



Annual **Report**

The original text written in Italian constitutes the controlling form of this Report.

Pictures: "*Passi*", [fotopedrazzini.ch](http://fotopedrazzini.ch)

## Table of Contents

---

<b>Report of the Board of Directors</b>	5
<hr/>	
<b>1. Balance Sheet</b>	8
<hr/>	
<b>2. Income Statement</b>	9
<hr/>	
<b>3. Proposed Appropriation of Available Earnings</b>	10
<hr/>	
<b>4. Statement of Changes in Equity</b>	11
<hr/>	
<b>5. Annex</b>	12
<hr/>	
<b>Report of the Statutory Auditors</b>	28
<hr/>	
<b>Bank Governing Bodies and Institutions</b>	30
<hr/>	





The year 2022 started in the spirit of the previous year's positive development, characterised by a global economic recovery in full swing, which was reflected in the major stock market indices registering new all-time highs. Although inflation was on the rise, central banks were reluctant to raise key rates as they considered inflation to be "transitory" and that it would fall again as soon as the economy normalised.

The escalation of the conflict between Russia and Ukraine and the further rise in inflation reversed the previous trend, leading to the first market corrections and a rise in crude oil and gold prices as a consequence of increased geopolitical tensions. Starting on February 24<sup>th</sup>, a new crisis in the supply chain started to push commodity prices up, making the "transient" theory increasingly difficult to defend. Nevertheless, the Federal Reserve raised interest rates by 25 basis points at the beginning of March, in a less pronounced manner than expected, which helped markets rebound until the end of the quarter.

During the second quarter, inflation continued its generalised growth worldwide. The US consumer price index for March had now reached 8.5%, the highest value since the 1980s; in Europe and the main industrialised countries the pace of price growth was similar. This development triggered a more aggressive response from all central banks, which started to revise their respective guide rates upwards, led by the Federal Reserve (Fed), which raised them by 50 basis points in May. These sudden changes in attitude by central banks led to an inversion of the yield curve, with higher yields on 2-year government bonds than on 10-year ones, an indicator that had heralded most recessions in the past; in addition, the US Q1 GDP also surprised with a negative figure.

This triggered a stock market collapse, in which the world index - which groups together the evolution of thousands of small and medium-sized companies' share prices worldwide (MSCI World) - fell by 14% during the quarter and the Standard&Poor 500 - which considers the evolution of the share prices of the 500 most important American companies from the point of view of capitalisation - fell by 16%. Interest rates also soared, with US 10-year Treasury yields surpassing 3% while the German BUND was well above 1.50%. The only asset that has shown appreciation for four consecutive quarters has been the US dollar.

Corporate earnings growth was extraordinarily strong in Q2, creating the illusion that stock prices were attractive, which allowed further rises into the first half of Q3. The rally came to an end when the Fed warned that rate hikes would probably continue for some time.

In Europe, after months of skyrocketing inflation with peaks of up to 8.6%, exacerbated by the war in Ukraine, the European Central Bank (ECB) decided at its July meeting to raise its benchmark interest rate to 0%, a rate that had been at an all-time low for years and in negative territory since 2014. On the energy front, the situation worsened as Russia cut off gas supplies due to the annual maintenance of Nord Stream 1, with the Euro reaching parity against the US dollar for the first time in 20 years. China also showed deteriorating economic data with a struggling real estate sector, which led to a surprise rate cut.

The cycle of hikes continued in the final months of the year with the ECB raising its benchmark deposit rate to 2%, the highest level since 2011, in an attempt to contain inflation from the last record 'too high' level of 9.1%. The central banks of Canada, Australia and the UK also announced successive hikes, as did the Fed and later the Swiss National Bank (SNB), which came out of years of negative interest rates in June to raise its guide rate to 1%.

Against this backdrop, what made the year particularly challenging in the financial markets was the fact that most asset classes experienced strong decreases, making it difficult to diversify portfolios. Bonds posted a historic decline, the worst in 50 years, while equities suffered the biggest drop since the 2008 financial crisis. Only commodities and the US dollar made significant gains.

Economic forecasts indicate that there will be many countries approaching recession during 2023, with a possible recovery towards the end of the year. Central bankers will remain set with monetary policies of raising rates, renewing their commitment to bring down inflation.

The Swiss economy during 2022 once again demonstrated resilience in a complicated international environment. Indeed, after the pandemic crisis and the outbreak of the conflict in Ukraine, Swiss production and supply chains were able to contain and

react to energy supply issues. The Swiss economy is expected to grow in 2023, although less than the historical average (around +1.0%).

The SNB registered a major loss of 132 billion Swiss francs for the 2022 financial year, almost all of which can be attributed to its foreign currency exposure. Although it is pleasing to note that the strong rise in inflation was much more moderate in Switzerland than abroad, the SNB's monetary policy focused on raising the benchmark interest rate from -0.75% to 1% in an attempt to moderate inflationary expectations. We believe that this restrictive central bank policy will continue in the first part of 2023, although the traditional strength of the Swiss currency will continue to at least partially contain the impact of price increases.

At its meeting on August 5<sup>th</sup> 2022, the Board of Directors of Axion SWISS Bank SA approved the new organisational chart valid as of October 1<sup>st</sup> 2022 with the creation of the new Risk Area, which assumed the monitoring and risk management activities from the Service Area. It responds to the increased regulatory and risk management requirements that characterise today's banking sector.

In terms of earnings, the Bank achieved significant growth in 2022 compared to the previous year. The year ended with an operating result of 16,3 million Swiss francs, a significant 10 million Swiss francs higher than the previous year (+159.4%), and a net profit of 12 million Swiss francs, again a strong increase over 2021 (+135.2%). This excellent result, mainly due to high net new money inflow and rising interest rates (resulting in the cancellation of negative rates on Swiss francs and EUR), allowed for a higher distribution to the parent company, which increased from 4,6 million Swiss francs for the previous year to just under 10,6 million for 2022, as well as a strengthening of the Bank's required capital by allocating 1,5 million Swiss francs to Reserves for general banking risks and the allocation of 1,44 million Swiss francs to statutory retained earnings reserve.

Client's managed assets (excluding double counting) amounted to 6,1 billion Swiss francs at the end of December 2022, an increase of 2.8% compared to the end of 2021. This growth can be attributed to the excellent net new money inflow achieved in 2022 (966,2 million Swiss francs or 16.4%), which confirms the already positive trend achieved in the previous year. This favourable development was partly offset by capital losses on client portfolios as a result of financial market trends, as well as the appreciation of the Swiss franc against the major currencies.

The year 2022 was strongly influenced by the war in Ukraine and the subsequent need to manage and coexist with the internationally imposed sanctions on Russia. The Bank managed to organise itself optimally so as to manage the critical issues arising from the Russian/Ukrainian crisis without negatively impacting its business.

The Board of Directors has taken note of the reports of both the Internal and Statutory Auditors. It furthermore expresses its appreciation and its positive view on the work of the Bank's Executive Board and wishes its valued clients and staff a very successful 2023.





## 1. Balance Sheet

(CHF thousands)	Reference to annex	31.12.2022	31.12.2021	Change
<b>Assets</b>				
Liquid assets		93,773	545,397	-451,624
Amounts due from banks		572,877	534,216	38,661
Amounts due from customers	5.9.1	417,210	389,114	28,096
Trading portfolio assets	5.9.2	-	2,470	-2,470
Positive replacement value of derivative financial instruments	5.9.3	10,934	4,769	6,165
Financial investments	5.9.4	570,609	21,685	548,924
Accrued income and prepaid expenses		1,119	1,831	-712
Participations	5.11.19.06	66	49	17
Tangible fixed assets		1,323	2,296	-973
Other assets	5.9.5	80	555	-475
<b>Total assets</b>		<b>1,667,991</b>	<b>1,502,382</b>	<b>165,609</b>
Total subordinated claims		-	-	-
<i>of which subject to mandatory conversion and/or debt waiver</i>		-	-	-
<b>Liabilities</b>				
Amounts due to banks		137,888	33,286	104,602
Amounts due in respect of customer deposits		1,436,393	1,388,386	48,007
Negative replacement values of derivative financial instruments	5.9.3	10,792	9,613	1,179
Accrued expenses and deferred income		11,570	8,847	2,723
Other liabilities	5.9.5	2,148	1,989	159
Provisions	5.9.8	731	705	26
Reserves for general banking risks	4 and 5.9.8	6,000	4,500	1,500
Bank's capital	4 and 5.9.9	43,000	43,000	-
Statutory retained earnings reserve	4	7,443	6,941	502
Profit carried forward	4	-	1	-1
Profit (result of the period)	4	12,026	5,114	6,912
<b>Total liabilities</b>		<b>1,667,991</b>	<b>1,502,382</b>	<b>165,609</b>
Total subordinated liabilities		20,255	20,257	-2
<i>of which subject to mandatory conversion and/or debt waiver</i>		20,255	20,257	-2
<b>Off-balance sheet transactions</b>				
Contingent liabilities	5.9.1	13,333	13,446	-113
Irrevocable commitments	5.9.1	48,290	34,439	13,851



## 2. Income Statement

(CHF thousands)	Reference to annex	2022	2021	Change
<b>Income and expenses arising from ordinary banking operations</b>				
<b>Result from interest operations</b>				
Interest and discount income		17,851	3,111	14,740
Interest and dividend income from financial investments		613	149	464
Interest expense		211	683	-472
<b>Gross result from interest operations</b>		<b>18,675</b>	<b>3,943</b>	<b>14,732</b>
Changes in value adjustments for default risks and losses from interest operations		-430	13	-443
<b>Net result from interest operations</b>		<b>18,245</b>	<b>3,956</b>	<b>14,289</b>
<b>Result from commission business and services</b>				
Commission income from securities trading and investment activities		25,879	28,811	-2,932
Commission income from lending activities		119	169	-50
Commission income from other services		2,082	2,107	-25
Commission expenses		-5,992	-6,397	405
<b>Result from trading activities and fair value option</b>	5.11.15	<b>5,342</b>	<b>5,513</b>	<b>-171</b>
<b>Other result from ordinary activities</b>				
Result from the disposal of financial investments		15	39	-24
Other ordinary income		22	15	7
Other ordinary expenses		-575	-1	-574
<b>Net revenues</b>		<b>45,137</b>	<b>34,212</b>	<b>10,925</b>
<b>Operating expenses</b>				
Personnel expenses	5.11.17	-18,638	-17,858	-780
General and administrative expenses	5.11.18	-8,558	-7,995	-563
<b>Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets</b>		<b>-1,496</b>	<b>-1,573</b>	<b>77</b>
<b>Changes to provisions and other value adjustments, and losses</b>	5.9.11.01	<b>-170</b>	<b>-513</b>	<b>343</b>
<b>Operating result</b>		<b>16,275</b>	<b>6,273</b>	<b>10,002</b>
<b>Extraordinary income</b>	5.11.19.02 and 5.11.19.06	<b>17</b>	<b>45</b>	<b>-28</b>
<b>Change to reserves for general banking risks</b>	5.9.8 and 5.11.19.04	<b>-1,500</b>	<b>-</b>	<b>-1,500</b>
<b>Taxes</b>	5.11.20	<b>-2,766</b>	<b>-1,204</b>	<b>-1,562</b>
<b>Profit (result of the period)</b>		<b>12,026</b>	<b>5,114</b>	<b>6,912</b>

### 3. Proposed Appropriation of Available Earnings

(CHF thousands)	31.12.2022	31.12.2021	Change
<b>Appropriation of available earnings</b>			
Profit (result of the period)	12,026	5,114	6,912
Profit carried forward	-	1	-1
<b>Distributable profit</b>	<b>12,026</b>	<b>5,115</b>	<b>6,911</b>
<b>Proposal of the Board of Directors</b>			
Allocation to statutory retained earnings reserve	1,444	502	942
Distribution from distributable profit	10,582	4,613	5,969
<b>New amount carried forward</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 4. Statement of Changes in Equity

(CHF thousands)	Bank's capital	Statutory retained earnings reserve	Reserves for general banking risks	Profit carried forward	Result of the period	Total
<b>Equity as at 1<sup>st</sup> January 2022</b>	<b>43,000</b>	<b>6,941</b>	<b>4,500</b>	<b>1</b>	<b>5,114</b>	<b>59,556</b>
<b>Appropriation of retained earnings 2021</b>						
<i>Assignment to statutory retained earnings reserve</i>	-	+502	-	-	-502	-
<i>Profit carried forward</i>	-	-	-	-1	+1	-
<i>Dividend from 2021 profit</i>	-	-	-	-	-4,613	-4,613
Change to reserves for general banking risks	-	-	+1,500	-	-	1,500
Profit (result of the period)	-	-	-	-	+12,026	12,026
<b>Total equity as at 31<sup>st</sup> December 2022</b>	<b>43,000</b>	<b>7,443</b>	<b>6,000</b>	<b>-</b>	<b>12,026</b>	<b>68,469</b>

The statutory retained earnings reserve is not distributable as it does not reach the limit of 50% of the Bank's capital as stipulated in the Code of Obligations.

The Bank's Articles of Association do not provide for any further restrictions on the distribution of the statutory retained earnings reserve.



## 5. Annex

### 5.1 ACTIVITIES AND STAFF

#### 5.1.1 Activities

Axion SWISS Bank SA is a Lugano-based limited company whose main business focus is portfolio management and advisory services for both private and institutional clients. The Bank is active in several related business areas, such as intermediation in securities and currency transactions in the principal international markets, and the granting of loans. This latter activity is mostly geared towards Lombard-type lending facilities and securities-backed loans collateralised by deposit accounts.

#### 5.1.2 Staff

On December 31<sup>st</sup> 2022, total staff amounted to 69 employees (67.0 FTEs), compared to 67 at the end of 2021 (65.7 FTEs).

#### 5.1.3 Outsourcing

Axion SWISS Bank SA outsources a number of different services, as defined by the FINMA Circular 2018/3 "Outsourcing – banks and insurers", to Avaloq Sourcing (Switzerland & Liechtenstein) SA, Bioggio. These services consist of activities connected to customer transaction processing, securities administration, printing and distributing banking documents, and the management of IT services (centralised informatics and workstations). As per October 1<sup>st</sup> 2021, Swisscom SA (Switzerland) took over the ITO workstation business previously provided by Avaloq Sourcing (Switzerland & Liechtenstein) SA, Bioggio.

With regard to services subject to FINMA Circular 2018/3 "Outsourcing – banks and insurers", Axion SWISS Bank SA has outsourced to its parent company, Banca dello Stato del Cantone Ticino, operations related to financial accounting, analytical accounting, foreign currency trading, treasury, payment transaction services, securities administration, project management, physical and logical security, specific aspects of IT as well as some activities connected to risk management, internal controls and legal and compliance matters. Costs related to payment transactions, securities administration and back office stock/foreign exchange/treasury are posted under the item "Commission expense". They totalled CHF 612,000.00 in 2022 (2021: CHF 804,000.00). Costs related to other outsourced services are carried under "General and administrative expenses".

The Bank makes use of the "Sherpany" application which is administered by a third party. It manages the documentation related to specific committees which may comprise sensitive information. Axion SWISS Bank SA also transfers to Banca dello Stato del Cantone Ticino its internal auditing activities, the administration of human resources, and logistics that are not subject to the abovementioned FINMA Circular.

Moreover, beyond the activities addressed by this circular, Axion SWISS Bank SA devolves to third parties the management and maintenance of the building of which the Bank is a lessee, as well as its supplies.

### 5.2 STATEMENT DISCLOSURE AND VALUATION PRINCIPLES

#### 5.2.1 General principles

These annual financial statements were prepared in accordance with the FINMA provisions (Reliable assessment statutory single entity financial statements).

Accounting and valuation principles comply with the provisions of the Swiss Code of Obligations, the Swiss Federal Law on Banks and Savings Banks (Banking Act), the Ordinance on Banks and Savings Banks (Banking Ordinance), and the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA), in particular the FINMA Accounting Ordinance (FINMA-AO) and the FINMA Circular 2020/01 "Accounting – Banks".

All transactions are recorded at the time they are concluded. The balance sheet is presented on a transaction date basis. All transactions concluded by the balance sheet date are recorded daily and evaluated according to accepted accounting principles. The result of all completed transactions is integrated into the income statement.

#### 5.2.2 General valuation principles

The 2022 annual financial statements have been prepared on a going concern basis.

Balance sheet items and off-balance sheet items are valued individually.

In principle, neither assets and liabilities nor expenses and income can be offset. Receivables and commitments are netted only in the context of the deduction of value adjustments from the corresponding active position.

#### 5.2.3 Financial instruments

##### 5.2.3.1 Liquid assets

Liquid assets are booked at nominal value.

##### 5.2.3.2 Amounts due from banks and amounts due from customers

These items are reported at their nominal value.

For identifiable risks, value adjustments are directly netted with corresponding assets.

The value adjustments for risks of default that are no longer economically necessary and at the same time are not used for other

similar requirements are released through the income statement via the item "Changes in value adjustments for default risks and losses from interest operations".

Debit interests and lending commissions unpaid for more than 90 days are booked, from an economic perspective, under "Interest and discount income" and are contextually adjusted under "Changes in value adjustments for default risks and losses from interest operations" as well as directly netted with assets.

Axion SWISS Bank SA only grants Lombard-type loans and other securities-related loans for which the risk of latent loss on unimpaired positions is considered insignificant.

#### **5.2.3.3 Amounts due to banks and amounts due in respect of customer deposits**

Commitments are entered in the balance sheet at their nominal value. Credits in precious metals are evaluated at fair value on the condition that the respective precious metal is traded on a liquid and efficient market.

#### **5.2.3.4 Trading portfolio assets and liabilities arising from trading activities**

The valuation of the portfolio of securities held for trading is at fair value. If, in exceptional cases, fair value cannot be determined, the valuation and recognition will be based on the principle of lower value.

Gains and losses, as well as the above-mentioned adjustments to the above rate changes and revenues from interest and dividend, are represented in the item "Result from trading activities and fair value option".

#### **5.2.3.5 Positive and negative replacement values of derivative financial instruments**

Derivative financial instruments are used mostly on request and on behalf of customers. Operations on own account are for trading and hedging purposes.

For derivatives outstanding at year-end, positive and negative replacement values are calculated. They are priced at market value, and any profit or loss thus generated is booked under "Result from trading activities and fair value option" or, as regards currency swap operations, under "Result from interest operations".

Positive replacement values are recognised in the balance sheet under the item "Positive replacement values of derivative financial instruments", and negative replacement values as "Negative replacement values of derivative financial instruments".

#### **5.2.3.6 Financial investments**

Bonds intended to be held until maturity are recognised at acquisition cost, and the premium/discount (interest component) is accrued over

the term (accrual method) and posted under the item "Interest and dividend income from financial investments". Changes in value for default risks are immediately charged to the item "Changes in value adjustments for default risks and losses from interest operations". In the case of sale or redemption prior to maturity, any profit or loss corresponding to the interest component is accrued over the remaining term to maturity. The valuation of other securities is based on the principle of the lower of cost or market, and the changes in value are recognised in the income statement under "Other results from ordinary activities".

#### **5.2.3.7 Participations**

This item comprises company equity stakes, in terms of capital, held as long-term investments.

Participations are recorded on the balance sheet at acquisition value less economically necessary depreciation, independently of the stake held.

#### **5.2.4 Tangible fixed assets**

Investments in tangible fixed assets used for several accounting periods are shown in the balance sheet.

The valuation is based on the purchase cost less economically necessary depreciation.

For the calculation of depreciation, the straightline method is applied to the investment initially entered in the balance sheet; the depreciation charge is entered under "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets". The depreciation period begins with the commissioning of the assets.

The following prudently estimated useful periods are applied to determine the depreciation rates.

- Banking installations 5 years
- IT equipment 5 years
- Furniture 5 years
- Works of art 5 years
- Vehicles 3 years
- Licences and software 2 years (previously 5 years)

The Bank examines, at the balance sheet date, whether the value of each tangible fixed asset is impaired. If so, the Bank determines the realisable value of that tangible fixed asset. The value of the asset is reduced accordingly if the book value exceeds the realisable value. Tangible fixed assets that are no longer used or have suffered extraordinary depreciation are written down ("impairment"), which is recorded under "Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets".

Gains realised on the sale of tangible fixed assets are recorded under "Extraordinary income" and losses recognised under "Extraordinary expenses".

### 5.2.5 Provisions

This item comprises the value adjustments and provisions envisaged at the balance sheet closing date in accordance with a prudent valuation of other risks. Value adjustments on asset items are deducted directly from the same.

### 5.2.6 Reserves for general banking risks

In compliance with the accounting directives of the FINMA (Circular 2020/1 "Accounting – Banks"), the "Reserves for general banking risks" are constituted. They represent the reserves established as a precaution to cover latent risks inherent in the banking business. As laid down in article 21c of the Swiss Federal Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Traders (CAO), such reserves are considered own capital. Any addition or release is booked in the income statement under the item "Changes in reserves for general banking risks".

The full amount shown on the balance sheet has not been taxed. Respectively, no deferred taxes have been considered.

#### 5.2.6.1 Taxes

Taxes are calculated and booked based on the annual results and capital, and charged to the financial year under review under "Accrued expenses and deferred income".

### 5.2.7 Off-balance sheet transactions

Contingent liabilities and irrevocable commitments are disclosed at their nominal value under off-balance sheet transactions.

### 5.2.8 Change in accounting and valuation principles

During 2022, there were no changes in the accounting principles; on the other hand, the depreciation rate for IT programs was changed from 20,0% p.a. to 50,0% p.a. in terms of valuation.

### 5.2.9 Foreign currency translation

All assets and liabilities denominated in currencies other than the Swiss franc are converted at the exchange rate prevailing at the balance sheet closing date.

The principal exchange rates applied at the end of the financial year were as follows:

EUR 0.9881 (2021: 1.0371)

USD 0.9247 (2021: 0.9117)

GBP 1.1143 (2021: 1.2343)

Costs and revenues are taken to the income statement at the exchange rates of the recording day. Gains and losses from currency conversion are booked under "Result from trading activities and fair value option".

## 5.3 RISK MANAGEMENT

Risk management aims to identify, measure and monitor banking risks in order to preserve the assets of the Bank and facilitate its profitability.

The Board of Directors has performed an analysis of the main business risks Axion SWISS Bank SA is exposed to. This risk assessment is based on data and tools used by the Bank to manage risks, as described further in this section, as well as on forward-looking considerations on potential future risks. In the context of this analysis, the Board of Directors considers the organisation of the Bank and the design of its internal control system as a key element for risk mitigation. The framework strategy for risk management is specified in the Operating Rules and Regulations and in the Organisation and Risk Management Regulations; it is reviewed regularly by the Board of Directors, but at least annually.

An information system ensures that the members of the Board of Directors and the Executive Board are updated regularly on the Bank's asset and financial position, as well as on the meeting of set targets, and on risks exposure.

### 5.3.1 Credit risk

The credit risk exposure is mainly attributable to credit activity with customers and banking counterparties.

In the context of its lending activity with customers, which mainly takes the form of Lombard-type loans (which are secured by a diversified portfolio) and other loans (such as loans secured by non-diversified portfolios, bank guarantees, life insurance policies), the Bank limits credit risks by applying prudential advance margins to the collateral received. These are defined in the Organisation and Risk Management Regulations and specified in a specific internal directive. The value of guarantees is monitored on a daily basis.

Interbank transactions, deriving from client and own account business, are conducted within a system of predefined limits with leading Swiss and international banks. The maximum amount of exposure per counterparty depends on the counterparty's credit rating, which is constantly monitored. The counterparty and country risk limits are subject to re-approval on at least an annual basis and their adherence is regularly monitored.

### 5.3.2 Market risk

The management of market risks, including in particular interest rate and exchange rate risks, is appropriate to the Bank's structure and operations. The structural management of the Bank's balance sheet, resulting on the one hand from lending activities and on the other from customers' current account liquidity, takes place within the context of risk limits defined by the Board of Directors, which aims to maintain a substantial time congruence between sources of funding and uses of liquidity.

Exchange rate risk is managed by offsetting assets in foreign currencies against liabilities in the same currency as well as by



means of currency swap, thus minimising the negative influence of exchange rate fluctuations on the bank's equity and income situation.

The exposure to market risks in the context of own-account business is limited. The Board of Directors has defined exposure and maximum loss limits in this context.

Adherence to all market risk limits, which are set by the supervisory body, is checked regularly.

### **5.3.3 Liquidity risk**

Liquidity management is based on absolute prudence and incorporates the logic of market risk mitigation within the framework of structural balance sheet management.

Liquidity risk is actively managed and monitored through the establishment of a risk tolerance, a minimum liquidity buffer, a system of limits and indicators in accordance with the requirements of the Liquidity Ordinance (LiqO), the diversification of refinancing (according to sources, currencies and maturities) and the preparation of stress scenarios. The Bank also has a crisis liquidity management contingency plan. It considers the tolerances, the limits of the liquidity risk indicators and describes the escalation procedure, the actions to be triggered and taken, the intervention options regarding measures and the order of priority to generate and save liquidity, and governs internal and external communications.

### **5.3.4 Operational risk**

The management of operational risk consists primarily in the adoption of risk-mitigating measures aimed at eliminating or reducing risk. In-house rules and guidelines define the organisation of work and limit the extent of such risk. A system of controls at various levels as well as specific structures designed to oversee the application of established rules and procedures have been implemented to limit the exposure to operational risk. Key controls, defined as priority internal controls, are formalised in specific sheets, which indicate escalation rules in the event of non-conformity with expectations, and the findings of their execution are uniformly documented.

### **5.3.5 Legal, reputational, and compliance risks**

The Bank operates with due care for image and reputational risks in conformity with applicable legal provisions. The Bank's personnel are trained and updated on any legal development, and especially on those relating to money laundering (AMLA, AMLO, AMLO-FINMA). The Bank has adopted an internal compliance control system based on multilevel monitoring.

### **5.3.6 Required capital and other risk indicators**

Information regarding publication obligations concerning required capital and other risk indicators as defined by FINMA Circular 2016/1 "Disclosure – Banks" is made available to the public on the website of Axion SWISS Bank SA (see [www.axionbank.ch](http://www.axionbank.ch)),

while information at the consolidated level is made available on the website of the parent company BancaStato ([www.bancastato.ch](http://www.bancastato.ch)).

## **5.4 METHODS USED TO IDENTIFY INSOLVENCY RISKS AND DETERMINE VALUE ADJUSTMENT REQUIREMENTS**

Credits are monitored in a differentiated manner according to established procedures based on the risk profile. In order to guarantee the periodic and seamless monitoring of all assumed credit risks, all credit facilities must be renewed on the basis of predefined time limits.

Commitments and values of collateral for loans backed by securities are monitored on a daily basis. If the value of collateral falls below the loan value, the latter is reduced, or additional guarantees are required. In the absence of a settlement, the securities may be utilised, and the credit position closed out.

Where loan positions have interest that has been unpaid for more than 90 days or where positions are not repaid within the contractual terms, these are considered non-performing loans and are valued individually, considering existing collateral at their liquidation value. Any risk of default is provisioned individually. These value adjustments represent the expected counterparty loss with regard to the corresponding transaction. If part of the loan is subject to a value adjustment, it is considered impaired.

## **5.5 VALUATION OF COLLATERAL**

Transferable financial instruments (such as bonds and shares) that are liquid and actively traded, are accepted for Lombard-type loans and other securities-related loans. Similarly, transferable products for which there is regular market information and a market maker, are also accepted.

To calculate the value of liquid and negotiable securities, the Bank applies a reduction to the market value to cover the market risk associated with these securities. Reductions may vary depending upon the type of product, the counterparty's rating, the residual duration of the financial instrument and the currency. For life insurance policies or bank guarantees, these reductions are determined on the basis of the product and counterparty.

## **5.6 COMPANY POLICY ON THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING EXPLANATIONS REGARDING THE APPLICATION OF HEDGE ACCOUNTING**

Derivative financial instruments are used primarily by request and on behalf of customers. Operations on own account are performed for trading and hedging purposes.

Derivative financial instruments are used for risk management

purposes, primarily to hedge foreign currency risks and interest rate. In general, recognition in the income statement of the result of a hedging transaction follows the same principles applied to the secured underlying.

Consequently, results from hedging operations with derivative financial instruments within the framework of the structural management of the balance sheet are booked on a pro rata basis (accrual method). Hedging is considered effective when it is active from its inception and for the entire duration, when there exists an economic relationship between the hedged operation and the hedging transaction and when the changes in value (hedged and hedging transactions) have an inverse correlation with respect to the hedged risk. An independent risk-management unit monitors hedging operation, in order to identify any surplus hedging (overhedge) to be booked in the income statement under "Result from trading operations and the fair value option".

The Bank uses currency swap as an alternative to interbank placement of surplus liquidity in foreign currencies, particularly when there are uncertainties about the quality of foreign counterparties, or to interbank refinancing in foreign currencies. Under currency swaps, the Bank transforms surplus liquidity in foreign currencies into Swiss francs for a fixed period of time in order to place it in domestic currencies without incurring exchange rate risk, or transforms surplus liquidity in domestic currencies into foreign currencies in order to finance loans in foreign currencies; the result of currency swaps is in this case recognised in the income statement item "Interest and discount income". An independent risk management unit monitors the proper use of currency swaps in these circumstances.

## **5.7 EXPLANATIONS OF MATERIAL EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No significant event occurred after the closing of the balance sheet date that could have led to changes in the balance sheet or the income statement as at December 31<sup>st</sup> 2022.

## **5.8 REASONS WHICH HAVE LED TO EARLY RESIGNATION OF THE AUDITORS**

PricewaterhouseCoopers SA, Lugano were designated as Auditors. The mandate was given for the first time in 2010. The External Auditors are still in office.





## 5.9 INFORMATION ON THE BALANCE SHEET

### 5.9.1 Presentation of collateral for loans and off-balance sheet transactions, as well as impaired loans at 31.12.2022

(CHF thousands)	Type of collateral			
	Secured by mortgage	Other collateral	Unsecured	Total
<b>Loans (before netting with value adjustments)</b>				
Amounts due from customers	-	413,575	3,713	417,288
<b>Total loans (before netting with value adjustments)</b>	-	<b>413,575</b>	<b>3,713</b>	<b>417,288</b>
Previous year	-	384,324	4,874	389,198
<b>Total loans (after netting with value adjustments)</b>	-	<b>413,497</b>	<b>3,713</b>	<b>417,210</b>
Previous year	-	384,240	4,874	389,114
<b>Off-balance sheet</b>				
Contingent liabilities	-	13,323	10	13,333
Irrevocable commitments	-	46,717	1573 <sup>1</sup>	48,290
<b>Total off-balance sheet</b>	-	<b>60,040</b>	<b>1,583</b>	<b>61,623</b>
Previous year	-	46,430	1,455	47,885

(CHF thousands)	Gross debt amount	Estimated liquidation value	Net debt amount	Individual value adjustments
<b>Impaired loans</b>				
<b>Current year</b>	<b>407</b>	<b>329</b>	<b>78</b>	<b>78</b>
Previous year	473	389	84	84

Axion SWISS Bank SA did not grant any "COVID-19" loans.

<sup>1</sup> Including CHF 1.4 million (2021: CHF 1.4 million) as part of the deposit guarantee..

### 5.9.2 Breakdown of trading portfolios and other financial instruments at fair value

(CHF thousands)	31.12.2022	31.12.2021
<b>Assets</b>		
<b>Trading portfolio assets</b>		
Debt securities, money market securities / transactions	-	2,144
<i>of which listed</i>	-	2,144
Participation securities	-	326
<b>Total trading portfolio assets</b>	<b>-</b>	<b>2,470</b>
<i>of which determined using a valuation model</i>	-	-
<i>of which securities eligible for repo transactions, in accordance with liquidity requirements</i>	-	-

### 5.9.3 Presentation of derivative financial instruments (assets and liabilities)

(CHF thousands)	Trading instruments			Hedging instruments		
	Replacement values		Contract volume	Replacement values		Contract volume
	positive	negative		positive	negative	
<b>Foreign currencies / precious metals</b>						
Forward contracts	7,766	7,653	438,773	22	22	11,785
Combined currency and interest rate swaps	1,587	1,587	230,956	1,278	1,249	723,387
OTC Options	281	281	45,086	-	-	-
<b>Total currencies / precious metals</b>	<b>9,634</b>	<b>9,521</b>	<b>714,815</b>	<b>1,300</b>	<b>1,271</b>	<b>735,172</b>
<b>Total derivative financial instruments</b>	<b>9,634</b>	<b>9,521</b>	<b>714,815</b>	<b>1,300</b>	<b>1,271</b>	<b>735,172</b>
<i>of which determined using a valuation model</i>	9,634	9,521	-	1,300	1,271	-
Total previous year	4,239	4,182	682,356	530	5,431	793,422
<i>of which determined using a valuation model</i>	4,239	4,182	-	530	5,431	-

Recapitulation (CHF thousands)	Positive replacement values (cumulated)	Negative replacement values (cumulated)	Contract volumes
Trading instruments	9,634	9,521	714,815
Hedging instruments	1,300	1,271	735,172
<b>Total (before netting agreements)<sup>1</sup></b>	<b>10,934</b>	<b>10,792</b>	<b>1,449,987</b>
Total previous year	4,769	9,613	1,475,778
<b>Total (after netting agreements)<sup>1</sup></b>	<b>10,934</b>	<b>10,792</b>	<b>1,449,987</b>
Total previous year	4,769	9,613	1,475,778

Breakdown by counterparty (CHF thousands)	Central clearing houses	Banks and securities dealers	Other customers
Positive replacement values (after netting agreements) <sup>1</sup>	-	9,815	1,119

<sup>1</sup> No netting contracts existed on derivatives open as at 31.12.2022 and at 31.12.2021.

#### 5.9.4 Breakdown of financial investments

(CHF thousands)	Book value		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities	560,734	11,768	560,337	11,848
<i>of which intended to be held to maturity</i>	560,734 <sup>1</sup>	11,768	560,337	11,848
<i>of which not intended to be held to maturity (available for sale)</i>	-	-	-	-
Shares in investment funds	9,820	9,817	9,820	10,149
Structured products	55	100	55	102
<b>Total financial investments</b>	<b>570,609</b>	<b>21,685</b>	<b>570,212</b>	<b>22,099</b>
<i>of which securities eligible for repo transactions in accordance with liquidity requirements</i>	534,649	-	534,505	-

<sup>1</sup> Including credits accountings issued by the Swiss National Bank for a nominal value of CHF 530.0 million.

#### Breakdown of counterparties by rating

(CHF thousands)	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	549,362	5,813	3,831	346	-	1,382

The evaluation of debt securities is based on the rating categories of Standard & Poor's.

#### 5.9.5 Breakdown of other assets and other liabilities

(CHF thousands)

	31.12.2022	31.12.2021
<b>Other assets</b>		
Indirect taxes	1	4
Other different assets	79	551
<b>Total other assets</b>	<b>80</b>	<b>555</b>
<b>Other liabilities</b>		
Direct/indirect taxes	742	1,024
Compensation account	342	774
Other different liabilities	1,064	191
<b>Total other liabilities</b>	<b>2,148</b>	<b>1,989</b>

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

(CHF thousands)	31.12.2022		31.12.2021	
	Book values	Effective commitments	Book values	Effective commitments
<b>Pledged / assigned assets</b> (excluding securities financing transactions)				
Amounts due from banks	11,723	5,380	8,542	6,688
Amounts due from clients	1,944	-	1,944	-
<b>Total assets pledged / assigned</b>	<b>13,667</b>	<b>5,380</b>	<b>10,486</b>	<b>6,688</b>

At end-year closing on 31.12.2022 and 31.12.2021 Axion SWISS Bank SA had no assets under reservation of ownership.

## 5.9.7 Disclosures on the economic situation of pension schemes

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

Axion SWISS Bank SA has no own pension scheme.

### 5.9.7.2 Disclosures on the economic situation of own pension schemes

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

There were no employer contribution reserves as at 31.12.2022.

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

	Overfunding / underfunding at end 2022	Economic interest of the bank		Change in economic interest (economic benefit / obligation) versus previous year	Contributions paid for 2'022	Pension expenses in personnel expenses	
		31.12.2022	31.12.2021			31.12.2022	31.12.2021
Pension plans without overfunding / underfunding	-	-	-	-	1,119	1,568	1,744

Axion SWISS Bank SA applies the principles laid down in ARR 16. Contributions are paid to the insurance company. The employer's contributions are carried under "Personnel expenses".

For pension and social security purposes Axion SWISS Bank SA has insured its staff through the Group Plan LPP Swiss Life, a legally independent pension fund. The pension plan is a defined contribution scheme and provides the basic compulsory coverage as stated in the Swiss LPP (Federal Law on Occupational Benefits), as well as complementary coverage. Axion SWISS Bank SA had no economic liabilities towards the staff pension scheme at year end. There are no contribution reserves on the part of the employer and the relationship between Axion SWISS Bank SA and the pension fund is based on a global affiliation contract. The pension fund reinsures all pension risks by means of a comprehensive insurance contract. Within the framework of this contract, no possibility of underfunding exists and, consequently, there are no obligations in this regard on the part of the employer.

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

(CHF thousands)	2022					
	Situation at 31.12.2021	Use in conformity with designated purpose	Currency differences	New creations charged to income	Releases to income	Situation at 31.12.2022
Provisions for other operating risks	705	-29	-	55	-	731 <sup>1</sup>
<b>Total provisions</b>	<b>705</b>	<b>-29</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>731</b>
<b>Reserves for general banking risks</b>	<b>4,500</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>6,000 <sup>2</sup></b>
<b>Value adjustments for default and country risks</b>	<b>84</b>	<b>-7</b>	<b>-2</b>	<b>487</b>	<b>-19</b>	<b>543</b>
<i>of which value adjustments for default risks in respect of impaired loans</i>	84	-7	-2	22	-19	78
<i>of which offset against the balance sheet item "Financial investments"</i>	-	-	-	465	-	465
<i>of which value adjustments for latent risks</i>	-	-	-	-	-	-

<sup>1</sup> This provision is connected to legal risks for which the Bank cannot exclude a juridical risk.

<sup>2</sup> The reserves for general banking risks were not taxed.

### 5.9.9 Presentation of the Bank's capital

(CHF thousands)	31.12.2022			31.12.2021		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
<b>Bank's capital</b>						
Bank's capital	43,000	43,000	43,000	43,000	43,000	43,000
<i>of which paid up</i>	43,000	43,000	43,000	43,000	43,000	43,000
<b>Total Bank's capital</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>	<b>43,000</b>



### 5.9.10 Disclosure of amounts due from / to related parties

(CHF thousands)	31.12.2022		31.12.2021	
	Amounts due from	Amounts due to	Amounts due from	Amounts due to
Holders of qualified participations	557,301	139,035	520,352	36,196
Group companies	-	-	-	-
Members of governing bodies	-	321	-	358

These amounts comprise any off-balance sheet operations.

Amounts due from, and due to, holders of qualified participations and members of governing bodies are defined at market conditions.

### 5.9.11 Disclosure of holders of significant participations

(CHF thousands)	31.12.2022		31.12.2021	
	Nominal	% of equity	Nominal	% of equity
<b>Holder of significant participations</b>				
Banca dello Stato del Cantone Ticino With voting rights	43,000	100	43,000	100

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

(CHF thousands)	Rating Standard & Poor's	31.12.2022		31.12.2021	
		Foreign exposure	Share as %	Foreign exposure	Share as %
<b>Bank's own country rating</b>					
1 Excellent and high quality	AAA to AA-	178,645	45.5%	116,831	34.1%
2 Greater quality than average	A+ to A-	3,333	0.8%	6,078	1.8%
3 Medium quality	BBB+ to BBB-	185,526	47.3%	182,515	53.3%
4 Default risk	BB+ to BB	136	0.0%	-	0.0%
5 Default risk material	BB-	1	0.0%	6,843	2.0%
6 Speculative, high default risk	B+ to B-	4,335	1.1%	5,224	1.5%
7 Poor quality, very high risk	CCC+ to D	1,455	0.4%	1,083	0.3%
Unrated		18,790	4.9%	24,089	7.0%
<b>Total</b>		<b>392,221</b>	<b>100.0%</b>	<b>342,663</b>	<b>100.0%</b>

## 5.10 INFORMATION CONCERNING OFF-BALANCE SHEET TRANSACTIONS

### 5.10.13 Breakdown of fiduciary transactions

(CHF thousands)	31.12.2022	31.12.2021
Fiduciary investments with third parties	436,696	152,867
Fiduciary loans	4,670	4,604
<b>Total fiduciary transactions</b>	<b>441,366</b>	<b>157,471</b>

### 5.10.14 Breakdown of managed assets and presentation of their development

(CHF thousands)	31.12.2022	31.12.2021*
<b>a) Breakdown of managed assets</b>		
Assets in collective financial instrument schemes managed by the Bank	344,327	372,800
Assets under discretionary asset management agreement	671,828	909,070
Assets under advisory mandate	2,262,034	2,067,749
Other managed assets	2,871,619	2,675,588
<b>Total managed assets (including double counting)</b>	<b>6,149,808</b>	<b>6,025,207</b>
<i>of which double counting</i>	<i>83,139</i>	<i>126,163</i>
<b>b) Presentation of the development of managed assets</b>		
Total managed assets (including double counting) at beginning	6,025,207	5,331,333
+/- Net new money inflow or net new money outflow	965,715	496,769
+/- Price gains / losses, interest, dividends and currency gains / losses	-703,965	197,105
+/- Outflows to custody-only assets	-137,149	-
<b>Total managed assets (including double counting) at end</b>	<b>6,149,808</b>	<b>6,025,207</b>

\*As a result of incorrect accounting treatment in previous years, "Assets in collective financial instrument schemes managed by the Bank" were amended to include the portion subscribed to by investors outside the Bank's customers. This change results in an increase in the item "Total managed assets (including double counting)" as at 31.12.2021 of CHF 246.6 million (previously: CHF 5,778.6 million).

"Assets under discretionary asset management agreement" and "Assets under advisory mandate" are assets for which clients have chosen a specific management or advisory investment profile.

Net increase / decrease of client assets is not affected by interest paid by clients or by the performance of clients' portfolios. "Net flows" are defined as the difference between cash and securities being transferred in and transferred out. Loans to clients are not subtracted from total assets.

"Other managed assets" are client assets for which there is no discretionary asset management agreement or advisory mandate, and for which the Bank's involvement is not limited to depositary business, but includes other services.

Custody-only assets are not included in the above table.

## 5.11 INFORMATION ON THE INCOME STATEMENT

### 5.11.15 Breakdown of the result from trading activities and fair value option

(CHF thousands)	2022	2021
Result from trading activities from:		
Foreign currencies and banknote trading	5,710	5,489
Securities trading	-368	24
<b>Total result from trading activities and fair value option</b>	<b>5,342</b>	<b>5,513</b>

### 5.11.16 Disclosure of material refinancing income in the item Interest and discount income as well as material negative interest

#### Refinancing income in the item "Result from interest operations"

Interest and dividend income from trading portfolio are not offset with costs for refinancing that portfolio.

(CHF thousands)	2022	2021
<b>Negative interest</b>		
Negative interest on assets (decrease in interest and discount income)	3,941	6,532
Negative interest on liabilities (decrease in interest expenses)	738	1,098

### 5.11.17 Breakdown of personnel expenses

(CHF thousands)	2022	2021
Salaries	14,968	14,241
<i>of which expenses relating to share-based compensation and alternative forms of variable compensation</i>	-	-
Social insurance benefits	2,975	3,079
Other personnel expenses	695	538
<b>Total personnel expenses</b>	<b>18,638</b>	<b>17,858</b>

### 5.11.18 Breakdown of general and administrative expenses

(CHF thousands)	2022	2021
Office space expenses	1,305	1,289
Expenses for information and communications technology	5,009	4,648
Expenses for vehicles, equipment, furniture and other fixtures as well as operating lease expenses	18	9
Fees of audit firm	238	257
<i>of which for financial and regulatory audits</i>	222	257
<i>of which for other services</i>	16	-
Other operating expenses	1,988	1,792
<b>Total general and administrative expenses</b>	<b>8,558</b>	<b>7,995</b>

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

#### 5.11.19.01 Material losses

There were no significant losses during the reporting year.

#### 5.11.19.02 Extraordinary income and extraordinary expenses

No significant revenues and expenses were recorded during the year.

#### 5.11.19.03 Hidden reserves

The Bank do not have hidden reserves.

#### 5.11.19.04 Reserves for general banking risks

The item "Change to reserves for general banking risks" was debited CHF 1.5 million for the creation of reserves for general banking risks.

#### 5.11.19.05 Value adjustments and provisions no longer required

There were no value adjustments or provisions no longer required during the reporting year.

#### 5.11.19.06 Value adjustments of participations and tangible fixed assets

The item "Extraordinary income" shows a revaluation on participations of CHF 17 (amount in thousands).

### 5.11.20 Presentation of current taxes, deferred taxes, and disclosure of tax rate

(CHF thousands)	2022	2021
Current taxes	2,766	1,204
<b>Total taxes</b>	<b>2,766</b>	<b>1,204</b>
<b>Average tax rate weighted on the basis of the operating result</b>	<b>18.7%</b>	<b>19.1%</b>





# Report of the statutory auditor

## to the General Meeting of Axion SWISS Bank SA, Lugano

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Axion SWISS Bank 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 annex to the financial statements, including a summary of significant accounting policies (pages 8-16 and 18-26).

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 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

PricewaterhouseCoopers SA, Piazza Indipendenza 1, casella postale, CH-6901 Lugano, Switzerland  
Telefono: +41 58 792 65 00, [www.pwc.ch](http://www.pwc.ch)

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

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

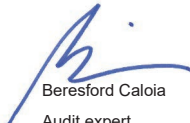
We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### 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

  
Beresford Caloia  
Audit expert  
Auditor in charge

  
Mattia Marelli

Lugano, 24 March 2023



2 Axion SWISS Bank SA | Report of the statutory auditor to the General Meeting



## Bank Governing Bodies and Institutions

---

**Chairman of the Board of Directors** Giovanni Jelmini, Mendrisio

**Deputy Chairman** Renato Arrigoni, Cagiallo<sup>1,2</sup>

**Members** Bernardino Bulla, Lugano<sup>2</sup>  
Christian Magistra, Origlio<sup>1</sup>  
Raoul Paglia, Comano<sup>2</sup>

**President of the Executive Board** Marco Tini

**Members of the Executive Board** Daniele Albisetti<sup>3</sup>  
Giampiero Marangio  
Guido Marcionetti  
Renzo Triulzi

**Members of the Management** Giorgio Bernasconi  
Gianmarco Bianchini  
Gabriele Bondi  
Stefano Calderari  
Giuseppe Curiale  
Luigi Di Pirro  
Antonella Giglio Terraneo  
Luca Grassi  
Ioulia Gribouk  
Enzo Guanzioli  
Manuela Induni  
Alberto Laurenzi  
Walter Lisetto  
Massimo Locatelli  
Mike Moghini  
Alberto Moscato  
Marina Pezzoli  
Milena Pleshkova  
Alberto Riva  
Giovanni Sansossio  
Matteo Scacchi  
Roberto Simone  
Elena Sulina  
Davide Vezzaro

**Statutory Auditors** PricewaterhouseCoopers SA, Lugano

**Internal Auditors** Internal Auditors of Banca dello Stato del Cantone Ticino

<sup>1</sup> Independent members

<sup>2</sup> Members of the Audit Committee

<sup>3</sup> Member of the Executive Board since October 1<sup>st</sup> 2022





Axion SWISS Bank SA  
Viale S. Franscini 22  
CH 6901 Lugano  
Switzerland

Tel: +41(0)91 910 95 10  
Fax: +41(0)91 910 95 14  
Web: [www.axionbank.ch](http://www.axionbank.ch)  
Email: [mail@axionbank.ch](mailto:mail@axionbank.ch)