



BANCA DEL SEMPIONE
SIMPLON BANK
BANQUE DU SIMPLON

Annual Report 2022

Think close, look far

Banca del Sempione has always had one mission: to be close to its customers and territory. A commitment that it performs every day, guaranteeing advanced services and international operations, through its offices in Lugano, Bellinzona, Chiasso, and Locarno.

Its philosophy is to prioritize the quality of business relationships over size, looking to the world, in order to generate added value at the local level.

It is thanks to this attitude that the Bank is able to assist its customers' investments and protect their assets over time. It does so even in adverse economic conditions, which most require operational speed, strict risk control and ongoing dialogue.

In this spirit of proactivity and attention to changes, Banca del Sempione also looks at the great transformations of the planet and, through its 2022 Annual Report, focuses on a vitally important element: Air.

It is a supreme good, from which well-being and energy may be derived, but is exposed to pollution and the threats of climate change.



Banca del Sempione SA

Annual Report

In the event of differences between the English and the Italian version of the annual report, the Italian version must be considered prevailing.

Report on the sixty-two year of operations,
presented to the General Meeting of Shareholders on 27 April 2023.



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To the left:
Jet trails.

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Cloud waterfall, La Palma, Canary Islands.





**Banca del Sempione SA's
Board of Directors**

Giovanni Crameri ¹⁾ chairman
Giampio Bracchi deputy chairman
Sergio Barutta ¹⁾
Silvana Cavanna ¹⁾
Massimiliano Danisi
Andrea Lattuada
Sandro Medici

Auditor

PricewaterhouseCoopers SA, Lugano

¹⁾ independent members

**Banca del Sempione SA's
General Management**

Stefano Rogna general manager,
Chairman of the General Management
Giordano Bellotti deputy general manager
Michele Donelli deputy general manager
Pietro Scibona deputy general manager
Carlo Buono manager
Silvia Jehring manager
Athos Walter manager
Angelo Cresta manager

**Banca del Sempione SA's
Middle Management**

Arianna Baccalà Ghommidh joint manager
Nicola Bianchi joint manager
Ermes Bizzozero joint manager
Fabio Devittori joint manager*
Giuliano Flematti joint manager
Gabriele Domenighetti joint manager
A. Alessandro Gelsi joint manager
Fausto Marcantoni joint manager
Dario Piffaretti joint manager
Giorgio Bertoli assistant manager
Veronica Broggi assistant manager
Alessandro Brunetti assistant manager
Dibo Corti assistant manager
Antonella Di Ieso assistant manager
Giovanni Kappeler assistant manager
Maurizio Molatore assistant manager
Fabio Sabetti assistant manager
Francesca Trizzino assistant manager
Massimo Valsangiacomo assistant manager
Renato Vosti assistant manager

* as of March the 1st 2023

Internal auditors

Sascha Ferretti head of internal audit
Claudio Lanini internal auditor

**Management of Banca
del Sempione SA's branches****Chiasso**

Roberto Piccioli manager, branch manager
Antonella Novati joint manager, deputy branch manager

Bellinzona

Alan Bottoli joint manager, branch manager
Aldo Giamboni assistant manager, deputy branch manager
Ivan Giamboni assistant manager

Locarno–Muralto

Luciano Soldati manager, branch manager
Mario Miletic senior officer, deputy branch manager

Giovanni Cramerì, *chairman*

From 1976 to 1981, employed at Basilese Assicurazioni in Basel. Since 1981, when he was hired at UBS SA, he has progressively been taking on roles of responsibility, and in 1999 he was appointed Regional Manager of UBS Ticino and head of the Wealth Management Swiss Client division, a position he left at the end of 2014. Since 2015, he has been an independent member of Banca del Sempione SA, Lugano. He is a Major of the Swiss army. Since May the 3rd, 2021, he has been Chairman of the Board of Directors of Banca del Sempione SA, Lugano.

Giampio Bracchi, *deputy chairman*

Degree in Engineering from the Milan Politecnico with post-graduate studies at the University of California, Berkeley (USA). Emeritus Professor at the Milan Politecnico, where he was also pro-rector for a lengthy period. He is founder and President Emeritus of Fondazione Politecnico. He has been member of the Boards of Directors of many listed Italian companies and a number of international foundations. In the banking sector he has a long collaboration with the Intesa Sanpaolo Group, in which he was Deputy Chairman of Banca Intesa and Chairman of Intesa Sanpaolo Private Banking and is currently a director of the digital bank Isybank. He is a member of the Board of Directors of Banca del Sempione SA, Lugano and since 3 May 2021 he has been Deputy Chairman.

Sergio Barutta, *board member*

He began his career at Banca Popolare Svizzera, holding positions of responsibility at the Lugano branch until 1991. In 1992, he was appointed General Manager of Banca del Sempione SA, Lugano, a position he held until 2005. Since 2006, he has been an independent Member and Secretary of the Board of Directors of Banca del Sempione SA, Lugano.

Silvana Cavanna, *board member*

Head of private clients for more than 10 years at Euromobiliare S.p.A, Mrs Cavanna went on to holding senior management positions during her career at several banking institutions: head of wealth management at Banque Manusardi, head of private client advisory at Banque Rasini, then director of client relations at Banque Profilo before becoming a member of its Board of Directors, the BoD of Profilo Asset Management SGR (2003) and its Management Board (2003 to 2009). In 2008, she was named Head of Private Banking and member of the Executive Committee of the entity that later became Banque Profil de Gestion, which she has managed from 2009 up to May 2021. Since May the 3rd, 2021 she has been independent Member of the Board of Directors of Banca del Sempione SA, Lugano.

Massimiliano Danisi, *board member*

After earning a degree in Political Science from the University of Milan, he held positions of growing responsibility at Filofibra SA, Lugano, where he is currently Sales Manager and member of the Board of Directors. He is also member of the Board of Directors of Filofibra Holding SA, Lugano. Since 2012, he has been Member of the Board of Directors of Banca del Sempione SA, Lugano.

Andrea Lattuada, *board member*

After earning a degree in Mechanical Engineering from the Politecnico of Milan, he held technical-marketing positions of growing responsibility, mainly related to the important German market, in leading companies within the transport components sector, including Brembo (Bergamo) and Gnutti Carlo in Brescia. He is currently Sales & Marketing Manager for European clients at Gnutti Carlo SpA. Since May the 3rd, 2021 he has been Member of the Board of Directors of Banca del Sempione SA, Lugano.

Sandro Medici, *board member*

After working at the Ministry of the Economy and Finance in Rome, he held the role of Sole Director in various real estate companies in Italy. Since 1988, Member of the Board of Directors of Banca del Sempione SA, Lugano. Chairman of the Board of Directors of Accademia SGR SpA, Milan.

Banca del Sempione SA's General Management

Stefano Rogna, *general manager, Chairman of the General Management*

After completing his higher education, he joined the Banca Popolare di Sondrio Group in 1982, gaining experience in Italy and in Switzerland until 2005, leaving as Deputy General Manager of Banca Popolare di Sondrio (Suisse). In October 2005, he was appointed General Manager of Banca del Sempione SA, Lugano. He sits on the Boards of Directors of the following Group companies: Sempione SIM SpA (Milan), Base Investments SICAV (Luxembourg) and Accademia SGR SpA (Milan). From May 2011 to May 2014, he was a Committee member of ABT (Associazione Bancaria Ticinese - Ticino Banking Association).

Giordano Bellotti, *deputy general manager, member of the General Management*

Swiss Certified Public Accountant (1992). After a seventeen-year career at PwC, where he was auditor in charge of banking institutions recognised by the FINMA (Swiss Financial Market Supervisory Authority), in 1998 he joined the Banca del Sempione Group. In 2013, he was appointed Deputy General Manager and is currently Head of the Administration division.

Michele Donelli, *deputy general manager, member of the General Management*

After earning a degree in Civil Engineering from the Zurich Federal Polytechnic University (ETH Zurich), he acquired experience at Merrill Lynch Capital Markets AG in Zurich and at BDL Banco di Lugano, in Lugano. In 2004, he was hired at Banca del Sempione SA, Lugano, and in 2016 he was appointed Manager. Since 1 March 2018 he is Deputy General Manager and Head of the Global Wealth Management division.

Pietro Scibona, *deputy general manager, member of the General Management*

After graduating from Luigi Bocconi University in Milan, he joined the Banca Popolare di Sondrio Group, where he remained, apart from a brief absence from 1998 to 2002, until 2008. In 2008, he was hired at Banca del Sempione SA, Lugano and appointed manager on 1 January 2010. Since 1 March 2018 he is Deputy General Manager and Head of the Finance and Markets division. Since January 2011, he has been Managing Director of Sempione SIM SpA, Milan, and member of the Board of Directors of Base Investments SICAV, Luxembourg.

Carlo Buono, *manager, member of the General Management*

After completing his higher education, he was hired in 1991 by the Banca Popolare di Sondrio Group, acquiring experience in Italy and Switzerland. In 2011, he joined Banca del Sempione SA, Lugano as Head of Sales and Promotion. In 2013, he was appointed Manager and Head of Wealth Advisory.

Silvia Jehring, *manager, member of the General Management*

After graduating with a degree in Law from Milan's Università Cattolica del Sacro Cuore, she was employed at the Mondini Rusconi law firm in Milan until March 2005. In the same year, she was hired at Banca del Sempione SA, Lugano. In 2006, she obtained her licence to practise law from the Court of Appeal in Milan and participated in the Executive Master in Compliance Management 2006-2007 at the Banking Studies Centre in Vezia. She has attended numerous training courses in Switzerland, in the tax, legal and compliance areas, including the 2015 Executive Master in International Tax Compliance. In 2016, she was appointed Manager and Head of the Legal & Compliance Department.

Athos Walter, *manager, member of the General Management*

After an apprenticeship, he began his career at Banca Cantrade Lugano SA and subsequently at Overland Bank, Lugano until 1992. In 1993, he was hired by Banca del Sempione SA, Lugano, as Head of the Trading Room. He acquired experience as Head of Asset Management and Customer Advisory Services until being appointed Manager in 2009. He is currently responsible for Swiss Market Area.

Angelo Cresta, *manager, member of the General Management*

Graduated with a Bachelor's degree in information technology, he acquired significant working experience, first in Finter Bank, in Zurich, and then in the Banca Arner SA, in Lugano. He joined Avaloq Sourcing SA in 2013 where he held positions of increasing responsibility. He was hired in Banca del Sempione SA in September 2018 as Director. From the 1st May 2019 he will be responsible for all activities related to the systems, information technology, back office and internal services.



How storms are formed

When the cold air from the North Pole meets the warm tropical air rising from the Equator, the warmer, lighter air rises above the cold, heavier air: the greater the temperature difference, the greater the pressure difference and, consequently, the intensity of the winds.





The year 2022 will be remembered in history for a whole series of events that, far from being positive, have certainly left their mark. The financial sector was impacted, owing to the extremely negative performance of the stock and bond markets, largely caused by the interest rate turnaround triggered by the inevitable decisions taken by central banks to combat the dreaded inflation. The socio-political front was also affected due to a war "close to home" that continues to worry and above all to cause death and devastation. In more distant areas, China's ambiguous attitude in its relationships with the West and its return to a tighter and less liberal regime, even from an economic point of view, had to come to terms with its COVID policy failures. The virus has continued to spread but in the rest of the world with a less impactful virulence and to date we can say that we have learned to live with it.

In this context, our bank managed to limit the damage but the objectives that had been set have not been achieved. The commitment within the group companies was important, but in the face of very complicated market movements returns on the income statement could only be lower than expected. The strengthening of the Swiss franc against the main currencies did the rest, even though customers appreciated greater currency diversification in our national currency, which allowed the negativity of their portfolios to be contained. Once again Switzerland has demonstrated a strong national economic system and, from a financial standpoint thanks to the strength of its currency, has been able to attract capital as well as people, who find in our country the ideal conditions for living and managing these moments that are so full of tension and fear.

As far as we are concerned, the bank and the group in general did not get intimidated by the unfavourable framework conditions and continued to invest and operate in the interests of all stakeholders, primarily customers. The efficiency of the operational structure, the creation of new managed products, the focus on the most innovative techniques and the exploration of new markets to approach are the activities on which we have focused most. The implementation of the new Financial Services Act (FinSA) has resulted in a revised customer relationship in which our clear and transparent attitude, the basis of our relationships with all our counterparties, has been appreciated. The closeness shown in these times of great difficulty has led to a further strengthening of relations with customers, which have grown in number both on the domestic front and internationally. That is why, with the initiatives under way, the enthusiasm and the dynamism that sets us apart, we look to the future with confidence, even though clear underlying uncertainties remain that we hope will soon be wiped out.

Below we briefly comment on the most significant items in our 2022 consolidated financial statements.

Lending operations and interest income

As has been pointed out several times, our bank operates in the credit field with the right care, based on wide-ranging relationships with its customers. Total lending remained almost stable, but interest income surged in the last quarter, following the interest rate hike decided by central banks, which ended zero-rate policy.

Commission income

During 2022, this figure was below expectations due to poor financial market conditions. The result was a decrease in assets under management (and proportionately of the related fees) and a cautious attitude on the part of customers toward management and investment operations.

Trading operations

This item was affected by the mark-to-market valuation of own-account operations, which had been devalued during the year as a result of the negative effect of the markets. Otherwise, the core business has kept to the expected figures and has benefited from the attention of the bank and its customers toward an increase in Swiss franc positions.

Operating costs

This figure shows a decrease in both personnel and operating costs. This was made possible by a prudent saving policy for all activities that did not contribute to innovation and more efficiency. As far as personnel costs are concerned, this figure is influenced by the decrease in the variable component of staff remuneration in proportion to the decrease in operating profit.

Previous page:

Storm with spectacular storm clouds, Nebraska, USA.

To the left:

The summit of the Weisshorn emerging from the clouds, Valais, Switzerland.



Personnel

The number of employees at the group level is 140 which is equivalent to 134 full-time jobs. In 2021, there were 141 employees, equivalent to 136 full-time jobs. The replacement of retired employees was carried out by recruiting talented young people residing in the area as well as through the implementation of IT and digital efficiency thanks to our departments in charge.

Research and development

In 2022, systems development played a significant role in managing customer relations in an increasingly innovative way; further developments are under way. Our bank has always focused on the individual, whether a customer or an employee, but it is equally ready to use technological innovation to streamline its processes and procedures in order to increase service quality.

Client assets

This figure was affected by the heavy negative effects on stock prices and bond markets, as well as the strengthening of the Swiss franc against the main currencies. The fall in the prices of financial instruments in the bank's and clients' portfolios led to a weakening of the overall assets under management. By contrast, the buying activity resulted in a positive net new money of CHF 59 millions, despite a complicated overall context.

Consolidated operating result

The total gross figure is lower than in 2021. As already pointed out above, the negative impact on the markets has weighed significantly on the Group's profitability.

In these circumstances and taking into account the net result of the parent company, the Board of Directors of Banca del Sempione SA proposes to the shareholders' meeting the following allocation of CHF 4,028,000. in net earnings.

In light of the above results, the Board of Directors proposes to the Shareholders' Meeting of Banca del Sempione SA the following allocation of CHF 4,028,000.in net earnings:

CHF	500,000	Statutory retained earnings
CHF	500,000	Voluntary retained earnings
CHF	2,000,000	Dividend pay-out
CHF	1,028,000	Carried forward

Our heartfelt thanks to the Swiss Financial Market Supervisory Authority (FINMA) for its cooperation, and to the independent auditor, PricewaterhouseCoopers, for the work carried out and the suggestions offered.

Giovanni Cramerì
Chairman of the Board of Directors

For 450 million
years, air has
guaranteed the
survival of plants
and animals.

In order to
protect its quality,
climatic changes
and pollution
must be actively
combated.

An aerial photograph of a vast, dense evergreen forest. The trees are a mix of dark green and lighter green, creating a textured, patterned appearance. The lighting is soft, suggesting a time of day like dawn or dusk. Overlaid on the center of the image is large, white, sans-serif text.

BR

EA

THE

to survive

Air, a valuable asset

It is there, but you can't see it.

The air, for us, is like water for fish in the story by David Foster Wallace, where the older fish asks the youngest: “Morning boys, how’s the water today?” and they go: “What the hell is water?”

We are so used to having it around, we forget its existence. Yet we could last for days without eating, but we would not last more than a few minutes without air.

This delicate mixture of gas, mainly nitrogen and oxygen, has ensured the existence of animal and plant species on Earth for 450 million years and protects the planet from sunlight and celestial bodies attracted by gravity. One person inhales about 15 litres of air every day, which is 15 kilograms. Air is essential for life but we are still unable to preserve its purity. In fact, climatic changes even make it a threat, when violent movements of large masses of air cause tornadoes, cyclones and devastating hurricanes.

The extraction and combustion of fossil fuels, releasing huge amounts of carbon dioxide, are among the main sources of climate change and air pollution. Methane and black carbon (carbon black) particles from industrial combustion, diesel vehicles, agriculture or fires also contribute heavily. The challenge today is to implement climate and air quality protection policies that reduce emissions to the atmosphere, through improved production and combustion processes and greater efficiency in the production and use of energy.

The international target for mitigating the effects of climate change is to limit the increase in average global temperature to 2 degrees Celsius above pre-industrial levels, but that is, unfortunately, something we are not yet sure

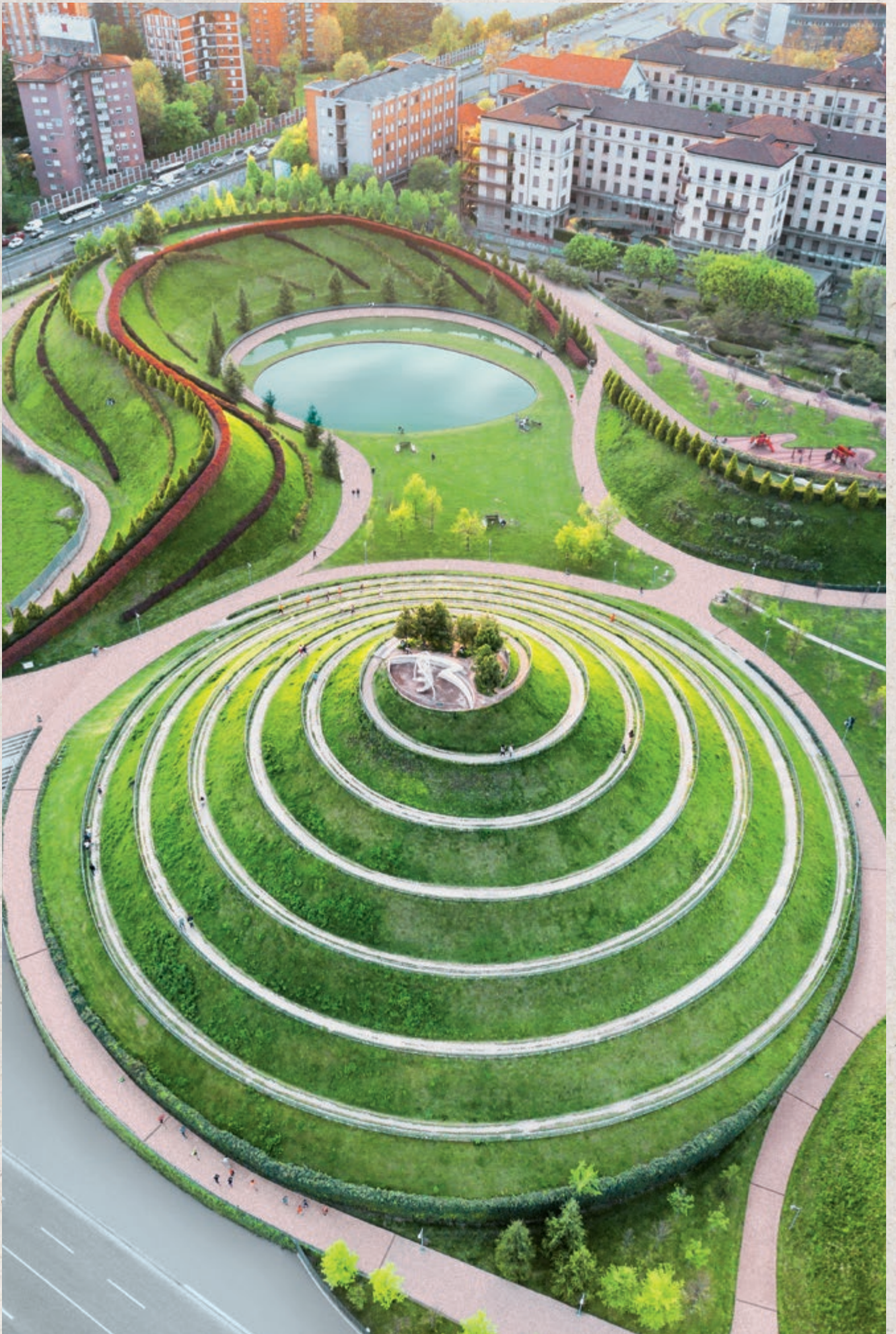
we can achieve. In order to contribute to these results, it is important to increase green spaces in urban areas, rethink infrastructure and transportation, and plant new trees, to contain the effects of heat waves, absorb CO₂, and increase the presence of oxygen in the air.

With its Energy Strategy 2050, Switzerland has also put in place a plan to reduce the environmental loads associated with energy exploitation, while maintaining an adequate energy supply. In this context, new wind farms in various parts of the country are becoming increasingly important. An example is the Gotthard wind farm, inaugurated in 2020, in Ticino.



Right:
People harvesting
fresh vegetables grown
in a “rooftop garden”.

Opposite page:
Parco Alfa Romeo at Portello,
Milan, Italy.





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CONSOLIDATED BALANCE SHEET AT 31.12.2022

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		148,113	174,595
Amounts due from banks		91,434	138,372
Amounts due from customers	8.1	278,080	276,316
Mortgage loans	8.1	172,236	172,059
Trading portfolio assets	8.2	4,900	3,392
Positive replacement values of derivative financial instruments	8.3	3,258	2,507
Financial investments	8.4	131,118	74,421
Accrued income and prepaid expenses		2,880	4,519
Non-consolidated participations	8.5	131	131
Tangible fixed assets	8.7	27,095	27,741
Other assets	8.8	3,855	3,906
Total assets		863,100	877,959
Total subordinated claims		3,463	2,080
Liabilities			
Amounts due to banks		2,795	2,526
Amounts due in respect of customer deposits		721,795	728,210
Negative replacement values of derivative financial instruments	8.3	2,958	3,324
Accrued expenses and deferred income		2,276	5,276
Other liabilities	8.8	1,384	1,970
Provisions	8.12	2,504	4,945
Reserves for general banking risks	8.12	8,510	8,510
Bank's capital		20,000	20,000
Retained earnings reserve		99,050	97,352
Minority interests in equity			12
Consolidated profit		1,828	5,834
<i>of which, minority interests in consolidated profit</i>			-17
Total liabilities		863,100	877,959
Off-balance-sheet transactions			
Contingent liabilities	9.1	6,746	5,322
Irrevocable commitments		2,462	2,662

CONSOLIDATED INCOME STATEMENT 2022

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Result from interest operations			
Interest and discount income		4,909	3,118
Interest and dividend income from trading portfolios		2	
Interest and dividend income from financial investments		1,073	719
Interest expense		131	154
Gross result from interest operations		6,115	3,991
Changes in value adjustments for default risks and losses from interest operations		6	51
Subtotal net result from interest operations	10.1	6,121	4,042
Result from commission business and services			
Commission income from securities trading and investment activities		25,254	30,787
Commission income from lending activities		122	109
Commission income from other services		2,053	2,000
Commission expense		-2,079	-2,460
Subtotal result from commission business and services		25,350	30,436
Result from trading activities and fair value		3,476	4,582
Other result from ordinary activities			
Result from the disposal of financial investments		-34	867
Income from participations		3	3
Result from real estate		663	635
Other ordinary income		73	24
Other ordinary expenses		-1,364	-468
Subtotal other result from ordinary activities		-659	1,061
Net revenues		34,288	40,121
Operating expenses			
Personnel expenses	10.2	-20,843	-22,235
General and administrative expenses	10.3	-8,796	-9,147
Subtotal operating expenses		-29,639	-31,382
Gross profit		4,649	8,739
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-2,187	-2,259
Changes to provisions and other value adjustments, and losses		15	-2,236
Operating result		2,477	4,244
Changes in reserves for general banking risks			2,400
Taxes	10.5	-649	-810
Consolidated profit		1,828	5,834
<i>of which, minority interests in consolidated profit</i>			-17

CONSOLIDATED CASH FLOW STATEMENT 2022

	Year under review		Previous year	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
<i>(amount expressed in CHF 1,000)</i>				
Cash flow from operating activities (internal financing)				
Consolidated profit	1,828		5,834	
Changes in reserves for general banking risks				2,400
Value adjustments on participations, depreciation and amortisation of tangible fixed assets and intangible assets	2,187		2,259	
Provisions and other value adjustments	96	2,537	2,487	399
Changes in value adjustments for default risks and losses from interest operations	6		51	
Accrued income and prepaid expenses	1,639		1,899	
Accrued expenses and deferred income		3,000		364
Previous year's dividend		4,000		4,500
Subtotal		3,781	4,867	
Cash flow from shareholder's equity transactions				
Recognised in reserves		148		133
Subtotal		148		133
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Real estate		110		31
Other tangible fixed assets		1,431		1,598
Subtotal		1,541		1,629
Cash flow from banking operations				
<i>Medium and long-term business (> 1 year)</i>				
Mortgage loans		177		1,911
Financial investments		56,697	6,655	
<i>Short-term business</i>				
Amounts due to banks	269		111	
Amounts due in respect of customer deposits		6,415		5,452
Negative replacement values of derivative financial instruments		366		334
Other liabilities		586	579	
Amounts due from banks	46,938			7,246
Amounts due from customers		1,770		4,141
Trading portfolio assets		1,508		1,114
Positive replacement values of derivative financial instruments		751	1,432	
Other assets	51			220
<i>Liquidity</i>				
Liquid assets	26,482		8,536	
Subtotal	5,470			3,105
Total	5,470	5,470	4,867	4,867

STATEMENT OF CHANGES IN EQUITY 2022

(amount expressed in CHF 1,000)	Bank's capital	Retained earnings reserve	Reserves for general banking risks	Minority interests in equity	Consolidated profit	Total
Equity at beginning of current period	20,000	97,352	8,510	12	5,834	131,708
Other changes		65				65
Minority interests in profit		12		-12		
Currency translation differences		-213				-213
Distributed profits					-4,000	-4,000
Allocation to reserves		1,834			-1,834	
Result of the period					1,828	1,828
Equity at end of current period	20,000	99,050	8,510		1,828	129,388

Watch out for willy-willies

Tropical cyclones are rotating storm systems with a diameter of hundreds of kilometres that form in the oceans near the equator. They take different names in different parts of the world: hurricanes in the Americas, typhoons in Asia, willy-willies in Australia.



1. The Banca del Sempione Group profile

Banca del Sempione SA is a *société anonyme* established under Swiss law in 1960. It has its head office in Lugano and branches in Bellinzona, Chiasso, and Locarno. Abroad the Group operates through two companies based in Milan, named respectively Accademia SGR SpA and Sempione SIM SpA, operating in the stock brokerage sector, as well as an affiliate located in the Bahamas, Banca del Sempione (Overseas) Ltd.

The Group also promotes a SICAV operating under the laws of Luxembourg, Base Investments SICAV. The Group provides its private and corporate clients with all the services typical of a universal bank. The main focus being on the provision of financial advice, asset administration services as well as securities, derivatives and currencies trading on behalf of its clients.

2. Accounting and valuation principles

General principles

The accounting and valuation principles adopted are in compliance with the provisions set out in the Code of Obligations and the Swiss banking law and its relevant Ordinances, as well as with the guidelines issued by FINMA through the Accounting Ordinance (AO-FINMA) and Circular 2020/1 "Accounting-Banks". The consolidated annual report has been drawn up in accordance with the true and fair view principle.

General valuation principles

The financial statements are prepared on the assumption that the Bank's and Group's business will continue as a going concern. Therefore, valuations are made on a going-concern basis. The asset side includes all assets which are available as a result of past events and are likely to involve cash inflow and whose value may be reliably estimated. If no reliable estimate of the value of an asset can be made, it shall be considered as a contingent asset, as explained in the Notes. Liabilities are entered on the balance sheet as borrowed capital if they have been caused by past events, a cash outflow is probable and their value can be reliably estimated. If no reliable estimate of the value of a liability can be made, it shall be considered as a contingent liability, as explained in the Notes. Assets, liabilities, and off-balance sheet entries shown under the same item are always subject to an individual valuation. Offsetting and netting of assets and liabilities as well as of income and expenses are not carried out, except for deduction of value adjustments from the corresponding asset item and the netting of positive and negative replacement values. Moreover, newly-created value adjustments and losses can be offset against the corresponding recovered sums or value adjustments that are no longer required.

Cash

This item is shown in the financial statements on the basis of its nominal value.

Amounts due from banks and customers, mortgage lending

Loans are generally booked at nominal value, less any necessary value adjustments. Negative interest on active transactions is recorded in interest income (reduction of interest income). Amounts due in respect of precious metal account deposits are valued at their fair value if the precious metal concerned is traded on a price-efficient and liquid market. The methods used for identifying default risks and determining the need for value adjustments are described in paragraph 4 below. Non-performing loans, defined as loans for which the debtor is unlikely to be able to fulfil his/her/its obligations, are valued on a case-by-case basis. Presumed default risks are covered by individual prudential write-downs whose amounts correspond to the difference between the book value of the loan and the sum the Bank believes it can collect depending on the debtor's solvency and any collateral liquidation value (estimated market value less ordinary write-downs and maintenance and liquidation costs). A loan is considered non-performing when interest and repayment are past due by more than 90 days at the latest. In this case, interest not received is directly attributed to write-downs; an entry to revenues is made only when the interest is effectively received. Being assigned to supervisory category 5, the Bank creates value adjustments, based on empirical values, even for losses likely to be incurred which cannot yet be attributed to a creditor (latent default risks arising from loans and receivables that are non-impaired). Both loans and non-performing loans are recognised in the balance sheet net of corresponding write-downs. Changes in the amount of the write-downs, as well as collections of loans previously amortised, are entered under the income statement item "changes in value adjustments for default risks and losses from interest operations".

Amounts due to banks and in respect of customer deposits

This item is shown in the financial statements on the basis of its nominal value. Negative interest on passive transactions is recorded in interest charges (reduction of interest charges). Amounts due in respect of precious metal account deposits are valued at their fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Trading activities

Trading operations include positions actively managed in order to take advantage of market price fluctuations or to achieve arbitrage profits. Trading positions are valued at their fair value. "Fair value" refers to a price set on a liquid, efficient market or calculated with the aid of a pricing model. If, as an exception, no fair value is ascertainable, the lesser value principle shall apply. Gains and losses are shown under the item "Result from trading operations", whereas income from interest and dividend is shown under the item "Interest and dividend income from trading operations".

Positive and negative replacement values of derivative financial instruments

All derivative financial instruments are valued at their fair value. The valuation result is recognised under item "Result from trading operations". Netting of positive and negative replacement values is carried out by the Bank with the same counterparty only within the limits of recognised and legally enforceable bilateral agreements.

Financial investments

Financial investments include debt securities, equity securities, physical precious metal holdings as well as real estate assets that have been acquired as a result of credit activities and are intended for resale. In case of financial investments valued according to the lesser value principle, an upward revaluation to historic acquisition cost or amortised cost at the maximum is to be recognised where the fair value falls below acquisition cost and then recovers. The balance of the value adjustments is shown under items "Other ordinary expenses" and/or "Other ordinary income", as appropriate. *Debt securities intended to be held to maturity* are valued at acquisition cost, according to the accrual method: any transaction premiums and/or discounts (interest components) are accrued over the term. Value adjustments due to default risks are immediately booked under item "Changes in value adjustments for default risks and losses from interest operations". If said securities are sold or redeemed prior to maturity, the profits and losses realised corresponding to the interest component shall not be immediately booked to the income statement but instead accrued over the remaining term to maturity. *Debt securities not intended to be held until maturity (i.e. intended for sale)* are valued based on the lesser value principle. Value adjustments are globally recognised under items "Other ordinary expenses" and/or "Other ordinary income". Value adjustments due to default risk are shown under the item "Changes in value adjustments due to default risks and losses from interest operations". Equity securities, own physical precious metal holdings as well as real estate assets that have been acquired as a result of credit activities and intended for resale are valued according to the lesser value principle. As for real estate assets, the lesser value corresponds to the lower of acquisition cost and liquidation value. Own physical precious metal holdings used to cover commitments resulting from metal accounts are valued at the fair value and recognised in the balance sheet as the precious metal accounts. Value adjustments shall be globally recognised under items "Other ordinary expenses" and/or "Other ordinary income".

Non-consolidated shareholdings

Any minority stakes held between 20% and 50% are shown in the financial statements according to the "equity method". The companies in which the Bank holds an equity investment of less than 20% of the voting shares or whose sizes and operations do not have a significant impact on the Group, are shown in the financial statements and individually valued at acquisition price less depreciation and amortisation as appropriate.

Tangible fixed assets

Expenditures in tangible fixed assets are recognised as assets if they can be used for more than one accounting period and exceed the minimum threshold for recognition of CHF 10,000.

Tangible fixed assets are shown in the balance sheet at acquisition cost less accumulated depreciation.

Depreciation is applied according to the straight-line method and is estimated on the basis of the presumed useful life of the assets.

The presumed useful life expected for the different categories of assets is set out below:

Real estate, including land	Up to	67 years
Other fixed assets	Up to	10 years
Information technology and other equipment	Up to	5 years

Tangible fixed assets are tested for impairment at each balance sheet date. Such tests are based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is to be determined. An asset is impaired if its book value exceeds its recoverable amount. If an asset is impaired, supplementary depreciation is to be recognised. If, during impairment testing of a tangible fixed asset, a change in the asset's useful life is established, the remaining book value is subject to scheduled depreciation over the newly determined useful life.

Ordinary and supplementary amortisation and depreciation are booked under the income statement item "Value adjustments on shareholdings and depreciation and amortisation of tangible fixed assets and intangible assets". Any gains realised on sales of tangible fixed assets are shown under the item "Extraordinary income" and any losses under the item "Extraordinary expenses".

Provisions

Legal and implicit obligations are to be valued on a regular basis. Where a cash outflow is likely to occur and can be reliably estimated, a provision in the corresponding amount must be created. For default risks arising from off-balance-sheet transactions under the items "contingent liabilities" and "irrevocable commitments", value adjustments are made using the same methodology as that applied to amounts due from customers. The amount of existing provisions is reassessed on each balance sheet date. Any changes are booked to the income statement based on the following criteria:

- Provision for deferred taxes under the item "Taxes"
- Provisions for pension benefit obligations under the item "Personnel expenses"
- Other provisions under the item "Changes to provisions and other value adjustments, and losses", with the exception of restructuring provisions shown under the item "Personnel expenses".

Provisions no longer necessary for operating purposes and which are not used for other similar needs are liquidated in favour of the income statement.

Reserves for general banking risks

"Reserves for general banking risks" are set up, as a preventive measure, to cover the risks inherent in banking. Reserves are set up and cancelled under the income statement item "Changes in reserves for general banking risks". Reserves for general banking risks are partially taxed.

Taxes

Current taxes, as a rule annual direct taxes on income and capital pertaining to the period, are booked in the income statement under the item "Taxes". The relevant liabilities are shown in the item "Accrued expenses and deferred income" (liabilities). Book values that deviate from the values relevant for tax law purposes are determined systematically. Deferred tax income on such different amounts is taken into account by means of a provision booked under the item "Taxes". Deferred tax credits on time differences or on tax losses carried forward are booked in the balance sheet only if it seems likely that they will be offset against sufficient taxable earnings.

Contingent liabilities

These off-balance sheet transactions are booked at nominal value. Value adjustments and provisions are made for all recognisable risks according to the conservative principle.

Employee pension funds

All employees at the Swiss parent company are members of two legally autonomous pension funds. Foreign employees are subject to a professional pension required from local laws. In the absence of such laws, voluntary pensions may be set up. The employer incurs staff pension expenses to the extent set out by legal provisions and the funds' regulations. Premiums paid by the employer are recognised as "Personnel expenses". The funds' contracts and income statements do not show any economic benefit or commitment for the Group. Neither fund includes any employer contribution reserves.

Changes to accounting and valuation principles

The accounting and valuation principles applied to the drawing up of the financial statements as at 31 December 2021 are the same as those applied in the previous financial year.

Recording of transactions

All transactions carried out before the closing date are entered daily into the accounts according to the trade date accounting principle and evaluated according to the applicable accounting principles. Cash operations concluded but not yet executed are registered according to the cash settlement principle. During the period between the date of conclusion and the date of settlement, the replacement values relating to these operations are shown in the items "Positive/negative replacement values of derivative financial instruments".

Conversion of foreign currencies

Foreign currency transactions are booked at the exchange rate of the transaction date. At year-end assets and liabilities are converted at the exchange rate prevailing on the balance sheet date. Historical exchange rates are applied for equity investments and tangible fixed assets. The result of foreign currency transactions is shown under the item "Result from trading operations". The assets and liabilities of the consolidated companies are converted at the year-end exchange rate, whereas revenues and expenses are converted at the average exchange rate. The resulting differences are directly allocated to the Group equity.

The following table sets out the exchange rates against the major foreign currencies applied for conversion purposes:

	2022		2021	
	Year End	Average	Year End	Average
EUR	0.9877	1.0074	1.0339	1.0787
USD	0.9246		0.9122	

Scope and method of consolidation

Those companies in which the Bank owns more than 50% of capital or shares with voting rights are fully consolidated. In accordance with the full consolidation method, debits and credits, as well as revenues and expenses generated by transactions between consolidated companies, are netted. Consolidation of capital takes place according to the "purchase method". According to this method, book value is offset against net equity existing at the time of formation or acquisition. Any equity investments held between 20% and 50% are recognized in the consolidated financial statements according to the "equity method". The companies included in the scope of consolidation are shown in table 8.6.

3. Risk Management

Banking entails exposure to a series of specific risks including credit, market and liquidity risks as well as operating, legal and reputation risks. The Group is equipped with a series of procedures and regulations the aim of which is to supervise and control risks in all fields of business. Clear and prudential limits have been defined for each individual type of risk the observance of which is constantly supervised by functions that are separate from the ones that generated them. These limits are updated regularly and adapted to the risk profile of the activities carried out. A controls certification and reporting system is also available to guarantee an adequate flow of information to all levels. The final purpose is that of maintaining the solidity and reputation of the Group intact even in the presence of particularly adverse conditions and events.

During the year, the Board of Directors, in its capacity as a governing body, regularly analyses the main risks linked to the Group's operations. This analysis is largely based on the information generated by the risk management system that the Group has set up, and the reports issued by Internal Audit, General Management, Risk Control, and Compliance. On the basis of its assessments, annually the Board of Directors updates the "Risk Policy and Risk Management Principles", which determines the fundamental principles that regulate the Group risk policy and supervises their application.

General Management is responsible for implementing the directives issued by the Board of Directors. It is in charge of adequately organising the risk control system and equipping it with appropriate human and technical resources. The Risk Control unit is endowed with the necessary independence and professionalism. Its operating responsibility is to identify and measure risks as well as to ensure that the Group's policies are implemented and limits respected. The Risk Control unit also draws up a quarterly report addressed to General Management and the Board of Directors.

Counterparty (credit) risks

Amounts due from customers

Risks are minimized by systematic demands on customers for collateral and margin coverage. Credit activity is almost exclusively carried out by Banca del Sempione SA, which is equipped with a procedure ensuring a rigorous separation of functions between the front-office units, those that are responsible for extending the credit and those in charge of its supervision. Highly restrictive rules require that the extension is authorised by a credit committee, and, for higher amounts and credits to correlated parties, by the Board of Directors. Any exceptions to the rules envisaged by the Group credit policy are monitored and submitted to the Board of Directors on a quarterly basis. Security-backed loans, accounting for the bulk of the portfolio consisting of accounts receivable from customers, are issued on the basis of collateral values conservatively calculated and daily monitored. The mortgage portfolio mainly refers to residences occupied by the owners themselves. The average balance of credits granted amounts to CHF 585,000. The collateral value of commercial properties, income-producing buildings and private houses of high standing is determined with the help of external appraisers.

Counter-creditors risks in inter-banking business

In inter-banking business and trading activities a system of internal limits is used, the observance of which is checked daily by the Risk Control unit. The Group works essentially with primary counterparts. The amount of the allocated limit mainly depends on the external rating. Limits are regularly reviewed. In the event of extreme market conditions, a daily assessment is carried out. Risks connected with OTC derivative trading operations are further mitigated by complying with the CLS system and entering into netting and collateral agreements.

Risks of interest rate fluctuations

On-balance sheet transactions play a secondary role for the Group. The risks of fluctuation of interest rates however are monitored quarterly by the Risk Control unit and assessed during the ALM committee (ALCO) meeting. Measurement takes place using the "Delta market value" method to establish the potential impacts on the income statement and on capital in the event of sudden large-scale movements in the interest rates curve. Shock scenarios envisaged by FINMA Circular 2019/2 "Interest rate risk – Banks" are applied. To date ALCO has not considered it necessary to promote hedging operations with derivative financial instruments.

Other market risks

Currency risks

The Group keeps currency exposure constantly within the limits defined by the Bank bodies in order to minimise the effects deriving from fluctuations in foreign currencies. The position is monitored daily.

Trading activities

Risks are contained by virtue of limited operations carried out on the Group's own account and strict limits imposed to the operating units managing the Group portfolios. Derivative instrument transactions are carried out exclusively on behalf of clients.

Cash

Liquidity management is the responsibility of General Management through ALCO. The Parent Company's Treasury Department is in charge of operations ensuring compliance with the strategies and limits established by the governing bodies in order to constantly guarantee the Group's solvency even in critical circumstances.

Risk is managed through an integrated system of tolerance limits, indicators, and stress scenarios. The Risk Control unit independently measures and assesses exposure to liquidity risk, verifies the observance of legal limits and internal provisions, prepares and runs stress tests, and provides General Management and ALCO with all the necessary support.

An emergency plan includes the necessary intervention measures to anticipate and deal with possible liquidity crises.

Operational risk

Operating risks are limited through a series of internal regulations and provisions. An internal document entitled "Managing Operating Risks" sets out the procedures for identifying, measuring, controlling, and mitigating operating risks and establishing risk tolerance (Risk appetite). First-level control is an integral part of daily operations. Second-level control is carried out by departments other than the one being audited and is managed through a controls certification and reporting system able to guarantee an adequate flow of information to all levels.

Internal Audit constantly monitors the adequacy of the procedures. The Compliance service ensures that regulations and diligence requirements affecting the Group's various areas of operations are respected. The Group has a business continuity plan to ensure operating continuity even in case of extraordinary events that limit the availability of personnel, infrastructure, and information systems.

Disclosure obligations required by FINMA Circular 2016/1

The information to be disclosed pursuant to FINMA Circular 2016/1 relating to capital adequacy and other risk indicators is published on the Group's website (www.bancasempione.ch/Publications).

4. Methods used to identify default risks and to establish needs for value adjustments

Credits covered by mortgages

Credits with a potential default risk are identified through monitoring a series of indicators, including delay in paying interests and repayments and unjustified requests to modify the repayment plan established at the time the mortgage was granted. Once a year, the Risk Control unit carries out an analysis of the level of coverage of the individual lines of credit, indexing the evaluations on the basis of the development of market price indices and simulating stress tests.

Credits covered by securities

The development of the use and value of coverage operations is supervised daily in order to reduce risks immediately by controlling exposure or supplying additional guarantees, or even resorting to settlement of the portfolio and full reimbursement of the line of credit if need be.

Unsecured credits

Open credits are granted solely to clients with whom the Group has had a consolidated long-term business relationship. Requirements for the granting of credits undergo an annual internal review. In the case of trade credits, updates are requested on the financial and economic situation of the company as well as the annual certified accounts. For personal credits, updates of the client's assets and liabilities are sufficient.

Any risky loans that emerged from the procedures described above are analysed on a case-by-case basis and where necessary value adjustments are made, the amount of which is determined ultimately by General Management. The Bank also creates value adjustments for losses likely to be incurred which cannot yet be attributed to a customer (potential default risks arising from contingent liabilities or exposures not deemed to be included in non-performing loans). The calculation is based on empirical values resulting from historical data on past losses. The list of non-performing loans and the relevant value adjustments is submitted to the Board of Directors quarterly.

5. Evaluation of collateral

Credits covered by mortgages

The Parent Company grants credits against mortgage guarantees for an amount corresponding to 50% - 70% of the collateral value, depending on the type of real estate. The collateral value corresponds to the market value or, if lower, to the purchase price. For credits below CHF 1,000,000 the evaluation is carried out by the credits service; in the other cases, reports drafted by authorised external professionals are used. Appraisers' reports and internal evaluations must be updated at least every ten years or when the real estate market shows signs of a possible deterioration in prices.

Credits covered by securities

As a matter of principle, only securities and structured products that can be liquidated easily are accepted in guarantee. The collateral value is calculated by applying a reduction to the market price so as to take into account fairly any risks of fluctuation in prices and liquidity.

6. Company policy in the use of derivative financial instruments

Trading with derivative financial instruments is carried out solely by the foreign exchange operators of the Parent Company's Treasury Department. No Market-Maker activities are carried out.

Trading is carried out in standardised and OTC instruments almost exclusively on behalf of clients.

The underlying assets mainly consist of currencies and, to a limited degree, of listed shares and stock indexes.

7. Material events subsequent to the date of the financial statements

Following the date of the financial statements no events occurred which had a significant impact on the financial and income position of the Group.

8. Information on the balance sheet

8.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

(amount expressed in CHF 1,000)	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	3,308	247,573	28,162	279,043
Mortgage loans				
- Residential property	141,923		160	142,083
- Office and business premises	25,989			25,989
- Commercial and industrial premises	4,324			4,324
Total loans (before netting with value adjustments)				
Current year	175,544	247,573	28,322	451,439
Previous year	175,940	241,354	32,202	449,496
Total loans (after netting with value adjustments)				
Current year	175,544	247,573	27,199	450,316
Previous year	175,940	241,354	31,081	448,375
Off-balance-sheet				
Contingent liabilities		6,590	156	6,746
Irrevocable commitments			2,462	2,462
Total off-balance-sheet				
Current year		6,590	2,618	9,208
Previous year		5,095	2,889	7,984

Unsecured credits mainly concern loans granted for an amount exceeding the collateral value of securities given in guarantee but lower than the market value.

(amount expressed in CHF 1,000)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Current year	1,061		1,061	1,061
Previous year	1,074		1,074	1,074

8.2 Breakdown of trading portfolio assets and other financial instruments with fair value valuation (assets and liabilities)

(amount expressed in CHF 1,000)	Year under review	Previous year
Trading portfolio assets		
Debt securities, money market securities/transactions (listed)	4,757	3,112
Precious metals and commodities	143	280
Total	4,900	3,392

8.3 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
<i>(amount expressed in CHF 1,000)</i>			
Foreign exchange/precious metals			
Forward contracts	3,918	3,618	804,732
Options (OTC)	811	811	76,478
Total before netting agreements	4,729	4,429	881,210
<i>of which, calculated with a pricing model</i>	<i>4,729</i>	<i>4,429</i>	
Previous year	4,394	5,211	1,244,930
<i>of which, calculated with a pricing model</i>	<i>4,394</i>	<i>5,211</i>	
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	3,258	2,958	
Previous year	2,507	3,324	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		1,951	1,307

The Group does not use financial derivatives for hedging purposes.

8.4 Breakdown of financial investments

	Book value		Fair value			
	Year under review	Previous year	Year under review	Previous year		
<i>(amount expressed in CHF 1,000)</i>						
Debt securities, intended to be held to maturity	109,758	52,702	104,019	53,082		
Equity securities	21,360	21,719	21,380	21,733		
Total	131,118	74,421	125,399	74,815		
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>17,740</i>	<i>8,640</i>				
	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Breakdown of counterparties by rating (S&P)						
Debt securities (book values)	52,323	40,298	16,110	792		235

8.5 Presentation of non-consolidated participations

(amount expressed in CHF 1,000)	Acquisition cost	Accumulated value adjustments	Book value previous year end	Year under review				Book value as at end of current year
				Additions	Disposals	Value adjustments	Depreciation reversals	
Non-consolidated participations								
Other participations (without market value)	131		131					131
Total non-consolidated participations	131		131					131

8.6 Disclosure of companies in which the Bank holds a permanent direct or indirect significant participation

Company name and domicile	Business activity	Company capital	Share of capital	Share of votes
			in %	in %
Fully consolidated companies (held directly)				
Imocentro SA, Lugano	Real Estate	CHF 700,000	100.0	100.0
Accademia SGR SpA, Milano	Asset Management	CHF 938,500	100.0	100.0
Sempione SIM SpA, Milano	Asset Management	EUR 2,500,000	100.0	100.0
Banca del Sempione (Overseas) Ltd., Nassau	Bank and Trust	CHF 5,000,000	100.0	100.0

No changes from previous year.

8.7 Presentation of tangible fixed assets

(amount expressed in CHF 1,000)	Acquisition cost	Accumulated depreciation	Book value Previous year end	Year under review				Book value as at end of current year
				Reclas-sifications	Additions	Disposals	Depreciation	
Group buildings	51,583	27,346	24,237		110		-795	23,552
Proprietary or separately acquired software	27,762	25,079	2,683		1,388		-1,186	2,885
Other tangible fixed assets	11,180	10,359	821		43		-206	658
Total tangible fixed assets	90,525	62,784	27,741		1,541		-2,187	27,095

Operating leases	115
<i>of which, maturing within one year</i>	39
<i>of which, maturing exceeding one year</i>	76

8.8 Breakdown of other assets and other liabilities

(amount expressed in CHF 1,000)	Other assets		Other liabilities	
	Year under review	Previous year	Year under review	Previous year
Indirect taxes	349	346	640	757
Other assets and liabilities	3,506	3,560	744	1,213
Total	3,855	3,906	1,384	1,970

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

(amount expressed in CHF 1,000)	Book values	Effective commitments
Pledged/assigned assets		
Amounts due from banks	1,937	1,937
Financial investments	7,985	1,922
Total	9,922	3,859

8.10 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the Bank held by own pension schemes

(amount expressed in CHF 1,000)	Year under review	Previous year
Amounts due in respect of customer deposits	18,086	3,059
Negative replacement values of derivative financial instruments		16
Total	18,086	3,075

8.11 Disclosures on the economic situation of own pension schemes

(amount expressed in CHF 1,000)	Overfunding at end of current year	Economic interest of the group		Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Year under review	Previous year			Year under review	Previous year
Pension plans with overfunding (Banca del Sempione Pension Fund)	2,825				1,355	1,355	1,371

In 2022 Banca del Sempione SA has two pension plans. For the LPP (Legge sulla Previdenza Professionale - Professional Welfare Law) obligatory part the Bank has opted for affiliation to the legally independent, Collective Welfare Foundation of Basilese Insurance. Employees are also affiliated to the Banca del Sempione Pension Fund, which only manages the optional (supplementary) part of professional welfare. Banca del Sempione Pension Fund re-assures risks with a life insurance company, for the risks of death and disability. The coverage rate of Banca del Sempione Pension Fund is equal to 118% (unaudited data as at December the 31st, 2022). The excess coverage may be destined solely in favour of the affiliates. Therefore, as far as the Bank is concerned, no economic advantage or coverage obligation is identified. Any financial commitment of the Bank with regard to the welfare foundations ended with payment of the contributions. Neither Fund included any employer contribution reserves.

In January 2023, the Bank joined the Vita collective foundation in Zurich. All active employees and annuity recipients insured at the previous foundations have been therefore transferred to the new employee benefits institution. Banca del Sempione Pension Fund, having no longer insured people, has been put into liquidation. The free assets have been distributed in full to the insured employees according to distribution criteria approved by the relevant foundation supervisory authority.

Employees of foreign affiliates benefit from a welfare coverage at independent bodies, in compliance with local provisions. In such case, as well, any financial commitment of the employer ends with payment of the contributions.

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

(amount expressed in CHF 1,000)	Previous year end	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due, interest recoveries	New creations charged to income	Income statement	Balance at current year end
Provisions for deferred taxes	1,840							1,840
Other provisions	3,105	-2,506		-31		96		664
Total provisions	4,945	-2,506		-31		96		2,504
Reserves for general banking risks	8,510							8,510
Value adjustments for default and country risks	1,121				4	26	-28	1,123
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	<i>1,074</i>				<i>4</i>	<i>11</i>	<i>-28</i>	<i>1,061</i>
<i>of which, value adjustments for latent risks</i>	<i>47</i>					<i>15</i>		<i>62</i>

The other provisions essentially include provisions for legal risks (necessary) by the Italian branches for towards employees for the severance or termination indemnity (TFR).

The taxed portion of the Reserves for general banking risks corresponds to CHF 1.2 million.

8.13 Number and value of equity securities or options on equity securities attributed to all executives, directors and employees, and disclosures on any employee participation plans

No equity securities or option on equity security have been attributed to executives, directors and employees, nor any employee participation plan.

8.14 Disclosure of amounts due from/to related parties

(amount expressed in CHF 1,000)	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
Holders of qualified participations	5,868	4,969	26,149	22,128
Linked companies	15,129	12,231	2,049	2,107
Transactions with members of governing bodies	2,443	2,020	2,711	3,780

During the financial period in question no note-worthy transactions occurred in which affiliated entities were counterparts. No significant off-balance sheet transactions have been recorded. The conditions applied in the banking services correspond to those granted to top-ranking clientele. Members of the Bank's governing bodies are granted the same benefits as those applied to all personnel.

8.15 Presentation of the maturity structure of financial instruments

(amount expressed in CHF 1,000)	At sight	Cancellable	Due					Total
			within 3 months	within 3 to 12 months	within 12 months to 5 years	after 5 years	No maturity	
Assets/financial instruments								
Liquid assets	148,113							148,113
Amounts due from banks	53,108	687	37,639					91,434
Amounts due from customers		272,446	4,211	220	1,203			278,080
Mortgage loans	84	29,492	7,491	10,336	98,368	26,465		172,236
Trading portfolio assets	4,900							4,900
Positive replacement values of derivative financial instruments	3,258							3,258
Financial investments	21,869		4,427	17,746	66,872	20,204		131,118
Total	231,332	302,625	53,768	28,302	166,443	46,669		829,139
<i>Previous year</i>	<i>286,517</i>	<i>299,946</i>	<i>61,340</i>	<i>32,682</i>	<i>117,117</i>	<i>44,060</i>		<i>841,662</i>
Debt capital/financial instruments								
Amounts due to banks	2,795							2,795
Amounts due in respect of customer deposits	686,395	34,882	518					721,795
Negative replacement values of derivative financial instruments	2,958							2,958
Total	692,148	34,882	518					727,548
<i>Previous year</i>	<i>697,320</i>	<i>36,740</i>						<i>734,060</i>

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

(amount expressed in CHF 1,000)	Year under review		Previous year	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	148,113		174,595	
Amounts due from banks	58,568	32,866	70,221	68,151
Amounts due from customers	73,092	204,988	71,209	205,107
Mortgage loans	151,166	21,070	148,590	23,469
Trading portfolio assets	143	4,757	280	3,112
Positive replacement values of derivative financial instruments	3,212	46	2,503	4
Financial investments	18,912	112,206	6,990	67,431
Accrued income and prepaid expenses	2,214	666	4,047	472
Non-consolidated participations	131		131	
Intangible assets	26,858	237	27,426	315
Other assets	1,534	2,321	1,719	2,187
Total assets	483,943	379,157	507,711	370,248
Liabilities				
Amounts due to banks	1,424	1,371	1,028	1,498
Amounts due in respect of customer deposits	348,145	373,650	327,566	400,644
Negative replacement values of derivative financial instruments	2,955	3	3,320	4
Accrued expenses and deferred income	1,939	337	4,876	400
Other liabilities	791	593	886	1,084
Provisions	1,840	664	3,691	1,254
Reserves for general banking risks	8,510		8,510	
Bank's capital	20,000		20,000	
Retained earnings reserve	88,685	10,365	86,459	10,893
Minority interest in equity				12
Consolidated profit	1,076	752	4,660	1,174
<i>of which, minority interests in consolidated profit</i>				-17
Total liabilities	475,365	387,735	460,996	416,963

As for the breakdown between Switzerland and abroad, the principle of customer domicile applies, with the exception of mortgage loans, in respect of which the place where the property is located shall prevail.

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

	Year under review		Previous year	
	Absolute CHF 1,000	Share as %	Absolute CHF 1,000	Share as %
Switzerland	483,943	56.1	507,711	57.8
Europe others	316,364	36.7	311,833	35.5
<i>of which, Italy</i>	188,553	21.8	192,008	21.9
North America	31,038	3.6	26,925	3.1
South America	19,044	2.2	22,757	2.6
Africa	1,217	0.1	1,612	0.2
Asia	9,889	1.1	6,605	0.8
Australia/Oceania	1,605	0.2	516	0.1
Total assets	863,100	100	877,959	100

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

(Rating S&P)	Exposure to foreign countries			
	Current year end		Previous year end	
	CHF 1,000	%	CHF 1,000	%
AAA/AA-	283,362	69.7	254,749	69.5
A+/A-	6,713	1.7	3,693	1.0
BBB+/BBB-	113,204	27.9	104,655	28.6
BB+/BB-	1,344	0.3	2,716	0.7
B+/B-	1,231	0.3	199	0.1
CCC/C	471	0.1	441	0.1
Total assets	406,325	100	366,453	100

8.19 Presentation of assets and liabilities broken down by the most significant currencies for the Bank

(amount expressed in CHF 1,000)	Currencies				Total
	CHF	USD	EUR	Other	
Assets					
Liquid assets	146,453	103	1,460	97	148,113
Amounts due from banks	8,849	35,545	23,139	23,901	91,434
Amounts due from customers	49,513	14,722	212,881	964	278,080
Mortgage loans	152,924		19,312		172,236
Trading portfolio assets	5	68	4,683	144	4,900
Positive replacement values of derivative financial instruments	228	1,119	1,972	-61	3,258
Financial investments	62,643	13,636	53,873	966	131,118
Accrued income and prepaid expenses	289	396	2,016	179	2,880
Non-consolidated participations	131				131
Tangible fixed assets	27,039		56		27,095
Other assets	1,601	85	2,155	14	3,855
Total assets shown in the balance sheet	449,675	65,674	321,547	26,204	863,100
Delivery entitlements from spot exchange, forward forex and forex options transactions	146,134	309,567	378,083	47,426	881,210
Total assets	595,809	375,241	699,630	73,630	1,744,310
Liabilities					
Amounts due to banks	1		2,384	410	2,795
Amounts due in respect of customer deposits	300,989	95,420	297,470	27,916	721,795
Negative replacement values of derivative financial instruments	745	2,196	578	-561	2,958
Accrued expenses and deferred income	1,808	228	176	64	2,276
Other liabilities	730	31	622	1	1,384
Provisions	1,840		664		2,504
Reserves for general banking risks	8,510				8,510
Bank's capital	20,000				20,000
Retained earnings reserve	99,050				99,050
Minority interests in equity					
Consolidated profit	2,284		-456		1,828
<i>of which, minority interests in consolidated profit</i>					
Total liabilities shown in the balance sheet	435,957	97,875	301,438	27,830	863,100
Delivery obligations from spot exchange, forward forex and forex options transactions	167,731	275,589	393,026	44,864	881,210
Total liabilities	603,688	373,464	694,464	72,694	1,744,310
Net position per currency	-7,879	1,777	5,166	936	

9. Information on off-balance sheet transactions

9.1 Breakdown of contingent liabilities and contingent assets

(amount expressed in CHF 1,000)	Year under review	Previous year
Guarantees to secure credits and similar	6,746	5,322
Total contingent liabilities	6,746	5,322

9.2 Breakdown of fiduciary transactions

(amount expressed in CHF 1,000)	Year under review	Previous year
Fiduciary investments with third-party companies	39,883	3,813
Total fiduciary transactions	39,883	3,813

9.3 Breakdown of assets under management and presentation of their development

(amount expressed in CHF 1,000)	Year under review	Previous year
Breakdown of assets under management		
Assets in collective investment schemes managed by the Bank	509,448	672,703
Assets under discretionary asset management agreements	1,075,140	1,249,757
Other managed assets	2,257,113	2,519,143
Total assets under management (including double counting)	3,841,701	4,441,603
<i>of which, double counting</i>	<i>427,769</i>	<i>561,723</i>

Other managed assets include all assets for which the Group receives fees and/or additional fees to custodial rights and account fees. The Group has no assets that can be considered as “custody only”.

(amount expressed in CHF 1,000)	Year under review	Previous year
Presentation of the development of assets under management		
Total assets under management (including double counting) at the beginning of the period	4,441,603	4,337,699
Net new money inflow or net new money outflow	59,469	92,230
Price gains/losses, interest, distributed profits and currency gains/losses	-659,371	11,674
Total assets under management (including double counting) at the end of the period	3,841,701	4,441,603

Net new money inflow/outflow includes all incoming and outgoing transfers of liquidity and other investment values, on the basis of the value of the transfer day. On the other hand, interest and dividend income, price and currency gains/losses as well as interest, expenses and commission charges are excluded.

10. Information on the income statement

10.1 Disclosure of material refinancing income in the item "Interest and discount income" as well as material negative interests

The Bank has paid an amount of CHF 271,000 (previous year: CHF 374,000) due to negative interests expenses. The Bank has debited negative interests amounting to CHF 178,000 (previous year: CHF 197,000).

10.2 Breakdown of personnel expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the group's governing bodies, salaries and benefits)	17,396	18,537
Social insurance benefits	3,259	3,527
Other personnel expenses	188	171
Total personnel expenses	20,843	22,235

10.3 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,571	1,604
Expenses for information and communications technology	3,879	3,918
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	282	254
Fees of audit firms (Art. 961a no. 2 CO)	462	458
<i>of which, for financial and regulatory audits</i>	444	447
<i>of which, for other services</i>	18	11
Other operating expenses	2,602	2,913
Total of general and administrative expenses	8,796	9,147

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

(Amount expressed in CHF 1,000)	Year under review		Previous year	
	Domestic	Foreign	Domestic	Foreign
Result from interest operations				
Interest and discount income	4,268	641	3,121	-3
Interest and dividend income from trading portfolios	2			
Interest and dividend income from financial investments	994	79	691	28
Interest expense	133	-2	156	-2
Gross result from interest operations	5,397	718	3,968	23
Changes in value adjustments for default risks and losses from interest operations	6		51	
Subtotal net result from interest operations	5,403	718	4,019	23
Result from commission business and services				
Commission income from securities trading and investment activities	18,397	6,857	22,162	8,625
Commission income from lending activities	107	15	108	1
Commission income from other services	1,835	218	1,769	231
Commission expense	-1,366	-713	-1,812	-648
Subtotal result from commission business and services	18,973	6,377	22,227	8,209
Result from trading activities and fair value	2,482	994	3,303	1,279
Other result from ordinary activities				
Result from the disposal of financial investments	-45	11	870	-3
Income from participations	3		3	
Result from real estate	663		635	
Other ordinary income		73		24
Other ordinary expenses	-1,191	-173	-451	-17
Subtotal other result from ordinary activities	-570	-89	1,057	4
Operating expenses				
Personnel expenses	-17,004	-3,839	-17,825	-4,410
General and administrative expenses	-6,226	-2,570	-6,463	-2,684
Subtotal operating expenses	-23,230	-6,409	-24,288	-7,094
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets	-2,030	-157	-2,082	-177
Changes to provisions and other value adjustments, and losses	15		-1,893	-343
Operating result	1,043	1,434	2,343	1,901

10.5 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(amount expressed in CHF 1,000)	Year under review	Previous year
Expense for current taxes	649	810
Total taxes	649	810
Average tax rate weighted on the basis of the operating result	26.2%	12.2%



Report of the statutory auditor

to the General Meeting of Banca del Sempione SA, Lugano

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banca del Sempione SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated cash flow statement, statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 22-25 and 27-44).

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting rules for banks and comply with Swiss law.

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 consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with accounting rules for banks and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

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PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Omar Grossi

Audit expert
Auditor in charge



Mattia Marelli

Lugano, 6 April 2023



In order
to limit their
environmental
impact
and encourage
sustainable
behaviour,
Switzerland
has established
rules at federal,
cantonal and
municipal level.



LO
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our land

Air quality in Switzerland and Ticino

Combating climate change is a global challenge, to which each country contributes on a local scale. Switzerland has taken on this responsibility by adopting a climate mitigation plan to 2050.

The climate change action plan dates back to 2014 and was renewed in 2020, to link it to the global goal of limiting the rise in the planet's temperature to 1.5 degrees.

The main purpose of the plan is to reduce greenhouse gas emissions, which are the main contributors to the increase in global temperature. In addition, climate change adaptation measures are envisaged, such as increasing green in squares and on buildings façades to prevent the formation of “heat is-

lands” in urban centres, and fiscal measures, such as a gradual increase in the CO₂ tax on fuels. This mainly affects the industrial and construction sectors, which account for more than 50% of greenhouse gas emissions in Switzerland. Revenue from the tax is redistributed to the population, in the form of bonuses for reducing fossil energy consumption and incentives for energy improvements in buildings and investments in renewable energy.

However, the fight against air pollution began with the 1986 Environmental Protection Act, aimed at reducing pollutant emissions through the optimization of production techniques, improvement of fuel quality and introduction of particulate filters for motor vehicles and agricultural installations. A series of measures which have significantly reduced emissions of air pollutants in Switzerland since the 1990s and halved concentrations of particulate matters (i.e. fine dust) in 20 years. The improvement in air quality is also evident in Ticino, albeit with significant differences depending on the type of substance. The orography of the land limits the air exchange capacity, compared, for example, to the Swiss Plateau, where westerly winds blow more frequently, stirring and dispersing part of the pollutants. In any case, concentrations of primary pollutants such as sulphur dioxide (SO₂) and carbon monoxide (CO) have decreased considerably. In contrast, secondary pollutants, such as ozone (O₃) and particulates (PM₁₀), show a less pronounced decrease.

Below:
Visualization of the Almenda project; the urban park of the future new Officine district in Bellinzona, Ticino, Switzerland.

Opposite page:
Public park in Örtlikon, Zurich, Switzerland.







Other activities of the Group

- 54 Accademia SGR (Società di gestione del risparmio) SpA
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- 60 Sempione SIM (Società di intermediazione mobiliare) SpA
- 63 Banca del Sempione (Overseas) Ltd.

The Company

Accademia SGR SpA (hereinafter also the “SGR”) is an asset management company specialised in managing Real Estate Funds. Based in Milan, it combines the international experience accumulated in real estate and the asset management business by Banca del Sempione Group with real estate experience gained in the Italian market, particularly Milan and Rome. Accademia SGR SpA is authorised to sponsor and manage Alternative Investment Funds (“AIFs”), also including real estate funds, based on European Directive 2011/61/UE (“AIFMD”).

Investment Philosophy

Accademia SGR SpA independently manages multiple investor funds. Investing in real estate funds allows for portfolio diversification securing attractive yields compared to other traditional forms of stock market investment. The SGR offers customised services to its clients.

The main advantages linked to real estate management via real estate funds are in particular: asset securitisation, debt deconsolidation, professional property management and the separation between characteristic company business and real estate management.

Types of investors

Accademia SGR SpA addresses a restricted number of “Professional and Institutional Investors”, interested in real estate investment and willing to delegate management of their assets to participate in real estate transactions in association with other parties having the same qualifications. The term “Professional Investor”, as defined in Italian Ministerial Decree N. 30/2015, includes private and public professional clients as well as those who, upon request, may be treated as professional clients pursuant to article 1, section 1, paragraph m-undecies and article 6, sections 2-quinquies and 2-sexies of Italian Legislative Decree N. 58/1998 (hereafter also “TUF” – Testo Unico della Finanza) as further amended. Such definition of professional investor is also set out in art. 1, section 1, paragraph m-quater of TUF. The SGR also addresses investors described in art. 14 of Italian Ministerial Decree N. 30/2015. In exchange for shares, it is possible for investors to transfer their real estate assets to a fund that the SGR then professionally manages and increases in value, in the interest of, and independently from, said investors, according to a predefined investment policy. Alternatively, they may invest a portion of their liquid assets in a real estate fund which already contains properties, with the objective of diversifying risk and securing an attractive yield compared to other traditional forms of stock market investment in the current market scenario. The main investment asset classes are office and residential properties, sports facilities and hotels.

How to invest in the Fund

Interested investors may underwrite shares in the real estate fund through:

- underwriting commitment: according to the terms and conditions set in the fund regulations, investors commit, by filling and signing a specific share application form, to paying the SGR the amount underwritten, based on the fund’s investment needs upon the SGR’s demands;
- contribution: subject to the terms and conditions set in the fund regulations, investors may underwrite shares in the fund, transferring not money but “assets” in accordance with the investment criteria prescribed in the regulations (real estate, real estate rights, and equity investments in real estate companies).

Prudential Rules

According to amendments implemented by AIFMD, the leverage of an AIF is expressed as the ratio between the AIF’s exposure and its net asset value. Accademia SGR SpA calculates the exposure of the AIFs it manages according to the “commitment” method pursuant to art. 8 of Delegated Regulation N. 2013/231/UE (“Delegated Regulation”). Accademia SGR SpA also calculates said exposure according to the “gross” commitment pursuant to art. 7 of the aforementioned Regulation during the drawing up of periodic reports.

The exposure of an AIF calculated in accordance with the “commitment” method is the sum of the absolute values of all positions valued pursuant to Article 19 of Directive 2011/61/UE and the relevant delegated acts, without prejudice to the criteria set out in paragraphs 2 to 9.

More in detail, Accademia SGR SpA shall:

- a) convert each derivative instrument position into an equivalent position in the underlying asset by using the conversion methods set out in article 10 and Annex II, points 4 to 9 and 14 of the Delegated Regulation;
- b) carry out the relevant netting and hedging transactions;
- c) calculate the exposure determined by the reinvestment of borrowings where such reinvestment increases the AIF’s exposure pursuant to Annex I, points 1 and 2 of the Delegated Regulation;
- d) include other transactions in the calculation based on Annex I, point 3 and points 10 to 13 of the Delegated Regulation.

The exposure of an AIF calculated in accordance with the “gross” method is the sum of the absolute values of all positions valued pursuant to article 19 of AIFMD and all delegated acts adopted in compliance with such Directive.

More in detail, Accademia SGR SpA shall:

- a) exclude the value of cash and cash equivalents that:
 - are highly liquid investments held in the AIF’s reference currency;
 - are readily convertible to a known amount of cash;
 - are subject to a minor risk of change in value;
 - provide a return no greater than the rate of a three-month high quality government bond;
- b) convert derivative instruments into equivalent positions in their underlying assets by using the conversion methods set out in article 10 and Annex I, points 4 to 9 and 14 of the Delegated Regulation;
- c) exclude cash borrowings that remain in cash or cash equivalent pursuant to point a), when the amounts to be paid are known;
- d) include exposure deriving from the reinvestment of cash borrowings, expressed as the higher market value of the investment realised or the total amount of the cash borrowed pursuant to Annex I, points 1 and 2 of the Delegated Regulation;
- e) include positions within repurchase agreements or reverse repurchase agreements as well as securities lending or securities borrowing arrangements or other transactions pursuant to Annex I, point 3 and points 10 to 13 of the Delegated Regulation.

Fund Duration

The fund duration is set in the fund regulations and may be a maximum of 50 years, except in case of early liquidation of the investment (and cash payment to investors for their shares in the fund) taking place over the life of the fund.



**ACCADEMIA
SGR**

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Auditor PricewaterhouseCoopers, Milan

In the Grand-Duchy of Luxembourg, Banca del Sempione SA is the sponsor of Base Investments SICAV (the "SICAV"), an open-end investment company with multiple sub-funds established on 29 May 2001 and registered in the official list of Undertakings for Collective Investment pursuant to the Law of 17 December 2010, Section I.

The sub-funds are characterised by different investment objectives in order to offer a range of possibilities to investors and simultaneously respect their risk propensities. With regard to the individual sub-funds, investment policies were defined and summarised in the prospectus approved by the Supervisory Authorities.

More generally speaking, the main commitment of the investment managers is to preserve the capital invested during the more volatile market phases and implement the most effective strategies to increase the value of the assets during the most favourable phases. This is ensured through diversification of the portfolios and special attention to the control of operational risks.

The ideal minimum investment period is 24/36 months, based on the characteristics of the individual sub-funds.

Effective 1 October 2016, the SICAV appointed Edmond de Rothschild Asset Management (Luxembourg) as management company, assigning to it the risk control activities, the calculation of the net asset value as well as the role of transfer agent. Banca del Sempione SA continues in its functions as sponsor and manager for all the sub-funds, also taking on the responsibility of global distributor.

The most modern management techniques are applied to the activities benefitting the client, with the objective of ensuring the desired return. The constant search for the best technological infrastructures and in-depth analyses that lead to definition of the investment strategies also contribute to mitigating risks.

Starting from the principle that the SICAV's various sub-funds are invested in transferable securities, where cash is used on an ancillary basis, the company has carefully picked the markets it wants to operate in, focusing mainly on three asset classes (equity, bond, and cash). In addition to the aforementioned asset classes, the SICAV pursues a diversified approach through the adoption of quantitative strategies, such as the search for macro-economic advantages linked to the trend in variables, such as rates, inflation and economic growth, to generate investment opportunities, using all of the investment tools allowed by law or through investment in other funds with a low correlation to the market and a good risk-return ratio.

A list of the sub-funds is provided below, with a brief explanation of their respective investment policies:

Currency and Bond Sub-Funds

Base Investments SICAV – Low Duration

The objective of this Sub-Fund is to outperform the Bloomberg Barclays Global Aggregate 1-3 Years Total Return Index, mainly investing in fixed- or floating-rate securities, such that the portfolio duration does not exceed 3 years.

Base Investments SICAV – Bonds – Multicurrency

The Sub-Fund will try to benefit from changes in currency exchange rates through diversified investments in currencies and in derivatives, such as forward contracts and repurchase agreements, currency swaps and currency options.

Base Investments SICAV – Bonds Value

The investment objective of this Sub-Fund is to generate real positive returns for the Shareholders, with a time horizon of three years, by mainly invest in fixed-income securities. The Sub-Fund will not invest more than 20% of its total net assets in non-investment grade bonds.

Base Investments SICAV – Global Fixed Income

The investment objective of this Sub-Fund is to generate real positive returns for the Shareholders, with a time horizon of three years, to mainly invest in fixed-income securities. The Sub-Fund seeks to create the potential for capital appreciation by primarily investing in a portfolio of global fixed income securities, including, but not limited to, corporate bonds and government bonds of varying maturities.

Equity Sub-Fund

Base Investments SICAV – Emerging and Frontier Markets Equity

The Sub-Fund's investment objective is long-term capital appreciation by investing at least 51% of its net assets in equity securities of emerging and frontier equity markets companies or those companies which derive a major portion of their revenues or profits from emerging and frontier economies through a value investing stock selection across the entire market capitalisation spectrum.

Flexible and Balanced Sub-Funds

Base Investments SICAV – Macro Dynamic

The Sub-Fund's objective is to achieve absolute return by means of a dynamic portfolio with a view to obtaining medium to long-term (3 to 5 years) capital appreciation by combining different assets without any geographical or currency constraints. For that purpose, the Sub-Fund implements flexible asset allocation based on the economic scenario, in the investors' interest.

Base Investments SICAV – Flexible Low Risk Exposure

The investment objective of this Sub-Fund is to generate real positive returns for the Shareholders through a flexible and dynamic asset allocation process that maintains particular focus on capital preservation and enhancement. An all asset investible universe increases flexibility and permits a reduction in aggregate portfolio volatility by applying balanced risk allocation techniques. The Sub-Fund will not invest more than 15% of its total net assets in non-investment grade bonds, having an average rating of B. The net maximum equity exposure in absolute value will not exceed 15% of the Sub-Fund's total net assets.

Fund of Funds

Base Investments SICAV – Multi Asset Capital Appreciation Fund of Funds

It is a fund of funds whose objective is to outperform an index consisting of Bloomberg Barclays Global Aggregate (34%) and MSCI World TR Net Index (33%) and Euro short term rate ESTR (33%), over a 5-year full investment cycle, by integrating quantitative and systematic strategies in the asset allocation with a view to building a robust portfolio and an ordered investment process through a multi-asset investment management strategy.



Base Investments SICAV

4, Rue Robert Stumper
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Auditor PricewaterhouseCoopers, Luxembourg







Northern Lights

In the high atmosphere, at an altitude of over 100 km above sea level, the gas molecules are extremely rarefied and move at very high speed. When they collide with electricity-charged particles from the sun, they light up, resulting in the Northern Lights (or the Aurora Borealis).

The company is active in asset management, investment advisory, and securities brokerage. It is geared towards clients who demand proven asset management skill based on the principles of reliability and common sense, typical of all Banca del Sempione Group companies.

Sempione SIM SpA also aims to be a major independent advisor: based on the Mifid-compliant “Feeonly4you” advisory platform, it can support clients who want to place their assets with one or more banks, professionally and independently guiding them in their investment decisions.

Sempione Sim is able to offer its customers upon specific request, to hold their assets in a registered account opened at Banca del Sempione, thus satisfying the needs of those people who wish to diversify their deposits also geographically.

Sempione SIM SpA has also proven itself as a counterparty in the distribution of Base Investments Luxembourg SICAV products in Italy, approved for sale by Italian authorities.

Sempione SIM is also active in placing bonds issued by SMEs with institutional investors.

The company offers, thanks to an expert and consolidated team, consultancy services to institutional investors on specialized trading strategies for total return and risk-arbitrage management.

Customisation

Customisation means continuously interacting with the client, through direct contact, pursuing the development of investment decisions so that they are consistent with expectations.

Professionalism

Sempione SIM SpA provides its clients with products and services managed by industry professionals who constantly seek opportunities on international markets and highly diversified investments.

Research

Management, advisory and order taking are appropriately aided by sources of recognised skill at the national and international level and by a coordinated in-house analysis division that independently evaluates management decisions, favouring dynamic, innovative and transparent trading.

Safety

Through a series of agreements with top banks, Sempione SIM SpA guarantees its clients clear separation between client assets deposited in trading accounts and assets under management by the SIM by virtue of mandates received.



Sempione SIM (Società di intermediazione mobiliare) SpA

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Previous page:

*The Saint-Imier
wind farm
on Mont Croisin,
Jura.
The largest
in Switzerland.*

To the left:

*Northern Lights above
Godafoss Waterfall
in Iceland.*



In an increasingly globalised context, in terms of both markets and products, Banca del Sempione has expressed its vocation for exploration by establishing, as long ago as 2000, its subsidiary Banca del Sempione (Overseas) Ltd. in Nassau, in the archipelago of the Bahamas.

In fact, the capital of the Bahamas is a prestigious financial centre, thanks to tradition, the capacity to innovate and a solid technical infrastructure. Attention for regulatory aspects and the resulting need to update and adapt, caused by the wider objectives proposed by the International community led by the Global Forum, have characterised the last years of business. Commitment to an increasingly pronounced attention towards transparency and cooperation with other Countries was solidified by signature of the multilateral agreement on the exchange of fiscal information and involvement in further projects and measures aimed at countering unequal taxation (e.g. Base Erosion and Profit Shifting) and strengthening the fight against money laundering. A 360-degree effort which has opened the Country up to a more integrated and cooperative context and which, through intense negotiations and international discussion, is aiming for the signature of new treaties, agreements, joint ventures and alliances, too.

A constant commitment of the entire financial sector and in particular of Banca del Sempione (Overseas) Ltd. which, in this renewed context, aims at acting as an important player, continuing to offer top quality and highly sophisticated services both to private and increasingly greater numbers of institutional clients. The main business is focused on asset management through products dedicated to the needs of the clients. Also, securities, derivatives and currency trading operations are not to be excluded.



**BANCA DEL SEMPIONE
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In the renewable energy mix, wind energy has a key role to play, because it can address the shortfalls in hydroelectric and photovoltaic power generation, as is the case in Switzerland.

An aerial photograph of a wind farm. The central focus is a large white wind turbine with three blades, positioned in the foreground. The turbine's tower extends from the bottom of the frame towards the center. In the background, several other similar wind turbines are scattered across a vast, green agricultural field. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The overall scene is peaceful and emphasizes clean energy.

HE

AR

the Earth breathe

The thrust of wind energy

Switzerland aims to cover 7% of its electricity needs through wind power by 2050; it stands today at just 0.2% thanks to almost 40 wind farms already in operation.

The EU average is 11.6%, with Denmark leading the way, covering nearly 30% of the country's total electricity demand through wind power.

In Switzerland, the first wind power plant was built in 1986 in Soolhof (Langenbruck) and has a power of 28 kilowatts. In 2020, there were almost 40 large wind power plants across the country, with a total annual production of about 140 GWh of electricity, concentrated for two-thirds in the winter semester, when hydroelectric and photovoltaic production decreases. The largest wind farm is located on Mont Croisin in the Bernese Jura, near St. Imier, where 16 wind turbines are installed, with a total power of 37.2 megawatts (MW). Other large plants are located in the Rhone Valley (VS), near Entlebuch (LU), and on the Güttsch, above Andermatt (UR).

In Ticino, the first wind power plant was built on the Gotthard Pass in 2020, with a total investment of CHF 32 million supported by Azienda Elettrica Ticinese (70%), Services Industriels de Genève (25%) and the municipality of Airolo (5%). Production, which is predominantly carried out in winter, is complementary to that of the Canton's hydroelectric and photovoltaic power plants, which is concentrated in the summer. The plant consists of five wind generators of 2.35 MW each, producing 16 GWh of electricity each year, almost three times that produced by the Tremorgio hydroelectric power plant and sufficient to meet the needs of all Leventina's households.

The wind farm was designed as a systemic project, following national and cantonal guidelines on the sustainable exploitation of local resources for the production of electricity. In addition to the construction of the five wind towers, it includes numerous environmental compensation and land restoration works, such as the dismantling of old military works, the burial of medium-voltage overhead power lines and the installation of radars to monitor the passage of bats and migratory birds.

Right:
*Offshore
wind power plant,
Netherlands.*

Opposite page:
*The Gries wind farm,
at the Nufenen Pass,
in Valais, Switzerland.
The highest in Europe.*







Annual financial statements of parent company

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BALANCE SHEET AT 31.12.2022

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Assets			
Liquid assets		148,113	174,595
Amounts due from banks		50,224	81,091
Amounts due from customers	4.1	269,277	267,747
Mortgage loans	4.1	181,486	181,809
Trading portfolio assets	4.2	4,900	3,392
Positive replacement values of derivative financial instruments	4.3	3,234	3,033
Financial investments	4.4	114,700	70,294
Accrued income and prepaid expenses		2,140	3,955
Participations		13,684	12,959
Tangible fixed assets		11,134	11,278
Other assets	4.5	1,523	1,652
Total assets		800,415	811,805
Total subordinated claims		3,463	2,080
Liabilities			
Amounts due to banks		28,413	18,482
Amounts due in respect of customer deposits		651,614	666,020
Negative replacement values of derivative financial instruments	4.3	2,955	3,322
Accrued expenses and deferred income		1,764	4,907
Other liabilities	4.5	791	886
Provisions	4.9	10,350	12,201
Bank's capital	4.10	20,000	20,000
Statutory retained earnings reserve		39,000	38,500
Voluntary retained earnings reserves		41,500	41,000
Profit carried forward		1,487	2,249
Result of the period		2,541	4,238
Total liabilities		800,415	811,805
Off-balance-sheet transactions			
Contingent liabilities	4.1	6,934	5,518
Irrevocable commitments	4.1	2,462	2,662

INCOME STATEMENT 2022

(amount expressed in CHF 1,000)	Notes	Year under review	Previous year
Result from interest operations			
Interest and discount income		4,414	3,245
Interest and dividend income from trading portfolios		2	
Interest and dividend income from financial investments		994	691
Interest expense		66	156
Gross result from interest operations		5,476	4,092
Changes in value adjustments for default risks and losses from interest operations		6	51
Subtotal net result from interest operations	6.1	5,482	4,143
Result from commission business and services			
Commission income from securities trading and investment activities		18,557	22,533
Commission income from lending activities		107	108
Commission income from other services		2,135	2,074
Commission expense		-1,366	-1,812
Subtotal result from commission business and services		19,433	22,903
Result from trading activities and fair value		2,476	3,303
Other result from ordinary activities			
Result from the disposal of financial investments		-45	870
Income from participations		2,903	1,003
Result from real estate		93	75
Other ordinary income			
Other ordinary expenses		-1,175	-445
Subtotal other result from ordinary activities		1,776	1,503
Net revenues		29,167	31,852
Operating expenses			
Personnel expenses	6.2	-17,004	-17,825
General and administrative expenses	6.3	-7,060	-7,294
Subtotal operating expenses		-24,064	-25,119
Gross Profit		5,103	6,733
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-2,177	-2,452
Changes to provisions and other value adjustments, and losses		15	-1,893
Operating result		2,941	2,388
Extraordinary income			2,400
Taxes	6.4	-400	-550
Result of the period		2,541	4,238

APPROPRIATION OF PROFIT

(amount expressed in CHF 1,000)	Year under review	Previous year
Result of the period	2,541	4,238
Profit carried forward	1,487	2,249
Distributable profit	4,028	6,487
Appropriation of profit		
Allocation to statutory retained earnings reserve	500	500
Allocation to voluntary retained earnings reserves	500	500
Dividend	2,000	4,000
Profit to be carried forward	1,028	1,487

STATEMENT OF CHANGES IN EQUITY 2022

(amount expressed in CHF 1,000)	Bank's capital	Statutory retained earnings reserve	Voluntary retained earnings reserve	Profit carried forward	Result of the period	Total
Equity at beginning of current period	20,000	38,500	41,000	2,249	4,238	105,987
Dividend					-4,000	-4,000
Allocation to reserves		500	500		-1,000	
New amount carried forward				-762	762	
Result of the period					2,541	2,541
Equity at end of current period	20,000	39,000	41,500	1,487	2,541	104,528



The ships return to Aeolus

Maritime transport accounts for approximately 2% of global carbon dioxide emissions. But several projects are focusing on wind-driven cargo ships: instead of sails, they use rigid wings, up to 80 meters high and capable of rotating at 360° to capture the wind optimally.

The electric airship

Airships are making a comeback, but using helium, an inert, non-flammable gas, unlike hydrogen.

Thanks to its lifting power, fuel consumption is reduced and CO₂ emissions are cut down by 75%.

But the real goal will be the adoption of electric motors, scheduled for 2030.



1. The Bank profile

Banca del Sempione SA's business areas and risk management operations do not differ from those of the Group.

2. Accounting and valuation principles

The accounting and valuation principles adopted are in compliance with the provisions set out in the Code of Obligations and the Swiss banking law and its relevant Ordinances, as well as with the guidelines issued by FINMA through the Accounting Ordinance (AO - FINMA) and Circular 2020/1 "Accounting-Banks".

The statutory single-entity financial statements are drawn up according to the reliable assessment principle.

The Bank benefits from disclosure exemptions envisaged in the publication of consolidated financial statements. The accounting and valuation principles adopted coincide with those applied to the drawing up of the consolidated financial statements, the only exceptions being related to the creation of hidden reserves under the item "Provisions" and the following items.

Participations

This item includes equity securities of Bank-owned companies held with a view to making long-term investments, regardless of the voting share capital owned.

Participations are valued on a case-by-case basis at acquisition cost less any necessary value adjustments.

Participations are tested for impairment at each balance sheet date. Such tests are based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is to be determined. An asset is impaired if its book value exceeds its recoverable amount. The recoverable amount is the higher of the net market value and the value in use. If an asset is impaired, supplementary amortisation and depreciation are to be recognised.

Ordinary and supplementary amortisation and depreciation are booked under the income statement item "Value adjustments on shareholdings and depreciation and amortisation of tangible fixed assets and intangible assets".

Any gains realised on sales of shareholdings are shown under the item "Extraordinary income" and any losses under the item "Extraordinary expenses".

Changes to accounting and valuation principles

The accounting and valuation principles applied to the drawing up of the financial statements as at 31 December 2021 are the same as those applied in the previous financial year.

3. Additional information

For any additional information or clarification required by legal provisions, please refer to the Notes to the consolidated financial statements (Chapters 3 to 7). The information to be disclosed pursuant to FINMA Circular 2016/1 relating to capital adequacy and other risk indicators is published on the Group's website (www.bancasempione.ch/Publications).

4. Information on the balance sheet

4.1 Presentation of collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

(amount expressed in CHF 1,000)	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers	3,308	238,770	28,162	270,240
Mortgage loans				
- Residential property	141,923		160	142,083
- Office and business premises	35,239			35,239
- Commercial and industrial premises	4,324			4,324
Total loans (before netting with value adjustments)				
Current year	184,794	238,770	28,322	451,886
Previous year	185,690	232,785	32,202	450,677
Total loans (after netting with value adjustments)				
Current year	184,794	238,770	27,199	450,763
Previous year	185,690	232,785	31,081	449,556
Off-balance-sheet				
Contingent liabilities		6,591	343	6,934
Irrevocable commitments			2,462	2,462
Total off-balance-sheet				
Current year		6,591	2,805	9,396
Previous year		5,095	3,085	8,180

Unsecured credits mainly concern loans granted for an amount exceeding the collateral value of securities given in guarantee but lower than the market value.

(amount expressed in CHF 1,000)	Gross debt amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans / receivables				
Current year	1,061		1,061	1,061
Previous year	1,074		1,074	1,074

4.2 Breakdown of trading portfolio assets and other financial instruments with fair value valuation (assets and liabilities)

(amount expressed in CHF 1,000)	Year under review	Previous year
Trading portfolio assets		
Debt securities, money market securities / transactions (listed)	4,757	3,112
Precious metals and commodities	143	280
Total	4,900	3,392

4.3 Presentation of derivative financial instruments (assets and liabilities)

(amount expressed in CHF 1,000)	Trading instruments		
	Positive replacement values	Negative replacement values	Contract volume
Foreign exchange/precious metals			
Forward contracts	3,898	3,619	804,146
Options (OTC)	811	811	76,478
Total before netting agreements	4,709	4,430	880,624
<i>of which, calculated with the aid of a pricing model</i>	<i>4,709</i>	<i>4,430</i>	
Previous year	4,967	5,256	1,273,556
<i>of which, calculated with the aid of a pricing model</i>	<i>4,967</i>	<i>5,256</i>	
	Positive replacement values (cumulative)	Negative replacement values (cumulative)	
Total after netting agreements			
Current year	3,234	2,955	
Previous year	3,033	3,322	
	Central clearing houses	Banks and securities dealers	Other customers
Breakdown by counterparty			
Positive replacement values (after netting agreements)		1,973	1,261

The Bank does not use financial derivatives for hedging purposes.

4.4 Breakdown of financial investments

(amount expressed in CHF 1,000)	Book value		Fair value	
	Year under review	Previous year	Year under review	Previous year
Debt securities, intended to be held to maturity	97,554	51,463	92,050	51,873
Equity securities	17,146	18,831	17,165	18,845
Total	114,700	70,294	109,215	70,718
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>17,740</i>	<i>8,640</i>		

Breakdown of counterparties by rating (S&P)	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
	Debt securities (book values)	44,213	37,897	14,652	792	

4.5 Breakdown of other assets and other liabilities

(amount expressed in CHF 1,000)	Other assets		Other liabilities	
	Year under review	Previous year	Year under review	Previous year
Indirect taxes	336	339	640	757
Other assets and liabilities	1,187	1,313	151	129
Total	1,523	1,652	791	886

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

(amount expressed in CHF 1,000)	Book values	Effective commitments
Pledged/assigned assets		
Amounts due from banks	1,937	1,937
Financial investments	7,985	1,922
Total	9,922	3,859

4.7 Disclosure of liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

(amount expressed in CHF 1,000)	Year under review	Previous year
Amounts due in respect of customer deposits	18,086	3,059
Negative replacement values of derivative financial instruments		16
Total	18,086	3,075

4.8 Disclosures on the economic situation of own pension schemes

(amount expressed in CHF 1,000)	Overfunding at end of current year	Economic interest of the bank		Change in economic interest versus previous year	Contributions paid for the current period	Pension expenses in personnel expenses	
		Year under review	Previous year			Year under review	Previous year
Pension plans with overfunding (Banca del Sempione Pension Fund)	2,825				1,355	1,355	1,371

In 2022 Banca del Sempione SA has two pension plans. For the LPP (Legge sulla Previdenza Professionale - Professional Welfare Law) obligatory part the Bank has opted for affiliation to the legally independent, Collective Welfare Foundation of Basilese Insurance. Employees are also affiliated to the Banca del Sempione Pension Fund, which only manages the optional (supplementary) part of professional welfare. Banca del Sempione Pension Fund re-assures risks with a life insurance company, for the risks of death and disability. The coverage rate of Banca del Sempione Pension Fund is equal to 118% (unaudited data as at December the 31st, 2022). The excess coverage may be destined solely in favour of the affiliates. Therefore, as far as the Bank is concerned, no economic advantage or coverage obligation is identified. Any financial commitment of the Bank with regard to the welfare foundations ended with payment of the contributions. Neither Fund included any employer contribution reserves.

In January 2023, the Bank joined the Vita collective foundation in Zurich. All active employees and annuity recipients insured at the previous foundations have been therefore transferred to the new employee benefits institution. Banca del Sempione Pension Fund, having no longer insured people, has been put into liquidation. The free assets have been distributed in full to the insured employees according to distribution criteria approved by the relevant foundation supervisory authority.

Employees of foreign affiliates benefit from a welfare coverage at independent bodies, in compliance with local provisions. In such case, as well, any financial commitment of the employer ends with payment of the contributions.

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

(amount expressed in CHF 1,000)	Previous year end	Use in conformity with designated purpose	Reclas-sifications	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at current year end
Other provisions	12,201	-1,851						10,350
Total provisions	12,201	-1,851						10,350

Value adjustments for default and country risks

	1,121				4	26	-28	1,123
<i>of which, value adjustments for default risks in respect of impaired loans/receivables</i>	1,074				4	11	-28	1,061
<i>of which, value adjustments for latent risks</i>	47					15		62

In the other provisions hidden reserves and provisions for legal risks (necessary) are included.

4.10 Presentation of the Bank's capital

	Year under review			Previous year		
	Total par value CHF 1,000	No. of shares	Capital eligible for dividend CHF 1,000	Total par value CHF 1,000	No. of shares	Capital eligible for dividend CHF 1,000
Bank's capital						
Share capital	20,000	200,000	20,000	20,000	200,000	20,000
Total Bank's capital	20,000	200,000	20,000	20,000	200,000	20,000

The share capital is fully paid. There are no provisions that may affect the right to vote of the shareholders.

4.11 Number and value of equity securities or options on equity securities attributed to all executives, directors and employees, and disclosures on any employee participation plans

No equity securities or option on equity security have been attributed to executives, directors and employees, nor any employee participation plan.

4.12 Disclosure of amounts due from/to related parties

(amount expressed in CHF 1,000)	Amounts due from		Amounts due to	
	Year under review	Previous year	Year under review	Previous year
Holders of qualified participations	5,868	4,969	26,149	22,128
Group companies	9,727	10,333	26,491	16,903
Linked companies	15,129	12,231	2,049	2,107
Transactions with members of governing bodies	2,421	1,837	2,684	3,138

During the financial period in question no note-worthy transactions occurred in which affiliated entities were counterparts. No significant off-balance sheet transactions have been recorded. The conditions applied in the banking services correspond to those granted to top-ranking clientele. Members of the bank,s governing bodies are granted the same benefits as those applied to all personnel.

4.13 Disclosure of holders of significant participations

	Year under review		Previous year	
	Nominal CHF 1,000	% of equity	Nominal CHF 1,000	% of equity
Holders of participations exceeding 5% of voting rights				
Eburnea Holding SA, Sion (Donelli Family)	10,400	52.00	10,400	52.00
Molu SA, Lugano (Gattei Family)	7,000	35.00	7,000	35.00
Golden Horn Finanz AG, Lugano (Filofibra Group)	2,600	13.00	2,600	13.00

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

(Rating S&P)	Exposure to foreign countries			
	Current year end		Previous year end	
	CHF 1,000	%	CHF 1,000	%
AAA/AA-	239,662	69.6	222,364	67.1
A+/A-	5,032	1.5	3,693	1.1
BBB+/BBB-	98,207	28.5	104,297	31.5
BB+/BB-	821	0.2	1,042	0.3
B+/B-	736	0.2	157	0.0
CCC/C	91	0.0	74	0.0
Total assets	344,549	100	331,627	100

As for the breakdown of net commitment, the principle of customer domicile applies, with the exception of mortgage loans, in respect of which the place where the property is located shall prevail.

5. Information on off-balance sheet transactions

5.1 Breakdown of fiduciary transactions

(amount expressed in CHF 1,000)	Year under review	Previous year
Fiduciary investments with third-party companies	39,883	3,038
Total of fiduciary transactions	39,883	3,038

5.2 Breakdown of assets under management and presentation of their development

(amount expressed in CHF 1,000)	Year under review	Previous year
Breakdown of assets under management		
Assets in collective investment schemes managed by the bank	509,448	604,608
Assets under discretionary asset management agreements	907,395	1,027,628
Other managed assets	1,564,567	1,782,520
Total assets under management (including double counting)	2,981,410	3,414,756
<i>of which, double counting</i>	<i>378,074</i>	<i>493,628</i>

Other managed assets include all assets for which the Bank receives fees and/or additional fees to custodial rights and account fees. The Bank has no assets that can be considered as "custody only".

(amount expressed in CHF 1,000)	Year under review	Previous year
Presentation of the development of assets under management		
Total assets under management (including double counting) at the beginning of the period	3,414,756	3,299,472
Net new money inflow or net new money outflow	24,144	80,578
Price gains/losses, interest, distributed profits and currency gains/losses	-457,490	34,706
Total assets under management (including double counting) at the end of the period	2,981,410	3,414,756

Net new money inflow/outflow includes all incoming and outgoing transfers of liquidity and other investment values, on the basis of the value of the transfer day. On the other hand, interest and dividend income, price and currency gains/losses as well as interest, expenses and commission charges are excluded.

6. Information on the income statement

6.1 Disclosure of material refinancing income in the item "Interest and discount income" as well as material negative interests

The Bank has paid an amount of CHF 271,000 (previous year : CHF 374,000) due to negative interests expenses. The Bank has debited negative interests amounting to CHF 165,000 (previous year: CHF 185,000).

6.2 Breakdown of personnel expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Salaries (meeting attendance fees and fixed compensation to members of the bank,s governing bodies, salaries and benefits)	14,222	14,902
Social insurance benefits	2,684	2,851
Other personnel expenses	98	72
Total personnel expenses	17,004	17,825

6.3 Breakdown of general and administrative expenses

(amount expressed in CHF 1,000)	Year under review	Previous year
Office space expenses	1,896	1,912
Expenses for information and communications technology	3,062	3,066
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	213	218
Fees of audit firm (Art. 961a no. 2 CO)	186	192
<i>of which, for financial and regulatory audits</i>	<i>186</i>	<i>192</i>
<i>of which, for other services</i>		
Other operating expenses	1,703	1,906
Total of general and administrative expenses	7,060	7,294

6.4 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(amount expressed in CHF 1,000)	Year under review	Previous year
Expense for current taxes	400	550
Total taxes	400	550
Average tax rate weighted on the basis of the operating result	14.0%	23.0%



Report of the statutory auditor

to the General Meeting of Banca del Sempione SA, Lugano

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banca del Sempione SA (the Company), which comprise the balance sheet as at 31 December 2022, income statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies (pages 70-72 and 75-82).

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and

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PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA



Omar Grossi
Audit expert
Auditor in charge



Mattia Marelli

Lugano, 6 April 2023



Cleaning the air
of carbon dioxide.
Storing electric
power underground.
Capturing the wind
with drones.
Creativity
and environmental
protection meet
in Switzerland.



IMAGINE

the future

Improving climate with technology

Innovation is at the heart of the Swiss economy and can rely on effective regulation, significant investment in research and development, and widespread quality high-tech production, partly thanks to the many excellent universities the country has to offer.

This is where some of the leading technology realities in the search for solutions to reduce pollution and greenhouse gases are born.

For example, the world's largest plant able to capture CO₂ and store it underground **was designed in Zurich**. The plant is under construction in Iceland and will see the light of day around 2030, with a capacity to filter and seize 36,000 tons of CO₂ per year. It will be the second in Iceland after the one already in operation near the Hellisheidi geothermal power plant, about 50 km from the capital Reykjavik, which opened in 2021. The use of geothermal energy is a prerequisite for this type of plant, which must, of course, generate fewer greenhouse gases than the ones it removes from the atmosphere.

Below:
Rendering of the Climeworks facility, currently being built in Iceland and ready for use as of 2030.

Opposite page:
Skypull drone flying through the Ticino skies in one of its test stages.

Following page:
AA-CAES pilot project tunnel for storing compressed air energy near Biasca, Ticino, Switzerland.

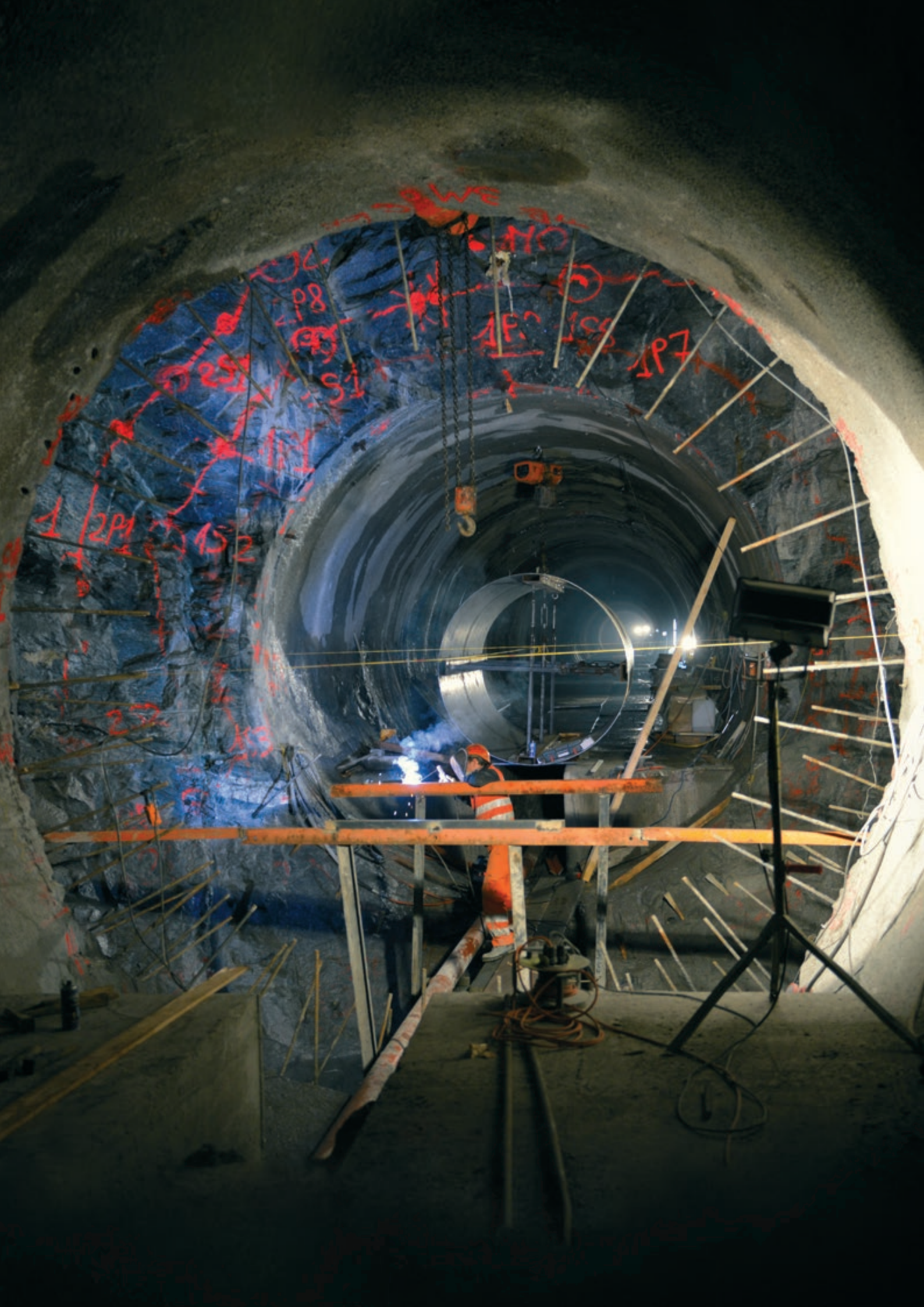
In Ticino, a system for storing electricity underground in the form of compressed air has been tested.

The pilot project, carried out in a disused tunnel between Pollegio and Loderio (Canton Ticino) used during the excavation work on the Gotthard base tunnel, gained the first experiences with a technological concept called AA-CAES (Advanced Adiabatic compressed Air Energy Storage). The research project, which was also financially supported by the Swiss Federal Office of Energy, between 2013 and 2016, is based on the use of excess electricity from renewable sources to activate a compressor that compresses the air in the tunnel. In times of need, the flow is reversed and the stored air under high pressure is fed into a turbine, which converts it back into electricity: an innovative solution for addressing the big challenge of renewable sources such as the sun and wind, which produce electricity intermittently. The technology behind the project is currently being developed further with the collaboration between ETH and SUPSI.

In Lugano, a project for a high-altitude wind power plant using drones is also under development. These are very special drones, which remain anchored to the ground and can exceed 100 meters in altitude, to intercept stronger air currents than those captured by traditional wind towers. The prototype is a rigid-wing multi-rotor drone that can take off and land on its own, without the need for a launcher or surface wind. Wind power is produced by a cable connecting the drone to a ground generator, and current is generated by braking the cable unwinding as the drone takes off. Once the maximum height is reached, the drone will glide to the ground station, rewinding the cable, and then set off again. In this way, production takes place for about 85% of the drone's service life.







Handwritten red markings on the tunnel wall include:

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