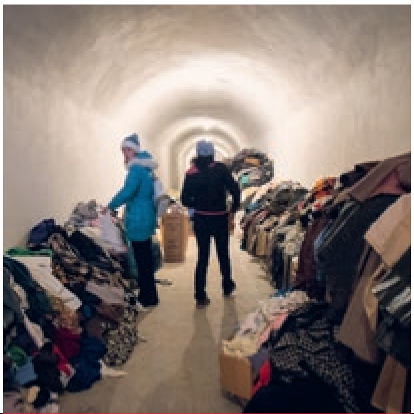
A special word of thanks goes to our clients who, by choosing us, have enabled us to progress and expand over the years. For our part, we will continue to stand by their side and offer them pioneering products and services that meet their needs – even the most sophisticated – and are to their complete satisfaction, in our common interest.

I extend my best wishes for the year that has just begun, and I hope it will be a prosperous and healthy one for everybody.

Lugano, 1 January 2023

Chairman
Mario Alberto Pedranzini

Local Red Cross distribution point in a bunker where displaced people from eastern Ukraine can receive food parcels, hygiene packs and winter clothing sent by the ICRC.
Crimea, centre of Sevastopol, 2014.



I do not wish to touch upon the problem of the legitimacy of war, nor the impossible dream, in the current state of things, of the universality of the kingdom of peace.

The ICRC, together with the Ukrainian Red Cross, helps civilians leave the city safely. Sumy, 2022.

Today, it is up to women to look after society, much more so than to 22 million European soldiers, whose bayonets gleam from Gibraltar to the Urals, from Palermo to the Baltic.

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

International panorama

In the promising wake of the last quarter of 2021, the general opinion was that we could expect stable economic growth, giving way to a complete return to normality, in terms of both social matters and production.

Instead, the outbreak of war in Ukraine in February subverted this forecast, signalling the start of a period of destabilising uncertainty.

The unease caused by the outbreak of an armed conflict in Europe after 77 years of peace, the fear that hostilities could spread to other countries and the terror in the face of potential nuclear escalation have given rise to structural risks and weaknesses in the economy and created diplomatic rifts, which are difficult to bridge.

Strategic, food and energy sovereignty, dependence on supplies from authoritarian regimes, the implementation of economic sanctions and preparedness to reinforce military arsenals were major issues debated intensively at every level.

Skyrocketing gas and oil prices, with a knock-on effect on all production sectors, and the possibility of a sudden halting of deliveries from Russia to Western Europe brought with them volatility and fear.

Despite exceptional measures implemented in haste to replace suppliers and replenish inventories in the hope of coping with needs over the winter, the risk of shortages in deliveries of energy-related materials and certain raw materials resulted in a marked slowdown in growth, especially from the last quarter of 2022 onwards. The outlook remains bleak, as current problems and critical issues will be difficult to solve in the short term and run the risk of becoming embedded.

While the measures to support individuals and companies in difficulty, taken to mitigate rising energy prices, were fairly well received by the recipients, they also raised concerns about the resilience of government deficits in some countries.

There was a recurrence of inflation in the first months of the year – and at high rates – which did not initially cause concern as it was considered an expected and temporary effect of the atypical post-pandemic increase in global demand and associated unavoidable production delays and bottlenecks in supply and distribution chains.

With this change in the economic landscape, inflation has instead returned to the forefront of central banks' agendas as price stability, the primary objective of their mandate, has been undermined.

European interest rates abruptly broke out of the negative zone and headed decisively upwards. Towards the end of the year, this trend is in full swing, albeit at a more moderate pace, given the delayed effectiveness of monetary policy and, where permitted, by the statutes of the central bank, the goal of avoiding an excessive slowdown of the economy, resulting in higher unemployment.

The fall of the financial markets affected all asset classes, a historically rare occurrence, with the exception of commodities, causing further worry and uncertainty. On a positive note, the system and combined reaction of investors and savers proved resilient in the face of these difficulties. Looking ahead, we can count on the markets' usual anticipatory mechanism to support prices as soon as the end of the recession appears on the horizon.

The world of cryptoassets and virtual currencies – entirely digital financial instruments – has also been shaken up, attracting the attention of regulators, which has been followed by the announcement of regulatory interventions aimed at preventing an uncontrolled expansion of the sector. In the same area, various countries and central banks have initiated projects and experiments relating to digital currencies (central bank digital currency or CBDC), with a view to reducing wholesale transaction costs, directly participating in the innovation process and maintaining firm control of the currency in the future.

Switzerland: the economy and the financial system
Although Switzerland showed a good level of resilience, confirming the strength of its economy, it was inevitably affected by international tensions and issues.

Growth estimates have been progressively adjusted downwards for 2022 and thereafter, without, however, crossing over into recession territory, unlike in some other developed countries. If we consider that the very strong recovery in 2021 would theoretically have meant less potential for growth in the following year, the data looks even more positive.

The contribution of private consumption, as well as investment in capital goods, continued to grow. More generally, there were significant differences across the various economic sectors and segments. In foreign trade, the good import performance contrasted with the export slowdown, which was induced by the international context.

Inflation was well above the historical average, although far from the exceptional levels seen elsewhere, thanks in part to the Swiss franc's appreciation against the euro. The Swiss currency's quotations are currently in a state of substantial equilibrium, in contrast to the past when the overvaluation of the Swiss franc was something of a leitmotif.

The National Bank's decision to raise reference interest rates in June, preceding similar moves by the major central banks, surprised the market. The exit from the long period of negative interest rates, which started more than seven years ago, was sanctioned at the following quarterly meeting. In December, the money market guide rate was raised to 1% with the warning of potential further hikes should this prove necessary in establishing medium-term price stability.

Unemployment remained below the OECD average. In many sectors, there was a shortage of staff; for skilled workers, the shortage has become almost structural. The progressive ageing of the population and the current rates of retirement of working people seem set to accentuate this phenomenon.

The real estate industry maintained substantial stability. In the investment property segment, however, repercussions are expected in the aftermath of rising interest rates and the portfolio repositioning of institutional investors. On the other hand, the increased flow of migration and the slowdown in construction activity in recent years have led to a housing shortage – factors that should help stabilise the market or even increase rental prices.

After the collapse of the project aiming to establish an institutional agreement with the European Union, Switzerland's main economic partner, the search for the most appropriate ways to conclude international treaties is still ongoing.

In the area of financial services, the goal of pursuing European market access has seen no significant progress. Collaboration with the United Kingdom, with a view to mutual recognition of national regulations, is, however, much more promising.

The partial revision of the Banking Act, in force since 1 January 2023, will provide better protection for depositors in the framework of the bank deposit guarantee (esisuisse). The implementations from a technical point of view, related to the considerable reduction of processing times, are likely to be costly.

The sectoral projects under development (instant payment, open banking, etc.) are an integral part of a new financial ecosystem that is increasingly computerised, open and communicative. This process is also driven by regulators with the intention of lowering barriers to access and reducing the costs of products and services for users and savers in a real-time context. Critical issues arise from the magnitude of the resources required and the investment costs that are only sustainable if spread out over time. Cybersecurity remains the main concern of authorities, intermediaries and users.

Performance during the year

Our universal bank model, centred on two core businesses, retail banking and private banking, complemented by corporate and asset management, has proven to work well even during one of the most complicated periods in recent history.

In our role as a financial intermediary, our efforts were directed towards metabolising changes in the economic situation as quickly as possible, without losing sight of our medium-term objectives.

The need to better assist clients in such a complicated environment and the management of contingent needs placed an extraordinary strain on the entire structure.

These commitments have fatefully resulted in a slowdown in the implementation of long-planned IT development projects.

While the return to normality on the interest rate front had been long-awaited and hoped for, eliminating the distortion of negative rates, the speed of the change was surprising and therefore impacted cash flow management and the orientation of business.

Passive funds again became a valuable resource, even when in excess of normal needs, whereas in the previous period, cash seemed to have lost value. The situation is therefore back on the right track as well as every investment to be valued according to the classic principles of financial analysis.

With new self-regulatory measures, our industry associations have issued binding provisions for the inclusion of ESG (Environmental, Social, Governance) criteria, both in the context of investment advice and asset management activities, as well as for mortgage advice, which is currently being implemented. In the same area, we can benefit from the coordination of our parent bank, which has a state-of-the-art structure and organisation.

At the beginning of the second half of the year, the agency in Manno (Canton of Ticino) opened its doors in an area of particular interest in the Lugano region, bringing the Bank’s operational presence to 21 branches, spread over 8 Swiss cantons and the Principality of Monaco, in addition to our Direct Banking virtual branch and the representative office in Verbier (Canton of Valais).

The number of employees increased by 12 from the previous year to 359.

Employees in various sectors underwent training in order to bring their areas of competence up to date. There were targeted initiatives aimed at younger staff and in the area of management. Particular attention was paid to the issue of generational change.

Remote working is now a real alternative, no longer forced by health or regulatory requirements. It is intended to be used fairly in order to take into account personal and family needs while simultaneously safeguarding internal efficiency and quality in customer service.

Client deposits were positive in terms of net new money, i.e. new inflows. However, as a result of the downturn on the stock exchanges and, for the foreign currency component, the appreciation of the exchange rate, funds were down: total funding came to CHF 5,422,000,000 (-3%), of which CHF 3,502,000,000 (-1%) was direct funding and CHF 1,920,000,000 (-8%) indirect funding.

Plans for the introduction of new sub-funds in Popso (SUISSE) Investment Fund are advancing well. The new website of the Luxembourg-registered Sicav, of which we are the manager, has a revamped graphic design, which reinforces the relationship with our brand.

The range of products and services aimed at retail clients was further expanded. Towards the end of the financial year, the Mastercard Debit card was launched, rich in new features, including online offerings.

The offer in investment fund savings plans, with modular solutions that can also be customised via our website, confirmed the interest of the target clients. As it performs well even in volatile markets, it has been confirmed as a valid solution for all types of clients.

In the area of 3rd-pillar pension provision, the collaboration with Privor Vorsorgestiftung, a foundation specialising in investment funds, to complement the Life Benefit deposits, which are entirely made up of liquid assets, was successfully launched.

Loans to clients rose to CHF 5,371,000,000 (+6%), of which CHF 4,781,000,000 (+6%) were mortgage loans and CHF 590,000,000 (+6%) in the form of other loans. Growth affected all areas covered and was almost entirely attributable to the residential segment. The sudden rise in interest rates has not diminished demand, except with regards to outlook. With the application of prudential risk parameters in calculating the creditworthiness and down payment value of property, the portfolio's risk level remained moderate.

The cooperation with the central mortgage bond issuing institution, Pfandbriefbank Schweizerischer Hypothekarinstitute AG, continued at the usual pace with medium- and long-term issues that met with investor approval due to the high rating and the quality of the collateralisation.

The results in the income statement reflect in some components the extraordinary nature of the situation and the well-known events mentioned in the report.

The net result from interest operations increased to CHF 66,799,000 (+10%) as a result of the growth in the loan portfolio, the low risk level of loans and the recovery of past provisions.

Net commission and service income decreased to CHF 24,999,000 (-13%) due to lower stock exchange values and the recording of foreign currency commissions in Swiss francs. The inflow of new capital only partly offset the market effect, while high uncertainty led to caution in new investment initiatives.

The result from trading activities and the fair value option decreased by 30% to CHF 10,007,000 due to the negative balance sheet value of foreign exchange swap transactions, which became necessary due to the strong EUR component of our funding. In application of the mark-to-market criteria, the broadening of the interest rate spread, in particular between EUR and CHF, has led to a widening in the current financial year to the benefit of the following year.

Operating expenses rose to CHF 76,487,000 (+3%), of which CHF 53,236,000 (+3%) was classed as personnel expenses and CHF 23,251,000 (+2%) as general and administrative expenses, in line with expectations.

The increase in personnel expenses is attributable to the structural bolstering following the expansion of business, the opening of a new agency and the need to maintain adequate risk management and controls.

As far as general and administrative expenses are concerned, their incidence is mainly attributable to IT costs, both for new developments and for day-to-day management, without neglecting the costly fulfilment of regulatory obligations. Further expenses increases can be attributed to the deployment of the necessary resources for the resolution of an IT incident that occurred at the beginning of the financial year relating to payment transactions in such a way that meant clients were not affected.

The operating result net of amortisation and prudential provisions was CHF 21,145,000 (-25%).

The profit (result for the period) achieved was CHF 16,397,000 (-27%).

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 12,347,000 be paid to the Statutory retained earnings reserve.

At the end of a particularly intricate year, which the Bank has been able to navigate smoothly and successfully, also thanks to the general cooperation received, we feel obliged to express our special thanks to our parent bank, the FINMA Supervisory Authority, the external auditing firm Ernst & Young, our employees, and last but not least, our clients who, in banking with us, have also chosen to put their trust in us.

Lugano, 23 January 2023 **The Board of Directors**

A woman walks in the muddy soil of a riverbed with a large white bucket on her head. Alufeyo Mbale Village, Malawi, 2022.

Honour to these charitable creatures, honour to women!

2022 FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2022 (WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2021)

ASSETS

in CHF	Note	2022	2021	Change
Liquid assets		888 246 726	867 780 327	20 466 399
Amounts due from banks		118 376 519	210 159 440	(91 782 921)
Amounts due from customers	2	589 856 062	556 248 476	33 607 586
Mortgage loans	2	4 781 338 444	4 527 108 524	254 229 920
Positive replacement values of derivative financial instruments	4	13 135 548	5 107 497	8 028 051
Financial investments	5	50 774 255	48 213 398	2 560 857
Accrued income and prepaid expenses		9 621 717	9 002 028	619 689
Participations	6-7	2 421 333	2 790 135	(368 802)
Tangible fixed assets	8	18 552 793	17 649 614	903 179
Other assets	10	3 240 465	7 147 110	(3 906 645)
Total assets		6 475 563 862	6 251 206 549	224 357 313
Total subordinated claims		-	-	-

LIABILITIES

in CHF	Note	2022	2021	Change
Amounts due to banks		1 785 437 305	1 584 227 652	201 209 653
Amounts due in respect of customer deposits		3 472 039 700	3 508 124 936	(36 085 236)
Negative replacement values of derivative financial instruments	4	68 076 436	89 708 337	(21 631 901)
Cash bonds	15	30 232 000	27 397 000	2 835 000
Bond issues and central mortgage institution loans	15	644 100 000	579 100 000	65 000 000
Accrued expenses and deferred income		24 142 974	21 462 296	2 680 678
Other liabilities	10	5 124 654	5 937 571	(812 917)
Provisions	16	3 379 950	4 565 301	(1 185 351)
Reserve for general banking risks	16	18 000 000	18 000 000	-
Share capital	17	180 000 000	180 000 000	-
Statutory capital reserve		-	-	-
Statutory retained earnings reserve		228 633 456	210 282 571	18 350 885
Voluntary retained earnings reserves		-	-	-
Profit/Loss (result of the period)		16 397 387	22 400 885	(6 003 498)
Total liabilities		6 475 563 862	6 251 206 549	224 357 313
Total subordinated liabilities		-	-	-

OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2022 (WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2021)

in CHF	Note	2022	2021	Change
Contingent liabilities	2,28	294 737 638	313 466 075	(18 728 437)
Irrevocable commitments	2	16 541 633	16 146 986	394 647
Obligation to pay up shares and make further contributions	2	1 092 560	993 440	99 120

INCOME STATEMENT FOR THE 2022 FINANCIAL YEAR (WITH 2021 COMPARATIVE FIGURES)

in CHF	Note	2022	2021	Change
Interest income:				
- Interest and discount income	33	76 510 397	70 986 930	5 523 467
- Interest and dividend income from trading portfolios		-	-	-
- Interest and dividend income from financial investments		304 526	381 678	(77 152)
Interest expense		(13 851 088)	(6 993 736)	(6 857 352)
Gross result from interest operations		62 963 835	64 374 872	(1 411 037)
Changes in value adjustments for default risks and losses from interest operations		3 834 839	(3 640 195)	7 475 034
Subtotal net result from interest operations		66 798 674	60 734 677	6 063 997
Commission income:				
- from securities trading and investment activities		17 981 062	22 106 753	(4 125 691)
- from lending activities		3 268 416	3 168 339	100 077
- from other services		6 807 228	6 502 014	305 214
Commission expense		(3 057 344)	(2 995 358)	(61 986)
Subtotal result from commission business and services		24 999 362	28 781 748	(3 782 386)
Result from trading activities and the fair value option	32	10 006 546	14 346 143	(4 339 597)
Result from the disposal of financial investments		54 327	1 205 863	(1 151 536)
Income from participations		39 028	39 028	-
Result from real estate		10 200	50 702	(40 502)
Other ordinary income		2 052 862	2 541 147	(488 285)
Other ordinary expenses		(3 053 213)	(872 652)	(2 180 561)
Other result from ordinary activities		(896 796)	2 964 088	(3 860 884)
Personnel expenses	34	(53 235 756)	(51 537 160)	(1 698 596)
General and administrative expenses	35	(23 250 731)	(22 728 074)	(522 657)
Total operating expenses		(76 486 487)	(74 265 234)	(2 221 253)

INCOME STATEMENT FOR THE 2022 FINANCIAL YEAR (CONTINUED)

in CHF	Note	2022	2021	Change
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	8	(3 755 861)	(3 462 266)	(293 595)
Changes to provisions and other value adjustments, and losses		479 879	(899 969)	1 379 848
Operating result		21 145 317	28 199 187	(7 053 870)
Extraordinary income	36	2 070	1 698	372
Extraordinary expenses	36	-	-	-
Changes in reserves for general banking risks		-	(1 750 000)	1 750 000
Taxes	39	(4 750 000)	(4 050 000)	(700 000)
Profit (Result of the period)		16 397 387	22 400 885	(6 003 498)

PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT AS AT 31 DECEMBER 2022 (WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2021)

in CHF	Note	2022	2021	Change
Profit (Result of the period)		16 397 387	22 400 885	(6 003 498)
Profit/Loss carried forward		-	-	-
Distributable profit		16 397 387	22 400 885	(6 003 498)
The Board of Directors proposes to allocate the balance sheet profit totalling CHF 16 397 387 as at 31 December 2022 as follow:				
Dividend		4 050 000	4 050 000	-
Statutory retained earnings reserve		12 347 387	18 350 885	(6 003 498)
Retained earnings to be carried forward		-	-	-

CASH FLOW STATEMENT 2022 (WITH 2021 COMPARATIVE FIGURES)

CASH FLOW FROM OPERATING ACTIVITIES

CHF in thousands	**2022**		2021	
	Source	Utilisation	Source	Utilisation
Profit (Result of the period)	16 397	-	22 401	-
Value adjustment on participations, depreciaton and amortisation of tangible fixed assets and intangible assets	3 756	-	3 462	-
Value adjustments	-	-	-	-
Provisions and other value adjustments	-	1 185	-	4 069
Change in reserve for general banking risks	-	-	3 000	-
Accrued income and prepaid expenses	-	620	-	615
Accrued expenses and deferred income	2 681	-	-	540
Positive replacement values of derivative financial instruments	-	8 028	25 096	-
Negative replacement values of derivative financial instruments	-	21 632	73 752	-
Other assets	3 907	-	3 112	-
Other liabilities	-	813	381	-
Dividend previous year	-	4 050	-	4 050
Net operating cash flow	-	9 587	121 930	-

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	369	-	-	-
Real estate	-	393	-	23
Other fixed assets	-	4 266	-	3 809
Intangible fixed assets	-	-	-	-
Net cash flow from investment activities	-	4 290	-	3 832

CASH FLOW STATEMENT 2022 (CONTINUED)

CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2022		2021	
	Source	Utilisation	Source	Utilisation
Balance brought forward	-	13 877	121 930	3 832
Non-current operations (> 1 year)				
Amounts due to banks	-	262 925	-	449 325
Amounts due in respect of customer deposits	-	-	-	-
Cash bonds	8 062	-	926	-
Bond issues and central mortgage institution loans	43 100	-	61 900	-
Client loans	28 497	-	2 817	-
Mortgage loans	-	456 661	-	605 078
Financial investments	-	7 299	4 260	-
Current operations				
Amounts due to banks	464 134	-	374 408	-
Amounts due in respect of customer deposits	-	36 085	277 473	-
Cash bonds	-	5 227	2 241	-
Bond issues and central mortgage institution loans	21 900	-	-	1 900
Amounts due from banks	91 783	-	-	109 431
Amounts due from customers	-	62 105	-	37 670
Mortgage loans	202 431	-	365 703	-
Financial investments	4 738	-	-	4 291
Trading portfolio assets/Trading portfolio liabilities	-	-	-	-
Net cash flow from banking activities	34 343	-	-	117 967
Total cash flow	34 343	13 877	121 930	121 799
Change in cash flow	20 466	-	131	-

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 01.01.2022	180 000 000	-	210 282 571	18 000 000	-	-	22 400 885	430 683 456
Dividends	-	-	-	-	-	-	(4 050 000)	(4 050 000)
Other allocations to the reserves for general banking risks	-	-	-	-	-	-	-	-
Other allocations to the other reserves	-	-	18 350 885	-	-	-	(18 350 885)	-
Profit/Loss (result of the period)	-	-	-	-	-	-	16 397 387	16 397 387
Equity as at 31 December 2022 before appropriation of net profit for 2022	**180 000 000**	**-**	**228 633 456**	**18 000 000**	**-**	**-**	**16 397 387**	**443 030 843**

An ICRC team distributes meals
to members of the nutrition programme
at the hospital in Kaga-Bandoro,
a town in the Central African Republic,
where three hot meals a day are served,
October 2022.

Placate all human suffering without distinction of nationality, race, religion, social status or political affiliation.

NOTES TO THE 2022 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, an agency in Manno, a branch in St Moritz (with three agencies in Poschiavo, Castasegna and 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 359 employees (end of 2021: 347 employees), which represented a total of 339.1 fulltime equivalent positions (2021: 329.7 FTEs).
From September 2018 the Bank outsourced domestic and international interbank payments system. A dedicated contract was signed for this purpose with a segment leader in Switzerland.

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

2. ACCOUNTING AND VALUATION PRINCIPLES USED IN THE ANNUAL ACCOUNTS

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

ACCOUNTING PRINCIPLES

DUE FROM BANKS AND CLIENTS, MORTGAGE LOANS

These items are recognised at face value, net of necessary adjustments in value. Interest received is recognised on a pro rata basis at the contractual interest rate.
Customer loans and mortgages are corrected with value adjustments to account for potential lending risk using an internal rating model. Writedowns of non-performing loans are determined on an individual basis.
Interest at risk is treated as prescribed by law. Accrued interest not collected within 90 days after the due date is provided for and deducted from the items "Due from clients" and "Mortgage loans".

FINANCIAL INVESTMENTS

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

PARTICIPATING INTERESTS

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

FIXED ASSETS

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

	2022	2021
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 0.9880 (2021: 1.0335); USD 0.9248 (2021: 0.9125).

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

In 2022, there were no changes in the accounting principles relating to the preparation of the financial statements and to valuation compared to the financial year ended 31 December 2021.

SIGNIFICANT POST-BALANCE-SHEET EVENTS

No significant post-balance-sheet events occurred that would result in inclusion in the 2022 financial statements.

RISK MANAGEMENT

The Board of Directors has performed an analysis of the main risks to which Banca Popolare di Sondrio (SUISSE) SA is exposed. The analysis is based on the risk management data and techniques used by the Bank, as described below, and on an estimate of its potential future risks. The internal control system, designed to 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 proportionate to and strictly dependent on its business model, organisation and financial structure.
The Bank is committed to promulgating, at all levels in its organisation, a corporate culture that is sensitive to risk. In February 2022 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 (including interest rate risks), 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 accoding for 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

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 mitigate 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 containing the results of the effectiveness tests of outstanding interest rate swaps. The effectiveness criteria are based on those specified in International Accounting Standard IFRS 9. The qualification of the hedging relationship complies with the effectiveness requirements 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 performe 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.

The terrible flood on 26 August 2022 led to the deaths of almost a thousand people, displaced 3.1 million people and damaged more than half a million homes in several districts of Kuala Lumpur (Malaysia). In addition, almost 710,000 livestock were lost and thousands of kilometres of roads and bridges were destroyed.

Remember that this civilisation of which you are proud, will at the same time sink your prosperity, your trade, your industry, your agriculture and perhaps, even your national freedom and domestic serenity!

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	222 522 111	341 155 200	41 399 301	605 076 612
Mortgage loans				
Residential property	4 500 043 186	-	-	4 500 043 186
Office and business premises	258 567 442	-	-	258 567 442
Commercial and industrial premises	36 707 044	-	-	36 707 044
Other	-	-	-	-
Total loans (before netting with value adjustments – table 16) at 31 December 2022	**5 017 839 783**	**341 155 200**	**41 399 301**	**5 400 394 284**
Total at 31 December 2021	4 746 484 711	328 337 771	41 343 453	5 116 165 935
Total loans (after netting with value adjustments) at 31 December 2022	**5 002 538 378**	**340 711 748**	**27 944 380**	**5 371 194 506**
Total at 31 December 2021	4 727 284 920	327 907 546	28 164 534	5 083 357 000
Off-balance-sheet				
Contingent liabilities	2 678 281	263 990 560	28 068 797	294 737 638
Irrevocable commitments	2 496 804	76 829	13 968 000	16 541 633
Obligation to pay up shares and make further contributions	-	-	1 092 560	1 092 560
Total at 31 December 2022	**5 175 085**	**264 067 389**	**43 129 357**	**312 371 831**
Total at 31 December 2021	4 833 890	280 154 117	45 618 494	330 606 501

Impaired loans	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Total at 31 December 2022	**38 755 503**	**20 937 361**	**17 818 142**	**17 818 142**
Total at 31 December 2021	37 859 454	20 077 461	17 781 993	17 781 993

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	-	-	-	-	71 409	53 600 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Foreign exchange/Precious metals						
Forward contracts	12 496 796	67 366 275	2 667 127 368	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	1 241	-	-	-
Options (OTC)	46 920	46 920	5 315 989	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Equity securities/Indices						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	983	983	47 487	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	590 849	590 849	28 729 366	-	-	-
Credit derivatives						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
Other						
Forward contracts	-	-	11 512 039	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
Total before effect of netting contracts						
Total at 31 December 2022	**13 135 548**	**68 005 027**	**2 712 733 490**	**-**	**71 409**	**53 600 000**
Total at 31 December 2021	5 107 497	87 133 107	2 534 959 525	-	2 575 230	148 600 000

4. (CONTINUED)

in CHF

Total after netting agreements

	Cumulative positive replacement value	Cumulative negative replacement value
Total at 31 December 2022	**13 135 548**	**68 076 436**
Total at 31 December 2021	5 107 497	89 708 337

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 2022	-	12 217 603	917 945

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 2022 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	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
Debt securities	42 102 408	39 066 733	42 114 705	39 118 762
Of which:				
Intended to be held to maturity	42 102 408	39 066 733	42 114 705	39 118 762
Not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	3 296 847	3 432 665	3 376 508	3 839 934
Of which:				
Qualified participations	-	-	-	-
Deposit bonds (purchase value)	-	-	-	-
Precious metals	-	-	-	-
Real estate	5 375 000	5 714 000	7 191 000	9 557 000
Total financial investments	**50 774 255**	48 213 398	**52 682 213**	52 515 696
Of which:				
Securities eligible for repo transactions in accordance with liquidity requirements	14 378 092	14 442 570	-	-

Breakdown of counterparties by rating At 31 December 2022	AAA to AA-	A+ to A-	BB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities						
Book values	32 200 439	910 419	1 955 600	-	-	7 035 950
Equity securities						
Book values	-	-	-	110 344	-	3 186 503

6. PRESENTATION OF PARTICIPATIONS

in CHF

	Acquisition cost	Accumulated value adjustments and changes in book value	Book value previous year end	Reclassifications	Additions	Disposals	Value adjustments	Changes in book value of participations valued using the equity method	Book value as at end of current year	Market value
Other participations										
Market value	-	-	-	-	-	-	-	-	-	-
Without market value	2 790 135	-	2 790 135	-	231 198	-	(600 000)	-	2 421 333	N/A
Total	**2 790 135**	**-**	**2 790 135**	**-**	**231 198**	**-**	**(600 000)**	**-**	**2 421 333**	**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	1 100 000 000	0.18%	0.18%	1 951 000	-

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

The value of the participation (CHF 600 000) has been fully adjusted.

In accordance with Art. 34 of the Swiss Banking Ordinance (BankO), there is no obligation to prepare consolidated financial statements as at 31 December 2022.

The costs relating to the purchase of the “Pfandbriefbank – Zurich” participation amount to CHF 2 421 333.

8. PRESENTATION OF TANGIBLE FIXED ASSETS

in CHF	Current year								
	Purchase price	Accumulated depreciation & amortisation	Book value as at 31.12.2021	Reclassi-fication	Additions	Disposals	Depreciation & amorti-sation	Revaluation	Book value as at 31.12.2022
Fixed assets									
Bank buildings	22 431 323	(11 927 102)	10 504 221	-	392 727	-	(638 623)	-	10 258 325
Proprietary or separately acquired software	51 928 423	(49 520 394)	2 408 029	-	2 188 224	-	(1 667 803)	-	2 928 450
Other tangible fixed assets	87 216 824	(82 479 460)	4 737 364	-	2 078 089	-	(1 449 435)	-	5 366 018
Total	**161 576 570**	**(143 926 956)**	**17 649 614**	**-**	**4 659 040**	**-**	**(3 755 861)**	**-**	**18 552 793**

Disclosure of the total amount of non-recognised operating leases commitments	**105 222**
of which expiring within 12 months	8 300
of which expiring more than 12 months and up to five years	96 922

9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF	Other assets		
	31.12.2022	31.12.2021	Change
Compensation account	71 409	2 575 230	(2 503 821)
Swiss Federal Tax Administration	1 806 531	1 682 727	123 804
Others	1 362 525	2 889 153	(1 526 628)
Total	**3 240 465**	7 147 110	(3 906 645)

	Other liabilities		
	31.12.2022	31.12.2021	Change
Swiss Federal Tax Administration	1 139 363	1 080 562	58 801
Suppliers	2 511 017	2 252 508	258 509
Others	1 474 274	2 604 501	(1 130 227)
Total	**5 124 654**	5 937 571	(812 917)

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

in CHF

Pledged/assigned assets	**Book values**	**Effective commitments**
Mortgages securing loans at central mortgage bond institutions	1 815 749 349	644 100 000
Securities used as collateral at the SNB	4 506 547	4 506 547
Securities used as collateral at SIX SIS	5 171 261	5 171 261
Securities repurchase (Repo) operations	-	-
Securities (financial investments) pledged to secure Repo operations	4 700 284	No liabilities
Assets under reservation of ownership	-	-

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

Not applicable.

13. LIABILITIES TO PENSION PLANS

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

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

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

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

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

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

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

a) Employer contribution reserves (ECR)

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

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

	Overfunding/ underfunding at end of current year	Economic interest of the bank/financial group at end of current year	Economic interest of the bank/financial group at end of previous year	Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses at end of current year	Pension expenses in personnel expenses at end of previous year
Pension plans without overfunding/ underfunding	-	-	-	-	-	6 866 521	6 601 126

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**								**Grand total**	
Year						Interest rate								**2022**	2021
	0.050	0.175	0.300	0.425	0.550	0.675	0.800	1.050	1.425	1.550	2.300	2.425	2.800		
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	18 100
2023	5 000	25 000	-	-	-	-	-	10 000	-	-	-	-	-	**40 000**	40 000
2024	3 000	15 000	-	-	-	-	20 000	-	5 000	5 000	-	-	-	**48 000**	43 000
2025	-	13 500	5 000	10 000	20 000	22 200	5 000	-	-	-	-	-	-	**75 700**	70 700
2026	5 000	-	32 900	-	-	-	-	-	-	-	-	-	7 400	**45 300**	32 900
2027	5 000	5 600	20 000	4 000	-	-	-	-	-	-	-	-	-	**34 600**	24 600
2028	-	23 600	-	6 500	39 700	6 900	-	-	-	-	-	-	-	**76 700**	76 700
2029	-	-	-	-	20 000	-	-	-	5 000	-	-	-	-	**25 000**	20 000
2030	5 000	-	5 000	20 000	-	-	-	5 000	-	-	-	-	-	**35 000**	30 000
2031	-	15 000	-	-	-	10 000	-	-	-	-	-	-	-	**25 000**	20 000
2032	-	22 500	-	-	-	-	-	-	-	-	-	-	-	**22 500**	22 500
2033	-	5 000	-	-	-	10 000	-	-	-	5 000	-	-	-	**20 000**	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
2037	-	-	-	-	-	-	-	-	-	-	5 000	15 700	-	**20 700**	-
2038	-	-	10 000	-	-	-	1 000	-	-	-	-	-	-	**11 000**	11 000
2039	-	-	-	5 000	-	5 000	-	-	-	-	-	-	-	**10 000**	10 000
2040	-	12 500	-	20 000	-	-	-	-	-	-	-	-	-	**17 500**	17 500
2041	15 000	-	20 000	-	-	-	-	-	-	-	-	-	-	**35 000**	35 000
2042	-	-	15 000	20 000	-	-	-	-	-	5 000	-	-	-	**40 000**	35 000
2043	-	-	-	10 000	-	-	-	-	-	-	-	-	-	**10 000**	10 000
2044	-	-	-	-	2 100	-	-	-	-	-	-	-	-	**2 100**	2 100
2046	-	-	-	5 000	-	-	-	-	-	-	-	-	-	**5 000**	5 000
2049	5 000	-	-	-	-	-	-	-	-	-	-	-	-	**5 000**	5 000
2052	-	-	-	-	-	-	-	-	-	-	5 000	-	-	**5 000**	-
Total	43 000	137 700	122 900	80 500	86 800	69 100	31 000	15 000	10 000	15 000	10 000	15 700	7 400	**644 100**	579 100

As in the previous year, no bonds are outstanding.

15. (CONTINUED)

CHF in thousands

Medium-term notes in circulation at 31.12.2022

Interest rate	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	**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%	300	100	-	-	-	-	-	-	-	-	400
0.100%	165	40	50	-	-	-	-	-	-	-	255
0.150%	-	-	30	-	-	-	-	-	-	-	30
0.200%	10	50	-	50	-	20	-	-	-	-	130
0.300%	-	-	-	50	40	-	20	-	-	-	110
0.450%	-	80	-	-	-	-	-	-	-	-	80
0.500%	-	-	1 433	-	-	-	-	-	-	-	1 433
0.550%	-	-	75	-	-	-	-	-	-	-	75
0.650%	-	-	-	80	-	-	-	-	-	-	80
0.750%	-	1 888	-	40	55	-	-	-	-	-	1 983
0.800%	-	1 938	260	-	-	-	-	-	-	-	2 198
0.850%	-	210	15	60	-	-	-	-	-	-	285
0.875%	-	-	-	15	-	-	-	-	-	-	15
0.900%	-	203	150	-	50	-	-	-	-	-	403
0.950%	-	-	-	-	10	-	-	-	-	-	10
1.000%	-	892	905	3	20	100	-	50	-	-	1 970
1.050%	-	125	114	315	65	-	-	-	-	-	619
1.100%	-	100	325	10	-	-	-	-	-	50	485
1.150%	-	950	193	169	45	-	-	-	-	-	1 357
1.200%	-	-	-	-	580	-	-	-	-	-	580
1.250%	-	230	175	148	70	35	-	-	50	-	708
1.300%	-	-	380	-	-	143	-	-	-	-	523
1.375%	90	80	10	-	33	-	50	-	-	-	263
1.400%	-	50	-	60	-	-	10	-	-	-	120
1.450%	-	-	-	-	-	-	10	-	-	-	10
1.500%	-	-	-	-	-	-	-	20	35	-	55
1.550%	-	-	50	-	-	-	35	-	10	-	95
1.600%	-	-	-	-	-	-	-	-	200	-	200
1.625%	-	-	-	-	-	-	-	-	-	10	10
1.650%	-	-	-	-	-	-	-	-	-	210	210
1.700%	-	-	-	-	-	-	-	-	-	40	40
Total	**5 565**	**12 436**	**4 165**	**6 000**	**968**	**298**	**125**	**70**	**295**	**310**	**30 232**

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, reclassifi-cation, 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	385 301	-	-	-	-	-	(25 351)	359 950
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	4 180 000	(600 000)	-	-	-	910 000	(1 470 000)	3 020 000
Total provisions	**4 565 301**	**(600 000)**	**-**	**-**	**-**	**910 000**	**(1 495 351)**	**3 379 950**
Reserve for general banking risks	**18 000 000**	**-**	**-**	**-**	**-**	**-**	**-**	**18 000 000**
Value adjustments for default and country risks (deducted from the balance sheet receivables)	**32 808 935**	**(86 931)**	**(165 000)**	**(31 982)**	**(7 443 023)**	**4 273 209**	**(155 430)**	**29 199 778**
Of which:								
Value adjustments for default risks in respect of impaired loans/receivables	17 781 993	(46 632)	(165 000)	(17 296)	(1 925 268)	2 345 775	(155 430)	17 818 142
Value adjustments for latent risks	15 026 942	(40 299)	-	(14 686)	(5 517 755)	1 927 434	-	11 381 636

“Reserves for geneal banking risks” are not taxed.

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.

Banca Popolare di Sondrio (Italy) is a jointstock company whose securities are listed on the Euronext Milan market.

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	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
Members of the Board of Directors	-	-	-	-	-	-	-	-
Members of the Executive Committee	36 098	36 372	110 343	100 376	-	-	-	-
Employees	-	-	-	-	-	-	-	-
Total	**36 098**	36 372	**110 343**	100 376	**-**	-	**-**	-

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		
	31.12.2022	31.12.2021	Change	**31.12.2022**	31.12.2021	Change
Holders of qualified participations	**36 976 446**	109 697 159	(72 720 713)	**1 753 170 417**	1 450 954 634	302 215 783
Governing bodies	**6 185 672**	7 601 672	(1 416 000)	**2 529 450**	2 551 585	(22 135)

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 2021 financial year.

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

Not applicable.

23. PRESENTATION OF THE MATURITY STRUCTURE OF FINANCIAL INSTRUMENTS

in CHF	Maturities							
	At sight	Call/notice	Due within 3 months	Due within 3 to 12 months	Due within 12 months to 5 years	Due after 5 years	Fixed assets	Total
Assets/financial instruments								
Liquid assets	888 246 726	-	-	-	-	-	-	888 246 726
Amounts due from banks	83 376 519	-	35 000 000	-	-	-	-	118 376 519
Amounts due from clients	6 325 533	316 106 457	139 310 409	68 880 777	27 131 940	32 100 946	-	589 856 062
Mortgage loans	14 426 185	303 090 278	265 175 732	603 031 287	2 640 249 951	955 365 011	-	4 781 338 444
Positive replacement values of derivative financial instruments	13 135 548	-	-	-	-	-	-	13 135 548
Financial investments	5 252 446	-	-	10 969 292	29 177 517	-	5 375 000	50 774 255
Total at 31.12.2022	**1 010 762 957**	**619 196 735**	**439 486 141**	**682 881 356**	**2 696 559 408**	**987 465 957**	**5 375 000**	**6 441 727 554**
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
Amounts due to third parties								
Amounts due to banks	6 989 305	-	543 448 000	1 136 200 000	98 800 000	-	-	1 785 437 305
Amounts due in respect of customer deposits	1 980 637 367	1 159 169 335	230 680 858	101 552 140	-	-	-	3 472 039 700
Negative replacement values of derivative financial instruments	68 076 436	-	-	-	-	-	-	68 076 436
Cash bonds	-	-	215 000	5 350 000	23 569 000	1 098 000	-	30 232 000
Bond issues and central mortgage institution loans	-	-	10 000 000	30 000 000	203 600 000	400 500 000	-	644 100 000
Total at 31.12.2022	**2 055 703 108**	**1 159 169 335**	**784 343 858**	**1 273 102 140**	**325 969 000**	**401 598 000**	**-**	**5 999 885 441**
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

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

CHF in thousands	**31.12.2022**		31.12.2021	
	Switzerland	Abroad	Switzerland	Abroad
Assets				
Liquid assets	887 948	299	867 363	418
Amounts due from banks	43 140	75 236	65 834	144 325
Amounts due from customers	338 412	251 444	345 837	210 412
Mortgage loans	4 661 617	119 722	4 431 694	95 415
Positive replacement values of derivative financial instruments	5 342	7 793	2 249	2 858
Financial investments	14 367	36 408	5 714	42 499
Accrued income and prepaid expenses	9 428	194	8 525	477
Participations	2 421	-	2 790	-
Tangible fixed assets	17 874	678	17 507	143
Other assets	2 936	305	6 990	157
Total assets	**5 983 485**	**492 079**	5 754 503	496 704

	31.12.2022		31.12.2021	
	Switzerland	Abroad	Switzerland	Abroad
Liabilities				
Amounts due to banks	31 066	1 754 372	132 238	1 451 990
Amounts due in respect of customer deposits	2 389 004	1 083 035	2 337 064	1 171 061
Negative replacement values of derivative financial instruments	32 713	35 364	60 557	29 151
Cash bonds	30 232	-	27 397	-
Bond issues and central mortgage institution loans	644 100	-	579 100	-
Accrued expenses and deferred income	14 709	9 434	14 978	6 484
Other liabilities	4 898	227	5 769	169
Provisions	3 380	-	4 565	-
Reserve for general banking risks	18 000	-	18 000	-
Share capital	180 000	-	180 000	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	228 633	-	210 283	-
Voluntary retained earnings reserve	-	-	-	-
Profit/Loss (result of the year)	16 397	-	22 401	-
Total liabilities	**3 593 132**	**2 882 432**	3 592 352	2 658 855

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

CHF in thousands	31.12.2022		31.12.2021	
	Total	in %	Total	in %
Switzerland	5 983 485	93%	5 754 501	92%
Italy	86 296	2%	158 998	3%
OECD countries	121 959	2%	123 354	2%
Other countries	283 824	3%	214 354	3%
Total assets	**6 475 564**	**100%**	6 251 207	100%

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

Country	Rating Fitch	Net foreign exposure **At 31 December 2022**		Net foreign exposure At 31 December 2021	
		In CHF	Share as %	In CHF	Share as %
Germany	AAA	32 734 854	6.65	26 459 751	5.32
Luxembourg	AAA	5 404 565	1.10	13 795 037	2.78
Netherlands	AAA	3	0.00	-	0.00
Sweden	AAA	6 240 267	1.27	7 674 871	1.55
Singapore	AAA	78	0.00	4	0.00
USA	AAA	2	0.00	1 139 917	0.23
France	AA	33 620 683	6.83	37 405 474	7.53
Abu Dhabi	AA	5 328	0.00	281 879	0.06
United Kingdom	AA-	20 603 766	4.19	22 141 833	4.46
Belgium	AA-	227	0.00	-	0.00
Hong Kong	AA-	150	0.00	849 301	0.17
Ireland	AA-	2 953	0.00	191 826	0.04
Israel	A+	1 576 411	0.32	1 628 530	0.33
Slovenia	A	735 978	0.15	785 243	0.16
Spain	A-	15 043 206	3.06	7 295 925	1.47
Thailand	BBB+	-	0.00	99 993	0.02
Italy	BBB	86 296 318	17.54	158 997 572	32.00
Panama	BBB-	348 832	0.07	624 732	0.13
Greece	BB	201 772	0.04	259 426	0.05
Brazil	BB-	612 563	0.12	637 086	0.13
Russia	C	1 846	0.00	1 614	0.00
Monaco	Unrated	263 843 442	53.62	180 408 185	36.32
Guernsey	Unrated	15 073 318	3.06	27 320 000	5.50
Others	n.a.	9 732 155	1.98	8 707 177	1.75
Total		**492 078 717**	**100.00**	496 705 376	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	884 326	3 613	209	99	888 247
Amounts due from banks	66 705	40 179	1 056	10 436	118 376
Amounts due from customers	337 582	245 809	951	5 514	589 856
Mortgage loans	4 661 617	119 722	-	-	4 781 339
Positive replacement values of derivative financial instruments	12 538	244	256	97	13 135
Financial investments	16 178	12 882	21 714	-	50 774
Accrued income and prepaid expenses	5 124	3 516	859	123	9 622
Participations	2 421	-	-	-	2 421
Tangible fixed assets	17 874	678	-	-	18 552
Other assets	2 718	310	204	9	3 241
Total assets in the balance sheet	**6 007 083**	**426 953**	**25 249**	**16 278**	**6 475 563**
Off-balance-sheet claims due from foreign exchange spot, forward and option transactions	28 537	2 395 201	213 005	44 554	2 681 297
Total assets at 31.12.2022	**6 035 620**	**2 822 154**	**238 254**	**60 832**	**9 156 860**

Liabilities					
Amounts due to banks	5 383	1 775 508	267	4 280	1 785 438
Amounts due in respect of customer deposits	2 240 669	981 940	190 209	59 221	3 472 039
Negative replacement values of derivative financial instruments	66 847	1 069	16	144	68 076
Cash bonds	30 232	-	-	-	30 232
Loans from central mortgage bond institutions	644 100	-	-	-	644 100
Accrued liabilities and deferred income	12 919	9 566	1 498	160	24 143
Other liabilities	3 807	1 313	5	-	5 125
Provisions	3 380	-	-	-	3 380
Reserve for general banking risks	18 000	-	-	-	18 000
Share capital	180 000	-	-	-	180 000
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	228 633	-	-	-	228 633
Voluntary retained earnings reserves	-	-	-	-	-
Profit/Loss (result of the period)	16 397	-	-	-	16 397
Total liabilities in the balance sheet	**3 450 367**	**2 769 396**	**191 995**	**63 805**	**6 475 563**
Off-balance-sheet claims by foreign exchange spot, forward and option transactions	2 571 506	63 793	30 825	15 173	2 681 297
Total liabilities at 31.12.2022	**6 021 873**	**2 833 189**	**222 820**	**78 978**	**9 156 860**
Net position by currency	13 747	(11 035)	15 434	(18 146)	-

28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES

in CHF	**31.12.2022**	31.12.2021	Change
Guarantees to secure credits and similar	271 133 204	287 540 254	(16 407 050)
Performance guarantees and similar	-	-	-
Irrevocable commitments arising from documentary letters of credit	23 604 434	25 925 821	(2 321 387)
Other contingent liabilities	-	-	-
Total contingent liabilities	**294 737 638**	313 466 075	(18 728 437)
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	**31.12.2022**	31.12.2021	Change
Fiduciary investments with third-party companies	48 215 065	2 053 034	46 162 031
Fiduciary investment with group companies and linked companies	-	-	-
Total	**48 215 065**	2 053 034	46 162 031

31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

CHF in million	**31.12.2022**	31.12.2021	Change
A) Type of managed assets			
Assets in collective investment schemes managed by the bank	644.1	791.8	(147.7)
Assets under discretionary asset management agreements	499.4	568.6	(69.2)
Other managed assets	4 922.4	5 044.8	(122.4)
Total managed assets (including double counting)	**6 065.9**	6 405.2	(339.3)
Of which, double-counted assets	265.0	326.7	(61.7)

"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	6 405.2	5 892.6	512.6
+/- net new money inflow or net new money outflow	(157.0)	180.6	(337.6)
+/- price gains/losses, interest, dividends and currency gains/losses	(182.3)	332.0	(514.3)
+/- other effects	-	-	-
Total managed assets (including double counting) at end of year	**6 065.9**	6 405.2	(339.3)

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	**31.12.2022**	31.12.2021	Change
Interest rate instruments (including funds)	-	-	-
Equity securities (including funds)	(17 231)	(15 144)	(2 087)
Foreign currencies	11 490 436	13 026 172	(1 535 736)
Commodities/precious metals	(1 466 659)	1 335 115	(2 801 774)
Total result from trading activities	**10 006 546**	14 346 143	(4 339 597)

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 0.6 million in negative interest (31.12.2021: CHF 1.6 milion), CHF 0.5 million of which is attributable to the floating rate in interest rate swaps used for hedging (31.12.2021: CHF 1.4 milion).

34. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	**2022**	2021	Change
Salaries	40 216 438	39 380 589	835 849
Of which:			
Expenses relating to share-based compensation and alternative forms of variable compensation	3 848 000	3 848 000	-
Social insurance benefits	11 292 540	10 761 296	531 244
Other personnel expenses	1 726 778	1 395 275	331 503
Total	**53 235 756**	51 537 160	1 698 596

35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

in CHF	**2022**	2021	Change
Office space expenses	6 361 025	6 439 511	(78 486)
Expenses for information and communications technology	2 375 279	2 383 746	(8 467)
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	7 981 421	7 317 062	664 359
Fees of audit firm	380 490	380 670	(180)
Of which:			
for financial and regulatory audits	380 490	380 670	(180)
for other services	-	-	-
Other operating expenses	6 152 516	6 207 085	(54 569)
Total	**23 250 731**	22 728 074	522 657

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

Nothing to report during the year under review.

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	2022		
	Switzerland	Abroad*	Total
Net result from interest operations	59 972 496	6 826 178	66 798 674
Net commission and service income	22 583 804	2 415 558	24 999 362
Result from trading activities and the fair value option	9 623 979	382 567	10 006 546
Other result from ordinary activities	(16 645)	(880 151)	(896 796)
Operating expenses	70 467 890	6 018 597	76 486 487
Operating result	**21 695 744**	**2 725 555**	**24 421 299**

* 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 2022, the item refers in full to current taxes (average tax rate: 21.8%).

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, 10 February 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Banca Popolare di Sondrio (Suisse) SA (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income, the statement of cash flows and the statement of changes in the equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements (pages 21 to 58) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.
We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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)	Beatrice Groppelli (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Our audit report has been signed with qualified electronic signatures on 10th February 2023. The handwritten signatures have been affixed for the purpose of inserting the audit report in the present annual report.

GENERAL MANAGEMENT
Via Giacomo Luvini 2a, CH–6900 Lugano

FOREWORD

"Sing to me, O goddess, the destructive wrath of Achilles, son of Peleus, which brought countless woes for the Achaeans." The first line of The Iliad is an eloquent demonstration of how bellicosity has been part of the order of things since ancient times. Hostilities between nations in every corner of the world have been immortalised in literature over the centuries. Those in our recent history make our blood boil; the two horrific world wars of the last century and the numerous conflicts currently being played out around the world, including in Europe, with their appalling rates of fatality, injury and destruction causing uncontrollable migration and misery.

Armies most often engage in hostilities following a government decision, and never at the behest of the soldiers involved. Wars are born and fought for the sake of opposing ideologies, or to conquer territories or liberate those arbitrarily and unlawfully occupied, unlawful occupation also being the context in which the three Italian Wars of Independence were fought. In the Second War of Independence, the bloodshed at the Battle of Solferino on 24 June 1859 left a considerable negative imprint, with thousands dead on the battlefield and countless wounded. The violent clash between the Austrian army on one side and the French and Piedmontese armies on the other profoundly shook the sensitive soul of Henry Dunant, a Swiss man who had travelled to the scene of the battle to meet with Emperor Napoleon III (in an area controlled by Napoleon's forces), with the intention of asking for support with some ventures in Algeria that were close to his heart. During his visit, Dunant had occasion to visit the wounded soldiers transferred from the battlefield to the nearby town of Castiglione delle Stiviere, where they received first aid from the locals. The scene of great suffering sparked in Dunant the idea of establishing a permanent corps of volunteers to assist the wounded in war zones, regardless of their nationality. This idea ultimately led to the creation of the International Red Cross. Dunant had seen too much bloodshed, too much suffering. Among other things, he wrote: "they cannot rest, and in their anguish, they implore the doctors for help and writhe despairingly in convulsions that end in tetanus and death."

He succeeded in provoking public outrage at the things he had witnessed first-hand in Castiglione delle Stiviere with the publication of his book 'A Memory of Solferino' in 1862. The book influenced the Geneva Conference of October 1863 and led to the Geneva Convention in August 1864, which incorporated, among other things, the principal of neutrality for the sick and wounded in war zones, to which the International Red Cross, formalised on this occasion, owes its existence.

Henry Dunant, Swiss scholar and philanthropist of noble sentiments, is the figure chosen for the monograph to occupy the cultural section of our annual report this year, 2022.

He was born on 8 May 1828 and grew up in a devout Calvinist family, which instilled in him the values of helping others, especially the poor and the sick, disadvantaged families and orphans.

He was not a particularly gifted student. He spent most of his time studying religion, motivated by his family and by the community.

The most notable manifestations of his innate charitable nature were his frequent visits to prisoners, whom he skilfully entertained with lively tales of various kinds and insights into biblical texts, which aroused a great deal of interest in his listeners.

He had no inclination for business and, despite being thoroughly committed to his duties, over the years he went from being comfortably well-off to extremely poor, which brought with it suffering and oblivion.

In 1901, an event occurred that brought Henry Dunant, the man of peace par excellence, to prominence. On 10 December that year, he was awarded the first ever Nobel Peace Prize. He donated most of the prize money that went with it to charity.

He died in poverty on 30 October 1910 in Heiden, a village in the Swiss district of Appenzell.

With reference to the Nobel Peace Prizes awarded over the years, I would like to highlight the 1990 laureate Mikhail Gorbachev, the last Secretary of the Communist Party in the former USSR, who received the prize for being the architect of the concepts of 'Perestroika' and 'Glasnost'. He died on 30 August last year. He brought in significant reforms that enhanced the liberty of people and brotherhood in the broadest sense, and changed the course of world history for the better. Gorbachev's peaceful spirit can be compared in some respects to that of Henry Dunant. Banca Popolare di Sondrio, our parent company in Valtellina, invited the Russian statesman to meet some local people and economic operators in 1994. The rally was a triumph.

With reference to his hope for peaceful coexistence between peoples, we can draw a parallel with the poem *I due fanciulli* [The Two Little Boys], a metaphorical representation of the violence of humanity by Giovanni Pascoli: "Peace, brothers! And ensure that the hand you now or later extend to those closest to you experience no conflict or threat."

Returning to the Henry Dunant monograph following this brief digression, I would like to extend my thanks to the skilful authors of the articles that make up this substantial piece, and my congratulations to each of them for their valuable contributions, the result of diligent, in-depth research.

Lugano, January 2023

Chairman
Mario Alberto Pedranzini