



SOCIETÀ
BANCARIA
TICINESE



2 0 2 2

119TH FINANCIAL YEAR

LIMITED COMPANY FOUNDED IN 1903

2 0 2 2

1 1 9 TH F I N A N C I A L Y E A R

PRIVATE BANK SINCE 1903

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The interleaves show details of paintings
on display on the bank's premises:

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Photos by Cosimo Filippini.

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Società Bancaria Ticinese was founded in 1903

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Società Bancaria Ticinese is a Swiss private bank founded in 1903 with head office and general administration in Bellinzona.

It is a totally independent bank, whose reference shareholders participate directly in the banking business management.

Specializing in the provision of investment and financing services to private clients, the bank provides the full range of banking services, including discretionary asset management and advisory mandates, as well as services such as the purchase, sale and custody of securities and other financial instruments. The bank also provides financing, mortgages, and commercial and Lombard loans.

THE BANK
CORPORATE GOVERNANCE



Governing bodies

BOARD OF DIRECTORS

CHAIRMAN
Mario Molo, lawyer (*)

VICE CHAIRMAN
Giorgio Lavizzari (*)

BOARD SECRETARY
Loris Joppini (*)

MANAGEMENT

CHIEF EXECUTIVE OFFICER
Stefano Resinelli

DIRECTORS
Dionigi Resinelli
Christian Guidotti

LEGAL ADVISERS
Cinzia Sartore
Sefora Resinelli

STATUTORY AUDITORS

Deloitte SA, Zurich

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(*) They fulfil the independence requirements
set out in FINMA Circular 2017/1, margin no. 17.

BOARD OF DIRECTORS

MARIO MOLO, lawyer, CHAIRMAN

Mr Mario Molo is a Swiss citizen born in 1948. After graduating at the Bern Law School in 1974 he started his career at the legal department of the Swiss Federal Department of Finances in Bern. Back to Ticino, he obtained the public notary patent and started his collaboration with Dr. Carlo Bonetti, Esq., with whom he founded the law firm Bonetti and Molo. Since then, he has dedicated himself to the practice as lawyer and public notary. He is member of the board of various small and medium-sized companies in the banking, industrial and services sectors. Mr Mario Molo joined the Board of Directors of Società Bancaria Ticinese in 1992 and in 2006 he became its Chairman.

GIORGIO LAVIZZARI

Mr Giorgio Lavizzari is a Swiss citizen born in 1947. After graduating in political economy at the University of Fribourg, he worked at the Taxation Office of the Cantonal Tax Administration, later becoming a trustee manager. He has more than thirty years of experience in finance, working for Banca Stato where he has been a member of the General Management for many years as "Head of Private Clients". He joined the Board of Directors of Società Bancaria Ticinese in 2014.

LORIS JOPPINI

Mr Loris Joppini is a Swiss citizen born in 1944. Before joining the Board of Directors of Società Bancaria Ticinese in 2018, Mr Joppini has held several leading roles in the banking sector. His last executive position has been as "Head of Private Clients Switzerland" department at Credit Suisse in Ticino, and later sitting on the Board of Directors of other major banks. He is currently the owner of the Joppini Consulting GmbH, Pontresina.

The Board of Directors is composed of 3 members who do not exercise, in accordance with the banking practice, no function within the Institute. The Board of Directors has refrained from establishing separate committees by appointing an independent member as delegate to internal control.

MANAGEMENT

STEFANO RESINELLI

Mr Stefano Resinelli is a Swiss citizen born in 1976. He joined the Società Bancaria Ticinese in 2003 with responsibility for the Private Banking. He was appointed Chief Executive Office in 2014. Before joining the Bank, he worked for the Deutsche Bank in Frankfurt from 2000 to 2003 in the Securities and Investor Services department. He holds a university degree in economics from the Buckingham University in England.

DIONIGI RESINELLI

Mr Dionigi Resinelli is a Swiss citizen born in 1941. He joined the Società Bancaria Ticinese in 1972 and he was appointed Chief Executive Officer in 1976. Since 2014 he is a member of the Executive Board. Mr Resinelli holds a university degree in economics from the University of Fribourg which was followed by internships in London at the Swiss Banking Corporation and the J.M. Finn, and in New York at the Bankers Trust and the Dominick and Dominick.

CHRISTIAN GUIDOTTI

Mr Christian Guidotti, is a Swiss citizen born in 1966. He joined the Società Bancaria Ticinese in 2005 as Head of Administration and Compliance. In 2009 he was appointed Member of the Executive Board. Before joining the bank, he worked for the Justice Division in Bellinzona and the Guardian SA. He holds various business administration diplomas from the SSQEA and SUPSI as well as an MBA from the Centro Studi Bancari in Vezia.

REPORT OF THE BOARD OF DIRECTORS

MARIO MOLO, LAWYER

Chairman



Report of the 119th financial year

Dear Shareholders,

Having made a rapid recovery from the 2020 recession caused by the coronavirus pandemic, the global economy once again experienced a setback in 2022, mainly due to the consequences of Russia's aggression against Ukraine that has continued since 24 February.

For too many years, we deluded ourselves that wars on Europe's doorstep were just pages in our history books, and that it was possible to have security, money and energy at zero cost. It was commonly believed that to solve crises and structural problems we just needed to feed the system with cheap liquidity. This cure has not only lost its effectiveness but, along with the energy crisis triggered by the Ukraine conflict and the ongoing pandemic policies in many parts of the world, it has created the ideal conditions for generalized rampant inflation.

In an effort to calm the economy and counter rising prices, the central banks took knee-jerk measures, abandoning their long-standing expansionary policies and adopting painful measures to reduce their balance sheets and increase the cost of money.

The speed of this paradigm shift at the monetary level took the stock markets by surprise, and they recorded one of their worst years since the financial crisis in 2008. Over the 12-month period, the Swiss Market Index (SMI) lost 16.67%, the European EURO STOXX 50 index saw a 11.74% correction, and the US DOW JONES index fell by 8.78%.

Even worse, following the surge in interest rates, the bond market suffered corrections of even more than 15%, clearly putting a strain on the more conservative investors and institutions that traditionally choose bonds to avoid the risks and volatility of the stock markets.

In the face of energy shortages and the consequent impact on prices, even the energy transition will not be possible within the scheduled timeframe and will be very costly, especially for the end consumer.

Our bank operated with great prudence throughout the 2022 financial year, and closed with mixed results.

The balance sheet increased to CHF 203.8 million.

Despite value adjustments on two bond positions in the bank's investment portfolio, the net result from interest operations increased by 5.86% (CHF 1.62 million compared to CHF 1.53 million), driven by the rise in interest rates.

Net fee and commission income fell by 10.72%, under the influence of market volatility and clients' reluctance to invest.

Income from trading operations ended with a slight loss (CHF -59,000).

As a result of retirements, overhead costs fell from CHF 4.5 million to CHF 4.2 million. This is a temporary effect, and we expect a return to the previous figures this year as staff numbers will be increased with new hires and there will be higher costs because some activities, such as the securities back office, will be outsourced to achieve greater efficiency.

On 1 January 2022, the bank implemented the new provisions of the Financial Services Act (FinSA), which are intended to reinforce the protection of investment clients and establish a comparable regulatory regime for the provision of specific financial services by the various players in the sector, such as banks and asset managers.

Report of the 119th financial year

To conclude, the financial year closed with a gross profit of CHF 649'000, compared to CHF 2.05 million last year.

The board trusts in the soundness of our bank. After the usual value adjustments and taxes, an operating result of CHF 430'430 was achieved which, added to the profit carried forward, the board proposes to utilise as follows:

CHF 30'000.- to reserves
CHF 400'000.- as a dividend of 5%
on the share capital
CHF 6'293'523.- carried forward

CHF 6'723'523.-

Special thanks go to our loyal customers and to our staff, who have carried out their duties with efficient diligence.

For the board of directors



Chairman
Mario Molo, Lawyer





REPORT
BALANCE SHEET
OFF - BALANCE - SHEET BUSINESS



Balance sheet

| in Swiss Francs | | 31.12.2022 | 31.12.2021 |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Liquid assets | | 50'080'943 | 47'258'872 |
| Amounts due from banks | | 32'465'056 | 29'136'585 |
| Amounts due from customers | 3.2 | 22'021'541 | 28'098'721 |
| Mortgage loans | 3.2 | 87'749'910 | 83'356'497 |
| Trading activities | 3.3 | 4'711'098 | 5'258'899 |
| Positive replacement values of derivative financial instruments | 3.4 | 28'053 | 32'855 |
| Financial investments | 3.5 | 1'259'133 | 1'951'044 |
| Accrued income and prepaid expenses | | 176'764 | 42'978 |
| Participations | 3.6/7 | 3'321'104 | 3'274'081 |
| Tangible fixed assets | 3.8 | 1'926'134 | 2'086'328 |
| Other assets | 3.10 | 53'012 | 44'018 |
| Total assets | | 203'792'748 | 200'540'878 |
| Total subordinated loans | | - | - |
| - with subordination and/or waiver obligation | | - | - |

Report of the 119th financial year

| in Swiss Francs | | 31.12.2022 | 31.12.2021 |
|---|------|--------------------|--------------------|
| Liabilities | | | |
| Amounts due to banks | | 239'192 | 236'858 |
| Amounts due in respect of customer deposits | | 156'857'256 | 152'781'890 |
| Negative replacement values of derivative financial instruments | 3.4 | 28'053 | 32'855 |
| Cash bonds | 3.15 | 1'310'000 | 1'330'000 |
| Bond issues and central mortgage institution loans | 3.15 | 15'800'000 | 15'800'000 |
| Accrued expenses and deferred income | | 774'963 | 1'455'719 |
| Other liabilities | 3.10 | 113'220 | 118'193 |
| Provisions | 3.16 | 1'380'000 | 1'380'000 |
| Reserves for general banking risks | 3.16 | 6'000'000 | 6'000'000 |
| Share capital | 3.17 | 8'000'000 | 8'000'000 |
| Legal reserve from profits | 3.21 | 8'462'960 | 8'308'690 |
| Own capital shares | | (1'896'420) | (1'896'420) |
| Profit carried forward | | 6'293'094 | 5'412'901 |
| Profit for the year | | 430'430 | 1'580'192 |
| Total liabilities | | 203'792'748 | 200'540'878 |
| Total subordinated commitments | | - | - |
| - with subordination and/or waiver obligation | | - | - |

Off-balance-sheet business

| in Swiss Francs | | 31.12.2022 | 31.12.2021 |
|---|--------|------------|------------|
| Contingent commitments | 3.2/28 | 864'580 | 819'414 |
| Irrevocable commitments | | 1'026'000 | 1'050'000 |
| Obligations to pay up shares and make further contributions | | 222'880 | 202'720 |





REPORT

PROFIT AND LOSS ACCOUNT



Profit and loss account

| in Swiss Francs | | 2022 | 2021 |
|--|------|------------------|------------------|
| Income and expenses resulting from ordinary banking operations | | | |
| Income from interest transactions | | | |
| Interest and discount income | | 1'998'176 | 1'818'668 |
| Interest and dividend income from trading activities | | 122'379 | 101'380 |
| Interest and dividend income from financial investments | | 31'424 | 38'361 |
| Interest expenses | | (203'703) | (218'408) |
| Gross result from interest operations | | 1'948'276 | 1'740'001 |
| Changes in value adjustments for default risks and losses from interest operations | | (330'793) | (212'124) |
| Net result from interest operations | | 1'617'483 | 1'527'877 |
| Result from commission on transactions and service fees | | | |
| Commission income from securities trading and investment activities | | 3'235'197 | 3'703'720 |
| Commission income from lending activities | | 10'714 | 12'338 |
| Commission income from other services | | 653'466 | 649'696 |
| Commission expenses | | (471'810) | (526'712) |
| Result from commission business and services | | 3'427'567 | 3'839'042 |
| Result from trading activities and the fair value option | 3.32 | (59'406) | 1'102'563 |
| Result from the disposal of financial investments | | (8'227) | 2'594 |
| Income from participations | | 17'160 | 16'289 |
| Result from real estate | | 35'013 | 36'075 |
| Other ordinary income | | 10'165 | 30'124 |
| Other ordinary expenses | | - | (50'000) |
| Other result from ordinary activities | | 54'111 | 35'082 |

Report of the 119th financial year

| in CHF | | 2022 | 2021 |
|--|------|--------------------|--------------------|
| Personnel expenses | 3.34 | (2'827'918) | (2'992'635) |
| General and administrative expenses | 3.35 | (1'400'676) | (1'535'049) |
| Operating expenses | | (4'228'594) | (4'527'684) |
| Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets | 3.8 | (157'869) | (174'506) |
| Changes to provisions and other value adjustments, and losses | | (3'713) | 249'897 |
| Operating result | | 649'579 | 2'052'271 |
| Extraordinary income | 3.36 | - | - |
| Extraordinary expenses | | - | - |
| Changes in reserves for general banking risks | | - | - |
| Taxes | 3.39 | (219'149) | (472'079) |
| Profit for the year | | 430'430 | 1'580'192 |
| Proposed allocation of profit | | | |
| Profit for the year | | 430'430 | 1'580'192 |
| Profit carried forward | | 6'293'093 | 5'412'901 |
| Balance sheet profit | | 6'723'523 | 6'993'093 |
| Proposed allocation of profit | | | |
| Allocation to legal reserve | | 30'000 | 100'000 |
| Balance sheet profit distribution | | 400'000 | 600'000 |
| Carried forward | | 6'293'523 | 6'293'093 |

Presentation of the statement of changes in equity

in thousand of Swiss Francs

| | Share capital | Capital reserve | Retained earnings reserve | Reserves for general banking risks | Voluntary reserves from profit and loss carried forward | Own capital shares (negative entry) | Result of the period | Total |
|---|---------------|-----------------|---------------------------|------------------------------------|---|-------------------------------------|----------------------|---------------|
| Equity capital at the start of the reporting period | 8'000 | | 8'309 | 6'000 | 5'413 | (1'896) | 1'580 | 27'406 |
| Capital increase/decrease | | | | | | | | |
| Additional contributions/additional payments | | | | | 1'580 | | (1'580) | |
| Acquisition of own capital shares | | | | | | | | |
| Disposal of own capital shares | | | | | | | | |
| Dividends and other distributions | | | 54 | | (600) | | | (546) |
| Other allocations to (transfer from) the reserves for general banking risks | | | | | | | | |
| Other allocations to (transfer from) the other reserves | | | 100 | | (100) | | | |
| Profit for the year | | | | | | | 430 | 430 |
| Equity capital at the end of the reporting period | 8'000 | | 8'463 | 6'000 | 6'293 | (1'896) | 430 | 27'290 |

REPORT

NOTES TO THE ANNUAL ACCOUNTS



Notes to the annual accounts

1. Sectors of activity and headcount

Società Bancaria Ticinese SA, a universal bank originally founded in Lugano on 24 November 1903 (charter dated 19 October 1903), is a private bank rich in tradition that provides investment advice, asset management, credit brokering and transferable securities brokerage. The bank is based in Bellinzona in its own prestigious building. Its clientèle mainly comprises local customers though it also has international clients. At the end of the financial year, the total number of employees was 18 (2021: 20 employees), with a full-time equivalent of 16 employees (2021: 18 employees).

Outsourcing

The bank delegated some of its payment transactions business to Finastra Switzerland GmbH in Baden up to 31 December 2022. Since 1 January 2023, this sector has been handled by BottomLine Technologies Dach AG in Zurich. Since 1 January 2013, the bank has outsourced its IT platform to the Lugano office of Best Vision Solutions SA. Since 1 November 2022, the bank's securities administration service has also been handled by Best Vision Solutions SA.

2. Principles for preparing and valuing the financial statements

The bookkeeping, preparation and valuation follow the rules laid down in the guidelines of the Swiss Financial Market Supervisory Authority FINMA (FINMA Circular 2020/1 and FINMA Accounting Ordinance), the provisions of the Swiss Code of Obligations, the Swiss Banking Act and the articles of association. The close process is based on the 'single statutory closing with reliable presentation' method.

Accounting principles

Cash and cash equivalents, loans to banks and customers, mortgage loans, funds payable

These items are recorded at nominal value. There is a value adjustment for potential customer credit risks. Lending is an important sector. Credit facilities are based on mortgage guarantees on mainly domestic real estate. Loans are mainly refinanced with funds collected from customers through traditional products, such as current accounts, savings accounts and cash bonds. The bank also has other sources of refinancing, such as borrowing from the Schweizerische Pfandbriefbank.

Trading securities portfolio

The bank's own portfolio of securities held for trading is valued at list prices on the balance sheet date. The bank invests amounts commensurate with its resources, primarily in equities of leading companies and in currencies. Positions are usually held for short periods and in compliance with a regulation that allows for the mitigation of possible capital losses caused by price fluctuations.

Financial assets

The bank's financial assets mainly comprise Swiss franc bonds of primary debtors. They are managed according to the principle of investment soundness. They are valued using the accrual method, in which the difference between the purchase price and the redemption value is carried forward over the years between the purchase date and the maturity date. Adjustments are made to the value of financial assets in the event of lasting deterioration in the issuer's credit risk.

Report of the 119th financial year

Holdings

Holdings of capital or voting shares in other companies are entered in the balance sheet at their purchase price minus economically necessary depreciation.

Tangible fixed assets

Fixed assets are depreciated at 20% of their purchase value. The bank avails itself of the option of accelerated depreciation in accordance with the provisions of local tax legislation. The investment in the development of the IT system is depreciated over its remaining useful life.

Accruals and deferrals

Interest income and expenses and other operating expenses are accrued on a time basis.

Taxes

The bank records a provision for municipal, cantonal and federal taxes determined on the basis of the operating result in accordance with the tax regulations in force. This provision is recorded under Accrued expenses and deferred income.

Commitments to banks and customers, cash obligations, mortgage loans

The valuation is made at nominal value.

Mortgages with covered bond issuers and loans

At 31 December 2022, the bank has twelve outstanding loans with the Schweizerische Pfandbriefbank Zurich totalling CHF 15'800'000 (2021: CHF 15'800'000), in order to adequately refinance

balance sheet assets. The loans are structured in accordance with the mortgage loan act and the regulations and guidelines of the Schweizerische Pfandbriefbank. In total, these medium- to long-term loans account for approximately 14.4% (2021: 14.2%) of all loans granted.

Value adjustments and provisions

Value adjustments and provisions for impaired loans are made on the principle of prudence for all risks identified at the balance sheet date. Credit files are monitored regularly. Badly performing loans are analysed to determine possible value adjustments. When the need for value adjustments is identified for the portion not covered by any collateral, these are recorded immediately.

Reserves for general banking risks

The reserve is treated as an own fund within the meaning of Art. 21 of the Capital Adequacy Ordinance. There is a CHF 6 million reserve for general banking risks, CHF 1 million of which is taxed.

Own shares of capital

Own shares of capital are shown as a negative item in equity capital and are valued at the purchase price.

Derivatives, forwards

These instruments are traded primarily on behalf of customers. The positive and negative replacement values of derivatives open at account closing are entered at their market value – or if not they are valued at cost – and entered in the balance sheet under the appropriate item. The valuation is entered in the profit and loss account. The bank does not deal in derivatives on its own behalf. It enters into forward foreign

exchange transactions on its own behalf, either to hedge the foreign exchange risk on equivalent foreign currency positions, or for extemporaneous trading. Likewise, it carries out forward transactions on behalf of customers or transactions to hedge against price risks on its trading portfolio.

Conversion of foreign currencies

The average exchange rates on the balance sheet date apply. The two main currencies, i.e. EUR and USD, were valued at 0.984055 and 0.923 respectively (2021: 1.03485 and 0.913995). Foreign currency transactions during the year are converted at the average exchange rate on the day of the transaction. The result of the valuation is recorded in the profit and loss account under Result of trading activities and fair value option. Forward contracts are converted using the residual prices on the balance sheet date. The valuation result is entered in the profit and loss account.

Hedging

The results of hedging transactions are recorded in the same item of the income statement as the results of the underlying transaction. In the case of macro hedges in connection with interest-bearing transactions, the balance may be recorded under Interest income and discounts or under Interest expenses. Accrued interest on hedging transactions in the profit and loss account using the accrual method is not recorded as accruals and deferrals, but entered in the clearing account (under Other assets or Other liabilities), in order to avoid double counting with the replacement values already recorded in the balance sheet. If the results of the hedging transactions are greater than those of the underlying transactions, the surplus of the derivative financial

instrument is treated as a trading asset. The surplus is therefore recorded under item 3 Income from trading activities and fair value option, and not in the clearing account.

Changes to accounting principles

No changes.

Significant events after the balance sheet date

None.

Interest in jeopardy

Interest income, the collection of which is doubtful, is treated in accordance with the law, i.e. interest not collected within 90 days of its accrual is set aside and deducted from the individual receivable item.

Risk management

The board of directors conducted an analysis of the main risks to which the bank is exposed. In this analysis, the board of directors took into account the control system, the purpose of which is to manage and reduce risks. Risk management is constantly monitored by the managers responsible for this sector, without prejudice to the board of directors' overriding control of practices. The bank has its own risk management regulations, which set out the maximum credit limits per borrower or group of borrowers, the collateral required and the documentation to be submitted to obtain financing. The purpose of risk management is to preserve the bank's equity, foster profitability and increase the value of the company.

Credit risks

The bank grants mainly mortgage loans, Lombard loans (at the explicit request of customers) and to a lesser extent commercial loans: in the latter case, only debtors of proven solvency, who can present accounts with sufficient equity and constant profitability are taken into consideration. Prudent margins are set for secured loans. For Lombard loans, the margins are set according to the market value and the type of pledged assets, whereas for mortgage loans, the margin is set according to the value and quality of the property determined by means of an appropriate appraisal (internal or external) and/or the capitalized earnings value. The bank has had a specific regulation for this since 1 July 2005, in compliance with the principles established by the SBA. Non-performing loans are promptly identified and managed, establishing economically necessary value adjustments where necessary.

Market risks

The risks of impairment losses due to decreases in assets and/or increases in liabilities caused by fluctuations on the financial markets, such as interest rate, exchange rate and price risks, are constantly monitored.

Interest rate risks

Credit operations are financed by funds raised from customers. The bank has instruments at its disposal to bridge the time mismatch between the maturities of deposits and the maturities of the use of funds.

Exchange rate risks

The exposure is very limited, as operations are carried out in accordance with customers' needs. To ensure residual risks are minimized, prudent maximum exposure ceilings have been set and individually unbalanced positions are therefore balanced daily by the treasury.

Price risks

Positions taken within the trading portfolio are controlled by stop-loss orders.

Liquidity and refinancing risks

The level of liquidity is monitored in compliance with legal requirements. The bank's refinancing comes from its own funds and from clients' assets deposited with the bank. The bank operates a high liquidity policy which, if surplus, is invested for short periods with primary banks on the interbank market. Information on equity, liquidity and corporate governance, in compliance with FINMA circular 2016/1 'Disclosure – banks', is published separately on the bank's website.

Operational risks

Exposure to non-compliance or internal procedure risks is minimized by management controls and by internal rules and procedures. Since 1 January 2013, the bank has been using BEST, a software package under licence from Best Vision Solutions. With the exception of the server containing sensitive client data, which is located at the head office in Bellinzona, the bank's IT equipment is located at Morbio Inferiore. All essential components are redundant to guarantee against possible failures.

Report of the 119th financial year

Legal risks

The bank has organized its activities in line with the legal and ethical standards in force in the banking sector, ensuring transparent contractual rules with its customers. The bank works with an external law firm.

Reputational and compliance risks

The bank's clientèle consists mainly of known customers or new customers introduced by persons of trust. The staff is trained and cognizant of the obligation of due diligence, confidentiality and money laundering prevention. In addition, investment advisers inform their clients about the risks inherent in investments. The bank monitors dormant assets in compliance with federal regulations.

Bank policy on the use of derivative financial instruments

These positions are taken exclusively on behalf of clients.

Principles for recording transactions

All completed transactions are recorded on the day of the transaction in accordance with the execution date principle, with the exception of forward transactions and financial contracts, which are accounted for at maturity.

Consolidation

In accordance with Art. 35 of the Swiss Banking Ordinance, the bank has no consolidation requirements.



Notes to the balance sheet

3.1 Breakdown of securities financing transactions (assets and liabilities)

Nothing to report.

3.2 Presentation of collateral for loans/receivables and off-balance-sheet transactions (assets and liabilities), as well as impaired loans/receivables

| in thousand of Swiss Francs | | Secured by mortgage | Other collateral | Unsecured | Total |
|--|------------------------------------|---------------------|------------------|-----------|---------|
| Loans (before netting with value adjustments) | | | | | |
| 32 | Amounts due from customers | 9'330 | 12'237 | 1'412 | 22'979 |
| | Mortgage loans | | | | 88'411 |
| | Residential property | 62'920 | - | - | |
| | Office and business premises | 18'498 | - | - | |
| | Commercial and industrial premises | 1'210 | - | - | |
| | Other | 5'783 | - | - | |
| Total loans (before netting with value adjustments) | | | | | |
| | 2022 | 97'741 | 12'237 | 1'412 | 111'390 |
| | 2021 | 96'329 | 15'473 | 1'250 | 113'052 |
| Total loans (after netting with value adjustments) | | | | | |
| | 2022 | 96'630 | 12'237 | 904 | 109'771 |
| | 2021 | 95'218 | 15'473 | 764 | 111'455 |

Report of the 119th financial year

Off-balance-sheet transactions

| | | | | |
|---|---|-----|-------|-------|
| Contingent liabilities | - | 404 | 461 | 865 |
| Irrevocable commitments | - | - | 1'026 | 1'026 |
| Obligations to pay up shares and make further contributions | - | - | 223 | 223 |
| Total off-balance sheet transactions | | | | |
| 2022 | - | 404 | 1'710 | 2'114 |
| 2021 | - | 348 | 1'724 | 2'072 |

Impaired loans/receivables

| | Gross debt amount | Estimated liquidation value of collateral | Net debt amount | Individual value adjustments |
|------|-------------------|---|-----------------|------------------------------|
| 2022 | 7'261 | 5'643 | 1'618 | 1'618 |
| 2021 | 8'349 | 6'752 | 1'597 | 1'597 |

Impaired loans were reclassified from 31.12.2021 (previously loans with latent risk adjustments). Of these, irrecoverable loans comprise 52 (2021: 172). This reclassification had no impact on the amount of the value adjustments or on the income statement. The previous year's figures have been adjusted accordingly.

3.3 Breakdown of trading portfolios and other financial instruments at fair value (assets and liabilities)

in thousand of Swiss Francs

| Assets | 2022 | 2021 |
|---|--------------|--------------|
| Trading portfolio assets | | |
| Equity securities | 4'696 | 5'223 |
| Precious metals and commodities | 15 | 36 |
| Other trading assets | - | - |
| Total assets | 4'711 | 5'259 |
| - determined using a valuation model | - | - |
| - trading assets eligible as collateral under liquidity regulations | - | - |

Report of the 119th financial year

3.4 Presentation of derivative financial instruments (assets and liabilities)

in thousand of Swiss Francs

| | Trading instruments | | | Hedging instruments | | |
|---|----------------------------|----------------------------|-----------------|----------------------------|----------------------------|-----------------|
| | Positive replacement value | Negative replacement value | Contract volume | Positive replacement value | Negative replacement value | Contract volume |
| Interest rate contracts | | | | | | |
| Forward contracts incl. FRAs | - | - | - | - | - | - |
| Swap | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (Exchange Traded) | - | - | - | - | - | - |
| Foreign exchange contracts / Precious metals | | | | | | |
| Forwards | 28 | 28 | 11'707 | - | - | - |
| Combined interest rate/currency swaps | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (Exchange Traded) | - | - | - | - | - | - |
| Equity/index contracts | | | | | | |
| Forwards | - | - | - | - | - | - |
| Swap | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (Exchange Traded) | - | - | - | - | - | - |
| Credit derivatives | | | | | | |
| Credit default swap | - | - | - | - | - | - |
| Total return swap | - | - | - | - | - | - |
| First-to-default swap | - | - | - | - | - | - |
| Other credit derivatives | - | - | - | - | - | - |
| Other | | | | | | |
| Forwards | - | - | - | - | - | - |
| Swap | - | - | - | - | - | - |
| Futures | - | - | - | - | - | - |
| Options (OTC) | - | - | - | - | - | - |
| Options (Exchange Traded) | - | - | - | - | - | - |

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| | Trading instruments | | |
|--|----------------------------|----------------------------|-----------------|
| | Positive replacement value | Negative replacement value | Contract volume |
| Total before netting agreements | | | |
| 2022 | 28 | 28 | 11'707 |
| - determined using a valuation model | - | - | - |
| 2021 | 33 | 33 | 22'455 |
| - determined using a valuation model | - | - | - |

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| Total after netting agreements | Positive replacement values (cumulative) | Negative replacement values (cumulative) |
|---------------------------------------|--|--|
| | 2022 | 28 |
| 2021 | 33 | 33 |

Breakdown by counterparty:

| | Central clearing houses | Banks and securities dealers | Other customers |
|--|-------------------------|------------------------------|-----------------|
| Positive replacement values (after netting agreements) | - | 24 | 4 |

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3.5 Breakdown of financial investments

| in thousand of Swiss Francs | Book value | | Fair Value | |
|---|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Debt securities | | | | |
| - intended to be held to maturity | 766 | 1'352 | 740 | 1'371 |
| - not intended to be held to maturity (available for sale) | - | - | - | - |
| Precious metals | 493 | 493 | 543 | 536 |
| Real estate | - | 106 | - | 106 |
| Total | 1'259 | 1'951 | 1'283 | 2'013 |
| - securities eligible for repo transactions in accordance with liquidity requirements | - | - | - | - |

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Breakdown of counterparties on the rating category of Moody's

| | Aaa - Aa3 | A1 - A3 | Baa1 - Baa3 | Ba1 - B3 | Below B3 | Unrated |
|-----------------|-----------|---------|-------------|----------|----------|---------|
| Debt securities | | | | | | |
| Book values | 100 | - | 367 | 200 | - | 99 |

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3.6 Presentation of participations

| in thousand of Swiss Francs | Acquisition cost | Value adjust- ments and/or value ad- justments (equity method) accumu- lated to date | Book value at 31.12.2021 | 2022 | | | | | Book value at 31.12.2022 | Market value |
|--|---------------------|--|--------------------------------|-----------|------------------|------------------|---------------------------|--|--------------------------------|-----------------|
| | | | | Transfers | Invest- ments | Divest- ments | Value adjust- ments | Equity value adjust- ments valued according to the equity method / Apprecia- tions | | |
| Participations valued using the equity method | | | | | | | | | | |
| - Listed companies | - | - | - | - | - | - | - | - | - | - |
| - Not listed companies | - | - | - | - | - | - | - | - | - | - |
| Other participations | | | | | | | | | | |
| - Listed companies | - | - | - | - | - | - | - | - | - | - |
| - Not listed companies | 3'319 | (91) | 3'274 | - | 47 | - | - | - | 3'321 | N/A |
| Total participations | 3'319 | (91) | 3'274 | - | 47 | - | - | - | 3'321 | N/A |

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3.7 Information on companies in which the bank directly or indirectly holds a significant and lasting share

| Company name and registered office | Business activity | Share capital (thousands) | Share of capital (%) | Share of voting rights (%) | Direct ownership | Indirect ownership |
|---|----------------------|------------------------------|-------------------------|-------------------------------|---------------------|-----------------------|
| Immobiliare Castelgrande SA, Bellinzona | Real estate | 3'000 | 100 | 100 | yes | - |

In accordance with Art. 35 of the Swiss Banking Ordinance, there is no obligation to prepare group accounts at 31 December 2022 as this is an insignificant holding in terms of financial information and risk. There are no changes from the previous year.

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3.8 Presentation of tangible fixed assets

| in thousand of Swiss Francs | Acqui- sition cost | Accumu- lated deprecia- tion | Book value at 31.12.2021 | 2022 | | | | | Book value at 31.12.2022 |
|---|-----------------------|---------------------------------------|--------------------------------|-----------|------------------|------------------|--------------------|-----------------|--------------------------------|
| | | | | Transfers | Invest- ments | Divest- ments | Amortisa- tions | Apprai- sals | |
| Bank's buildings | 4'382 | (2'519) | 1'863 | - | - | - | (69) | - | 1'794 |
| Other real estate | - | - | - | - | - | - | - | - | - |
| Proprietary or separately acquired software | 1'403 | (1'306) | 97 | - | 3 | - | (47) | - | 53 |
| Other tangible fixed assets | 3'415 | (3'289) | 126 | - | - | - | (47) | - | 79 |
| Leased assets | - | - | - | - | - | - | - | - | - |
| Total fixed assets | 9'200 | (7'114) | 2'086 | - | 3 | - | (163) | - | 1'926 |

There are no lease commitments not recognized in the balance sheet.

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3.9 Presentation of intangible assets

Nothing to report. There are no changes from the previous year.

3.10 Breakdown of other assets and other liabilities

| in thousand of Swiss Francs | Other assets | | Other liabilities | |
|-----------------------------------|--------------|-----------|-------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Indirect taxes and VAT | 53 | 43 | 109 | 108 |
| Uncollected dividends, cash bonds | - | - | 4 | 10 |
| Other | - | 1 | - | - |
| Total | 53 | 44 | 113 | 118 |

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

| in thousand of Swiss Francs | Book values | Effective commitments |
|--|---------------|-----------------------|
| Pledged / assigned assets | | |
| Credit securities (financial assets) pledged as collateral | - | - |
| Mortgage securities pledged as collateral | 20'383 | 15'800 |
| Total | 20'383 | 15'800 |

3.12 Commitments to own pension funds and the number and type of the bank's capital instruments held by those funds

The Bank has a pension fund to which all employees are affiliated and which is governed by the defined contribution system. All employees with an annual AHV/AVS salary that exceeds the maximum limit for a standard AHV/AVS retirement pension are insured. Annual retirement credits range from 9% to 20% of the insured salary and vary depending on the age group. The amount of the retirement pension is fixed as a percentage of the accrued pension capital on retirement. The pension fund also provides a lump-sum death benefit, disability pension, children's pension and spouse's pension. The conversion rate is a percentage of the last insured salary. The benefits for death and disability risks are reinsured with PKRück in Vaduz. The pension fund is financed at a rate of 60% by the employer and 40% by the employee. For the bank, there are no economic commitments or benefits. There are no changes from the previous year.

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3.13 a) Reserves for employer contributions

Nothing to report.

3.13 b) Economic benefit / economic commitment and pension liability

| in thousand of Swiss Francs | Surplus / insufficient coverage at end of reporting year | Bank's actuarial surplus | Change from previous year in actuarial surplus (economic advantage and/ or economic commitment) | Contributions paid for the reporting period | Pension charge within personnel costs | |
|-------------------------------------|--|--------------------------|--|---|--|------|
| | 2022 | 2022 | 2021 | 2022 | 2022 | 2021 |
| Pension funds with surplus cover | 104.40% | - | - | - | 143 | 143 |
| | | | | | 166 | |

3.14 Presentation of issued structured products

The Bank does not issue its own structured products. There are no changes from the previous year.

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3.15 Presentation of bonds outstanding and mandatory convertible bonds

Mortgages with covered bond issuers

| Interest rate | Maturity | | | | | | | Total |
|---------------|----------|--------------|--------------|--------------|------------|--------------|--------------|---------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Beyond | |
| 0,050% | - | - | - | - | - | - | - | - |
| 0,300% | - | - | - | - | - | - | 1'600 | 1'600 |
| 0,425% | - | - | - | 1'400 | 500 | - | - | 1'900 |
| 0,550% | - | - | 1'400 | - | - | 2'800 | - | 4'200 |
| 0,675% | - | - | 2'500 | - | - | - | 1'500 | 4'000 |
| 1,050% | - | - | - | - | - | - | 3'000 | 3'000 |
| 1,425% | - | 1'100 | - | - | - | - | - | 1'100 |
| Total | - | 1'100 | 3'900 | 1'400 | 500 | 2'800 | 6'100 | 15'800 |

No bonds were outstanding at the balance sheet date.

However, the following cash bonds were outstanding:

| Interest rate | Maturity | | | | | | | Total |
|---------------|------------|------------|-----------|------------|------------|----------|----------|--------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Beyond | |
| 0,10% | - | 300 | - | - | - | - | - | 300 |
| 0,25% | - | - | - | - | - | - | - | - |
| 0,50% | - | - | - | - | - | - | - | - |
| 0,70% | 10 | - | - | - | - | - | - | 10 |
| 1,00% | 700 | 30 | 30 | 140 | 100 | - | - | 1'000 |
| 1,25% | - | - | - | - | - | - | - | - |
| 1,50% | - | - | - | - | - | - | - | - |
| 1,75% | - | - | - | - | - | - | - | - |
| 2,00% | - | - | - | - | - | - | - | - |
| 2,25% | - | - | - | - | - | - | - | - |
| 2,50% | - | - | - | - | - | - | - | - |
| Total | 710 | 330 | 30 | 140 | 100 | - | - | 1'310 |

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

| in thousand of Swiss Francs | Status at 31.12.2021 | Use in confor- mity with desi- gnated purpose | Transfers | Currency diffe- rences | Part due interest, recove- ries | New creations charged to income | Releases to income | Balance at 31.12.2022 |
|--|-------------------------|--|-----------|------------------------------|--|---|--------------------------|-----------------------------|
| Provisions for deferred taxes | - | - | - | - | - | - | - | - |
| Provisions for pension liabilities | - | - | - | - | - | - | - | - |
| Provisions for default risks | - | - | - | - | - | - | - | - |
| Provisions for other operating risks | 880 | - | - | - | - | - | - | 880 |
| Provisions for restructuring | - | - | - | - | - | - | - | - |
| Other provisions | 500 | - | - | - | - | - | - | 500 |
| Total provisions | 1'380 | - | - | - | - | - | - | 1'380 |
| Reserves for general banking risks | 6'000 | - | - | - | - | - | - | 6'000 |
| Value adjustments for default and country risks | 1'597 | (121) | - | - | - | 142 | - | 1'618 |
| - value adjustments for default risks in respect of impaired loans/receivables | 1'597 | (121) | - | - | - | 142 | - | 1'618 |
| - value adjustments for latent risks | - | - | - | - | - | - | - | - |

There is a CHF 6 million reserve for general banking risks, CHF 1 million of which is taxed. Based on the decision by the Ticino tax authority, an annual amount of CHF 250'000 is taxed for the period 2021–24, with taxed reserve on taxable equity capital.

3.17 Presentation of the bank's capital

| | 2022 | | | 2021 | | |
|----------------------------|---|---------------|---|---|---------------|---|
| | Total nominal value (in thousand of Swiss Francs) | Quantity | Capital with dividend entitlement (in thousand of Swiss Francs) | Total nominal value (in thousand of Swiss Francs) | Quantity | Capital with dividend entitlement (in thousand of Swiss Francs) |
| Share capital | 8'000 | 80'000 | 8'000 | 8'000 | 80'000 | 8'000 |
| - issued | 8'000 | 80'000 | 8'000 | 8'000 | 80'000 | 8'000 |
| Total share capital | 8'000 | 80'000 | 8'000 | 8'000 | 80'000 | 8'000 |

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3.18 Number of 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

| in thousand of Swiss Francs | Number of participation rights | | Value of participation rights | | Number of options | | Value of options | |
|-----------------------------------|--------------------------------|---------------|-------------------------------|--------------|-------------------|----------|------------------|----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Members of the board of directors | 1'064 | 1'064 | 106 | 106 | - | - | - | - |
| Members of the management | 40'988 | 40'988 | 4'099 | 4'099 | - | - | - | - |
| Employees | 54 | 54 | 5 | 5 | - | - | - | - |
| Total | 42'106 | 42'106 | 4'210 | 4'210 | - | - | - | - |

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There is no employee share plan.

3.19 Disclosure of amounts due from/to related parties

| in thousand of Swiss Francs | Credits | | Commitments | |
|-------------------------------------|---------|-------|-------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Holders of qualified participations | 1'473 | 1'395 | 261 | 229 |
| Group companies | - | - | - | - |
| Associated companies | 1'475 | 1'552 | 68 | - |
| Transactions by corporate bodies | 2'648 | 2'705 | 1'002 | 753 |
| Additional related parties | - | - | - | - |

The Bank confirms that on-balance-sheet and off-balance-sheet transactions have been conducted under market conditions. The loans mentioned consist of mortgage loans and other secured loans.

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3.20 Disclosure of holders of significant participations

| in thousand of Swiss Francs Significant shareholders and groups of shareholders linked to voting agreements | 2022 | | 2021 | |
|---|---------|------------|---------|------------|
| | Nominal | Share in % | Nominal | Share in % |
| With voting rights: | | | | |
| Dionigi Resinelli | 4'044 | 50,5% | 4'044 | 50,5% |
| Giuseppe Engelberger | 462 | 5,8% | 462 | 5,8% |
| Without voting rights: | | | | |
| None | - | - | - | - |

There are no other significant shareholders.

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3.21 Disclosure of own shares and composition of equity capital

At 31 December 2022, the bank held a total of 7'236 (2021: 7'236) treasury shares with a total value of CHF 1'896'420 (2021: CHF 1'896'420), equal to 9.05% of the capital (2021: 9.05%)

3.22 Disclosure 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

Nothing to report.

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3.23 Presentation of the maturity structure of financial instruments

in thousand of Swiss Francs

| | Maturity | | | | | | | Total |
|---|-------------|------------------|--------------------|-----------------------------|--------------------------------------|------------------|----------------|------------------|
| | at sight | cancel- lable | within 3 months | within 3 to 12 months | within 12 months to 5 years | after 5 years | No maturity | |
| Assets / financial instruments | | | | | | | | |
| Liquid assets | 50'081 | - | - | - | - | - | - | 50'081 |
| Amounts due from banks | 16'469 | 923 | 15'073 | - | - | - | - | 32'465 |
| Amounts due from customers | 951 | 6'491 | 7'982 | 3'750 | 2'400 | 448 | - | 22'022 |
| Mortgage loans | 1'767 | 11'500 | 2'870 | 15'626 | 38'565 | 17'422 | - | 87'750 |
| Trading activities | 4'711 | - | - | - | - | - | - | 4'711 |
| Positive replacement values of derivative financial instruments | - | - | 12 | 16 | - | - | - | 28 |
| Financial investments | 493 | - | 73 | - | 378 | 315 | - | 1'259 |
| Total | 2022 | 74'472 | 18'914 | 26'010 | 19'392 | 41'343 | 18'185 | - 198'316 |
| | 2021 | 72'855 | 33'795 | 12'792 | 15'769 | 46'074 | 13'703 | 106 195'094 |
| Debt capital / financial instruments | | | | | | | | |
| Amounts due to banks | 239 | - | - | - | - | - | - | 239 |
| Amounts due in respect of customer deposits | 77'690 | 79'117 | 50 | - | - | - | - | 156'857 |
| Negative replacement values of derivative financial instruments | - | - | 12 | 16 | - | - | - | 28 |
| Cash bonds | - | - | - | 710 | 600 | - | - | 1'310 |
| Mortgages with covered bond issuers and loans | - | - | - | - | 6'900 | 8'900 | - | 15'800 |
| Total | 2022 | 77'929 | 79'117 | 62 | 726 | 7'500 | 8'900 | - 174'234 |
| | 2021 | 75'598 | 77'371 | 9 | 94 | 7'610 | 9'500 | - 170'182 |

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

| in thousand of Swiss Francs | 2022 | | 2021 | |
|---|----------------|---------------|----------------|---------------|
| | Switzerland | Foreign | Switzerland | Foreign |
| Assets | | | | |
| Liquid assets | 50'081 | - | 47'259 | - |
| Amounts due from banks | 26'102 | 6'363 | 25'837 | 3'300 |
| Amounts due from customers | 15'269 | 6'753 | 18'513 | 9'586 |
| Morgage loans | 87'750 | - | 83'356 | - |
| Trading activities | 3'147 | 1'564 | 3'302 | 1'957 |
| Positive replacement value of derivative financial instruments | 28 | - | 33 | - |
| Financial investments | 793 | 466 | 899 | 1'052 |
| Accrued income and prepaid expenses | 177 | - | 43 | - |
| Participations | 3'321 | - | 3'274 | - |
| Tangible fixed assets | 1'926 | - | 2'086 | - |
| Other assets | 53 | - | 44 | - |
| Total assets | 188'647 | 15'146 | 184'646 | 15'895 |
| Liabilities | | | | |
| Amounts due to banks | 239 | - | 237 | - |
| Amounts due in respect of customer deposits | 133'272 | 23'585 | 125'972 | 26'810 |
| Negative replacement values of derivative financial instruments | 28 | - | 33 | - |
| Cash bonds | 1'310 | - | 1'330 | - |
| Mortgages with covered bond issuers and loans | 15'800 | - | 15'800 | - |
| Accrued expenses and deferred income | 775 | - | 1'455 | - |
| Other liabilities | 113 | - | 118 | - |
| Provisions | 1'380 | - | 1'380 | - |
| Reserves for general banking risks | 6'000 | - | 6'000 | - |
| Share capital | 8'000 | - | 8'000 | - |
| Legal reserve from profits | 8'463 | - | 8'309 | - |
| Own shares of capital | (1'896) | - | (1'896) | - |
| Profit carried forward | 6'293 | - | 5'413 | - |
| Profit for the year | 431 | - | 1'580 | - |
| Total liabilities | 180'208 | 23'585 | 173'731 | 26'810 |

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

| in thousand of Swiss Francs | 2022 | | 2021 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | Absolute | Share as % | Absolute | Share as % |
| Assets | | | | |
| Europe | | | | |
| Switzerland | 188'647 | 92.57% | 184'646 | 92.07% |
| Luxembourg | 3'719 | 1.82% | 1'874 | 0.93% |
| Germany | 2'495 | 1.22% | 1'775 | 0.89% |
| Liechtenstein | 2'433 | 1.19% | 3'374 | 1.68% |
| Italy | 2'034 | 1.00% | 3'175 | 1.58% |
| Cyprus | 777 | 0.38% | 1'539 | 0.77% |
| United Kingdom | 515 | 0.25% | 452 | 0.23% |
| Ireland | 447 | 0.22% | 591 | 0.29% |
| France | 322 | 0.16% | 345 | 0.17% |
| Austria | - | 0.00% | 220 | 0.11% |
| North America | | | | |
| United States | 555 | 0.27% | 789 | 0.39% |
| Asia | | | | |
| United Arab Emirates | 948 | 0.47% | 800 | 0.40% |
| Other | 901 | 0.44% | 961 | 0.48% |
| Total assets | 203'793 | 100.00% | 200'541 | 100.00% |

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

| Moody's in thousand of Swiss Francs | Net foreign exposure 2022 | | Net foreign exposure 2021 | |
|--|---------------------------|----------------|---------------------------|----------------|
| | in Swiss Francs | Share as % | in Swiss Francs | Share as % |
| Aaa - AA3 | 199'634 | 97.96% | 194'275 | 96.88% |
| A1 - A3 | 447 | 0.22% | 591 | 0.29% |
| Baa1 - Baa3 | 2'034 | 1.00% | 3'175 | 1.58% |
| Ba1 - Ba2 | 777 | 0.38% | 1'539 | 0.77% |
| Ba3 | - | - | - | - |
| B1 - B3 | - | - | - | - |
| Caa1 - C | - | - | - | - |
| without rating | 901 | 0.44% | 960 | 0.48% |
| Total | 203'793 | 100.00% | 200'541 | 100.00% |

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3.27 Presentation of assets and liabilities broken down by the most significant currencies for the bank

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| in thousand of Swiss Francs | 2022 | | | | Total |
|--|----------------|---------------|---------------|--------------|----------------|
| | Currency | | | | |
| | CHF | EUR | USD | Other | |
| Assets | | | | | |
| Liquid assets | 49'855 | 197 | 21 | 8 | 50'081 |
| Amounts due from banks | 7'645 | 10'505 | 13'218 | 1'097 | 32'465 |
| Amounts due from customers | 19'511 | 2'302 | 101 | 108 | 22'022 |
| Mortgage loans | 87'750 | - | - | - | 87'750 |
| Trading activities | 3'275 | 749 | 609 | 78 | 4'711 |
| Positive replacement value of derivative financial instruments | 28 | - | - | - | 28 |
| Financial investments | 751 | - | 15 | 493 | 1'259 |
| Accrued income and prepaid expenses | 174 | 1 | 2 | - | 177 |
| Participations | 3'321 | - | - | - | 3'321 |
| Tangible fixed assets | 1'926 | - | - | - | 1'926 |
| Intangible assets | - | - | - | - | - |
| Other assets | 53 | - | - | - | 53 |
| Total assets recorded on the balance sheet | 174'289 | 13'754 | 13'966 | 1'784 | 203'793 |
| Delivery rights on spot, forward and option foreign exchange transactions | 5'676 | 4'645 | 923 | 463 | 11'707 |
| Total assets | 179'965 | 18'399 | 14'889 | 2'247 | 215'500 |

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| in thousand of Swiss Francs | 2022 | | | | Total |
|---|----------------|---------------|---------------|--------------|----------------|
| | Currency | | | | |
| | CHF | EUR | USD | Other | |
| Liabilities | | | | | |
| Amounts due to banks | - | - | 239 | - | 239 |
| Amounts due in respect of customer deposits | 128'909 | 13'557 | 13'136 | 1'255 | 156'857 |
| Negative replacement values of derivative financial instruments | 28 | - | - | - | 28 |
| Cash bonds | 1'310 | - | - | - | 1'310 |
| Mortgages with covered bond issuers and loans | 15'800 | - | - | - | 15'800 |
| Accrued expenses and deferred income | 775 | - | - | - | 775 |
| Other liabilities | 113 | - | - | - | 113 |
| Provisions | 1'380 | - | - | - | 1'380 |
| Reserves for general banking risks | 6'000 | - | - | - | 6'000 |
| Share capital | 8'000 | - | - | - | 8'000 |
| Legal reserve from profits | 8'463 | - | - | - | 8'463 |
| Own capital shares | (1'896) | - | - | - | (1'896) |
| Profit carried forward | 6'293 | - | - | - | 6'293 |
| Profit for the year | 431 | - | - | - | 431 |
| Total liabilities shown in the balance sheet | 175'606 | 13'557 | 13'375 | 1'255 | 203'793 |
| Delivery obligations on spot, forward and option foreign exchange transactions | 5'676 | 4'645 | 923 | 463 | 11'707 |
| Total liabilities | 181'282 | 18'202 | 14'298 | 1'718 | 215'500 |
| Net position per currency | (1'317) | 197 | 591 | 529 | - |

Notes to the off-balance-sheet business

3.28 Breakdown of contingent assets and liabilities

in thousand of Swiss Francs

| | 2022 | 2021 |
|--|------------|------------|
| Warranties to secure credits and similar | 368 | 368 |
| Warranties and similar instruments | 497 | 451 |
| Irrevocable commitments arising from documentary letters of credit | - | - |
| Other contingent commitments | - | - |
| Total contingent liabilities | 865 | 819 |
| Possible receivables for tax losses carried forward | - | - |
| Other possible receivables | - | - |
| Total possible receivables | - | - |

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3.29 Breakdown of credit commitments

Nothing to report for 2022 and 2021.

3.30 Breakdown of fiduciary transactions

in thousand of Swiss Francs

| | 2022 | 2021 |
|--|--------------|--------------|
| Fiduciary investments with third-party companies | 6'342 | 1'370 |
| Total | 6'342 | 1'370 |

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3.31 a) Breakdown of managed asset

| in thousand of Swiss Francs | 2022 | 2021 |
|--|----------------|----------------|
| Type of assets under management | | |
| Assets placed in collective investment vehicles under proprietary management | - | - |
| Assets under asset management mandate | 151'035 | 181'457 |
| Other assets under management | 255'686 | 271'965 |
| Total assets under management (incl. double counting) | 406'721 | 453'422 |
| - double counts | - | - |

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3.31 b) Changes to assets under management

| in thousand of Swiss Francs | 2022 | 2021 |
|---|----------------|----------------|
| Total assets under management (incl. double counting) at the start | 453'422 | 439'882 |
| +/- Net inflow of new funds or net outflow | 1'009 | (4'472) |
| +/- Changes to stock exchange values, interest, dividends and exchange rate movements | (47'710) | 18'012 |
| +/- Other | - | - |
| Total assets under management (incl. double counting) at the end | 406'721 | 453'422 |

Total assets under management include all assets with a management mandate, all customer deposits (for which the Bank also provides administrative services), term deposits, fiduciary investments, total customer securities deposits and cash bonds. The method used to calculate receipts and disbursements takes account of movements of cash, securities, metals and other valuables.

Notes to the profit and loss account

3.32 Breakdown of the result from trading activities and the fair value option

in thousand of Swiss Francs

Breakdown by underlying risk and based on the use of the fair value option

| | 2022 | 2021 |
|---|-------------|--------------|
| Result from trading activities from: | | |
| Interest rate instruments (including funds) | - | - |
| Equity securities (including funds) | (823) | 531 |
| Foreign currencies | 762 | 572 |
| Commodities/precious metals | 2 | - |
| Total result from trading activities | (59) | 1'103 |
| - fair value option on assets | - | - |
| - fair value option on commitments | - | - |

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3.33 Disclosure of material refinancing income in the item interest and discount income as well as material negative interest

Nothing to report for 2022 and 2021.

3.34 Breakdown of personnel expenses

| | 2022 | 2021 |
|---|--------------|--------------|
| in thousand of Swiss Francs | | |
| Salaries | 2'356 | 2'527 |
| - expenses in relation to share-based remuneration and alternative forms of variable remuneration | 152 | 300 |
| Social benefits | 401 | 409 |
| Value adjustments related to economic benefits and commitments of pension institutions | - | - |
| Other personnel expenses | 71 | 57 |
| Total | 2'828 | 2'993 |

Report of the 119th financial year

3.35 Breakdown of general and administrative expenses

| in thousand of Swiss Francs | 2022 | 2021 |
|---|--------------|--------------|
| Office space expenses | 85 | 82 |
| Expenses for information and communication technology | 724 | 726 |
| Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses | 37 | 37 |
| Fees of audit firm (art. 961a n.2 CO) | | |
| - for financial and regulatory audits | 124 | 125 |
| - for other services | - | - |
| Other operating expenses | 431 | 565 |
| - indemnity for a possible state guarantee | - | - |
| Total | 1'401 | 1'535 |

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3.36 Explanations regarding material losses, extraordinary income and expenses, as well as material releases of hidden reserves, reserves for general risks, and value adjustments and provisions no longer required

Nothing to report. Insignificant amount.

3.37 Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

Nothing to report.

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

The Bank operates exclusively in Switzerland. There are no changes from the previous year.

Report of the 119th financial year

3.39 Presentation of current taxes, deferred taxes, and disclosure of tax rate*

| in thousand of Swiss Francs | 2022 | 2021 |
|-----------------------------|------------|------------|
| Current taxes | | |
| Federal taxes | 58 | 155 |
| Cantonal taxes | 83 | 165 |
| Communal taxes | 78 | 152 |
| Deferred taxes | - | - |
| Total | 219 | 472 |
| Tax rate* | 33.74% | 23.00% |

54 * Weighted average rate on operating profit

3.40 Disclosures and explanation of the earnings per equity security in the case of listed banks

Not applicable.

This report has been translated from Italian. In case of inconsistencies, the Italian version of our annual report shall prevail over the translated version.





REPORT
OF THE STATUTORY AUDITORS

Deloitte SA, Zurich



Report of the Statutory Auditor

To the General Meeting of
Società Bancaria Ticinese SA, Bellinzona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Società Bancaria Ticinese SA («the Bank»), which comprise the statement of financial position as at 31 December 2022, the statement of income, the statement of changes in 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 16 to 54 of the Annual Report) comply with Swiss law and the Bank'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 Bank 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.

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 Bank'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 Bank'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 Bank 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 Bank's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA



Alexandre Buga
Licensed Audit Expert



Pietro Di Fluri
Licensed Audit Expert
Auditor in Charge

Zurich, 17 March 2023
AB/PDF/dbo

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