

# 2023 ANNUAL REPORT

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

Head Office and General Management  
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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

## GENERAL MANAGEMENT

**Mauro De Stefani**  
Chief Executive Officer

**Roberto Mastromarchi**  
Deputy Chief Executive Officer  
Head of Front Division

**Paolo Camponovo**  
Member of the Executive Committee  
Head of Logistics Division

**Alberto Donada**  
Member of the Executive Committee  
Head of Credits Division

## INTERNAL AUDITING

**Alberto Bradanini**  
President

## EXTERNAL AUDITOR

**Ernst & Young SA**  
Lugano

In her role as a UNICEF Ambassador, Audrey Hepburn walks along a village path accompanied by Vietnamese children from the Dao hill tribe. She wears a traditional ethnic outfit, given to her by the women of this northern Vietnamese village, 1990.





*Remember, if you ever need a helping hand,  
it's at the end of your arm... As you get older, remember you have another hand:  
The first is to help yourself, the second is to help others.*

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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In the small pictures on pages  
8, 13, 14, 20, 30, 38,  
UNICEF Ambassador  
Audrey Hepburn whilst on  
various humanitarian missions.

Small picture:  
In Bangladesh, 1989.

Below:  
On the set of *My Fair Lady*  
with her Yorkshire Terrier,  
Assam of Assam, 1964.



*There are journeys that are made with one piece of luggage: the heart.*





## CHAIRMAN'S FOREWORD

2024 was rung in with the usual noisy celebrations, providing a few hours of welcome distraction from the Russian-Ukrainian war in Europe and the Israeli-Palestinian war in the Middle East which broke out three months ago. But as the fireworks fade, the complex situations swiftly resurface and lead us to further reflection on their severity.

We want the bombing to stop and make way for serious peace talks. Recalling the Latin poet Tibullus' aversion to war, as declared at the start of one of his elegies: "*Quis fuit horrendos primus qui protulit enses? Quam ferus et vere ferreus ille fuit!* (Who was the first to forge the deadly blade? From rugged steel his savage soul was made!)"

Regarding the economy, the United States has gradually increased productivity and employment despite the worrying geopolitical situation. Conversely, China, the Asian giant of global influence, has recorded rather modest growth, far from the forecasts, marking a significant contraction in consumption.

The eurozone has been heavily impacted by the negative effects of rising energy commodity prices. Germany's economy, in particular, has stagnated. Imports and exports have suffered.

We must note neighbouring Italy, if nothing else because it is home to our parent company Banca Popolare di Sondrio, a dynamic and profitable bank with strong core values, which in 2023 produced figures showing notable growth and profits exceeding the forecasts of the 2022–2025 Business Plan. The desire to grow and diversify business activities, in a harmonious blend of innovation and tradition, is inherent in the Group and makes it open to digitalization without neglecting its local presence. Strategic development in north-eastern Italy continued with four agencies opening in key locations. Business relations both within and outside Switzerland highlight the important exchange with Italy, with many workers and companies contributing to our progress. Buoyed by tourism (domestic tourism in particular), which proved to be strong in 2023, and by myriad dynamic companies (mostly small and medium-sized), Italy weathered the negative economic situation quite well, albeit with a low GDP growth of 0.7%. Inflation fell significantly in the latter part of the year, mainly as a result of the European Central Bank's interventions.

Let's turn to our home territory.

The enviable AAA rating awarded to Switzerland in 2023 by the major rating agencies immediately stands out in the context of the aforementioned macroeconomic problems. Swiss attributes such as its traditional political stability, fiscal fairness, business solidity, thoughtful vision of the future and the post-pandemic resilience of its population were rewarded.

Consumption rose gradually and satisfactorily throughout the year. Following the momentum of the first months, the economy subsequently slowed. In contrast, the diverse service sector grew satisfactorily. Exports fluctuated.

Construction performed well in the first part of the year, but subsequently stalled. The property market was somewhat tepid.

Against this backdrop of uncertainty, Switzerland's gross domestic product (GDP) grew by 1.3%, down from 2.4% and 5.1% in 2022 and 2021 respectively. The unemployment rate of 2.3 was as expected and in line with previous years. Inflation was contained at 2.1%. The Swiss National Bank's interventions were beneficial with repeated increases in the key rate.

The Swiss franc, whose average exchange rate was 0.97 against the euro, maintained its reputation as a safe-haven currency.

As for our bank, we have made prudent and far-sighted choices in our operations, aimed both at increasing our company's solidity, which also benefits our results and development, and at satisfying the financial needs of our clients, while offering them ESG (Environmental Social Governance) investments. This promotes sustainability and environmental protection, which is a key topic. Among other things, this is included

in the Banca Popolare di Sondrio Banking Group's 2022–2025 Business Plan.

Deposits and loans are balance sheet items that strongly characterise the work of credit institutions. In these areas, we grew by 4% and 3% respectively. While clients have rewarded us by placing their trust in us, we have also remained true to our roots as a 'cooperative bank' by granting loans and mortgages on competitive terms, and trying, as far as possible, to leave the savings generated for healthy businesses and the population. We believe we have honoured the motto "the bank receives, the bank gives".

Net profit for the year was excellent, providing increased motivation for our work. This is what we aim to do, relying both on our 21 efficient branches (20 located throughout eight Swiss cantons and one in the Principality of Monaco) plus the direct banking virtual branch in Lugano and the representative office in Verbier, and on our 369 knowledgeable and enthusiastic employees.

The cultural section of this report contains a fascinating monograph on the actress Audrey Hepburn, the timeless female star of the 1950s film "Roman Holiday" and tireless humanitarian activist on behalf of UNICEF.

We must also mention Dr Flavio Pedrazzoli, who passed away on 20 April 2023. He was born in Bellinzona, Switzerland on 17 December 1927. A brilliant person with extensive banking experience, Flavio was our Vice President from February 1998 to February 2014, a period during which we benefited greatly from his wealth of ideas and recommendations. Our sorrow is combined with renewed gratitude.

Following on from these brief remarks, I would like to thank:

- the Board of Directors, who have constantly and diligently monitored the various events in order to be able to express their opinions with full knowledge of the facts and give sound advice and directives;
- the Executive Board and employees, for their tireless commitment;
- FINMA, the Swiss Financial Market Supervisory Authority, for its supervision of our operations;
- the external auditors at EY–Ernst & Young, for their meticulous work;
- the parent bank Banca Popolare di Sondrio, for its sustained and fruitful collaboration as always;
- our clients, for the work entrusted to us. We remain attentive to their various needs regarding banking and other services, which we will continue to offer on competitive terms.

I will end by wishing each and every one of you a happy and prosperous 2024.

Lugano, 1 January 2024

Chairman  
**Mario Alberto Pedranzini**



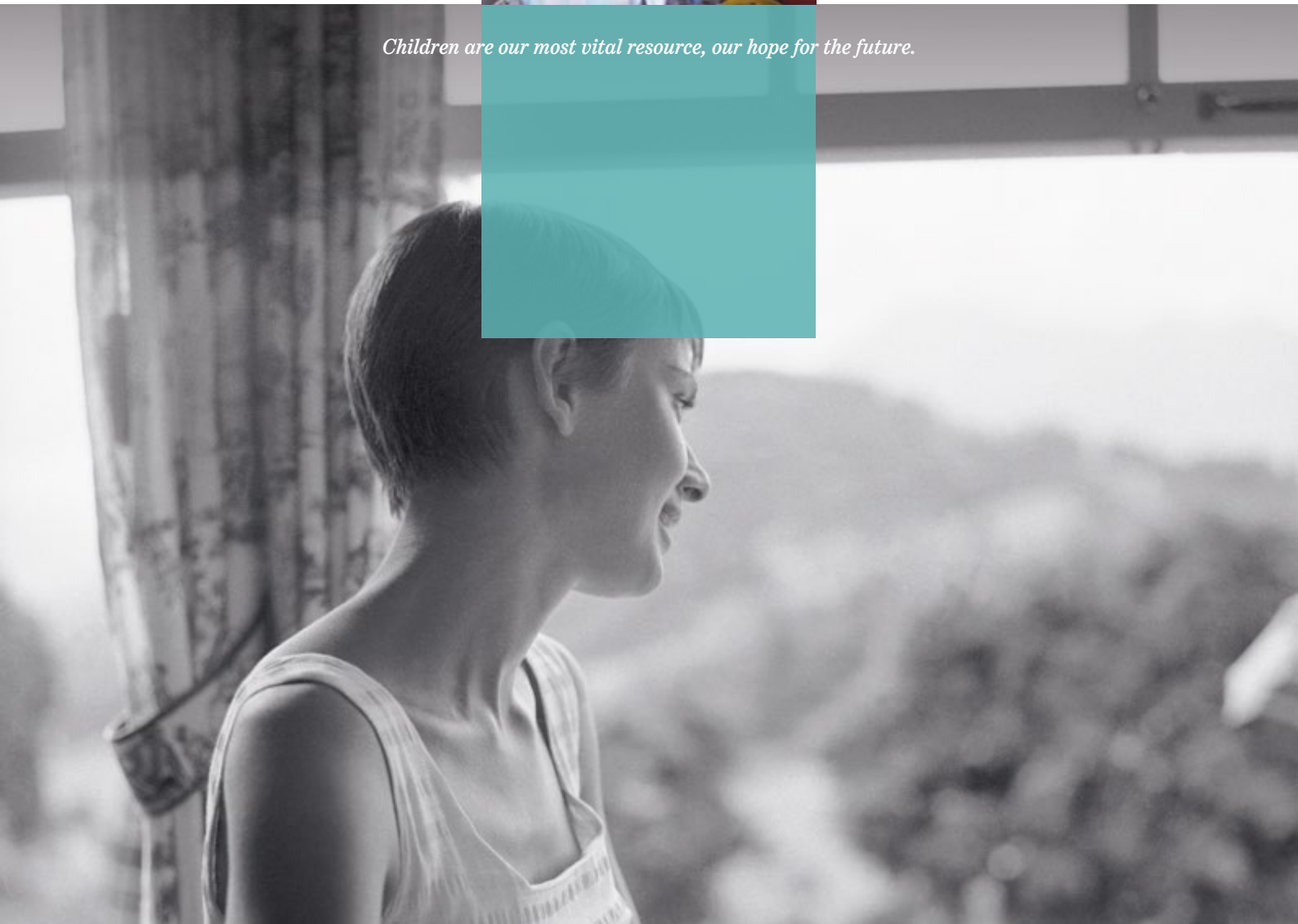


Small picture:  
In Vietnam, 1990.

Below:  
Audrey admires the panoramic  
view of Bürgenstock, in the  
heart of Switzerland, 1954.



*Children are our most vital resource, our hope for the future.*

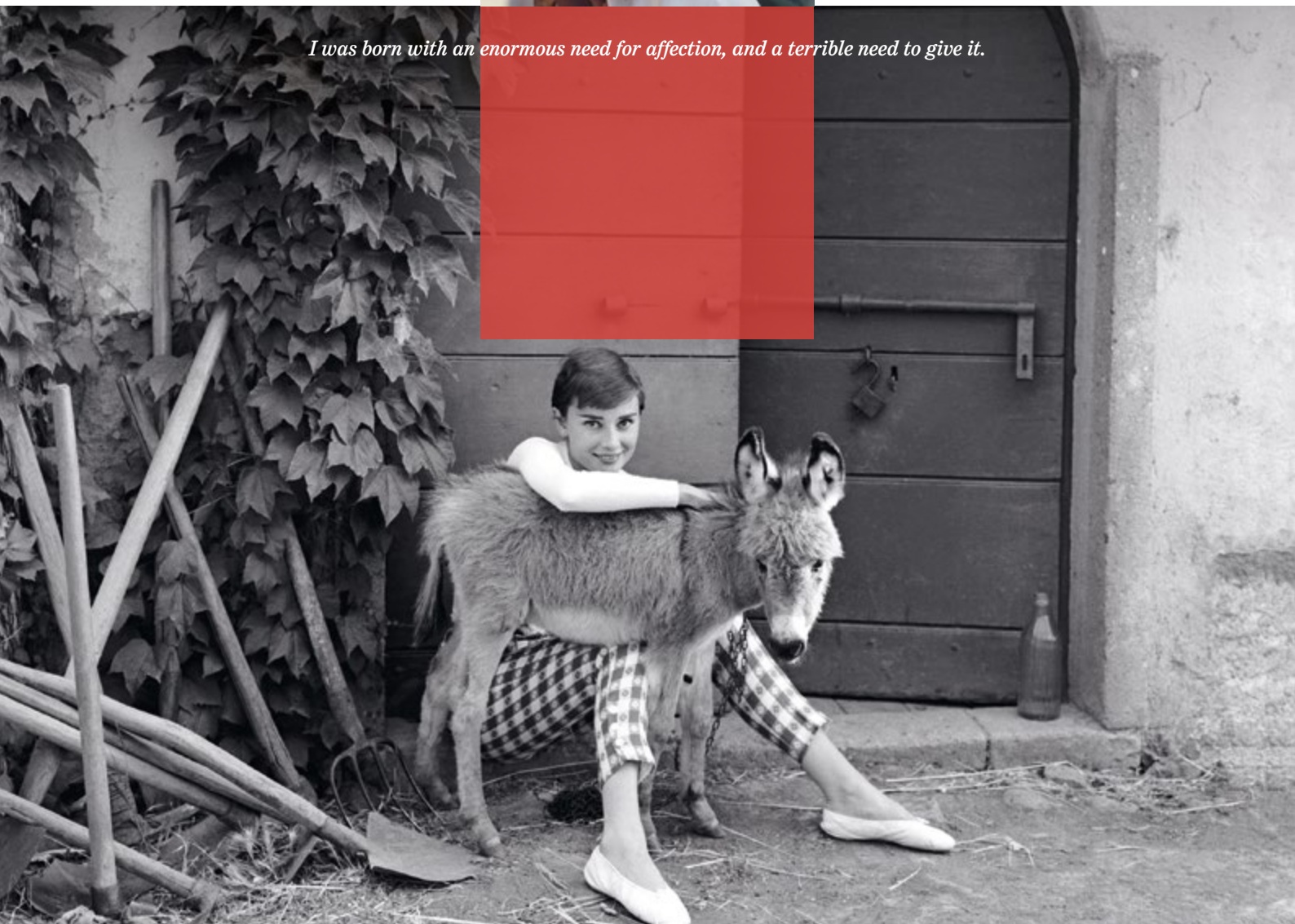


Small picture:  
In Ethiopia, 1988.

Below:  
With Bimba the donkey at Villa Rolli,  
in the town of Cecchina (near Rome),  
where the actress stayed whilst  
filming *War and Peace*, 1955.



*I was born with an enormous need for affection, and a terrible need to give it.*



## REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

### **International panorama**

2023, not unlike previous years, saw many disruptive challenges.

While the painful Russian-Ukrainian conflict was expected to be brought to a swift conclusion, a new crisis arose in the Middle East that proves difficult to resolve. The images of war and its effects on the affected populations cannot help but shake our consciences with the hope that the havoc will soon come to an end.

Amid this difficult geopolitical context, economic and financial repercussions are being felt in a climate where uncertainty has become the norm and resilience a necessity.

Contrary to the prevailing opinion, the economies of industrialised countries have not fallen into recession, with the notable exception of Germany. On the positive side, the United States' performance stood out. Despite disagreements with China, tensions should be eased by the interdependence between these two major economies.

The forecasts for the coming months are not bright. In fact, they converge on growth at current levels, slightly above zero and well below the historical average. We should see a stabilisation in Europe, which is further through the economic cycle, and a slowdown in the United States a slowdown, while China seems unable to stimulate global growth. It seems difficult, at least in the short term, to find solutions that can bridge the increasingly marked imbalances between these three key areas of the planet.

Elections in numerous countries from Europe to the USA, affecting almost half of the world's population, add uncertainty to the general picture. An ageing workforce also threatens to limit the growth and production levels of many nations.

As regards inflation, the drastic measure in the form of the central banks' chain of interest rate increases has produced the desired effects, bringing the price stability target, conventionally set at 2% of inflation, much closer.

In view of the delayed effectiveness of monetary policy, the expectations are that rates will fall from the second half of 2024 onwards, thereby easing the current restrictive stance.

Reaching the peak and the prospect of a decline in interest rates have restored the appeal of investing in bonds. The stock markets saw a vigorous recovery, after the exceptional correction in the previous year, clearly driven by the technology sector.

Digital strategy has featured prominently on the agendas of leading institutions, who are aware of the possible repercussions in numerous economic sectors, the world of work and the social context. The arrival of ChatGPT and other similar artificial intelligence tools has generated great enthusiasm and strong concerns, highlighting the need for regulation.

### **Switzerland: the economy and the financial system**

The Swiss economy experienced a GDP development above the European average, despite the constraint of navigating uncharted territory throughout the entire financial year.

Positive factors include the expansion of domestic consumer demand and population growth, also due to net immigration, and the sound performance of the service sector, including tourism and financial services. The industrial sector, in particular foreign-oriented manufacturing, and construction saw an opposite trend.

In the latter part of the year, expectations worsened due to the risk of economic slowdown which was more pronounced than expected.

Average inflation at close to 2% has made the prospect of a fall below the benchmark threshold a reality. Monetary policy restrictions, the increase in value of the Swiss franc and the slowdown in global inflation contributed to this exceptional result, which was less than half the European average.

In the first half of the year, the Swiss National Bank increased its policy rate by 0.50% to 1.75% and left it unchanged at subsequent meetings. The Central Bank considered increases in rents, value-added tax, certain tariffs and energy prices to be transitory, without altering the downward trend in inflation.

Unemployment remained stable. The shortage of skilled labour due to retirement of so-called baby boomers is likely to be a critical issue in the years to come.

The property sector showed good stability and was not substantially affected by the rise in market interest rates. Despite continuous increases in previous years, values are expected to remain stable due to the long-term increase in the resident population in relation to relatively low building activity.

With regard to the financial sector, the main occurrence was the collapse of Credit Suisse and its subsequent takeover by UBS, under the direction and with the support of Swiss governmental and banking supervisory authorities. This scenario led to institutional problems and legal disputes, which were too complex to be resolved quickly, and triggered revision of the regulatory and supervisory regulations concerning larger financial institutions in particular.

The rapid evolution of the financial structure represents the cause and effect of changes in the way people and companies use cash, request loans, seek returns and carry out investments and transactions.

### **Performance during the year**

Business development was largely positive, despite the uncertainties and critical issues that arose throughout the financial year.

Concurrent to the repeated increase in interest rates due to the action of the central banks, our treasury was called upon to ensure careful and effective cash management, in line with a commercial policy which appropriately addresses the collection and use of client funds.

These aspects, enhanced by expectations regarding possible rate changes, have also been transferred to the asset management and investment advisory sector, seeking new positions of balance after seven years of negative rates.

Both of these aspects required product and service proposals to be reworked, combining innovative proposals with traditional solutions and taking into account the changed environmental context and new business environment.

In the ESG (Environmental, Social, Governance) area, self-regulation in the financial services and mortgage sectors led to investments in IT, organisation and staff training. At a strategic level, we relied upon our parent company for coordination, planning and support.

Further implementations were aimed at complying with legal obligations, including those of the new Federal Data Protection Act and the FINMA Circular on Operational Risks and Resilience at Banks.



Investment in cybersecurity is one of our top priorities, given the gradual digitisation of banking and the use of IT devices for managing certain services by a large proportion of clients. The objective of maintaining a high level of safeguarding has involved continuous updating of equipment, procedures and training. Information to clients aimed at raising awareness was disseminated on all communication channels.

Our workforce consists of 369 employees, an increase of 10 compared to the end of the previous financial year. Generational change management appears to be one of the most important projects for our bank. As part of this, succession planning efforts have been adapted with the aim of identifying and increasing internal skills capable of supporting turnover. Reviewing roles is both a prerequisite and a need to successfully adapt to a quickly evolving market.

Remote working has been included in the internal regulations with a view to offering employees an alternative way of performing their duties whilst maintaining the smooth running of their department. However, face-to-face activity is essential as it allows team bonds to be strengthened and interpersonal relationships to be fostered. Similarly, video-conference meetings, especially those of a technical nature, were maintained in order to avoid fragmentation and inefficiency.

The branch network, which remains unchanged, is made up of 21 operational units, including one in the Principality of Monaco, in addition to the direct banking virtual branch and the representative office in Verbier, in the canton of Valais, Switzerland. The property portfolio has seen extraordinary development. In particular, we note the expansion and renovation of the property in Saint Moritz (Graubünden, Switzerland). Work here will be completed during the first half of 2024, and should be awarded the highest energy rating, in line with our ESG objectives.

In terms of communication, social media presence was expanded with the aim of reaching a target audience who are increasingly active on digital channels.

Customer deposits benefited from the good performance of net new money. On the other hand, the recovery of both equity and bond prices was offset by the decrease in value of euro assets upon conversion into the national currency, with a substantially neutral final impact. The numerical data shows CHF 5,633,000,000 (+4% compared to the previous year), of which CHF 3,411,000,000 (-3%) as direct deposits and CHF 2,222,000,000 (+16%) as indirect.

Of particular note is the implementation of the new online trading system which is used through the GoBanking platform (our home banking platform), on both desktop and mobile. This allows clients to operate independently on a wide range of financial instruments listed on the major world markets.

Projects for introducing new sub-funds in Popso (Suisse) Investment Fund SICAV (a unit trust set up under Luxembourg law, of which BPS (SUISSE) is a manager) are in advanced stages. The slowdown in the process was due to the sale of third-party fund management services by GAM to the Carne Group, which is in the process of being approved by the competent supervisory authorities.

Throughout the year, new products aimed at retail clients were introduced, such as the Mastercard Debit in euros, and the online and contactless services that can be activated were expanded for the various types of cards.

The investment fund savings plans have made rapid progress, pleasing clients thanks to the possibility of variable contents and investment horizons that can be changed at the savers' choice.

Regarding pensions, the collaboration with *Privor Vorsorgestiftung* (a foundation which specialises in investment funds) remained on track, complementing Life Benefit custody accounts, a foundation that we promoted at the time, with assets entirely made up of cash and particularly favourable treatment for clients of other services or products that we provide.

Client loans increased to CHF 5,529,000,000 (+3%), of which CHF 4,977,000,000 (+4%) were issued in the form of mortgage loans, relating almost exclusively to residential properties, and CHF 552,000,000 (-6%) as other credits. The development was cautious, taking into account the possible medium-term effects of the increase in interest rates, with the aim of maintaining risk at the current reassuring levels.

As a supplement to medium- and long-term funding for refinancing loans, we obtained funds at satisfactory terms through the bond issues of *Pfandbriefbank schweizerischer Hypothekarinstitute AG*, thanks to its top rating and collateralisation in first-class mortgages. Following the redistribution of the shares held by Credit Suisse, our shareholding also increased from 0.18% to 0.45% of the capital.

The income statement showed largely positive results. Regarding the development of certain revenue components, some distinctive features are highlighted below.

The net result from interest operations decreased to CHF 33,902,000 (-49%), despite the growth of the loan portfolio and its low risk. The decrease is due to the impact of the euro portion in the refinancing of loans charged at higher rates than the Swiss franc, the franc being by far in the majority in client financing disbursement.

This effect is purely technical, being offset under the result from trading activities and the fair value option item, as the funding in euros for treasury refinancing is systematically converted into Swiss francs, without any exchange rate risk (currency swap transactions).

The result from commission business and services income was CHF 24,973,000 (=). The slight decrease in income from securities trading and investment activities, due to appreciation of the Swiss franc against the European currency, was offset by the increase in commission income from other services.

The result from trading activities and the fair value option increased to CHF 62,534,000 (+525%) due to the effect of the aforementioned currency swap transactions, more than offsetting the decline in the net result from interest operations item. The management data relating to trading activities showed improvement compared to the previous year.

Operating expenses increased to CHF 80,327,000 (+5%), of which CHF 55,429,000 (+4%) as personnel expenses, following reinforcement of the structure and salary adjustments due to inflation, and CHF 24,898,000 (+7%) as other general and administrative expenses, due to the impact of IT and property developments.

The operating result, net of amortisation and provisions, increased to CHF 35,906,000 (+70%) while the profit (result for the period) amounted to CHF 28,165,000 (+72%).

Both values constitute the best result achieved historically by the Bank and are very satisfactory.

In accordance with Article 22 of the Articles of Association, at the General Meeting of Shareholders, the Board of Directors recommends that a dividend of CHF 4,050,000 be paid to shareholders and that the difference of CHF 24,115,000 be paid to the statutory retained earnings reserve.

At the end of a difficult and uncertain year in which the Bank has distinguished itself positively, unanimous thanks are expressed to the clients, staff, parent company, supervisory authority FINMA and external audit firm, Ernst & Young.

Lugano, 22 January 2024

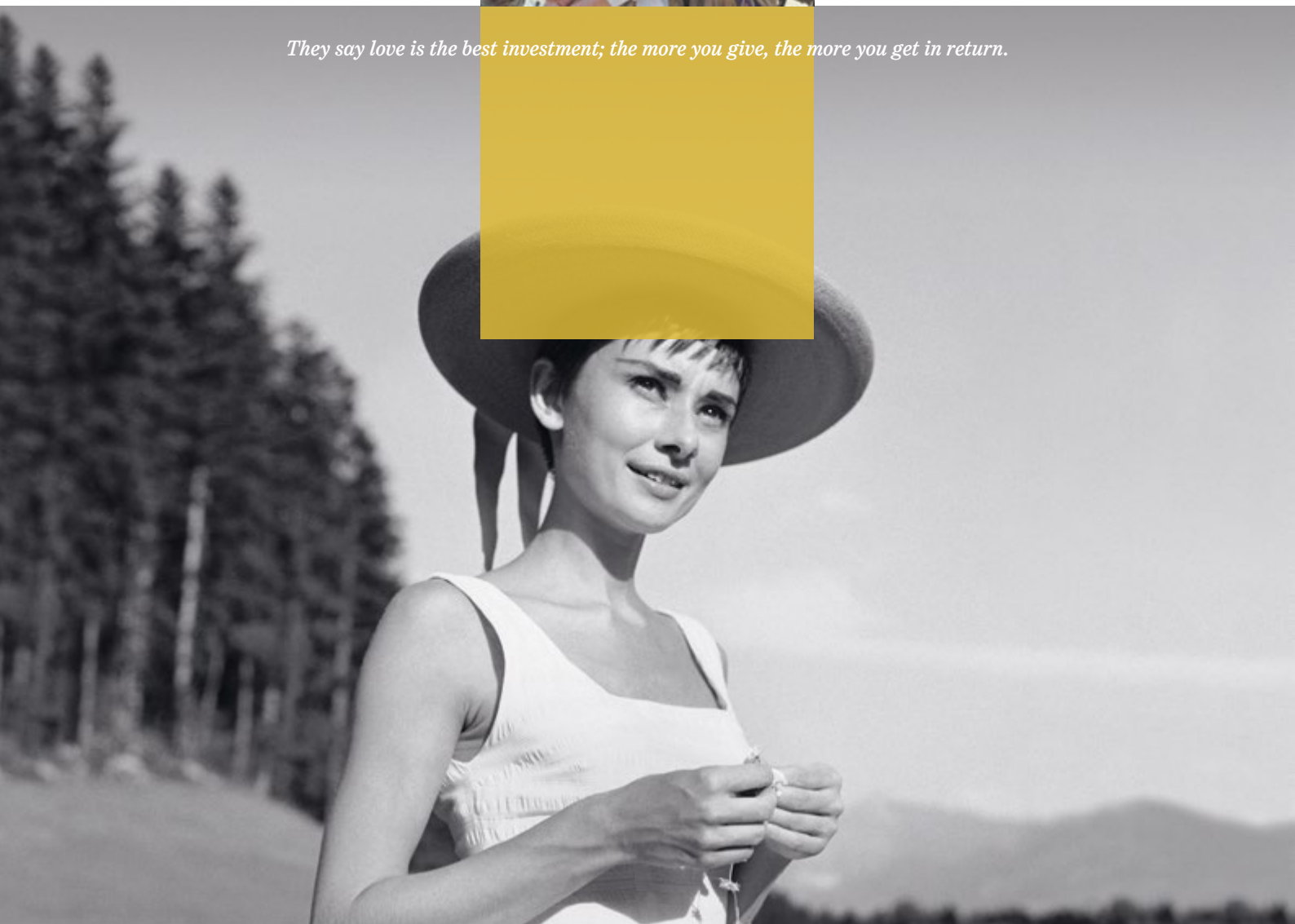
**The Board of Directors**

Small picture:  
In Ethiopia, 1988.

Below:  
On the set of *The Children's Hour*,  
1961.



*They say love is the best investment; the more you give, the more you get in return.*



## 2023 FINANCIAL STATEMENTS\*

\* For audited financial statements please refer only to the financial statements issued in Italian.

## BALANCE SHEET AS AT 31 DECEMBER 2023 (WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2022)

### ASSETS

in CHF	Note	2023	2022	Change
Liquid assets		703 369 021	888 246 726	(184 877 705)
Amounts due from banks		73 148 051	118 376 519	(45 228 468)
Amounts due from customers	2	552 309 924	589 856 062	(37 546 138)
Mortgage loans	2	4 977 153 939	4 781 338 444	195 815 495
Positive replacement values of derivative financial instruments	4	581 903	13 135 548	(12 553 645)
Financial investments	5	57 727 472	50 774 255	6 953 217
Accrued income and prepaid expenses		26 455 517	9 621 717	16 833 800
Participations	6-7	6 394 774	2 421 333	3 973 441
Tangible fixed assets	8	22 834 819	18 552 793	4 282 026
Other assets	10	4 957 873	3 240 465	1 717 408
<b>Total assets</b>		<b>6 424 933 293</b>	<b>6 475 563 862</b>	<b>(50 630 569)</b>
Total subordinated claims		-	-	-

## LIABILITIES

in CHF	Note	2023	2022	Change
Amounts due to banks		1 756 767 674	1 785 437 305	(28 669 631)
Amounts due in respect of customer deposits		3 350 485 320	3 472 039 700	(121 554 380)
Negative replacement values of derivative financial instruments	4	45 976 073	68 076 436	(22 100 363)
Cash bonds	15	60 952 000	30 232 000	30 720 000
Bond issues and central mortgage institution loans	15	692 000 000	644 100 000	47 900 000
Accrued expenses and deferred income		31 453 705	24 142 973	7 310 732
Other liabilities	10	17 394 179	5 124 654	12 269 525
Provisions	16	2 758 246	3 379 950	(621 704)
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		240 980 844	228 633 457	12 347 387
Voluntary retained earnings reserves		-	-	-
Profit/Loss (result of the period)		28 165 252	16 397 387	11 767 865
<b>Total liabilities</b>		<b>6 424 933 293</b>	<b>6 475 563 862</b>	<b>(50 630 569)</b>
Total subordinated liabilities		-	-	-

**OFF-BALANCE-SHEET ITEMS AS AT 31 DECEMBER 2023  
(WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2022)**

in CHF	Note	2023	2022	Change
Contingent liabilities	2-28	260 380 061	294 737 638	(34 357 577)
Irrevocable commitments	2	25 218 522	16 541 633	8 676 889
Obligation to pay up shares and make further contributions	2	2 766 960	1 092 560	1 674 400

## INCOME STATEMENT FOR THE 2023 FINANCIAL YEAR (WITH 2022 COMPARATIVE FIGURES)

in CHF	Note	2023	2022	Change
<b>Interest income:</b>				
- Interest and discount income		129 802 018	76 510 397	53 291 621
- Interest and dividend income from trading portfolios		-	-	-
- Interest and dividend income from financial investments		260 202	304 526	(44 324)
Interest expense		(93 062 812)	(13 851 088)	(79 211 724)
<b>Gross result from interest operations</b>		<b>36 999 408</b>	<b>62 963 835</b>	<b>(25 964 427)</b>
Changes in value adjustments for default risks and losses from interest operations		(3 097 715)	3 834 839	(6 932 554)
<b>Subtotal net result from interest operations</b>		<b>33 901 693</b>	<b>66 798 674</b>	<b>(32 896 981)</b>
<b>Commission income:</b>				
- from securities trading and investment activities		17 653 086	17 981 062	(327 976)
- from lending activities		2 652 152	3 268 416	(616 264)
- from other services		7 275 179	6 807 228	467 951
Commission expense		(2 607 804)	(3 057 344)	449 540
<b>Subtotal result from commission business and services</b>		<b>24 972 613</b>	<b>24 999 362</b>	<b>(26 749)</b>
<b>Result from trading activities and the fair value option</b>	32	<b>62 534 380</b>	<b>10 006 546</b>	<b>52 527 834</b>
Result from the disposal of financial investments		21 575	54 327	(32 752)
Income from participations		42 922	39 028	3 894
Result from real estate		-	10 200	(10 200)
Other ordinary income		2 274 686	2 052 862	221 824
Other ordinary expenses		(2 837 274)	(3 053 213)	215 939
<b>Other result from ordinary activities</b>		<b>(498 091)</b>	<b>(896 796)</b>	<b>398 705</b>
Personnel expenses	34	(55 429 014)	(53 235 756)	(2 193 258)
General and administrative expenses	35	(24 898 437)	(23 250 731)	(1 647 706)
<b>Total operating expenses</b>		<b>(80 327 451)</b>	<b>(76 486 487)</b>	<b>(3 840 964)</b>



## INCOME STATEMENT FOR THE 2023 FINANCIAL YEAR (CONTINUED)

in CHF	Note	2023	2022	Change
Value adjustments on participations and depreciation and amortisation of tangible fixed assets	8	(4 381 940)	(3 755 861)	(626 079)
Changes to provisions and other value adjustments, and losses		(294 889)	479 879	(774 768)
<b>Operating result</b>		<b>35 906 315</b>	<b>21 145 317</b>	<b>14 760 998</b>
Extraordinary income	36	408 634	2 070	406 564
Extraordinary expenses	36	-	-	-
Changes in reserves for general banking risks		-	-	-
Taxes	39	(8 149 697)	(4 750 000)	(3 399 697)
<b>Profit (Result of the period)</b>		<b>28 165 252</b>	<b>16 397 387</b>	<b>11 767 865</b>

## PROPOSAL FOR APPROPRIATION OF THE BALANCE SHEET PROFIT AS AT 31 DECEMBER 2023 (WITH COMPARATIVE FIGURES AS AT 31 DECEMBER 2022)

in CHF	Note	2023	2022	Change
Profit (Result of the period)		28 165 252	16 397 387	11 767 865
Profit/Loss carried forward		-	-	-
<b>Distributable profit</b>		<b>28 165 252</b>	<b>16 397 387</b>	<b>11 767 865</b>
The Board of Directors proposes to allocate the balance sheet profit totalling CHF 28 165 252 as at 31 December 2023 as follow:				
Dividend		4 050 000	4 050 000	-
Statutory retained earnings reserve		24 115 252	12 347 387	11 767 865
<b>Retained earnings to be carried forward</b>		<b>-</b>	<b>-</b>	<b>-</b>

## CASH FLOW STATEMENT 2023 (WITH 2022 COMPARATIVE FIGURES)

### CASH FLOW FROM OPERATING ACTIVITIES

CHF in thousands	2023		2022	
	Source	Utilisation	Source	Utilisation
Profit (Result of the period)	28 165	-	16 397	-
Value adjustment on participations, depreciaton and amortisation of tangible fixed assets and intangible assets	4 382	-	3 756	-
Value adjustments	-	-	-	-
Provisions and other value adjustments	-	622	-	1 185
Change in reserve for general banking risks	-	-	-	-
Accrued income and prepaid expenses	-	16 834	-	620
Accrued expenses and deferred income	7 311	-	2 681	-
Positive replacement values of derivative financial instruments	12 554	-	-	8 028
Negative replacement values of derivative financial instruments	-	22 100	-	21 632
Other assets	-	1 717	3 907	-
Other liabilities	12 270	-	-	813
Dividend previous year	-	4 050	-	4 050
<b>Net operating cash flow</b>	<b>19 359</b>	<b>-</b>	<b>-</b>	<b>9 587</b>

### CASH FLOW FROM SHAREHOLDER'S EQUITY TRANSACTIONS

Share capital	-	-	-	-
<b>Total cash flows from equity transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### CASH FLOW (STATEMENT) RESULTING FROM CHANGES IN FIXED ASSETS

Participations	-	3 973	369	-
Real estate	-	3 314	-	393
Other fixed assets	-	5 350	-	4 266
Intangible fixed assets	-	-	-	-
<b>Net cash flow from investment activities</b>	<b>-</b>	<b>12 637</b>	<b>-</b>	<b>4 290</b>

## CASH FLOW STATEMENT 2023 (CONTINUED)

### CASH FLOW FROM BANKING OPERATIONS

CHF in thousands	2023		2022	
	Source	Utilisation	Source	Utilisation
<b>Balance brought forward</b>	19 359	12 637	-	13 877
<b>Non-current operations (&gt; 1 year)</b>				
Amounts due to banks	137 158	-	-	262 925
Amounts due in respect of customer deposits	-	-	-	-
Cash bonds	23 779	-	8 062	-
Bond issues and central mortgage institution loans	39 900	-	43 100	-
Client loans	22 609	-	28 497	-
Mortgage loans	200 135	-	-	456 661
Financial investments	15 313	-	-	7 299
<b>Current operations</b>				
Amounts due to banks	-	165 827	464 134	-
Amounts due in respect of customer deposits	-	121 554	-	36 085
Cash bonds	6 941	-	-	5 227
Bond issues and central mortgage institution loans	8 000	-	21 900	-
Amounts due from banks	45 228	-	91 783	-
Amounts due from customers	14 937	-	-	62 105
Mortgage loans	-	395 951	202 431	-
Financial investments	-	22 267	4 738	-
Trading portfolio assets/Trading portfolio liabilities	-	-	-	-
<b>Net cash flow from banking activities</b>	-	191 599	34 343	-
<b>Total cash flow</b>	19 359	204 236	34 343	13 877
<b>Change in cash flow</b>	-	184 877	20 466	-

## 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 01.01.2023	180 000 000	-	228 633 457	18 000 000	-	-	16 397 387	443 030 844
Dividends	-	-	-	-	-	-	(4 050 000)	(4 050 000)
Other allocations to the reserves for general banking risks	-	-	-	-	-	-	-	-
Other allocations to the other reserves	-	-	12 347 387	-	-	-	(12 347 387)	-
Profit/Loss (result of the period)	-	-	-	-	-	-	28 165 252	28 165 252
<b>Equity as at 31 December 2023 before appropriation of net profit for 2023</b>	<b>180 000 000</b>	<b>-</b>	<b>240 980 844</b>	<b>18 000 000</b>	<b>-</b>	<b>-</b>	<b>28 165 252</b>	<b>467 146 096</b>



Small picture:  
In Vietnam, 1990.

Below:  
With her son Luca at "La Paisible".  
Tolochenaz, Switzerland, 1971.



*Open your arms to hold as many children as possible,  
love and protect them as if they were your own.*



## NOTES TO THE 2023 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 369 employees (end of 2022: 359 employees), which represented a total of 348.4 fulltime equivalent positions (2022: 339.1 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 seq.), 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 value adjustments.

## 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.

	2023	2022
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 0.9308 (2022: 0.9880); USD 0.8421 (2022: 0.9248).

## 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 for all employees and 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 2023, 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 2022.

## SIGNIFICANT POST-BALANCE-SHEET EVENTS

No significant post-balance-sheet events occurred that would result in inclusion in the 2023 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 according 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 perform independent checks to ensure that rules and procedures are applied.

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

## LIQUIDITY AND REFINANCING RISKS

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

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

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

## LEGAL RISKS

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

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

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

## REPUTATION AND COMPLIANCE RISKS

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

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

## BANK POLICY FOR THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

## INFORMATION ON CORPORATE GOVERNANCE

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

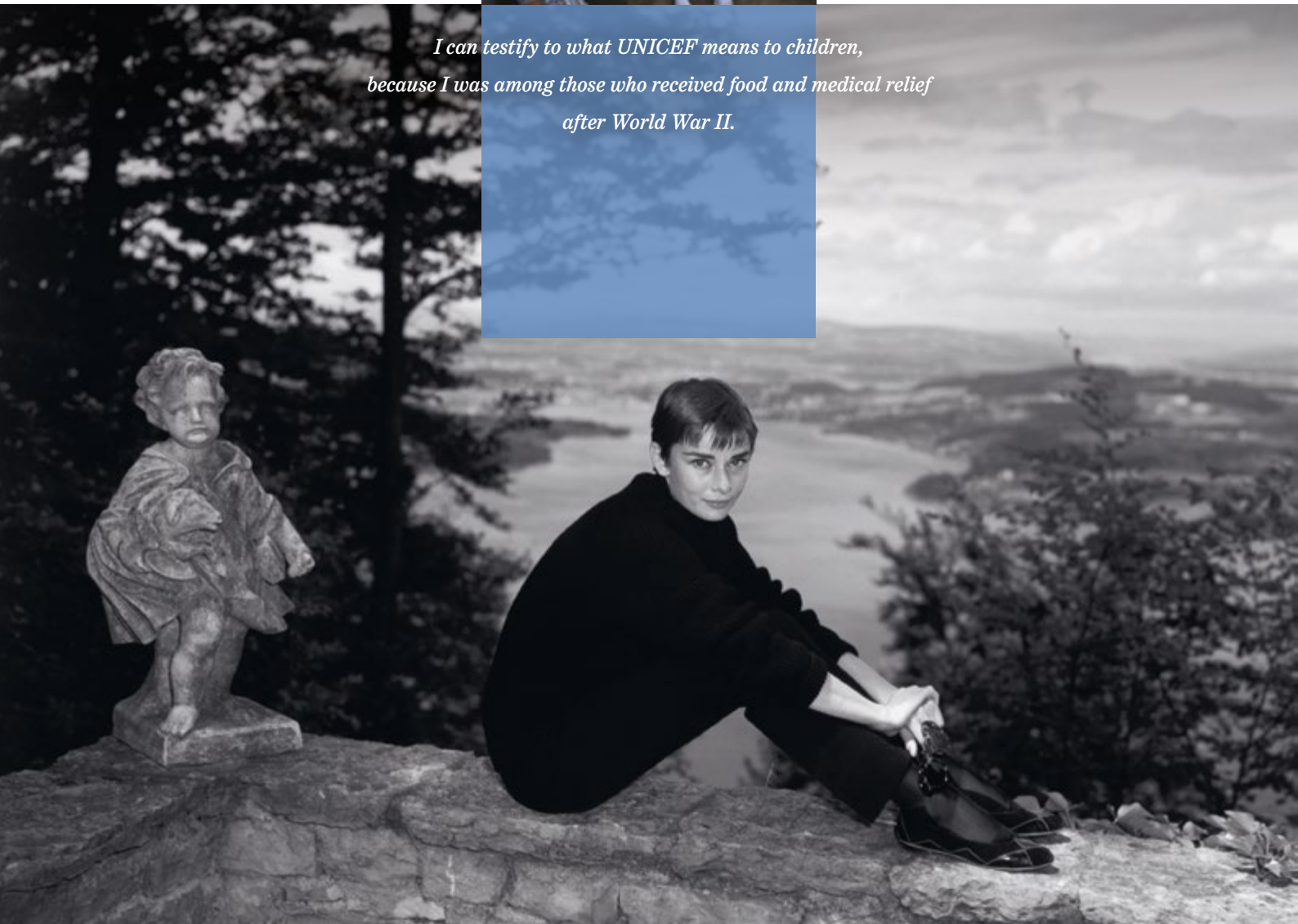


Small picture:  
In Vietnam, 1990.

Below:  
In Bürgenstock, ca. 1956.



*I can testify to what UNICEF means to children,  
because I was among those who received food and medical relief  
after World War II.*



## 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
<b>Loans</b>				
Amounts due from customers	230 721 384	302 111 401	34 039 617	566 872 402
Mortgage loans				
Residential property	4 698 279 630	-	-	4 698 279 630
Office and business premises	257 573 013	-	-	257 573 013
Commercial and industrial premises	39 736 535	-	-	39 736 535
Other	-	-	-	-
<b>Total loans (before netting with value adjustments – table 16) at 31 December 2023</b>	<b>5 226 310 562</b>	<b>302 111 401</b>	<b>34 039 617</b>	<b>5 562 461 580</b>
Total at 31 December 2022	5 017 839 783	341 155 200	41 399 301	5 400 394 284
<b>Total loans (after netting with value adjustments) at 31 December 2023</b>				
<b>Total at 31 December 2023</b>	<b>5 206 671 652</b>	<b>301 672 591</b>	<b>21 119 620</b>	<b>5 529 463 863</b>
Total at 31 December 2022	5 002 538 378	340 711 748	27 944 380	5 371 194 506
<b>Off-balance-sheet</b>				
Contingent liabilities	2 666 871	229 139 475	28 573 715	260 380 061
Irrevocable commitments	4 422 858	1 230 152	19 565 512	25 218 522
Obligation to pay up shares and make further contributions	-	-	2 766 960	2 766 960
<b>Total at 31 December 2023</b>	<b>7 089 729</b>	<b>230 369 627</b>	<b>50 906 187</b>	<b>288 365 543</b>
Total at 31 December 2022	5 175 085	264 067 389	43 129 357	312 371 831
<b>Impaired loans</b>				
	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
<b>Total at 31 December 2023</b>	<b>57 384 525</b>	<b>35 331 839</b>	<b>22 052 686</b>	<b>22 052 686</b>
Total at 31 December 2022	38 755 503	20 937 361	17 818 142	17 818 142

## 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
<b>Interest rate instruments</b>						
Forward contracts, FRAS	-	-	-	-	-	-
Swaps – IRS	-	-	-	-	122 944	3 600 000
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
<b>Foreign exchange/Precious metals</b>						
Forward contracts	345 693	45 616 919	2 480 743 184	-	-	-
Combined swaps (interest/currency)	-	-	-	-	-	-
Futures	-	-	1 167	-	-	-
Options (OTC)	28 177	28 177	4 020 245	-	-	-
Options (exchange traded)	-	-	-	-	-	-
<b>Equity securities/Indices</b>						
Forward contracts	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Futures	1 623	1 623	67 237	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	206 410	206 410	18 121 087	-	-	-
<b>Credit derivatives</b>						
Credit default swaps	-	-	-	-	-	-
Total return swaps	-	-	-	-	-	-
First to default swaps	-	-	-	-	-	-
Other credit derivatives	-	-	-	-	-	-
<b>Other</b>						
Forward contracts	-	-	4 288 833	-	-	-
Swaps	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Options (OTC)	-	-	-	-	-	-
Options (exchange traded)	-	-	-	-	-	-
<b>Total before effect of netting contracts</b>						
<b>Total at 31 December 2023</b>	<b>581 903</b>	<b>45 853 129</b>	<b>2 507 241 753</b>	<b>-</b>	<b>122 944</b>	<b>3 600 000</b>
Total at 31 December 2022	13 135 548	68 005 027	2 712 733 490	-	71 409	53 600 000



**4. (CONTINUED)**

in CHF

**Total after netting agreements**

	Cumulative positive replacement value	Cumulative negative replacement value
<b>Total at 31 December 2023</b>	<b>581 903</b>	<b>45 976 073</b>
Total at 31 December 2022	13 135 548	68 076 436

The Bank has not concluded any netting agreements.

**Breakdown by counterparty**

	Central clearing houses	Banks and securities dealers	Other customers
<b>Positive replacement values (after netting agreements) at 31 December 2023</b>	-	326 793	255 110

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 2023 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Debt securities	47 192 004	42 102 408	47 226 626	42 114 705
Of which:				
Intended to be held to maturity	47 192 004	42 102 408	47 226 626	42 114 705
Not intended to be held to maturity (available for sale)	-	-	-	-
Equity securities	3 307 468	3 296 847	3 504 092	3 376 508
Of which:				
Qualified participations	-	-	-	-
Precious metals	-	-	-	-
Real estate	7 228 000	5 375 000	9 176 000	7 191 000
<b>Total financial investments</b>	<b>57 727 472</b>	<b>50 774 255</b>	<b>59 906 718</b>	<b>52 682 213</b>
Of which:				
Securities eligible for repo transactions in accordance with liquidity requirements	14 900 848	14 378 092	-	-

### Breakdown of counterparties by rating

At 31 December 2023	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities						
Book values	36 179 781	-	1 984 200	-	-	9 028 023
Equity securities						
Book values	-	-	-	134 683	-	3 172 785

## 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
<b>Other participations</b>										
Market value	-	-	-	-	-	-	-	-	-	-
Without market value	3 021 333	(600 000)	2 421 333	-	3 973 441	-	-	-	6 394 774	N/A
<b>Total</b>	<b>3 021 333</b>	<b>(600 000)</b>	<b>2 421 333</b>	<b>-</b>	<b>3 973 441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 394 774</b>	<b>N/A</b>

## 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
Pfandbriefbank - Zurich	Mortgage institution	1 100 000 000	0.45%	0.45%	4 941 000	-

The participation of Sofipo under liquidation, Lugano (CHF 600 000), already subject to full value adjustment, have been cancelled after being struck off the trade register on 26 October 2023.

In accordance with Art. 34 of the Swiss Banking Ordinance (BankO), there is no obligation to prepare consolidated financial statements as at 31 December 2023.

The costs relating to the purchase of the "Pfandbriefbank – Zurich" participation amount to CHF 6 394 774.

## 8. PRESENTATION OF TANGIBLE FIXED ASSETS

in CHF	Current year								
	Purchase price & amortisation	Accumulated depreciation	Book value as at 31.12.2022	Reclassification	Additions	Disposals	Depreciation & amortisation	Revaluation	Book value as at 31.12.2023
<b>Fixed assets</b>									
Bank buildings	22 824 050	(12 565 725)	10 258 325	-	3 314 117	-	(901 968)	-	12 670 474
Proprietary or separately acquired software	54 116 647	(51 188 197)	2 928 450	-	3 299 914	-	(1 920 141)	-	4 308 223
Other tangible fixed assets	89 294 913	(83 928 895)	5 366 018	-	2 049 935	-	(1 559 831)	-	5 856 122
<b>Total</b>	<b>166 235 610</b>	<b>(147 682 817)</b>	<b>18 552 793</b>	<b>-</b>	<b>8 663 966</b>	<b>-</b>	<b>(4 381 940)</b>	<b>-</b>	<b>22 834 819</b>

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

	<b>115 393</b>
of which expiring within 12 months	20 011
of which expiring more than 12 months and up to five years	95 382

## 9. PRESENTATION OF INTANGIBLE ASSETS

Not applicable.

## 10. BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES

in CHF

	Other assets		
	31.12.2023	31.12.2022	Change
Compensation account	122 944	71 409	51 535
Swiss Federal Tax Administration	2 400 966	1 806 531	594 435
Others	2 433 963	1 362 525	1 071 438
<b>Total</b>	<b>4 957 873</b>	<b>3 240 465</b>	<b>1 717 408</b>

	Other liabilities		
	31.12.2023	31.12.2022	Change
Swiss Federal Tax Administration	3 047 576	1 139 363	1 908 213
Suppliers	12 440 549	2 511 017	9 929 532
Others	1 906 054	1 474 274	431 780
<b>Total</b>	<b>17 394 179</b>	<b>5 124 654</b>	<b>12 269 525</b>

## 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	1 841 653 824	692 000 000
Liquid assets used as collateral at the SNB	9 627 576	9 627 576
Securities used as collateral at the SNB	4 915 916	4 915 916
Securities used as collateral at SIX SIS	5 152 993	5 152 993
Securities repurchase (Repo) operations	-	-
Securities (financial investments) pledged to secure Repo operations	4 831 939	No liabilities
<b>Assets under reservation of ownership</b>	<b>-</b>	<b>-</b>

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

Not applicable.

### 13. LIABILITIES TO PENSION PLANS

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

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

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

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

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

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

#### a) Employer contribution reserves (ECR)

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

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

	Overfunding/ underfunding at end of current year	Economic interest of the bank/financial group at end of current year	Economic interest of the bank/financial group at end of previous year	Change in economic interest (economic benefit/ obligation) versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses at end of current year	Pension expenses in personnel expenses at end of previous year
Pension plans with- out overfunding/ underfunding	-	-	-	-	-	7 246 693	6 866 521

## 14. PRESENTATION OF ISSUED STRUCTURED PRODUCTS

Not applicable.

## 15. PRESENTATION OF BONDS OUTSTANDING AND MANDATORY CONVERTIBLE BONDS

CHF in thousands

	Average rate	Within 1 year	Maturities					Over 5 years	Total
			Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years			
Loans from central mortgage bond institutions	0.73%	48 000	75 700	60 300	47 100	76 700	384 200	692 000	
<b>Totale at 31.12.2023</b>	-	<b>48 000</b>	<b>75 700</b>	<b>60 300</b>	<b>47 100</b>	<b>76 700</b>	<b>384 200</b>	<b>692 000</b>	
Totale at 31.12.2022	0.55%	40 000	48 000	75 700	45 300	34 600	400 500	644 100	

As in the previous year, no bonds are outstanding.

	Average rate	Within 1 year	Maturities					Over 5 years	Total
			Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years			
Medium-term notes in circulation	1.15%	12 506	30 625	12 432	2 286	1 654	1 449	60 952	
<b>Totale at 31.12.2023</b>	-	<b>12 506</b>	<b>30 625</b>	<b>12 432</b>	<b>2 286</b>	<b>1 654</b>	<b>1 449</b>	<b>60 952</b>	
Totale at 31.12.2022	0.36%	5 565	12 436	4 165	6 000	968	1 098	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, with reclassification, transfers	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Provisions for deferred taxes	-	-	-	-	-	-	-	-
Provisions for pension benefit obligations	-	-	-	-	-	-	-	-
Provisions for off-balance-sheet operations	359 950	-	-	-	-	-	(31 704)	328 246
Provisions for other business risks	-	-	-	-	-	-	-	-
Provisions for restructuring	-	-	-	-	-	-	-	-
Other provisions	3 020 000	(838 048)	-	-	-	800 000	(551 952)	2 430 000
<b>Total provisions</b>	<b>3 379 950</b>	<b>(838 048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>800 000</b>	<b>(583 656)</b>	<b>2 758 246</b>
<b>Reserve for general banking risks</b>	<b>18 000 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 000 000</b>
<b>Value adjustments for default and country risks (deducted from the balance sheet receivables)</b>	<b>29 199 778</b>	<b>(373 800)</b>	<b>(397 578)</b>	<b>(44 632)</b>	<b>(2 728 002)</b>	<b>7 792 213</b>	<b>(450 263)</b>	<b>32 997 716</b>
Of which:								
Value adjustments for default risks in respect of impaired loans/receivables	17 818 142	(373 800)	(397 578)	(21 519)	(730 520)	6 208 224	(450 263)	22 052 686
Value adjustments for latent risks	11 381 636	-	-	(23 113)	(1 997 482)	1 583 989	-	10 945 030

"Reserves for general 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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Members of the Board of Directors	-	-	-	-	-	-	-	-
Members of the Executive Committee	36 730	36 098	134 683	110 343	-	-	-	-
Employees	-	-	-	-	-	-	-	-
<b>Total</b>	<b>36 730</b>	<b>36 098</b>	<b>134 683</b>	<b>110 343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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		
	31.12.2023	31.12.2022	Change	31.12.2023	31.12.2022	Change
Holders of qualified participations	<b>4 433 413</b>	36 976 446	(32 543 033)	<b>1 712 317 146</b>	1 753 170 417	(40 853 271)
Governing bodies	<b>7 051 672</b>	6 185 672	866 000	<b>1 570 784</b>	2 529 450	(958 666)

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 2022 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							Total
	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	
<b>Assets/financial instruments</b>								
Liquid assets	693 741 445	9 627 576	-	-	-	-	-	703 369 021
Amounts due from banks	73 148 051	-	-	-	-	-	-	73 148 051
Amounts due from clients	3 163 457	329 654 641	118 001 008	64 866 939	14 197 945	22 425 934	-	552 309 924
Mortgage loans	9 838 431	399 532 948	200 593 746	971 709 237	2 589 319 831	806 159 746	-	4 977 153 939
Positive replacement values of derivative financial instruments	581 903	-	-	-	-	-	-	581 903
Financial investments	5 291 668	-	6 695 411	26 501 244	12 011 149	-	7 228 000	57 727 472
<b>Total at 31.12.2023</b>	<b>785 764 955</b>	<b>738 815 165</b>	<b>325 290 165</b>	<b>1 063 077 420</b>	<b>2 615 528 925</b>	<b>828 585 680</b>	<b>7 228 000</b>	<b>6 364 290 310</b>
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
<b>Amounts due to third parties</b>								
Amounts due to banks	9 822 874	-	583 444 800	927 542 200	235 957 800	-	-	1 756 767 674
Amounts due in respect of customer deposits	1 398 854 558	993 256 109	625 761 597	332 613 056	-	-	-	3 350 485 320
Negative replacement values of derivative financial instruments	45 976 073	-	-	-	-	-	-	45 976 073
Cash bonds	-	-	45 000	12 461 000	46 997 000	1 449 000	-	60 952 000
Bond issues and central mortgage institution loans	-	-	5 000 000	43 000 000	259 800 000	384 200 000	-	692 000 000
<b>Total at 31.12.2023</b>	<b>1 454 653 505</b>	<b>993 256 109</b>	<b>1 214 251 397</b>	<b>1 315 616 256</b>	<b>542 754 800</b>	<b>385 649 000</b>	<b>-</b>	<b>5 906 181 067</b>
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

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

CHF in thousands	31.12.2023		31.12.2022	
	Switzerland	Abroad	Switzerland	Abroad
<b>Assets</b>				
Liquid assets	703 024	345	887 948	299
Amounts due from banks	36 116	37 032	43 140	75 236
Amounts due from customers	294 913	257 397	338 412	251 444
Mortgage loans	4 845 627	131 527	4 661 617	119 722
Positive replacement values of derivative financial instruments	536	46	5 342	7 793
Financial investments	20 716	37 011	14 367	36 408
Accrued income and prepaid expenses	20 729	5 726	9 428	194
Participations	6 395	-	2 421	-
Tangible fixed assets	22 130	705	17 874	678
Other assets	4 619	339	2 936	305
<b>Total assets</b>	<b>5 954 805</b>	<b>470 128</b>	<b>5 983 485</b>	<b>492 079</b>
<b>Liabilities</b>				
Amounts due to banks	44 449	1 712 319	31 066	1 754 372
Amounts due in respect of customer deposits	2 392 567	957 918	2 389 004	1 083 035
Negative replacement values of derivative financial instruments	33 324	12 652	32 713	35 364
Cash bonds	60 952	-	30 232	-
Bond issues and central mortgage institution loans	692 000	-	644 100	-
Accrued expenses and deferred income	13 750	17 704	14 709	9 434
Other liabilities	17 146	248	4 898	227
Provisions	2 758	-	3 380	-
Reserve for general banking risks	18 000	-	18 000	-
Share capital	180 000	-	180 000	-
Statutory capital reserve	-	-	-	-
Statutory retained earnings reserve	240 981	-	228 633	-
Voluntary retained earnings reserve	-	-	-	-
Profit/Loss (result of the year)	28 165	-	16 397	-
<b>Total liabilities</b>	<b>3 724 092</b>	<b>2 700 841</b>	<b>3 593 132</b>	<b>2 882 432</b>

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

CHF in thousands	31.12.2023		31.12.2022	
	Total	in %	Total	in %
Switzerland	5 954 804	92%	5 983 485	93%
Italy	37 716	1%	86 296	2%
OECD countries	116 567	2%	121 959	2%
Other countries	315 846	5%	283 824	3%
<b>Total assets</b>	<b>6 424 933</b>	<b>100%</b>	<b>6 475 564</b>	<b>100%</b>

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

Country	Rating Fitch	Net foreign exposure At 31 December 2023		Net foreign exposure At 31 December 2022	
		In CHF	Share as %	In CHF	Share as %
Germany	AAA	35 748 481	7.60	32 734 854	6.65
Luxembourg	AAA	12 926 670	2.75	5 404 565	1.10
Sweden	AAA	1 673 926	0.36	6 240 267	1.27
Singapore	AAA	944	0.00	78	0.00
Netherlands	AAA	3	0.00	3	0.00
USA	AA+	5 243 374	1.12	2	0.00
Abu Dhabi	AA	290 735	0.06	5 328	0.00
France	AA-	34 370 192	7.31	33 620 683	6.83
United Kingdom	AA-	20 468 770	4.35	20 603 766	4.19
Hong Kong	AA-	893 851	0.19	150	0.00
Ireland	AA-	1 811	0.00	2 953	0.00
Belgium	AA-	355	0.00	227	0.00
Israel	A+	1 464 685	0.31	1 576 411	0.32
Slovenia	A	293	0.00	735 978	0.15
Spain	A-	1 619 843	0.34	15 043 206	3.06
Italy	BBB	37 716 130	8.02	86 296 318	17.54
Panama	BBB-	355 514	0.08	348 832	0.07
Greece	BBB-	302 380	0.06	201 772	0.04
Brazil	BB	15	0.00	612 563	0.12
Monaco	Unrated	299 717 546	63.75	263 843 442	53.62
Guernsey	Unrated	11 617 548	2.47	15 073 318	3.06
Russia	Unrated	455 416	0.10	1 846	0.00
Others	n.a.	5 261 139	1.12	9 732 155	1.98
<b>Total</b>		<b>470 129 621</b>	<b>100.00</b>	<b>492 078 717</b>	<b>100.00</b>

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

<b>Assets</b>	<b>CHF</b>	<b>EUR</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
Liquid Assets	700 349	2 776	162	82	703 369
Amounts due from banks	26 141	30 823	7 183	9 001	73 148
Amounts due from customers	307 536	239 609	456	4 709	552 310
Mortgage loans	4 845 627	131 527	-	-	4 977 154
Positive replacement values					
of derivative financial instruments	395	67	84	36	582
Financial investments	23 062	23 977	10 688	-	57 727
Accrued income and prepaid expenses	11 192	10 354	4 727	182	26 455
Participations	6 395	-	-	-	6 395
Tangible fixed assets	22 130	705	-	-	22 835
Other assets	4 209	476	231	42	4 958
<b>Total assets in the balance sheet</b>	<b>5 947 036</b>	<b>440 314</b>	<b>23 531</b>	<b>14 052</b>	<b>6 424 933</b>
Off-balance-sheet claims due from foreign exchange					
spot, forward and option transactions	15 896	2 151 589	293 149	26 080	2 486 714
<b>Total assets at 31.12.2023</b>	<b>5 962 932</b>	<b>2 591 903</b>	<b>316 680</b>	<b>40 132</b>	<b>8 911 647</b>
<b>Liabilities</b>					
Amounts due to banks	20 774	1 713 620	16 888	5 486	1 756 768
Amounts due in respect of customer deposits	2 202 766	843 237	260 475	44 007	3 350 485
Negative replacement values of derivative					
financial instruments	45 764	112	2	98	45 976
Cash bonds	60 952	-	-	-	60 952
Loans from central					
mortgage bond institutions	692 000	-	-	-	692 000
Accrued liabilities and deferred income	4 396	19 993	6 785	280	31 454
Other liabilities	16 167	1 225	2	-	17 394
Provisions	2 758	-	-	-	2 758
Reserve for general banking risks	18 000	-	-	-	18 000
Share capital	180 000	-	-	-	180 000
Statutory capital reserve	-	-	-	-	-
Statutory retained earnings reserve	240 981	-	-	-	240 981
Voluntary retained earnings reserves	-	-	-	-	-
Profit/Loss (result of the period)	28 165	-	-	-	28 165
<b>Total liabilities in the balance sheet</b>	<b>3 512 723</b>	<b>2 578 187</b>	<b>284 152</b>	<b>49 871</b>	<b>6 424 933</b>
Off-balance-sheet claims by foreign exchange spot,					
forward and option transactions	2 445 823	16 506	16 033	8 352	2 486 714
<b>Total liabilities at 31.12.2023</b>	<b>5 958 546</b>	<b>2 594 693</b>	<b>300 185</b>	<b>58 223</b>	<b>8 911 647</b>
Net position by currency	4 386	(2 790)	16 495	(18 091)	-

**28. BREAKDOWN AND EXPLANATION OF CONTINGENT ASSETS AND LIABILITIES**

in CHF	31.12.2023	31.12.2022	Change
Guarantees to secure credits and similar	235 317 557	271 133 204	(35 815 647)
Performance guarantees and similar	-	-	-
Irrevocable commitments arising from documentary letters of credit	25 062 504	23 604 434	1 458 070
Other contingent liabilities	-	-	-
<b>Total contingent liabilities</b>	<b>260 380 061</b>	<b>294 737 638</b>	<b>(34 357 577)</b>
Contingent assets arising from tax losses carried forward	-	-	-
Other contingent assets	-	-	-
<b>Total contingent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

**29. BREAKDOWN OF CREDIT COMMITMENTS**

Not applicable.

**30. BREAKDOWN OF FIDUCIARY TRANSACTIONS**

in CHF	31.12.2023	31.12.2022	Change
Fiduciary investments with third-party companies	85 717 368	48 215 065	37 502 303
Fiduciary investment with group companies and linked companies	-	-	-
<b>Total</b>	<b>85 717 368</b>	<b>48 215 065</b>	<b>37 502 303</b>

### 31. BREAKDOWN OF MANAGED ASSETS AND PRESENTATION OF THEIR DEVELOPMENT

CHF in million	31.12.2023	31.12.2022	Change
<b>A) Type of managed assets</b>			
Assets in collective investment schemes managed by the bank	596.2	644.1	(47.9)
Assets under discretionary asset management agreements	482.4	499.4	(17.0)
Other managed assets	5 150.5	4 922.4	228.1
<b>Total managed assets (including double counting)</b>	<b>6 229.1</b>	<b>6 065.9</b>	<b>163.2</b>
Of which, double-counted assets	273.8	265.0	8.8

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

#### B) Presentation of the development of managed assets

Total managed assets (including double counting) at beginning of year	6 065.9	6 405.2	(339.3)
+/- net new money inflow or net new money outflow	77.4	(157.0)	234.4
+/- price gains/losses, interest, dividends and currency gains/losses	85.8	(182.3)	268.1
+/- other effects	-	-	-
<b>Total managed assets (including double counting) at end of year</b>	<b>6 229.1</b>	<b>6 065.9</b>	<b>163.2</b>

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	31.12.2023	31.12.2022	Change
Interest rate instruments (including funds)	-	-	-
Equity securities (including funds)	(7 122)	(17 231)	10 109
Foreign currencies	61 863 437	11 490 436	50 373 001
Commodities/precious metals	678 065	(1 466 659)	2 144 724
<b>Total result from trading activities</b>	<b>62 534 380</b>	<b>10 006 546</b>	<b>52 527 834</b>

The result of the "Foreign currencies" is mainly due to currency swaps operations.

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

Nothing to report during the year under review.

### 34. BREAKDOWN OF PERSONNEL EXPENSES

in CHF	2023	2022	Change
Salaries	42 955 791	40 216 438	2 739 353
Of which:			
Expenses relating to share-based compensation and alternative forms of variable compensation	4 700 000	3 848 000	852 000
Social insurance benefits	11 653 057	11 292 540	360 517
Other personnel expenses	820 166	1 726 778	(906 612)
<b>Total</b>	<b>55 429 014</b>	<b>53 235 756</b>	<b>2 193 258</b>

### 35. BREAKDOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

in CHF	2023	2022	Change
Office space expenses	6 260 256	6 361 025	(100 769)
Expenses for information and communications technology	2 711 765	2 375 279	336 486
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	8 504 686	7 981 421	523 265
Fees of audit firm	399 616	380 490	19 126
Of which:			
for financial and regulatory audits	399 616	380 490	19 126
for other services	-	-	-
Other operating expenses	7 022 114	6 152 516	869 598
<b>Total</b>	<b>24 898 437</b>	<b>23 250 731</b>	<b>1 647 706</b>

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

Extraordinary income consists mainly of recovery of various receivables from previous years.



### 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	2023		
	Switzerland	Abroad*	Total
Net result from interest operations	26 038 308	7 863 385	33 901 693
Net commission and service income	23 001 782	1 970 831	24 972 613
Result from trading activities and the fair value option	60 711 559	1 822 821	62 534 380
Other result from ordinary activities	(1 114 220)	616 129	(498 091)
Operating expenses	74 066 972	6 260 479	80 327 451
<b>Operating result</b>	<b>34 570 457</b>	<b>6 012 687</b>	<b>40 583 144</b>

\* 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 2023, the item refers in full to current taxes (average tax rate: 21.2%).

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

Not applicable.



## INDEPENDENT AUDITOR'S REPORT

Reference is made to the report of the statutory auditor issued in Italian on February 21, 2024, in which the auditor confirms that in its opinion the financial statements in Italian of Banca Popolare di Sondrio (Suisse) SA comply with Swiss law and the Company's articles of incorporation.



## FOREWORD

No man is an island. Since the beginning of time, people have instinctively sought out others and come together to engage in conversation, to discuss and explore different topics; to listen and learn, perhaps while also enjoying themselves. Theatre, today as in the past, is a form of entertainment that satisfies these interpersonal needs and disseminates culture. As for the past, this is evidenced, among other things, by Greek and Roman plays, the texts of which are of enduring value and are still portrayed on the stage to this day. A great deal of time, effort and study was dedicated to this specific field. The shows were staged in open-air theatres, which blended seamlessly with their natural surroundings. From the remains of these structures, several of which are still well-preserved, you can see the extraordinary care taken in their construction, particularly the cavea: the actors were clearly visible to all those in attendance in these seats and their voices projected warm and clear right up to the top tiers.

Another form of entertainment, which complements the theatre but does not replace it, is the cinema. While in the theatre everything happens live in front of the audience, in the cinema, scenes that have previously been prepared and recorded on film are projected onto a screen. Continuous research and advancement in this industry has meant that a standard of audio and video quality that was once unthinkable has now been achieved. Regarding this progress, it does not seem out of place to compare our admiration with that felt by the Italian poet Vincenzo Monti towards the Montgolfier brothers, who invented the first hot-air balloon capable of carrying people in 1783. Subsequent to the experiments carried out by these French innovators, Monti composed an ode that, addressing Man, the brilliant inventor, concludes as follows: "What else remains? But to defeat death and drink the nectar of life with Jupiter in heaven."

Cinema is a performing art that is accessible even to less affluent members of society. This has contributed to its widespread dissemination throughout the five continents and offers filmgoers the opportunity to engage in healthy recreation, to indulge their imagination and freedom, to feel emotions, and to nourish their spirit. Filmmaking – the serious kind, of course! – is an art that spans all fields and propagates knowledge in a broad sense. It is not uncommon for films to arouse curiosity and spark debate. Many lead to deep reflection and remain firmly etched in our hearts and minds.

Creating an outstanding film takes preparation, sharpness of vision and insight on the part of directors, screenwriters and producers. The actors, who are called upon to identify with the characters they play, also assume an important role in this regard. Their talent and quality of performance often dictate how a film is received and the level of success it subsequently enjoys. An excellent example of this is Audrey Hepburn, an actress of the past who rose to stardom in the 1950s. She is the quintessential embodiment of the eternal feminine to whom our Bank has chosen to dedicate the cultural section of the 2023 Annual Report. This decision was based on a variety of factors, including our parent company Banca Popolare di Sondrio's endorsement of a series of measures to celebrate International Women's Day (8 March 2023) – the Italian Banking Association (ABI)'s "Women in Banking: Promoting Gender Diversity" charter and "Valore D", an established association of businesses in Italy committed to gender equality and the promotion of a culture inclusive of all people, without discrimination.

Audrey Hepburn was born in Ixelles, a municipality of the Belgian city of Brussels, on 4 May 1929, to an English father and a Dutch mother. She grew up in an aristocratic family, who would frequently travel abroad for work engagements.

In 1935, her father, after divorcing her mother, returns to his native United Kingdom, and from that moment on, he neglects to maintain a relationship with his daughter. For the young Audrey, this is a trauma that would prey on her mind and cause her a lingering sense of insecurity. However, she does not hold a grudge against her father – so much so that, in adulthood, she goes out in search of him and would remain in contact with him for the rest of his life, even supporting him financially.

In 1939, Hepburn moves with her mother to the Dutch town of Arnhem, where she studies dance with great passion and proficiency, becoming a dancer to all intents and purposes.

During the Second World War, Holland famously also suffered at the hands of the German occupation, which tightened its grip in the winter of 1944 – a matter of months after British and American soldiers landed in Normandy. The few remaining reserves of food and fuel are confiscated. And Hepburn is not spared this reign of terror, paying a heavy price herself, enduring a level of hunger and cold that would make her weak and fragile and leave her suffering.

After having enjoyed success as an actress in a host of theatre productions (which she would continue to do at various points throughout her future career), Audrey makes her debut in the world of film at the end of the war. Her first role on the big screen comes in 1951, when she stars in the British film *One Wild Oat*. Among her later performances, she is most known for her role as the female lead alongside Gregory Peck in the highly successful feature film *Roman Holiday*, released in cinemas in 1953. This is considered to be *the* role that skyrockets her to stardom, and she would go on to portray a plethora of characters and enjoy great triumphs and fame throughout an enormously successful career. “*Fama crescit eundo*” as the Romans would say.

From 1967, Audrey starts to dedicate less and less time to the acting world, retiring from the film industry entirely in 1988. However, she is not one to sit back and twiddle her thumbs, and so later that year, she decides to embark upon what would be a lengthy journey working with UNICEF. She does this with strength, dedication and love, driven by her extraordinary sensitivity as a mother and as a woman who herself experienced some tumultuous times during her childhood. Her first mission in her new “role” as ambassador is in Ethiopia. After this, she visits countless other underdeveloped countries, including Sudan, Bangladesh, Vietnam and Somalia, where she encounters poverty and misery, and witnesses first-hand how, in these desolate lands, life is a lottery and starvation is rife. Among the victims, many are children.

The dehumanising environments to which she is deployed upset her to the point of tears, outrage her and drive her to action.

With her mandates on behalf of UNICEF ending in 1992, Audrey Hepburn withdraws from public engagements due to ill health. In the Bible, in the Book of Proverbs, where it speaks of the virtues of a noble woman, it states that “she opens her arms to the poor and reaches out her hands to the needy.” The verse, in reference to the numerous charitable missions described above, also befits the protagonist of these missions, a protagonist of kindness and altruism.

The timeless star of *Roman Holiday* dies on 20 January 1993 in the Swiss town of Tolochenaz, in the canton of Vaud, where the actress and, indeed, humanitarian activist had resided for the last thirty years of her life. Her remains are laid to rest in a simple and modest grave in the small cemetery in the very same village that was so dear to her.

I would like to thank the authors of the articles that make up this fascinating monograph on Audrey Hepburn and commend each and every one of them on their meticulous research, pertinent observations and clarity of expression.

Lugano, January 2024

Chairman  
**Mario Alberto Pedranzini**



