

Annual Report 2022



Banque Cantonale
de Fribourg

Annual Report 2022

130th Report of the Board of Directors to the Grand Council



Founding year

1892

Equity

CHF 2,4

billion

Workforce

403

403 full-time positions as of 31.12.2022 (according to the directive of the Swiss Financial Market Supervisory Authority - FINMA).

Network

27

The bank has its headquarters in Fribourg and has 27 branches, including one online.

The Banque Cantonale de Fribourg (BCF) in brief

State guarantee

All financial commitments are guaranteed by the State.

Collaboration

- Swiss Bankers Association (Swiss Banking) (SBA)
- Union of Swiss Cantonal Banks (UBCS)
- Centrale de lettres de gage des banques cantonales suisses SA
- SIX Group AG
- BCF Third Pillar Foundation - Savings 3
- BCF Vested Benefits Foundation
- Capital Risque Fribourg SA
- Viseca Payment Services AG

Legal status

Legal entity under public law distinct from the State.

Goals

- Contribute to the development of the economy of the canton
- Provide for the financial needs of the population and to provide them with the possibility of secure investments of their savings and capital
- Provide financial resources to the Canton

Address

BCF, Bd de Pérolles 1, case postale, 1701 Fribourg
Phone: 0848 223 223
www.bcf.ch

Balance sheet 2022-2012

(in thousands of CHF)

	2022 (ARB)	2012 (FRG)
Balance sheet total	27'324'676	16'271'192
Loans to customers	21'569'674	13'971'952
Customer deposits	16'086'917	11'516'217
Equity (after distribution)	2'360'650	1'385'647

Results 2022-2012

(in thousands of CHF)

	2022 (ARB)	2012 (FRG)
Total revenue	310'084	252'306
Total expenses	113'491	86'020
Operating income	173'750	149'764
Profit for the year	141'146	113'346
Payments to the Canton, municipalities and parishes	64'604	53'990

Note :

ARB = Accounting Requirements for Banks

FRG = Financial Reporting Guidelines

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Financial Report



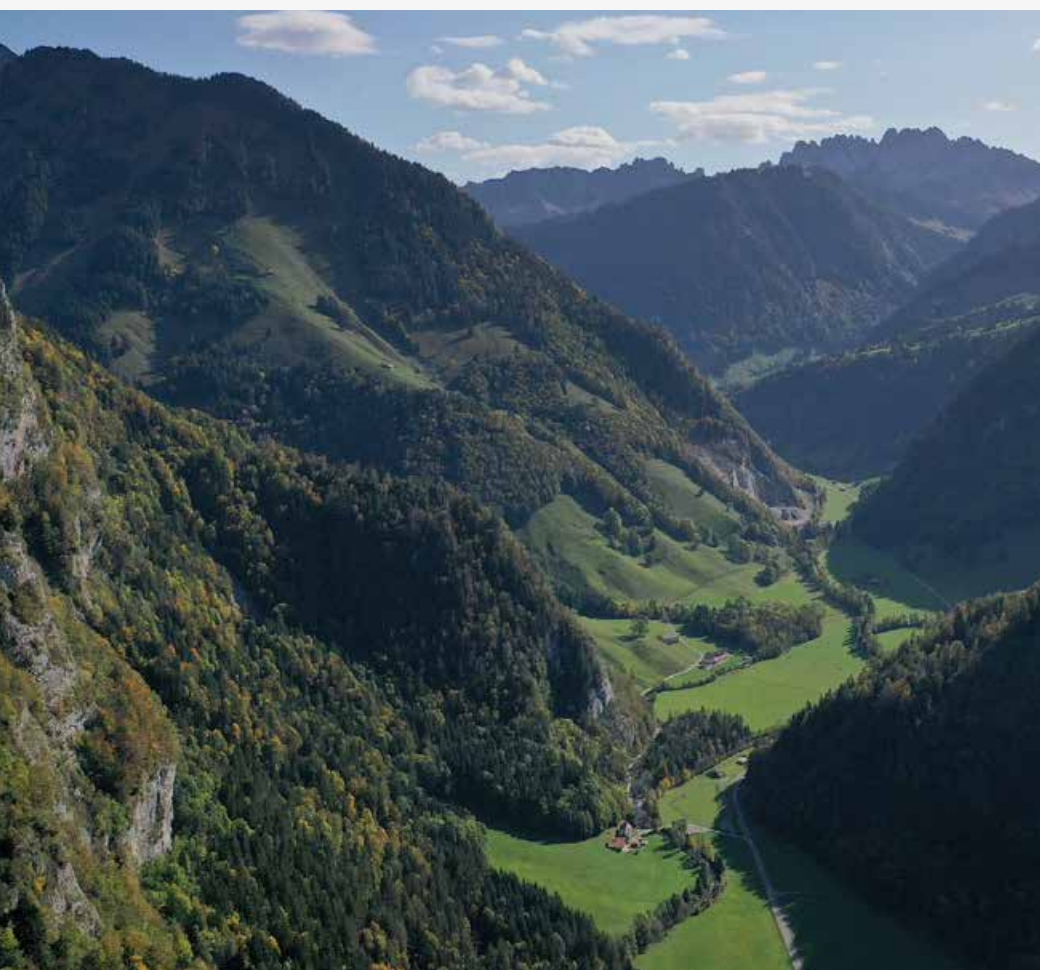


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Chairmen's message

A successful year with many challenges

The year 2022, marked by conflict on our continent and the resulting crisis, presented us all with many challenges. Yet the situation did not prevent BCF from remaining true to its values. We have continued to listen to our clients and have invested in strategic projects, branch modernization, employee training, digitalization, mobile banking and e-banking.

Thanks to a further improvement in business volumes and a high level of cost discipline, BCF has further increased its earning power. With a profit of CHF 141.1 million, BCF once again posted a good result. This represents an increase of 4.5%.

A commitment to the people and the economy of Fribourg

The good annual results and the solid market position demonstrate the validity of the values and strategy of Banque Cantonale de Fribourg. They enable it to fulfil its three main missions: to provide the best possible service to its clients, to support the canton's economy in a decisive and sustainable manner, and to achieve good operating profitability.

Sustainability is important to us

We have continued to work on our sustainability strategy for 2022. As a company with strong roots in the region, we want to set an example by being a responsible employer, encouraging the development of our employees, using resources wisely, purchasing local services wherever possible, supporting cultural and sporting events in our region and supporting associations that are involved in social life.

Refocusing our strategic priorities

BCF has confirmed its strategy based on the values of advice, proximity, credit expertise and sustainability. To keep pace with rising expectations and changing consumer habits, we have decided to strengthen the weight of our client segments. The private client sector must now take charge of all activities intended for it - from over-the-counter transactions to complex wealth management solutions - and be able to accompany clients in all their life projects. In the corporate client segment, BCF offers holistic advice and must be the preferred partner for all financial matters.

Changes in the Board of Directors

Albert Michel has stepped down as Chairman of the Board at the end of May 2022, after 30 years of exemplary commitment to BCF. On June 1, 2022, Alex Geissbühler took over as Chairman of the Board. With the election of Urs Gauch to the BCF Board of Directors, the vacancy was filled with a person with many years of banking experience.

Adapting the organisation

As part of the implementation of its strategic directions, BCF will adapt its structural organisation as of January 1, 2023. The Corporate Clients Division now focuses on corporate and institutional clients. The seven regions, wealth management, pension and financial planning, and the Investment Center will now form the Private Clients Division.

In order to increase efficiency and reduce the number of interfaces, the areas of credit processing, payment transactions, IT, sponsoring, marketing, product development, real estate and e-banking have been combined in the Products and Services Division.

The Finance Division now includes the areas of accounting, controlling, treasury, asset liability management (ALM), trading and data management. In the interests of good governance, the areas of risk management, credit management, legal services and compliance have been combined in the Legal, Risk and Compliance Division.

Management Changes

This reorganisation is accompanied by changes within the management team, effective January 1, 2023. Cédric Yerly takes over the management of the Private Clients Division. The Products and Services Division is headed by Anne Maillard, and Christophe Mettler is in charge of the Legal, Risk and Compliance Division. The Board of Directors has promoted Luc Jacquat to the Executive Board as of January 1, 2023, and has entrusted him with the management of the Finance Division. Denis Galley, Head of the Market Division, has decided to retire in spring 2023. Laurent Wicky will succeed him as Head of the Corporate Division and will be promoted to the Executive Board. François Briguët and Patrick Betticher have joined the extended Executive Board as Head of Strategy/ESG/Transformation and Head of Human Resources respectively.



Daniel Wenger - Alex Geissbühler

Our warmest thanks

On behalf of the Board of Directors and the Executive Board, we would like to thank all our customers for their loyalty and trust. We would also like to express our special thanks to all our employees for their unstinting commitment, their expertise and their important contribution to the success of the year 2022.

Alex Geissbühler
Chairman of the
Board of Directors

Daniel Wenger
Chairman of the
Executive Board



Tribute to Mr. Albert Michel

Mr. Albert Michel, former Chairman of the Board of Directors and the Executive Board, passed away in November 2022. He was 74 years old.

After gaining solid banking experience with a major bank, Mr. Albert Michel took over the operational management of BCF in 1993 and the Board of Directors in 2012. He has thoroughly reformed the bank to make it the most efficient bank in Switzerland. Under his leadership, BCF's balance sheet has grown from 6.1 to 28 billion francs.

For almost thirty years, Mr. Albert Michel led the bank's destiny with visionary thinking. Thanks to his banking knowledge, his entrepreneurial spirit, his developed business sense, his valuable network and his decision-making ability, he contributed significantly to BCF's comfortable financial situation.

The bank will remember him as a motivating man, who listened to his employees and enjoyed the esteem of his clients.





maBCF / Le Club

194 contests

645 prizes won

95'683 participants in the contests Le Club

BCF's successes



bcf.ch
2,4 million
of visits from
Switzerland

3,4 million
of seen pages

7'514
online orders



More than
13'500
new customers



489
employees

57 higher education
courses including

33 certifications



64,6 million
payments
to the Canton,
municipalities
and parishes



Compensation

Fribourg certificate
Carbon Fri



15,5 million
of work and
orders to SMEs



36,6% CIR
Cost Income Ratio*
«The most efficient
bank in Switzerland»
*Cost/revenue ratio
before depreciation
and amortization



4,2 million
e-banking accesses

6,3 million
mobile banking
accesses



Free
basic services

Corporate governance

The term «corporate governance» refers to the set of principles aimed at establishing a balanced and transparent relationship between the management and control functions.

Clearly defined competencies and responsibilities as well as a transparent interaction between management and control at all levels of the company are at the heart of good corporate governance for BCF.

The Swiss Code of Best Practice for Corporate Governance is aimed at Swiss public companies. It contains rules of conduct and recommendations.

Each company retains the right to develop its own organisational principles. As the State is its sole owner, the Swiss Code of Best Practice for Corporate Governance is not addressed to BCF. However, as an issuing company and as a responsible and transparent enterprise, it has decided to adopt certain recommendations.

Structure

Banque Cantonale de Fribourg is a legal entity under public law, separate from the State, and does not constitute a group within the meaning of the accounting standards applicable to the bank. The structure and organisation of the bank are presented in the organisational chart on pages 24-25. BCF has no controlling interests and is therefore not required to prepare consolidated financial statements. The participations are listed in the notes to the annual financial statements on page 55 of this annual report.

Owner

The Canton of Fribourg owns 100% of the BCF.

Cross-shareholdings

BCF does not hold any cross-shareholdings.

Capital structure

The endowment capital of Banque Cantonale de Fribourg amounts to CHF 70 million as at 31 December 2022.

Over the past few years, equity (before profit distribution) has developed as follows, based on the accounting rules in force:

Values in CHF Mio. after profit distribution	2022	2021	2020	2019
Endowment capital	70	70	70	70
Reserve funds	2'290	2'181	2'080	1'988
Total equity	2'360	2'251	2'150	2'058

Bodies as of 31.12.2022

Board of Directors

Election and term of office

According to article 20, paragraphs 1, 4 and 5 of the BCF law, the Board of Directors (BoD) is composed of seven members. Three members are appointed by the Grand Council, three by the State Council and one by the BoD itself. The members appointed by the State Council and the Grand Council are appointed on the proposal of a selection committee governed by articles 27 and 28 of the law.

This committee, responsible for proposing to the Grand Council and the Council of State candidates for the position of member of the BoD, is composed of seven members: four members of the Grand Council, two members of the BoD, including the Chairman of the Board of Directors, and one member of the Council of State. The Selection Committee is chaired by the Chairman of the Board.

The members of the BoD are appointed for a period not exceeding four years. They may be re-elected, but their term of office may not exceed twelve years. The Chairman's total term of office is limited to sixteen years if he has served as a member for at least the first four years of his term.

Tasks and powers

The powers of the BoD are set out in Article 25 of the BCF law. The BoD is responsible for the overall management and supervision of the bank. It decides on the general principles of policy.

In particular, it has the following powers:

- it adopts the general regulations and the internal regulations;
- It appoints the Chairman of the Executive Board, the employees at a level requiring registration in the Commercial Register, the Head of Internal Audit and the auditors; it determines their initial salary and may dismiss them. It also appoints the members of the Executive Board;
- it approves the general organisation of the bank, drawn up by the Executive Board;
- it decides on the opening or closing of branches;
- it decides on the salary policy and the compensation of the executive bodies;
- it grants powers of attorney to plead the matters within its competence and confers powers to deal with specific matters;

- it appoints the persons who, by their signature, commit the bank with respect to third parties;
- it decides on the purchase and sale of real estate for the use of the bank, as well as on the maintenance and renovation of real estate exceeding the amount fixed by the general regulations;
- it authorizes the bank to join, as a member, associations of the banking sector, Swiss or foreign companies or banks created within the framework of the cantonal banks or similar organisations;
- it decides on the acquisition of holdings in public or private companies;
- it adopts the general budget and approves the annual accounts and the Annual Report;
- it regularly takes note of the loans granted by the Executive Board, the Annual report of the external auditors and the internal audit, as well as the quarterly financial statements presented by the chairman of the Executive Board;
- it appoints the external auditors within the meaning of the Federal Law on Banks and Savings Banks;
- it determines the competences in the area of loans;
- it determines the salaries of the Chairman and members of the Executive Board and the Head of Internal Audit within the framework of the salary policy. It may delegate the examination of this task to a committee in accordance with article 26 paragraph 2.

Internal organisation

The Board of Directors is convened by the Chairman when circumstances require, normally once a month, but at least eight times a year. It can take decisions if at least four members are present at the meeting.

Committees of the Board of Directors

The Board of Directors not only meets in plenary sessions, but is also organised into special committees, in accordance with Article 26, paragraph 2 of the BCF Law.

Audit and Risk Committee

Composition and term of office

This committee is composed of at least three members, in accordance with Article 3.8.2 of the BCF's General Regulations. They are elected for a four-year term. The members of the Committee may be re-elected, but their term of office may not exceed twelve years. The committee is composed of Yves Riedo (chairman), Urs Gauch (vice-chairman), Thomas Bachmann (member) and Paul Such (member).

Activities

The activities are governed by the FINMA circulars and are defined in the regulations of the Audit and Risk Committee.

Compensation Committee

Composition and term of office

The committee consists of three members and one deputy member. They are elected for a term of four years. The members of the committee may be re-elected, but the maximum term of office may not exceed twelve years. The committee consists of Alex Geissbühler (chairman), Dominique Jordan Perrin (member), Paul Such (member) and Yves Riedo (alternate member).

Activities

The Compensation Committee is responsible for reviewing the bank's remuneration policy and determining the remuneration of the Executive Board and the Head of Internal Audit.

Distribution of powers between the Board of Directors and the Executive Board

The General Regulations define the organisation of the executive bodies, their scope of responsibility and competence, and the principles of banking activity. In accordance with the provisions of the Banking Act, responsibility for operational management is delegated to the management.

Information and control instruments for the Management

BCF has a well-developed and standardized management information system (MIS) that enables the Board of Directors to fulfill its supervisory duties and to verify the powers delegated to management. Each month, the Board of Directors receives a summary of the financial statements with a comparison with the budget and the previous year, as well as the risk reports. A comparison of the current situation with the corresponding limits is made at this time. BCF also has an internal control system (ICS) intended to ensure the proper functioning of the company. The Board of Directors is periodically informed of relevant facts, events and developments by means of the systems and processes in place.

At Board meetings, the CEO and other members of the management report to the Board of Directors on the operational progress of the business in their departments. In case of extraordinary events, the Board of Directors is informed without delay by the Chairman of the Board.

Risk Management and Compliance

BCF has independent risk control and compliance functions. On the basis of the organisation defined by the Board of Directors, the Audit and Risk Committee is regularly informed by the heads of the internal functions about the functioning and adequacy of the internal control system and about compliance with regulatory provisions. The compliance function is authorized to report directly to the Audit and Risk Committee. In addition, in the event of conflicts of interest that cannot be resolved with senior management, the compliance function can be contacted directly by all employees at any time and in full discretion (e.g. as a whistleblower). The risk control and compliance functions periodically prepare comprehensive reports on the results of their work for the Audit and Risk Committee of the Board of Directors and for the full Board of Directors.

The Audit and Risk Committee receives the annual activity report of Compliance and Risk Management.

Internal Audit

Composition as of 01.01.2023

Fabien Emery, head of Internal Audit
Lionel Carron, Nicolas Magnin, Julien Mardon, auditors

Activities

The Board of Directors and in particular the Audit and Risk Committee are supported in their activities by the independent Internal Audit and by the Audit Company. Internal Audit reports to the Board of Directors. There is a permanent exchange between Internal Audit and the auditing firm with regard to risk assessment and the risk situation. Both Internal Audit and the auditing company carry out an independent risk analysis. The Board of Directors adopts the annual planning of Internal Audit. The auditing services of Internal Audit and the auditing company are coordinated with due regard to their respective tasks. The Audit and Risk Committee of the Board of Directors monitors the activities of Internal Audit. The working method of Internal Audit is defined in a separate regulation. The results of Internal Audit's reviews are discussed at meetings of the Audit and Risk Committee. In addition, Internal Audit prepares an annual activity report and submits it to the Board of Directors.

External auditors

Ernst & Young SA, Lancy
Appointed by the Board of Directors on October 31, 2017.

The auditing company provides the overall report of the external auditors and the auditor (in accordance with Article 728b paragraph 1 of the Swiss Code of Obligations) as well as the report on the basic prudential audit. The overall report covers the financial year and is provided to the Board of Directors. The report on the prudential audit covers the calendar year and is submitted to the Swiss Financial Market Supervisory Authority (FINMA), with a copy to the Board of Directors. Both reports are discussed by the Audit and Risk Committee of the Board of Directors in presence of the auditing company.

Board of Directors



Alex Geissbühler

Born 12.11.1964, Swiss.

Chairman of the Board of Directors since June 1, 2022, expiry of mandate on May 31, 2025. Vice-chairman of the Board of Directors from June 1, 2017 until May 31, 2022.



Urs Peter Gauch

Born 18.09.1960, Swiss.

Vice-chairman of the Board of Directors since June 1, 2022, expiry of mandate on May 31, 2025.



Dominique Jordan Perrin

Born 18.07.1962, Swiss.

Member of the Board of Directors since January 1, 2017, expiry of mandate on December 31, 2024.



Thomas Bachmann

Born 09.05.1969, Swiss.

Member of the Board of Directors since January 1, 2017, expiry of mandate on December 31, 2024.



Yves Riedo

Born 22.03.1968, Swiss.
Member of the Board of Directors since October 1, 2015,
expiry of mandate on May 31, 2024.



Paul Such

Born 22.09.1978, Swiss and French.
Member of the Board of Directors since January 1, 2017,
expiry of mandate on December 31, 2024.



Jean-Pierre Siggen

Born 01.06.1962, Swiss.
Member of the Board of Directors since June 1, 2022, expiry
of mandate on May 31, 2025.

Executive Board as of 01.01.2023

Responsibilities

According to the General Regulations, which comply with the provisions of the Banking Act, the Executive Board is responsible for the overall management of BCF's business as a collective body. The Executive Board consists of the CEO and five other members who report to the CEO.

There were no organisational changes in 2022.

Over the past 12 months, BCF has continued to develop its strategy and business models.

As a next step, the bank's organisation has also been adapted for January 1, 2023.

BCF now has five divisions and has structured the two front units consistently around the two segments «Corporate Clients» and «Private Clients». These two units are supplemented by the «Products and Services», «Finance» and «Legal, Risks and Compliance» Divisions.

The powers of the Executive Board are defined in Article 33 of the BCF Law.

In particular, it has the following powers:

- it is responsible for the proper functioning of the company, its development and the maintenance of unity in the management of affairs;
- it issues prior on matters to be submitted to the Board of Directors;
- it sets the interest rates;
- it hires the bank's employees and determines their salaries within the framework of the salary policy defined by the Board of Directors; it can dismiss them;
- it decides, in the event of compulsory sale, on the purchase and sale of encumbered real estate in favor of the bank.

Internal organisation

The tasks of the Executive Board are distributed among the members by the Chairman. As a rule, the Executive Board meets once a week.

Rules on authorised activities

The acceptance of another mandate (in the highest management or administrative body of a legal entity, in associations, charitable foundations, family foundations and employee benefit foundations, etc.) is always subject to approval by the Board of Directors.

Management contracts

There are no management contracts between the bank and external companies.

Executive Board as of 01.01.2023



Daniel Wenger

Born 01.12.1966, Swiss.
Chairman of the Executive Board since January 1, 2021.



Denis Galley

Born 15.10.1965, Swiss.
Member of the Executive Board since June 15, 2009.



Anne Maillard

Born 26.05.1969, Swiss.
Member of the Executive Board since January 1, 2017.

The professional background and other activities of the members of the Executive Board are available in the Appendix on pages 82-83.



Cédric Yerly

Born 09.10.1975, Swiss.
Member of the Executive Board since January 1, 2017.



Christophe Mettler

Born 27.02.1967, Swiss.
Member of the Executive Board since April 1, 2021.



Luc Jacquat

Born 25.05.1964, Swiss.
Member of the Executive Board since January 1, 2023.

The professional background and other activities of the members of the Executive Board are available in the Appendix on pages 82-83.

Principles of the compensation policy

Compensation system

The compensation policy applies to all employees of the Bank. It describes the principles, objectives and process for determining compensation. For BCF, compensation is an important element in attracting, motivating and retaining qualified employees with the necessary knowledge and experience over the long term.

BCF attaches great importance to continuity and equal treatment in its compensation policy. Salary levels and employment conditions are regularly compared with the labor market and with cantonal banks of comparable size. The salary system is designed to exclude any discrimination between the genders. To this end, BCF regularly conducts equal pay analyses. The study conducted in 2020 showed that the bank respects equal pay for women and men. This analysis was verified by Société Générale de Surveillance (SGS) and confirmed by the «Fair-ON-Pay+» label. A study conducted in 2022 confirms that BCF still respects this pay equity.

Remuneration consists of base salary, performance bonus, pension contributions and child and family allowances.

Remuneration depends on the function. The fixed salary is based on the employee's level of competence and falls within the framework of salary scales defined by function. The performance bonus is a participation in the bank's results and a gesture of goodwill of the bank. It is determined according to the bank's results and may vary over time. Based on a recommendation of the proposal of the Executive Board, the Board of Directors determines the total amount of the salary adjustments and the annual performance bonus each year. In doing so, it takes into account the bank's results as well as other criteria such as the economic environment.

Each year, the heads of the organisational units propose salary increases and performance bonuses for their employees, in accordance with the instructions issued by the Executive Board. The performance bonus is based on a reference value and takes into account the individual performance and behavior of the employee. The bonus is paid in March of the following year. For 2022, the remuneration paid to members of the Executive Board amounts to CHF 2'595'800.

Social security contributions, occupational benefits and family allowances are regulated.

Other conditions of employment

The costs associated with the performance of the activity are borne by the bank. In order to simplify procedures, lump sum expenses are paid to a defined group of employees.

BCF grants special conditions to all employees, including the Executive Board, on all the bank's services. In the area of loans, the preferential interest rate is in line with the industry and the amount is capped. The Board of Directors decides on the granting of loans or credits to members of the Executive Board.

Board of Directors

The members of the Board of Directors are remunerated for their services on the Board of Directors and the committees with a basic lump sum, directors' fees and a possible lump sum for additional mandates, in accordance with Article 18 of the Banque Cantonale de Fribourg Law. For loans, BCF grants all members of the Board of Directors the same conditions as employees, namely a preferential interest rate, in line with the industry, applied to a limited amount. In 2022, compensation paid to Board members amounted to CHF 1'419'000.

Organisation chart as of 01.01.2023

Board of Directors Alex Geissbühler Chairman	Audit and Risk Committee Yves Riedo Chairman	Compensation Committee Alex Geissbühler Chairman
Internal Audit Fabien Emery		

Chairman of the Executive Board Daniel Wenger	Corporate Center Daniel Wenger	Corporate Clients Denis Galley	Private Clients Cédric Yerly
	Strategy/ESG/Transformation François Briguet*	Corporate / Real estate - 1 Laurent Wicky	Private customers a.i. Julien Yerly
	Human Resources Patrick Betticher*	Corporate / Real estate - 2 Pascal Aebischer	Investment Office Julien Yerly
	Communication vacant	Special financing Christophe Grivel	
	Security Frank Irrausch	Institutional customers and External Asset Managers Nicolas Tercier	

* Member of the Extended Executive Board

	Products and Services Anne Maillard	Finances Luc Jacquat	Legal, Risk and Compliance Christophe Mettler
Region Gruyère Jean-Daniel Ducrest	Product development Michel Gauthier	Accounting Manuel Burri	Compliance Pierre-Yves Jonin
Region Veveyse Christian Rouiller	e-banking Valentin Overney	Controlling and data management a.i. Luc Jacquat	Legal services Pierre-Yves Cotting
Region Broye Stéphane Niklaus	Marketing and sponsoring Steeve Helbling	ALM Julien Kolly	Risk management Pierre Romanens
Region Glâne David Buchs	Payment transactions Jacques Pierret	Treasury and Trading Thomas Roggo	Credit management Alain Pauli
Region Singine Andreas Zbinden	IT development Patrick Wicky		
Region Lac Andreas Spring	IT Nicolas Zbinden		
Region Sarine David Sturny	Real estate and Logistics Patrick Neuhaus		



Commitment to corporate social responsibility (CSR)

BCF's corporate responsibility is reflected in its economic, ecological and social commitment.

As the canton's leading bank, BCF plays an important role in contributing to the canton, the communes and the parishes by paying an amount that includes taxes, the remuneration of the endowment capital and the State guarantee.

BCF is a founding bank of the Carbon Fri Foundation, which aims to promote a reduction in CO₂ emissions by Fribourg companies. All the funds collected are redistributed in the economic structure of Fribourg by supporting local projects.

The support to local SMEs is given concrete expression by BCF's purchasing policy. It also offers training and information to clients in the field of cybersecurity and data protection.

BCF plays an active role in society by resolutely supporting sports, cultural and social activities in the canton. It has entered into more than 100 partnerships that enable it to have privileged contact with nearly a thousand clubs and companies affiliated with various umbrella organisations.

Environmental commitment

BCF is climate neutral. It achieves this by reducing its consumption of resources and CO₂ emissions every year. It offsets the residual emissions by purchasing Carbon Fri certificates from the Canton of Fribourg.



CO₂ emissions

Since 2013, BCF is climate neutral. Since 2008, it has been drawing up a balance sheet of its carbon emissions. In 2021, its emissions have decreased by 24% compared to 2013. The residual emissions are offset via the regional Carbon Fri label. In 2021, the level of carbon emissions was close to the pre-pandemic consumption.



e-banking

Since 2011, BCF e-banking is climate neutral according to ISO 14044.



Green electricity

The electricity supply is 100% covered by Hydro Fribourg green electricity.



Paper

Over 80% of the paper used by BCF is recycled paper. All paper is FSC certified. BCF gives customers the opportunity to dispense with paper mailings by replacing them with e-documents.



Waste

Since 2013, waste has decreased by 5%.



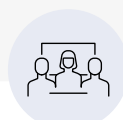
Products

BCF offers several products with an ecological dimension, such as the Eco Mortgage and the Eco Renovation Mortgage for loans or an ESG management mandate for asset management.



Buildings

The modernization of the BCF buildings takes into account the best practices to optimize the energy balance. A new energy concept applicable to each renovation is being developed.



Governance

For several years, an internal working group has been proposing short and medium-term strategies and sustainable objectives with the participation of all BCF employees.

Social commitment

BCF is committed to culture, the society and sport. It is an employer of choice, offering favorable working conditions and encouraging its employees to develop their skills.



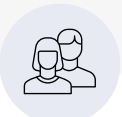
Staff

With 489 employees, BCF is one of the largest employers in the canton. Its physical network of 26 branches ensures proximity to its clients.



Public transport

BCF supports the purchase of public transportation passes for its employees. Business trips are made by public transport whenever possible.



Youth

As a training company, BCF commits the necessary resources to the supervision and training of its apprentices and trainees. In 2022, 19 apprentices and 5 trainees were trained at BCF.



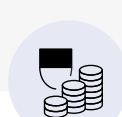
Suppliers

BCF works with local suppliers whenever possible, thus contributing to the economic life of the canton. In 2022, 15.5 million francs worth of work and orders were awarded to local SMEs.



Health and safety at work

BCF is committed to providing favorable working conditions. It takes measures to preserve health in the workplace.



Contributions / Taxes

In 2007, the bank proposed to the Canton that it should be subject to the payment of taxes and that the law should be amended accordingly. In 2022, CHF 64,6 million was paid to the Canton, municipalities and parishes. This payment includes taxes and the remuneration of the State guarantee and the endowment capital.



Equal pay

BCF is committed to equal treatment.



Sponsorship

BCF supports numerous associations and events in the canton and thus contributes to social life. In particular, it helps to promote access to quality information through its ZIG, ZISCH and ZIOS initiatives with the Freiburger Nachrichten. In 2022, the amount spent on sponsoring reaches CHF 4,0 million.



Continuing education

BCF encourages the professional development of its employees by offering continuing education programs that allow employees to develop their skills.

Sustainable Development Charter

The business activities of Banque Cantonale de Fribourg are focused on long-term success: the bank aims to create sustainable added value. BCF aims to have a positive influence on the region in which it operates. It has been actively working towards this goal for many years.

For BCF, choosing sustainable development means doing business successfully over the long term, while acting responsibly towards the society and the environment. This approach is presented in concrete terms in the Sustainable Development Charter and the Sustainability Report.

BCF intends to continuously improve its performance in this area. It is committed to meeting the sustainable development goals (SDGs), and to aligning its management and core business more closely with these goals. In its Sustainable Development Charter, Banque Cantonale de Fribourg defines the principles to be respected and sets goals.

The Sustainability Working Group evaluates the achievement of the goals, initiates follow-up measures and ensures a transparent presentation of the Bank's sustainability performance. The group is made up of those responsible for processes that have a significant social or ecological impact, as well as staff representatives. Wherever possible, sustainability aspects are taken into account in business processes.



Financial year 2022

Strategy

In 2022, BCF continued to develop its strategy. The various business models were reviewed and focused on the two customer segments of «Corporate Clients» and «Private Clients», with the aim of broadening the revenue base. All products and services have been combined in a new division to improve efficiency. These changes allow us to address ESG issues in a targeted manner for the different client segments.

Result

Operating income reached CHF 173,8 million, an increase of CHF 10,4 million (+6,4%).

Efficiency

Once again this year, BCF was very economical with its resources. The cost/income ratio (ratio of operating expenses to operating income, excluding value adjustments) remained very modest at 36,6%.

A strong capital base

As a measure of its soundness, FINMA has defined a minimum ratio of 12%. With a CET1 ratio (core capital) of 18,49%, BCF clearly meets the regulatory requirements of FINMA, despite the reactivation of the countercyclical capital buffer.

Investments in our branch network

BCF continued to invest in its branch network in 2022. For BCF, personal contact with our clients is paramount, which is why it maintains a counter for cash transactions at all locations, complemented by an advisory counter.

More than 60 million francs for the canton of Fribourg

Thanks to the good result, BCF was able to pay out CHF 64,6 million to the Canton, municipalities and parishes, out of an endowment capital of CHF 70,0 million. This payment includes taxes as well as the remuneration of the State guarantee and the endowment capital.

Information about the staff

With 489 employees, Banque Cantonale de Fribourg is one of the largest employers in the canton of Fribourg. It offers its employees a secure job in a high-performance company, attractive working conditions and high-quality training.

In 2022, BCF employees successfully completed 57 higher education courses, including 2 Master's degrees, 7 HES-SO Bachelor's degrees, 3 federal diplomas, 3 certificates, 4 CYPs, 5 higher diplomas and 33 certifications. 19 apprentices and 5 trainees are currently in training.

It assumes its social and environmental responsibility.

Credit operations

BCF is a regional player whose mission is to support the cantonal economy. It does so in a responsible way by pursuing an active policy of lending to individuals, businesses, real estate professionals and public-sector entities, mainly in the canton of Fribourg.

BCF advises and supports companies in the implementation and development of their projects, regardless of their size or status. It offers a wide range of accounts and services for the day-to-day management of their business, their finances and their pension provision.

In 2022, BCF's business activities for companies will result in loans to customers for a total amount of CHF 21,6 billion. Overall, the breakdown of loans by economic sector corresponds to the share of the canton's GDP represented by these sectors. BCF's brand image, its location in the canton and proximity to decision-making centers, as well as its financial strength and flexible organisation, are all assets that help it maintain and develop the confidence of its corporate clients.

In 2022, the volume of construction loans on the balance sheet reached CHF 539 million and mortgage loans increased by 3,5%, or CHF 0,6 billion, to CHF 18,3 billion.

In the area of mortgage loans, BCF applies rigorous and cautious principles in the analysis and granting of loans, using appropriate methods that take into consideration both the client's situation and that of the property.

In fact, BCF follows and applies the relevant guidelines of the Swiss Bankers Association (SBA) on the examination, evaluation and processing of loans secured by real estate pledges as well as the guidelines on minimum requirements for mortgage financing.

According to the latest study on the Fribourg real estate market released in collaboration with the consulting firm Wüest Partner SA, the urge to become a homeowner has increased due to health constraints. The real estate market has proven to be robust, playing its role as a safe haven. Demand in the villa and condominium market remained strong. The rise in interest rates had a stabilizing effect on prices.

The year 2022 began with favorable projections, which were quickly revised downward due to the war in Ukraine. Rising inflation and supply difficulties have made the economic situation very uncertain, also impacting interest rates and GDP growth forecasts. This year was also marked by an increase in key rates. Indeed, the SNB tightened its monetary policy: 92 months after introducing negative interest rates, it removed them by raising its key rate several times before ending the year at 1%.

Breakdown of advances by business line (as a % of advances to customers)

1,3	Agriculture	3,9	Financial and insurance activities
2,4	Manufacturing industries	15,0	Real estate activities
0,8	Electricity and gas production	1,6	Scientific and technical activities
0,5	Water production, waste management	2,7	Public administration
2,7	Construction	0,7	Education
2,6	Trade	2,5	Health and social work
0,9	Hotel and restaurant industry	0,6	Arts and entertainment
0,3	Information and communication	1,0	Miscellaneous
1,4	Transportation and storage	59,3	Private households

Despite these changes, real estate remains an interesting investment solution. Indeed, the low volatility of real estate investments compared to other asset classes supports demand and keeps the appetite for real estate intact. With excess demand combined with low supply of new homes, price dynamics in the property market continue, but at a more moderate pace.

The pandemic has redefined certain priorities and changed expectations in terms of housing quality: people now want to have a more comfortable, more spacious home in a greener, quieter environment. As a result, supply has continued to decline scarcer, leading to an increase in the price of individual property. On the other hand, the dynamic demographic growth from which the canton of Fribourg has benefited has led to a decrease in the rate of vacant housing, for which demand remains strong. Finally, and in connection with the current situation of economic uncertainty, BCF continues to actively monitor the real estate market and the mortgage portfolio.

Libor, the reference rate previously used by commercial banks to determine interest rates on money market mortgages, has been abandoned and replaced by other reference rates, including SARON in Switzerland. BCF has introduced various new mortgage products indexed to the SARON.



Investment operations

As part of its wealth management activities, BCF has set up a range of management mandates that respect ESG (environmental, social and governance) criteria, in order to support clients who are sensitive to these issues. At the same time, the Bank has continued to develop its own range of investment funds, in particular with the launch of the BCF/FKB (CH) Active Dynamic (CHF) fund in June 2022, thus facilitating diversification into different asset classes, different sectors and different geographical areas in the equity market.

In real estate investments, BCF reached a new milestone in the development of BCF SICAV, a real estate investment vehicle for Fribourg and Switzerland that welcomed its first external investors in 2022. The Management Committee managed BCF SICAV and contributed to its growth and development, while controlling the various risks and maintaining the quality and dynamism of the investment activity. This second year of activity was marked by an increase in capital, the acquisition of various new properties and the renovation of various buildings.

Products and services

The harmonization of payment traffic in Switzerland has continued. Following the ISO 20022 standard, the QR-bill was introduced in Switzerland. As of October 1, 2022, PostFinance and all Swiss banks will no longer process red and orange payment slips. Only QR-bills are now allowed.

In 2022, BCF replaced all its Maestro cards with Mastercard debit cards. The advantage of the latter is that they can be used online, which was not the case with the old cards. The design of the card has been changed and highlights three emblematic mountains of our canton: the Moléson, the Gastlosen and the Kaiseregg.



Real estate

BCF remains fundamentally anchored in its territory while offering its customers high-quality digital services.

Direct counter contacts in our 26 branches were maintained in 2022 and even increased by 6% at the end of the Covid-19 crisis. Customers appreciate the fact that BCF offers them the possibility of carrying out all banking transactions, including cash transactions, at their local branch.

Following the two robberies in Romont, BCF decided to carry out some work to further improve the security of its employees in the counter areas.

The renovation of the branch network continued in 2022 with the opening of the Schoenberg branch. Modernisation work on the head office premises began in 2022 and will continue in 2023, including energy improvements to the lighting and ventilation system.

Digitalization

More and more clients are actively using our digital tools. The figures speak for themselves: more than 350'000 monthly connections to e-banking and more than 530'000 to the mobile application. The proportion of users of the mobile application is increasing very rapidly. This is the result of our efforts to improve and simplify this application and of a change in customer behavior that favors mobility.

The bcf.ch website has been adapted and made simpler. For the first time, the site's audience exceeds 2 million annual sessions. The «MaBCF» portal, which aims to simplify the relationship between the bank and its clients, has also gained in visibility and interest. Several new features have been made available to customers.

Internally, BCF has made numerous improvements to increase efficiency. The «MonBureau» employee portal, introduced in 2021, has been enhanced with new functionalities to simplify the day-to-day work of employees.

BCF is continuing its efforts to digitalize its processes, especially in the credit process, by introducing the AtPoint tool to provide guidance on the sale of a mortgage.

One year in the life of a committed bank

BCF's commitment to the canton's social, cultural, sporting and academic life reflects its desire to be at the side of the men and women who make the canton so rich.

In 2022, the bank contributed CHF 4,0 million to the development of culture, sports and social activities.

The partnerships are aimed at long-term collaboration (generally 3 years, renewable). The partner associations can count on a fixed contribution and can devote themselves to their activities with peace of mind. The bank has concluded more than 100 partnerships that strengthen its brand image and support its commercial strategy. These partnerships give the bank access to nearly 1,000 clubs and companies, as well as to clubs affiliated with various umbrella organisations.

In 2022, BCF is committed to :

Salon de l'entreprise, Bulle

On March 16 and 17, 2022, nearly 60 exhibitors, more than 50 speakers and nearly 1,200 participants met at Espace Gruyère in Bulle to discuss entrepreneurship and sustainable management, against the backdrop of the health crisis and economic uncertainties, but also technological revolution and artificial intelligence.

For two days, the speeches of experts punctuated the Salon de l'Entreprise, inspiring both the actors of the Fribourg economy, but also the French-speaking part of Switzerland, on themes anchored in the European and post-Covid news.

The BCF presented the conference «Cyber security for SMEs - a nice to have or a vital strategic element?» on a very current theme that was of particular interest to the audience.



60 years of the Fribourg league against cancer

The «ligue fribourgeoise contre le cancer» celebrated its 60 years of activity on June 11, 2022. Various events took place in all the districts of the canton, such as friendly walks, tastings of local products, conferences or a big brunch. A colorful procession with, among others, the Cadre Noir et Blanc, the Landwehr, the Sonneurs de Clocheurs de La Roche or the Vélo-Club de Fribourg crossed the capital, followed by a great popular evening at the BCF Arena, with, among others, Gjon's Tears and the Weeping Willows. Nearly 5'000 people participated in these events throughout the Canton.



Swiss Alpine Rowing Trophy

The Schwarzsee is not necessarily the first destination that comes to mind when thinking about rowing competitions. However, every year the Swiss Alpine Rowing Trophy takes place there, where athletes from all over Switzerland compete. Several types of races are offered to the competitors, including a competition where, by direct elimination, two boats face each other in a 500 meter race, the winner continuing the competition. Amateurs, seniors and juniors took advantage of the facilities to compete in groups of 6 in the Schwarzsee Regatta, in 750-meter races. More than 200 athletes participated in a competition recognized in the rowing world.





Rään concerts, Ueberstorf and Tafers

In October 2022, the mythical band Rään from Sense area - an important part of Sense's musical identity, whose songs conquered the German-speaking charts in the 90s - gave four exclusive «Revival» concerts at the Castle of Ueberstorf and at the OC in Tafers. Distributed free of charge by the BCF, the more than 1,000 tickets were sold out in less than an hour. The members of the band may have aged a little, but they have lost neither their legendary humor nor their musical talent. 20 years after their last concert, Rään gave their aficionados a performance that will remain in the memory of the lucky ones who were present for a long time.

Foundation of the Banque Cantonale de Fribourg

The Foundation of the Banque Cantonale de Fribourg, with a capital of 2,25 million francs, was created on the occasion of the 100th anniversary of the BCF in 1992. Its purpose is to promote the implementation and development of cultural, artistic and scientific activities and events. Since its creation, more than one million francs have been invested in various large-scale projects.

Recent projects that have received support from the Foundation are presented on the BCF website. The criteria for granting a donation as well as an electronic form are also available there.



Senslerdeutsches Wörterbuch

The Foundation of the Banque Cantonale de Fribourg has supported the republication of the Senslerdeutsches Wörterbuch, the dictionary of the Sense's language. Since its publication in 2000, more than 6'500 copies have been sold in three editions. Since the book is no longer available in bookstores, but is still in great demand, its author Christian Schmutz has decided to publish a fourth edition and has added several hundred new entries, for a total of more than 13'000 words. The Senslerdeutsches Wörterbuch is a reference work, but it is not intended to be a permanent fixture of the Sense's language. Written as it is pronounced, it is a living language, which borrows as much from French as from its Bernese neighbors, depending on the location of the speakers.



Foundation Lakeside Village Gletterens

The Lakeside Village of Gletterens, an authentic reconstruction of a village on the Swiss Plateau 5000 years ago, is a UNESCO World Heritage Site. It is an important place for school trips and attracts many visitors during the summer season. Built in the early 1990s, three longhouses from the Neolithic period now require renovation to ensure their conservation. The Foundation of the Banque Cantonale de Fribourg supports the restoration of the reed roofs of these three houses, at a rate of one house per year. The technique used respects as closely as possible the scientific and historical data known for this type of habitat.

2023 Perspectives

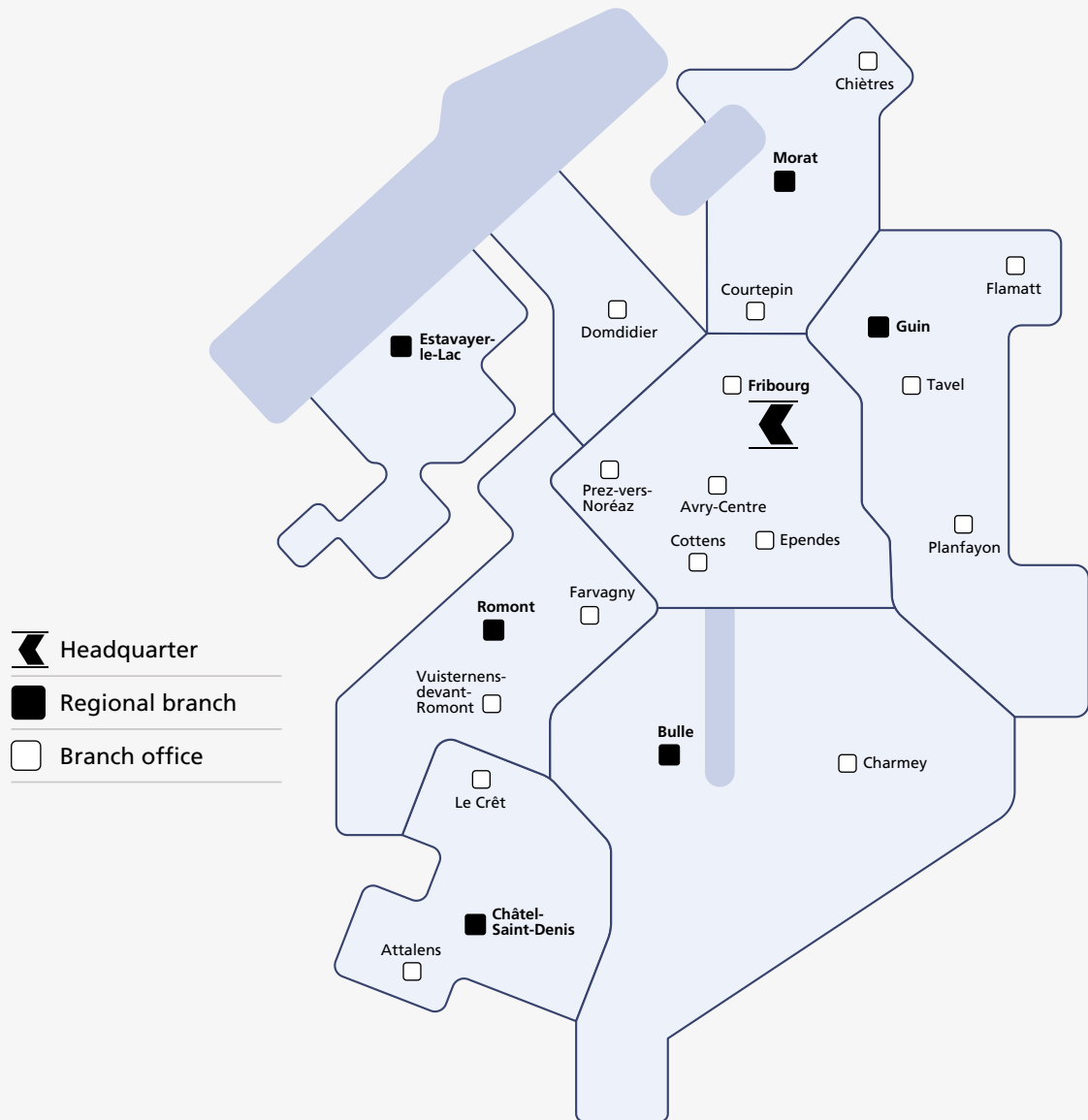
BCF has responded proactively to the challenges of the past few years.

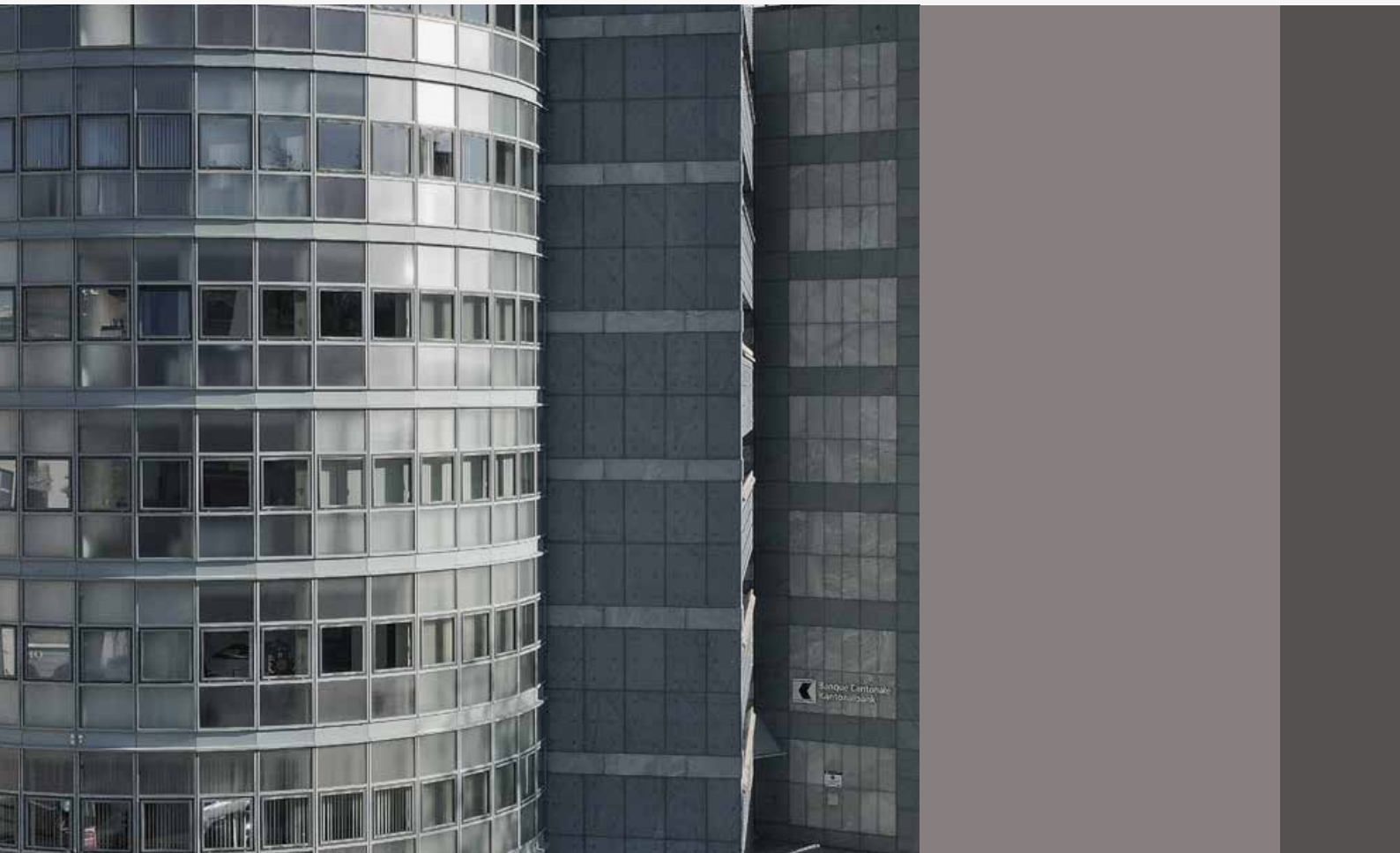
The discipline of our cost management, our defensive refinancing strategy and the good quality of our loan portfolio provide a good basis for the year ahead. However, the consequences of the war in Ukraine and the price and cost increases in all sectors make it difficult to assess the impact on our business. If the economic forecasts made come true, BCF could achieve a similar result in 2023.





Network 2023





Financial Report 2022

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Report on the Financial Statements 2022

Balance sheet (in CHF thousands)

	2022	2021	Change as %
Total assets	27'324'676	28'034'820	-2,5
Advances to customers	21'569'674	20'751'139	+3,9
Financial investments	1'474'473	1'370'114	+7,6
Customer deposits	16'086'917	16'828'698	-4,4
Equity (after repartition)	2'360'650	2'251'504	+4,8

In 2022, the balance sheet total fell by CHF 0,7 billion to CHF 27,3 billion due to the decrease in our liquidity. On the other hand, advances to customers increased by CHF 0,8 billion to CHF 21,6 billion or 3,9%.

New credit limits totaled CHF 2,4 billion.

Customer deposits in all forms, despite the CHF 0,3 billion increase in savings deposits, fell by CHF 0,7 billion to CHF 16,1 billion.

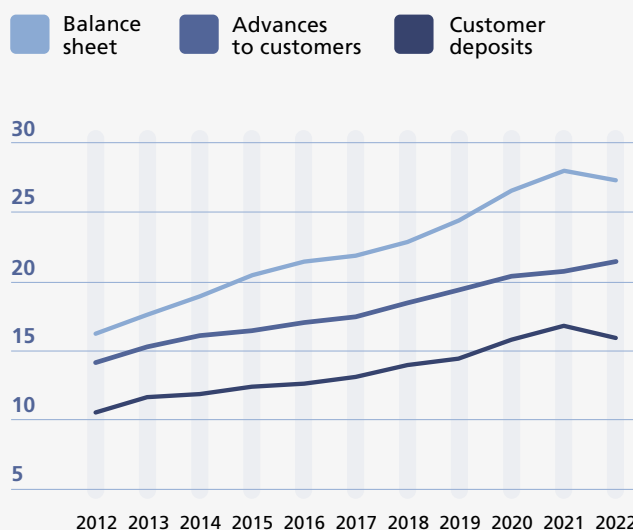
Cash and cash equivalents

According to Article 13 et ff. of the Ordinance to the Federal Act on the Swiss National Bank (OBN) of March 18, 2004, the average monthly liquidity requirement for the reference period from December 20, 2022, to January 19, 2023, amounts to CHF 152 million. In December 2022, the daily average for that period shows a balance of CHF 3'572,7 million, which is CHF 3'420,7 million above the required amount.

In terms of liquidity reserves, the short-term liquidity ratio (LCR) based on the Basel III agreement is 197%, well above the regulatory limit of 100%.

Balance sheet overview 2012 - 2022

(in CHF billion)



Assets

Receivables from banks, consisting mainly of short- and medium-term deposits placed with investment-grade banks, amounted to CHF 0,5 billion (-47%).

At the end of 2022, as at the end of 2021, the balance sheet contains no receivables from securities financing transactions (reverse repo).

Advances to customers, less value adjustments for default risks, increased by CHF 0,8 billion to CHF 21,6 billion (+3,9%).

Mortgage loans rose by CHF 0,6 billion to CHF 18,3 billion (+3,5%). Other amounts due from customers rose by CHF 0,2 billion (+6.6%) to CHF 3,2 billion.

The significant increase in advances to customers demonstrates BCF's strong support for the economy of the Canton of Fribourg, particularly for SMEs and the real estate market, while practicing sound risk management.

Financial investments amounted to CHF 1,5 billion. They include securities acquired for investment purposes and as a cash reserve (over 98%), precious metals stocks and real estate held for resale.

Tangible fixed assets, consisting mainly of buildings used by the bank, are recorded in the balance sheet at CHF 68,7 million, after depreciation.

Liabilities

On the liabilities side, total liabilities to banks decreased by CHF 288,8 million to CHF 1,4 billion.

At the end of 2022, the balance sheet does not contain any receivables from securities financing transactions.

Savings deposits increased by CHF 290,6 million after the sharp rise of CHF 440,1 million in 2021. In total, customer deposits decreased by CHF 0,7 billion to CHF 16,1 billion.

Cash bonds amounted to CHF 293,6 million (-1,9%).

Borrowings and loans from the central mortgage bond institution rose by CHF 207 million (+2,9%). In 2022, the bank issued a new bond of CHF 140,0 million and subscribed to the various issues of the Pfandbriefzentrale Schweizer Kantonalbanken for a total amount of CHF 709,0 million. During the same period, CHF 442,0 million of the cantonal banks' mortgage bonds were repaid and CHF 200,0 million of the bonds were repaid.

Provisions include amounts to cover the bank's operating risks and value adjustments for default risk on off-balance sheet commitments. They amounted to CHF 10,2 million, compared to CHF 7,2 million at the end of 2021.

The reserves for general banking risks, considered as equity capital, were increased by an allocation of CHF 25,0 million. They amount to CHF 667,0 million.

Assets breakdown in %

67,1	Mortgage loans
12,7	Cash and cash equivalents
11,9	Amounts due from customers
5,4	Financial investments
1,9	Receivables from banks
0,4	Positive replacement value of derivative financial instruments
0,3	Tangible fixed assets
0,2	Participations
0,1	Accrued expenses and deferred income

Liabilities breakdown in %

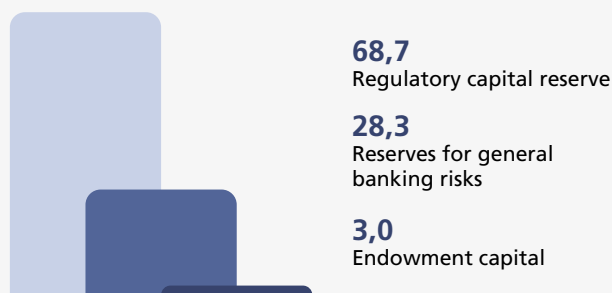
57,8	Amounts due in respect of client deposits
26,5	Bond and central mortgage institution loans
8,9	Shareholders' equity
5,0	Amounts due to banks
1,1	Cash bonds
0,3	Accrued expenses and deferred income
0,2	Negative replacement value of derivative financial instruments
0,2	Other liabilities

Shareholders' equity

Shareholders' equity consists of the endowment capital, the legal reserve and the reserves for general banking risks. The endowment capital of CHF 70 million, which has remained unchanged since 1981, is made available in its entirety by the State of Fribourg.

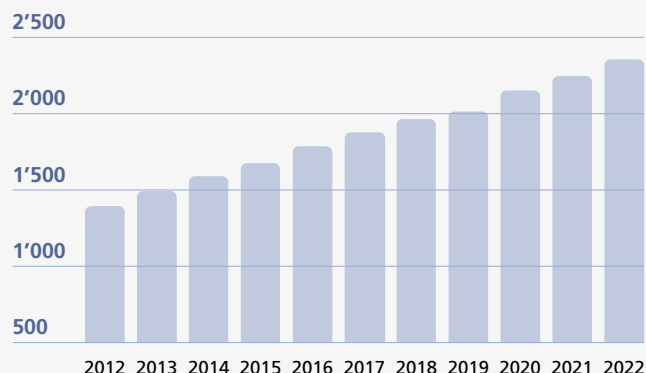
After profit distribution, total equity increased by CHF 109,1 million to over CHF 2,4 billion. The CET1 (Common Equity Tier 1) ratio was 18,49%. BCF fully complies with the relevant requirements.

Breakdown of equity in % after distribution of profit



Evolution of equity 2012 - 2022

(in million CHF)



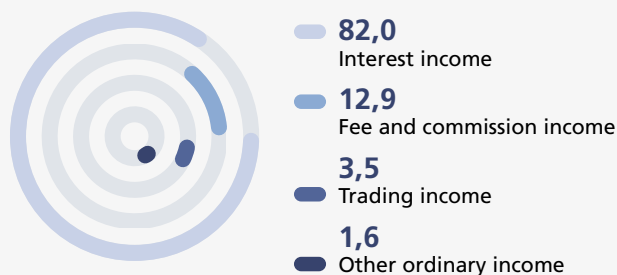
Income statement

In 2022, the BCF achieved good results. Indeed, the end of the COVID-19 crisis revived the activities directly impacted by the sanitary measures imposed by the authorities in 2020 and 2021. 2022 was also marked by the end of negative interest rates, an unusual eight-year cycle, which had a positive impact on the economy, but which also had a negative impact on banks' interest margins. During this long period of negative rates, BCF managed to pass on these negative rates to its clients only to a minimal extent. A return to normal interest rates has thus been beneficial for the bank.

After an allocation of CHF 25,0 million to the reserves for general banking risks, profit reached CHF 141,1 million (+4,5%), an increase for the 29th consecutive year.

These results are proof of the soundness of our strategy and confirm BCF's solid position in the market. They enable us to meet the threefold requirement of providing our clients with the best possible service, notably through a local offering, of providing decisive and sustainable support for the canton's economy, and of achieving very good operating profitability.

Breakdown of operating revenues in %



Operating income

Total operating income increased by CHF 34,0 million to CHF 310,1 million (+12,3%).

Interest operations

Gross interest income amounted to CHF 259,2 million, an increase of CHF 16,6 million (+6,8%), thanks in particular to the increase in loans and the end of negative interest rates.

After taking into account the change in value adjustments for default risk, net interest income amounted to CHF 254,3 million, an increase of CHF 26,5 million (+11,6%). The need for value adjustments for default risks fell by CHF 9,9 million to CHF 4,9 million. This decrease reflects the evolution of the quality of the loan portfolio, for which the inherent risks of default on non-impaired loans must also be subject to value adjustments. These value adjustments are required by the FINMA Ordinance on the Preparation and Presentation of Financial Statements (OEPC-FINMA).

The share of interest income represents 82% of the total operating income.

Commission and service operations

The result of commission and service operations, marked in particular by a difficult stock market year, shows an increase of CHF 5,2 million to CHF 40,1 million (+14,9%).

Trading operations

Income from trading operations, which is mainly composed of income from foreign exchange and precious metals, amounted to CHF 10,9 million, an increase of CHF 1,2 million (+12,4%).

Other ordinary results

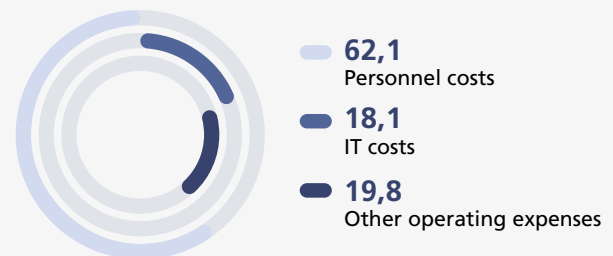
Other ordinary results increased by CHF 1,2 million to CHF 4,8 million.

Operating expenses

Operating expenses increased by CHF 12,2 million to CHF 113,5 million (+12%).

The cost/income ratio before depreciation remains stable at 36,6%. It confirms the control of costs and thus the efficiency of the bank.

Breakdown of operating expenses in %



Results

Value adjustments on participations, amortisation on tangible fixed assets

Depreciation of tangible fixed assets and value adjustments on investments totaled CHF 18,7 million, compared with CHF 11,0 million, an increase of CHF 7,7 million.

Changes in provisions and other value adjustments, losses

Changes in provisions, other value adjustments and losses amounted to CHF 4,2 million, compared with CHF 0,4 million in 2021.

Operating income

Operating income reached CHF 173,8 million, an increase of CHF 10,4 million (+6,4%).

Taxes

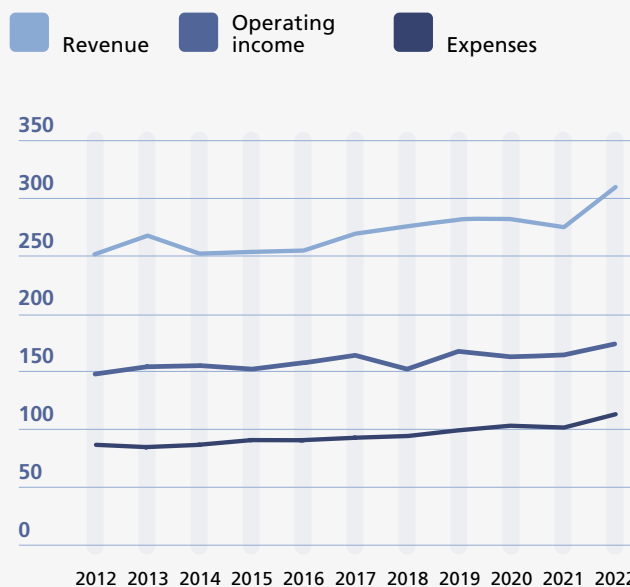
The municipalities received CHF 3,0 million, the parishes CHF 0,4 million and the Canton CHF 4,2 million.

Profit for the year

After an allocation of CHF 25 million to the reserves for general banking risks, profit amounted to CHF 141,1 million, an increase of CHF 6,1 million or +4,5%.

Development of results 2012 - 2022

(in CHF million)



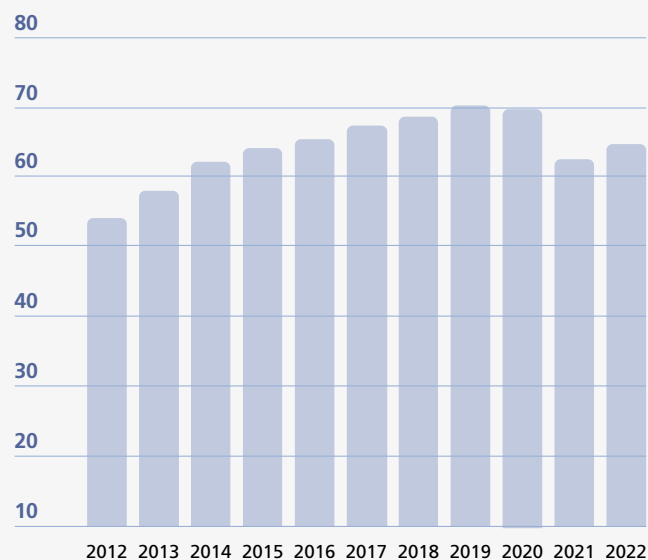
Breakdown of profit

At their last meeting, the Board of Directors has decided on the presented financial statements. It recommends the following appropriation of profit and distributions:

Profit of the year	CHF	141'146'234
Retained earnings	CHF	503'865
Profit shown on the balance sheet	CHF	141'650'099
Breakdown of profit		
Compensation for the State guarantee	CHF	46'000'000
Remuneration of the endowment capital	CHF	11'000'000
Allocation to reserve fund	CHF	84'000'000
Retained earnings	CHF	650'099

Evolution of the annual payment (including taxes) to the State 2012 - 2022

(in CHF million)



The bank expresses its gratitude to its loyal customers for their trust. It is committed to continuously improving the quality of its services.

On behalf of the Board of Directors: A. Geissbühler, Chairman
On behalf of the Executive Board: D. Wenger, Chairman

Balance sheet as of 31 December 2022

(in CHF thousands)

			Change	
	31.12.2022	31.12.2021	In CHF	In %
Assets				
Cash and cash equivalents	3'466'794	4'651'652	-1'184'858	-25,5
Receivables from banks	532'207	1'003'614	-471'407	-47,0
Amounts due from securities financing transactions	0	0	0	0,0
Amounts due from customers	3'248'436	3'046'747	201'689	6,6
Mortgage loans	18'321'238	17'704'392	616'846	3,5
Trading portfolio assets	2'820	2'002	818	40,9
Positive replacement value of derivative financial instruments	106'006	9'982	96'024	>100,0
Other financial assets at fair value	0	0	0	0,0
Financial investments	1'474'473	1'370'114	104'359	7,6
Accrued expenses and deferred income	33'138	33'408	-270	-0,8
Participations	64'774	50'288	14'486	28,8
Tangible fixed assets	68'748	68'827	-79	-0,1
Intangible assets	0	0	0	0,0
Other assets	6'042	93'794	-87'752	-93,6
Assets	27'324'676	28'034'820	-710'144	-2,5
Total subordinated assets	85'259	78'260	6'999	8,9
of which subject to mandatory conversion and/or conditional write-off	0	0	0	0,0
Liabilities				
Amounts due to banks	1'378'124	1'666'911	-288'787	-17,3
Liabilities arising from securities financing transactions	0	0	0	0,0
Amounts due in respect of customer deposits	15'793'354	16'529'472	-736'118	-4,5
Trading portfolio liabilities	0	0	0	0,0
Negative replacement values of derivative financial instruments	62'694	99'210	-36'516	-36,8
Other financial liabilities at fair value	0	0	0	0,0
Cash bonds	293'563	299'226	-5'663	-1,9
Bonds and central mortgage institution loans	7'234'000	7'027'000	207'000	2,9
Accrued expenses and deferred income	86'590	93'856	-7'266	-7,7
Other liabilities	48'509	5'503	43'006	>100,0
Provisions	10'192	7'138	3'054	42,8
Reserves for general banking risks	667'000	642'000	25'000	3,9
Endowment capital	70'000	70'000	0	0,0
Retained earnings	1'539'000	1'459'000	80'000	5,5
Retained profit	504	415	89	21,4
Profit of the year	141'146	135'089	6'057	4,5
Total liabilities	27'324'676	28'034'820	-710'144	-2,5
Total subordinated liabilities	0	0	0	0,0
Of which subject to mandatory conversion and/to debt waiver	0	0	0	0,0
Off-balance-sheet transactions				
Contingent liabilities	202'673	193'545	9'128	4,7
Irrevocable commitments	237'663	328'470	-90'807	-27,6
Commitments relating to calls on shares other equity securities	48'552	48'552	0	0,0
Confirmed credits	0	0	0	0,0

Income statement 2022

(in CHF thousands)

	Change			
	2022	2021	In CHF	In %
Interest and discount income	306'129	291'569	14'560	5,0
Interest and dividend income from trading operations	32	70	-38	-54,3
Interest and dividend income from financial investments	11'215	9'067	2'148	23,7
Interest expense	-58'144	-58'055	89	0,2
Net interest income before loan impairment charges/reversals	259'232	242'651	16'581	6,8
Changes in value adjustments for default risks and losses on interest transactions	-4'919	-14'794	-9'875	-66,8
Net interest income after loan impairment charges/reversal (NII)	254'313	227'857	26'456	11,6
Fees and commissions on securities and investment transactions	20'907	19'834	1'073	5,4
Fees and commissions on credit operations	2'096	1'957	139	7,1
Fees and commissions on other services	21'000	16'493	4'507	27,3
Fee and commission expense	-3'930	-3'398	532	15,7
Net fee and commission income	40'073	34'886	5'187	14,9
Net trading income and fair-value adjustments	10'908	9'708	1'200	12,4
Gains/losses on disposals of financial investments	-109	-30	79	>100,0
Income from participations	2'522	2'325	197	8,5
Real-estate income	916	726	190	26,2
Other ordinary income	1'708	763	945	>100,0
Other ordinary expenses	-247	-187	60	32,1
Other ordinary income	4'790	3'597	1'193	33,2
Total operating revenues	310'084	276'048	34'036	12,3
Personnel costs	-70'543	-62'443	8'100	13,0
Other operating expenses	-42'948	-38'863	4'085	10,5
Operating expenses	-113'491	-101'306	12'185	12,0
Value adjustments on participations, amortization on tangible and intangible assets	-18'658	-10'982	7'676	69,9
Changes in provisions and other value adjustments, losses	-4'185	-409	3'776	>100,0
Operating profit	173'750	163'351	10'399	6,4
Extraordinary income	0	0	0	0,0
Extraordinary expenses	0	0	0	0,0
Change in reserves for general banking risks	-25'000	-21'000	4'000	19,0
Taxes	-7'604	-7'262	342	4,7
Profit of the year	141'146	135'089	6'057	4,5
Retained earnings	504	415	89	21,4
Profit shown on the balance sheet	141'650	135'504	6'146	4,5
Appropriations				
Compensation for the State guarantee	46'000	44'000	2'000	4,5
Remuneration of the endowment capital	11'000	11'000	0	0,0
Allocation to fund reserve	84'000	80'000	4'000	5,0
Retained earnings	650	504	146	29,0

Cash flow statement as of 31 December 2022

(in CHF thousands)

	Reporting year		Previous year	
	Source	Use	Source	Use
Cash flow from operations:				
Net profit for the year	141'146		135'089	
Change in reserves for general banking risks	25'000		21'000	
Value adjustments on participations, depreciation on tangible and intangible assets	18'658		10'982	
Provisions and other value adjustments	3'054			2'703
Changes in value adjustments for default risks and losses	3'154		4'372	
Active delimitations	270			563
Passive delimitations		7'266		970
Payment to the State		55'000		62'000
Balance	191'282	62'266	171'443	66'236
Cash flow from investments				
Balance	0	0	0	0
Cash flow from investments:				
Participations		22'986		3'737
Real estate		3'151		2'037
Other tangible fixed assets	51	6'979		8'562
Balance	51	33'116	0	14'336
Cash flow from banking operations:				
Due to banks – short term		184'787	32'554	
Due to banks – long term		104'000	115'000	
Receivables from banks – short term	521'372			182'481
Receivables from banks – long term		49'965		
Liabilities arising from securities financing transactions – short term				35'000
Liabilities arising from securities financing transactions – long term				
Amounts due from securities financing transactions – short term			57'275	
Amounts due from securities financing transactions – long term				
Amounts due in respect of client deposits		736'118	878'294	
Amounts due from customers		203'610	130'868	
Mortgage loans		618'079		653'399
Negative replacement value of derivative financial instruments		36'516		45'042
Positive replacement value of derivative financial instruments		96'024		4'368
Cash bonds	34'065	39'728	36'501	33'245
Borrowings	140'000	200'000	240'000	300'000
Long-term borrowings	709'000	442'000	645'000	303'000
Financial investments		104'359		47'772
Trading operations		818	17	
Other liabilities	43'006			984
Other receivables	87'752		51'564	
Balance	1'535'195	2'816'004	2'187'073	1'605'291
Cash and cash equivalents status:				
Cash and cash equivalents	1'184'858			672'653
Balance	2'911'386	2'911'386	2'358'516	2'358'516

Statement of changes in equity as of 31 December 2022

(in CHF thousands)

	Endowment capital	Reserves for general banking risks	Retained earnings	Retained profit/loss	Result for the period	Balance
Equity at the beginning of the reporting period	70'000	642'000	1'459'000	135'504		2'306'504
Dividends and other distributions				-55'000		-55'000
Other allocations to (withdrawals) from reserves for general banking risks		25'000				25'000
Other allocations (withdrawals) from other reserves			80'000	-80'000		0
Profit/loss for the year					141'146	141'146
Equity at the end of the reporting period	70'000	667'000	1'539'000	504	141'146	2'417'650

Notes to the Financial statements

Comments on the activity

The Banque Cantonale de Fribourg (BCF) is a legal entity under public law distinct from the State. Its headquarters are in Fribourg.

Personnel

As of December 31, 2022, the bank had 489 employees (December 31, 2021: 474) representing 403 full-time jobs.

Activities

BCF offers the services of a local universal bank. It plays a key role in the Fribourg banking market thanks to its knowledge of the economic fabric and its strong presence. It offers its clients tailor-made solutions. It concentrates its activities in the following areas:

Interest operations

With a share of 82% of total revenues, interest operations are the main source of income. Advances are generally granted in return for mortgage cover on residential, commercial and industrial buildings. Commercial loans are granted in particular to SMEs in all economic sectors of the canton.

Changes in value adjustments for default risks and losses related to interest transactions are deducted from gross interest income and thus directly impact the interest margin.

The majority of interbank transactions are short- and medium-term. For long-term refinancing, BCF uses recourse to the capital market. It issues bonds in its own name at irregular intervals and, as a member of the Pfandbriefzentrale Schweizer Kantonalbanken participates in the bonds issued by this organisation.

Interest rate risks are managed mainly through interest rate swaps.

Customer deposits, including cash bonds, cover 75% of the advances to customers.

Commission and service business

The commission and service business accounts for 12,9% of total revenues. Securities trading, investment advisory, wealth management, and payment transactions make up the majority of the commission and service business. These financial services are used by private clients, institutional investors and commercial companies.

Trading business

Trading business, which accounts for 3,5% of total revenues, consists mainly of foreign exchange, precious metals and currency transactions carried out on behalf of clients. These transactions are carried out within specific limits, without any significant open positions.

Other areas of activity

To meet liquidity requirements, the bank manages its own securities portfolio. It consists mainly of fixed-interest positions that can be discounted with the Swiss National Bank for high-quality repo transactions (Repurchase and Reverse Repurchase Agreements). BCF operates through a network of 27 branches, including one online. It also operates 62 ATMs, 20 depomats and 11 self-service areas.

Outsourcing

In particular, BCF has outsourced IT-related activities to Swisscom (Switzerland) AG and document scanning to Swiss Post AG within the meaning of FINMA circular 2018/3 («Outsourcing - banks and insurers»).

Exceptional or subsequent events

Following the announcement of the takeover of Credit Suisse by UBS on Sunday, March 19, 2023, the Bank has conducted a detailed analysis of its positions with Credit Suisse. No significant risks were identified in this context.

Accounting and valuation principles

General principles

The accounting and reporting principles comply with the provisions of the Swiss Federal Law on Banks and Savings Banks and its implementing ordinance, the accounting regulations, i.e., the FINMA Accounting Ordinance and the FINMA Directive 2020/01 («Accounting for Banks»), as well as the Swiss Code of Obligations. The financial statements are established in accordance with the true and fair view principle (statutory individual accounts) as of December 31.

The figures in the notes and supplementary information have been rounded for publication purposes. Potential discrepancies in addition are therefore possible.

Recording of transactions

All transactions are recorded in the bank's books on the day they are concluded (trade date accounting).

Translation of foreign currency transactions and balances

Assets and liabilities expressed in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Income and expenses are translated at the exchange rates prevailing at the dates of the transactions. Gains and losses are recorded in the result of «Trading operations» or in «Other ordinary results».

Applied courses:	31.12.2022	31.12.2021
EUR	0,984	1,034
USD	0,922	0,913
GBP	1,114	1,232

Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at nominal value.

Loans and advances to banks and customers, mortgage loans

Loans and advances to customers and banks are recorded at nominal value. Impaired loans, i.e. loans for which there are indications that the contractual clauses will not be fully complied with, are valued at their liquidation value. After taking into account the collateral provided, the residual risk of loss on these receivables is covered by individual value adjustments. The valuation of individualized value adjustments takes into account all the client's liabilities.

A value adjustment is also made to cover the inherent risk of default on the non-impaired loan portfolio. Provisions are made for interest on impaired loans and loans with collection problems, or interest due and unpaid after 90 days.

Securities and precious metals held for trading

Securities and precious metals trading portfolios are always valued and carried on the balance sheet at fair value. Price gains and losses are recognized in the result of «Trading operations». Interest and dividend income from trading portfolios is recognized in the result of «Interest operations».

Financial assets

Interest-bearing securities classified as financial assets are recorded in the balance sheet at their acquisition value, with the premium or discount being amortised until the maturity of the securities (accrual method).

Other financial asset securities and precious metals are valued according to the lowest value principle. The balance of the adjustments in value is recorded under «Other ordinary expenses» or «Other ordinary income».

Properties held for resale are valued at the lower of cost or liquidation value. The liquidation value also takes into account the retention period of the properties.

Repurchase and reverse repurchase agreements

Repurchase and reverse repurchase agreements are accounted for as follows:

- The cash amounts exchanged are reported in the balance sheet under «Receivables from securities financing transactions», respectively «Liabilities arising from securities financing transactions».
- Securities transferred for collateral purposes do not require a balance sheet entry, as the transferring bank remains the beneficial owner.
- The subsequent disposal of securities received involves a balance sheet entry. This results in a non-monetary liability being recorded at market value.

Participations

Participating interests are valued at no more than their acquisition cost, less economically necessary depreciation.

In the case of participations in companies whose securities are listed on the stock exchange, the valuation is based on the stock exchange value, but not more than the acquisition cost.

Participations of an economic support or sponsoring nature, irrespective of the percentage holding, whose liquidation value is not significant, are valued at CHF 1 in the balance sheet.

Tangible fixed assets

Bank-owned buildings and land, carried at acquisition cost, are depreciated using the declining balance method based on their expected economic life. Land is not depreciated. Renovation work and investments are capitalised if the market value or value in use is increased on a permanent basis or if they lead to an increase in the useful life.

Fixed installations and conversions in own or leased bank premises, the costs of which exceed CHF 50'000, are capitalised and depreciated over a maximum life of 10 years. For leased premises, the remaining term of the lease is taken into account.

Other tangible fixed assets, such as furniture, machinery and vehicles, with a cost of more than CHF 5'000, as well as computer software licenses with a cost of more than CHF 50'000, are recorded in the balance sheet at their acquisition value and depreciated over their useful life, but over a maximum of 5 years.

The principle of individual valuation is applied.

Accrued expenses and deferred income

The timing of income and expenses for the year is recorded in the accruals and deferrals accounts.

Provisions

Provisions for operating risks and for the economically necessary default risks of off-balance-sheet liabilities are valued individually on the reporting date.

Value adjustments to balance sheet receivables are deducted from the corresponding items and are therefore not included in this position.

Reserves for general banking risks

Reserves for general banking risks are set aside to cover latent risks in the business by debiting the item «Changes in reserves for general banking risks». They are recognized as core capital within the meaning of the Swiss Federal Banking Ordinance and are not subject to tax.

Commissions on credit business

The bank records lending fees under «Interest income». Commissions on the conversion of variable rates into fixed rates are recorded under «Commission transactions».

Derivative financial instruments

As part of its Asset and Liability Management activities, the bank enters into interest rate swaps on its own behalf to hedge fixed-rate loans granted to customers. These hedging transactions are subject to periodic effectiveness tests. The results are recorded under the same income statement heading as the hedged transaction.

Trading positions in derivatives are valued at market prices.

The bank also carries out forward exchange transactions involving the purchase and sale of covered options on behalf of its clients and for its own account. The positive and negative replacement values of open derivative financial instruments on the balance sheet date are recorded under the heading «Positive replacement values of derivative financial instruments» and «Negative replacement values of derivative financial instruments» respectively. The volumes of all open contracts are shown off balance sheet.

Pension commitments

The Bank has an independent pension fund for the occupational benefits of its employees, known as the «Caisse de prévoyance du personnel de la Banque Cantonale de Fribourg», which is an institution under public law. The pension fund is registered with the Bernese supervisory authority for pension funds and foundations in accordance with Article 48 LPP.

The financial statements are prepared in accordance with Swiss GAAP FER 26.

The employer has no contribution reserves in the Fund.

As of 01.01.2023, 464 active insured and 200 pensioners are affiliated to the pension fund (previous year: 448 and 197).

The pension plan adopted is a so-called «defined contribution plan» and covers the usual pension risks, i.e. retirement and disability pensions, as well as the risk of death. The contributions paid by the bank to the pension fund for 2022 amounted to CHF 8,0 million (see table on page 68).

Taxes

Taxes are calculated on the basis of the bank's results and take into account the principle of linking to the reporting period.

Changes in accounting and valuation principles

The depreciation policy for tangible fixed assets has been updated. A new category for fixed installations and alterations in owned or leased premises has been created.

There were no other changes in accounting and valuation principles during the year 2022.

Factors influencing the bank's economic situation

The current economic developments, marked in particular by the war in Ukraine, inflation due to soaring energy and commodity prices, and rising interest rates are having a more or less negative impact on the financial situation of our clients, depending on the business sector. In addition, the increase in risks related to credit operations could eventually make it necessary to set aside additional value adjustments.

The bank's approach to risk management

As a financial institution, the bank faces the following specific risks:

- Risks of default by our counterparties
- Market risks, in particular interest rate risk and liquidity risk
- Operational risks including:
 - Legal and compliance risks
 - Reputation risk

The strategic framework for risk exposure (risk appetite), organisation, risk assessment principles, risk reporting and other operating principles for risk management and monitoring are defined in the «Framework Concept for Risk Management». This document, drawn up by the Executive Board (DIGE), is reviewed and adopted annually by the Board of Directors (BoD).

Risk management governance

BCF's risk management governance and organisation are defined according to the same basic principles for all risks. The main responsibilities for risk management are summarized as follows:

- The BoD adopts the bank's risk policy developed by the Executive Board (DIGE) and ensures that an effective internal control system (ICS) is in place.
- The Audit and Risk Committee (CAuR) monitors and evaluates the effectiveness of the risk policy and internal controls.
- The DIGE is responsible for the development, implementation and operation of risk management and the ICS. It establishes the guidelines and instructions that regulate responsibilities, competencies and risk control measures.
- To this end, the DIGE has set up a Risk Committee. Each month, the Committee analyzes the status of the main risks (credit, interest rate, market, liquidity, operational, compliance, legal, and reputation) and environmental and social risk factors. It compiles information and reports from the other committees to create an inventory of indicators in the form of a summary report.
- The Risk Management structural unit, headed by the Chief Risk Officer (CRO), coordinates risk management between the various units.

- The Compliance function aims to contribute to the bank's operations in compliance with the requirements of its area of competence. This includes, in particular, regulations concerning customer relations, the fight against money laundering and the financing of terrorism, market surveillance and institutional transparency.

Risk appetite - strategy

BCF's risk appetite is defined in a manner consistent with its strategy and business model as a universal bank with strong regional roots. BCF pursues a low-risk strategy, which is reflected in the following risk policy principles:

- BCF does not support transactions that can be described as questionable from an ethical, tax, legal, political or economic point of view.
- BCF avoids transactions that involve risks of conflicts of interest and environmental and political risks that are difficult to control.

BCF's strategy focuses on business with private and corporate clients (especially SMEs) and on asset management. Proprietary trading in securities is limited to CHF 30 million and is subject to the de minimis rule (Art. 83 OFR).

BCF manages a loan portfolio whose risks it is able to assume thanks to its own results and the structure of its equity capital. The refinancing of the loan portfolio must be covered mainly by customer funds.

Interest rate risks, which arise from mismatches between the size and terms (interest rate fixing maturities) of the bank's asset and liability positions, are limited by means of passive fixed-rate positions and derivative instruments.

Operational risks represent risks that the bank does not actively incur and are limited due to the bank's simple business model.

Risk assessment

The economic purpose of each transaction must be transparent, fully analyzed and in accordance with internal regulations. The definition of risk categories is in line with national and international regulations.

Each risk is assessed using approved methods and in an independent manner.

The assessment is based on an analysis of the probability of the risk occurring and its financial impact. A risk map is drawn up and reviewed every three months.

Risk tolerance and reduction

Based on its low-risk strategy, BCF has determined the extent to which it intends to take risks and has set a limit for each type of risk, respectively for each Risk indicator. These limits are strategic (BoD) or operational (DIGE). If a limit is exceeded, this is reported to the DIGE and by it to the CAuR and the Board of Directors.

The risks incurred are monitored by control measures that are an integral part of the internal control system. Internal guidelines and instructions define the controls for each area.

Stress scenarios are regularly carried out, particularly on the mortgage portfolio, interest rate risk, liquidity and equity.

The results of these scenarios are used to continuously improve the measures and controls put in place to mitigate risks.

Risk reports

The main purpose of risk reporting is to provide the various governing bodies with a summary of the status and evolution of the Bank's risks and to monitor compliance with the various limits.

The consolidated report on all of BCF's risks is prepared by Risk Management.

It assesses the economic environment and provides an in-depth understanding of trends in credit, market, liquidity and operational risks.

Default risks / credit risks

Default risk is described as the risk of loss resulting from a counterparty's failure to comply with contractual clauses and is of significant importance to the bank.

A regulation issued by the Board of Directors, entitled «Credit Policy», defines the objectives and principles governing business involving counterparty risk.

On this basis, a specific «Credit Management» directive dealing in particular with the system of competencies, criteria for analysis, granting, monitoring and quality standards, has been drawn up by the DIGE.

It applies to all of the bank's credit activities, with the exception of receivables from banks and insurance companies, and is intended to ensure a uniform authorization practice that is adapted to credit risks. As such, this document specifies the principles, guidelines and standards in force and aims to establish an appropriate framework and a uniform code of conduct for credit risk management on a regular, precise and complete basis.

All counterparties requiring credit approval are subject to risk assessment. The creditworthiness of counterparties is an essential component of the credit analysis. As such, any credit commitment requires prior analysis and definition of the counterparty's rating. The rating or risk class reflects the default risk of the borrower. The bank works with a counterparty rating scale based on twelve risk classes, including three classes for higher risks. In parallel, the bank relies on a segmentation by means of different risk models developed within the dedicated directive. Counterparty ratings are determined and managed by means of expert rating systems for the following client segments: private clients, corporate clients and real estate professionals. The expert rating systems for counterparty ratings used by the bank are provided by RSN Risk Solution Network AG.

In this way, the quality of the borrowers is assessed according to uniform creditworthiness criteria and the bank is also able to determine the conditions for each loan appropriately.

The bank distinguishes between the following three phases in the management of a loan:

- Analysis and granting of a loan
- The continuous monitoring of credits
- Processing of overdue and impaired loans.

Analysis and granting of a loan

A credit report is drawn up for each loan granted or each change to an existing loan within the scope of the Market Division's responsibilities. The Market Support Division is responsible for the final quality control of the credit data and the release and disbursement of the loans. The amount of the loans granted depends in particular on the borrower's ability to service the debt and the value of the collateral retained by the bank.

The debt service, corresponding to all the charges linked to the financing granted plus the charges linked to the other commitments of the borrower or the group to the bank and/or third-party institutions, must be able to be met throughout the life of the credit. In other words, the expenses must not exceed a certain threshold in relation to the income capacity of the borrower. The bank has thus set rules and limits in its dedicated directive.

The valuation of real estate is also governed by the «Credit Management» directive. In addition to the rules and criteria defined in the directive, the bank uses two third-party valuation systems: one for the valuation of investment properties using a capitalization model and one for the hedonic valuation of owner-occupied housing. Both systems are provided by Wüest Partner AG. The valuation is regularly reviewed in line with the principles of periodic internal credit monitoring.

The retained value is determined according to the type of financed object, that is to say:

- Single-family house, family home and apartment in PPE for the owner's use: real value method and hedonic model.
- Rental, commercial, administrative, industrial or handicraft building: yield value method.
- Agricultural holding subject to the Federal Law on Rural Land Rights: yield value method based on the maximum load as defined in the Federal Law on Rural Land Rights.
- Building land: real value method.

For investment properties, the capitalization rate takes into account, among other things, the risks associated with the evolution of interest rates as well as the characteristics and risks inherent to the property.

The bank applies specific advance rates for each type of financed property.

This principle, i.e. the definition of a maximum advance rate, also applies to the other types of securities accepted by the bank and which can be given to cover financing. Interbank transactions, including those involving derivatives, are carried out with top-quality banks within the framework of limits defined in advance and approved annually by the Board of Directors.

Monitoring

The bank's loan portfolio is subject to ongoing monitoring. In particular, monthly monitoring of compliance with credit limits is in effect.

On a regular basis and except for special events, each loan is subject to a periodic internal review based on its type, the rate of advance, the quality of the collateral and the rating of the counterparty. This review enables the bank to update its ratings on an ongoing basis and to communicate regularly with its counterparties, thereby ensuring effective monitoring of default risks throughout the life of the loans.

The quality of the entire portfolio is monitored on a quarterly basis by means of rating migration analyses. In addition, the mortgage portfolio is subjected to stress tests to measure the impact of a real estate crisis induced by the evolution of various economic factors.

Among other things, the loan portfolio is analyzed in terms of its geographical distribution and its concentration by economic sector. Periodic checks are carried out for this purpose. Large exposures, i.e. significant positions with respect to a debtor or an economic group, are reported and presented to the Board of Directors on a quarterly basis.

Overdue and impaired receivables

Overdue and impaired receivables are subject to a specific and individual procedure. As soon as the first signs of deterioration appear, the receivables are classified in one of the higher risk categories. This could be, for example, unpaid overruns, overdue and unpaid interest or, more generally, a deterioration in the financial situation of the borrower. The receivables concerned are constantly monitored and those belonging to the three most important risk classes are analyzed and valued at their liquidation value. If necessary, an individual value adjustment is calculated and made. The value adjustment is the difference between the book value of the receivable and its probable realizable value.

When the value adjustment is first made, the expense is entered globally under the heading «changes in value adjustments for default risk and losses from interest transactions». Releases of value adjustments or provisions that have become free are also recorded under «changes in value adjustments for default risk and losses from interest transactions». In the event of changes in credit utilization, the bank makes a non-income-relevant reclassification between the value adjustment applicable to the corresponding balance sheet position and the provision made for the undrawn portion of the limit. The individual value adjustments are offset on the assets side of the balance sheet against the corresponding active positions.

Interest due and unpaid for more than 3 months, i.e. impaired interest, are automatically and fully classified as provision.

Amounts recovered from receivables written off in previous years are released through the income statement item «changes in value adjustments for default risks and losses from interest transactions».

At the end of each quarter, each receivable is reassessed and the value adjustment is adjusted if necessary. This process is supported by a dedicated application that automates the validation steps according to the defined competences.

Non-impaired receivables

Non-impaired receivables arise from situations where it is likely that the debtor will be able to meet its future commitments.

As a category 3 bank in accordance with Appendix 3 OB, the bank is obliged under Article 25 para. 1 letter b of the Ordinance on the Swiss Financial Market Supervisory Authority (FINMA) to make value adjustments for inherent risks of default on non-impaired receivables.

Inherent risks of default result from risks present on the balance sheet date in an apparently healthy loan portfolio, which will only be realized later.

Accordingly, the inherent default risks of non-impaired loans, i.e. loans classified in rating categories 1 to 9, are also subject to value adjustments according to an internal model.

The internal model is based on the following components:

- a value adjustment rate (risk factor) expressed in percent and applied to the volume of each rating class concerned
- annual change in real estate prices expressed in percent according to the transaction price index for condominiums and villas issued by Wüest & Partner SA
- annual variation of the gross domestic product of the canton of Fribourg expressed in percentages according to the data of the statistics service of the Canton of Fribourg (SStat).

All receivables from banks, customers and public sector entities, as well as debt securities held to maturity, are included in the balance sheet or off-balance sheet. The risk factors are valid for the entire current accounting period. They are reviewed annually by the FINA division and adjusted if necessary. Annual changes in the components of the internal model are taken into account in the analysis.

Changes in the risk factors used to determine the value adjustments for inherent default risks are disclosed, where applicable, in these notes to the annual financial statements, respectively in the notes to the half-yearly financial statements.

Since 2015, the adjustment rates applied to each rating class have remained unchanged. The elements taken into account in their annual review have not led to any adjustments.

Value adjustments for inherent default risks are created, used or released via the item «changes in value adjustments for default risks and losses from interest transactions», or via «changes in provisions and other value adjustments» for off-balance sheet positions.

The use of the value adjustment for inherent risks of default may occur in the event of a sudden and significant loss on an unimpaired position. The amount used must be reconstituted within a maximum of five years, in accordance with article 25 paragraph 7 of the OEPC.

This replenishment period will also apply if the value adjustment for inherent risks is used to create individual value adjustments for impaired loans.

Any shortfall in this respect, i.e. the difference between the amount of the adjustment actually made and the amount calculated according to the internal method, is disclosed in the annual report in accordance with Article 25 para. 8 of the Swiss Federal Law on Insurance.

As of December 31, 2022, the need for value adjustments for inherent risks is fully covered.

Market risks

Market risks represent the potential for losses due to fluctuations in exchange rates, interest rates, securities prices and indices on all positions held by the bank. Liquidity risk is also included in this risk category.

Interest rate risk

Interest rate risk arises from mismatches between the size and terms (rate-setting maturities) of the bank's asset and liability balance sheet positions. For variable positions (variable-rate mortgages, savings and current accounts), models are used to replicate as closely as possible the pace and magnitude of changes in client rates in response to changes in market rates. Movements in the market yield curve, and the resulting changes in client behavior, are the source of interest rate risk. These changes directly affect interest income and the present value of the bank's equity.

Through its Asset and Liability Management (ALM) Committee, the bank monitors various indicators relating to interest rate risk on the balance sheet:

Static indicators. The bank calculates the duration of equity capital on a monthly basis, as well as the sensitivity of the value of equity capital to an interest rate shock.

Dynamic indicators. The bank establishes quarterly interest rate and business scenarios combined with a refinancing/hedging strategy.

These dynamic simulations take into account the behavior of clients according to the interest rate scenarios and make it possible to simulate the interest margin, the duration of equity capital and the economic value of equity capital over different periods.

In order to measure, assess, limit and manage this risk, a management and monitoring policy has been put in place by the ALM Committee. Strategic limits are approved annually by the Board of Directors.

The bank uses derivative financial instruments (IRS) as part of its asset and liability management activities, mainly to manage its exposure to interest rate risk. These transactions are recorded as «micro hedges» and thus only their net interest flow impacts the income statement under «Interest and discount income».

No ineffectiveness was observed at December 31, 2022.

Operational management of interest rate risk is carried out by the ALMT structural unit.

Liquidity risk

Liquidity risk is the risk that the bank will not have sufficient resources to meet its commitments at all times and on a continuous basis.

The bank monitors its exposure to liquidity risk by producing schedules of outstanding balance sheet items and by calculating balance sheet structure ratios. It also develops stress scenarios and carries out dynamic simulations of the future balance sheet structure. Using leading indicators, the bank anticipates the occurrence and impact of potential crises and has drawn up a plan of measures for this purpose. These simulations enable the bank to define its refinancing program on the capital market.

It thus complies with the quantitative and qualitative requirements of FINMA circular 2015/2.

Operational liquidity risk management is carried out by the ALMT structural unit.

Other market risks

Other market risks, including foreign exchange risk and security price risk, are constantly monitored within the limits set. The majority of the Bank's transactions are customer transactions. In principle, these transactions are carried forward to the market to cover the risk of losses. The residual exchange risk on foreign currency positions is thus limited.

Operational risks

Operational risks are defined as risks that the bank does not actively incur. They result from incorrect processing of transactions, non-compliance with standards or rules, or inadequate instructions.

Operational risks include the risk of non-compliance in the sense of a failure to comply with standards, rules, and legal and regulatory requirements. This definition also includes legal, compliance and reputation risks. Finally, other operational risks arise from exogenous factors that cannot be influenced by the bank.

The identification and management of these risks are important to avoid significant losses and to maintain the bank's reputation. Operational risks are limited by an adequate organisation and by the implementation of an appropriate and efficient internal control system (ICS) that respects, as far as possible, the principle of separation of functions. In this way, the bank ensures that it complies at all times with the regulatory requirements and the duties of care incumbent on financial intermediaries. This is achieved in particular by

constantly monitoring the prudential and legal developments of the supervisory authority and the legislator. The bank's internal regulations, directives and instructions govern the internal organisation, responsibilities, competencies and control measures of the various procedures. They are regularly updated to meet requirements.

BCF's ICS is supported by an integrated IT solution that enables the inventory and evaluation of risks, as well as the monitoring of the quality of controls carried out. A quantitative and qualitative quarterly report is drawn up and submitted to the bank's governing bodies.

Confirmed incidents and related losses are reported and inventoried with the aim of improving the control system for these risks.

In addition, a Business Continuity Management (BCM) plan has been put in place to ensure the functioning of the bank's essential operations in the event of a major internal or external operational risk event.

Data protection

The processing of customer data and the related security are handled in strict compliance with data protection legislation and FINMA circular 2008/3 «Operational Risks - Banks». Governance, as well as technical, organisational and infrastructural measures have been put in place to ensure optimal security of CID (Client Identifying Data). In addition, employees who process CID are regularly made aware of the importance of complying with the standards and measures, through awareness campaigns and training, which are also addressed to interested customers. With regard to cybersecurity in particular, the effectiveness of the system is regularly reassessed and its resistance to cyberattacks tested. In addition, the bank relies on specialized information sources, including NCSC and Switch-CERT. In particular, it monitors the following categories of cyber attacks in collaboration with its service providers: malware attacks, cyber espionage, sophisticated cybercrime, denial of service attacks (DoS or DDoS), social engineering and unauthorized access. For each category of threat, measures have been defined to identify threats specific to the bank, protect critical assets, and detect and respond to cyberattacks. Crisis governance and related exercises complement the protective measures in place to ensure that the bank's operations can be reasonably maintained in the event of an attack.

Quantification methods

The following quantification methods are used to calculate the required equity capital:

Credit risks: SA-BIZ

Market risks: de minimis approach

Operational risks: Basic Indicator Approach (BIA)

Information relating to the balance sheet

Breakdown of securities financing transactions (assets and liabilities)

(in CHF thousands)

	Reporting year	Previous year
Book value of claims arising from cash collateral pledged in connection with securities borrowing or reverse repurchase agreements*	0	0
Book value of liabilities arising from cash collateral received in connection with securities lending or repurchase agreements*	0	0
Book value of securities held for own account, lent or transferred as collateral in connection with securities borrowing or repurchase agreements		
- Of which those that can be sold or repledged without restriction		
Fair value of securities received as collateral in connection with securities lending and those received in connection with securities borrowing and under reverse repurchase agreements, which can be sold or repledged without restriction	0	0
- Of which securities repledges as collateral	0	0
- Of which sold securities		

* Before netting agreements

Risk mitigants for loans and off-balance-sheet transactions

Impaired loans

(in CHF thousands)

	Type of risk mitigant			Total
	Mortgage	Others	Unsecured	
Loans (before impairment charges/reversals)				
Amounts due from customers	550'814	995'121	1'782'608	3'328'542
Mortgages	18'411'670		7'562	18'419'232
- Residential real estate	14'657'513			14'657'513
- Office and business premises	1'203'834			1'203'834
- Commercial and industrial property	1'052'048			1'052'048
- Other	1'498'274			1'498'274
Loans (before impairment charges/reversals)				
Reporting year	18'962'484	995'121	1'790'170	21'747'775
Previous year	18'242'340	1'050'099	1'633'643	20'926'083
Loans (after impairment charges/reversals)				
Reporting year	18'867'430	912'075	1'790'170	21'569'675
Previous year	18'148'758	985'631	1'616'750	20'751'139
Off-balance-sheet transactions				
Contingent liabilities	14'050	10'510	178'113	202'673
Irrevocable commitments			237'663	237'663
Commitments relating to calls on shares and other equity securities			48'552	48'552
Confirmed credits				
Off-balance-sheet transactions				
Reporting year	14'050	10'510	464'328	488'888
Previous year	13'728	13'079	543'761	570'567

Impaired loans

(in CHF thousands)

	Gross receivables	Realization value of risk mitigants*	Net receivables	Individual impairment charge/reversal
Reporting year	314'091	229'466	84'625	88'825
Previous year	322'854	241'684	81'170	85'496

* Debt/realization value per client: the lower of the two amounts is taken into account. The BCF determines the individual value adjustments on the basis of the credit limits granted, the total positions of the clients concerned and the impaired interests. The individual value adjustments therefore exceed the net amount of impaired loans.

Trading portfolio assets and liabilities / other financial assets and liabilities at fair value

(in CHF thousands)

	Reporting year	Previous year
Assets		
Trading portfolio assets	2'820	2'002
Debt securities		
- Of which listed on a recognized stock exchange		
Equity securities	1'142	244
Commodities and precious metals	687	716
Other	991	1'043
Total	2'820	2'002
- Of which determined using a valuation model		
- Of which securities eligible for repurchase agreements in accordance with liquidity regulations		

No passive transactions as of December 31, 2022.

Derivative financial instruments (assets and liabilities)

(in CHF thousands)

	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Value of underlying asset	Positive replacement value	Negative replacement value	Value of underlying asset
Interest-rate instruments						
- Swaps				103'032	59'953	3'032'000
Foreign currencies and precious metals						
- Forward contracts and swaps	2'974	2'740	206'166			
Total before netting agreements:						
Reporting year	2'974	2'740	206'166	103'032	59'953	3'032'000
- Of which determined using a valuation model				103'032	59'953	3'032'000
Previous year	1'820	1'748	79'638	8'161	97'462	3'195'000
- Of which determined using a valuation model				8'161	97'462	3'195'000
Total after netting agreements:	Positive replacement value			Negative replacement value		
Reporting year	106'006			62'693		
Previous year	9'982			99'210		

Breakdown by counterparty:

	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement value (after netting agreements)		104'785	1'221

Financial investments

(in CHF thousands)

	Book value		Fair value	
	Reporting year	Previous year	Reporting year	Previous year
Debt securities	1'219'010	1'211'797	1'134'403	1'243'927
- Of which securities intended to be held until maturity	1'219'010	1'211'797	1'134'403	1'243'927
- Of which securities available for sale				
Equity securities	232'333	131'528	251'051	153'306
- Of which significant participations (minimum of 10% of capital or voting rights)				
Precious metals	780	780	8'906	8'820
Real estate	22'349	26'009	22'349	26'009
Total	1'474'473	1'370'114	1'416'709	1'432'063
- Including securities eligible for repurchase agreements in accordance with liquidity regulations	995'748	1'006'211		

Counterparty breakdown

(in CHF thousands)

	Best quality	High quality	Average quality	Speculative	In default	not rated
Debt securities: book value	1'055'214	98'718	65'078			

Participations

(in CHF thousands)

	Reporting year									
	Cost	Accumulated depreciation and write-offs	Book value at year-end	Change in allocation	Investments	Divestments	Depreciation and write-offs	Value adjustments in case of equity method / reversal of depreciation	Book value at year-end	Market value
Other participations										
- Listed	2'490	0	2'490	-2'490					0	
- Unlisted	65'771	-17'973	47'798	-42	25'218		-8'200		64'774	
Participations total	68'261	-17'973	50'288	-2'532	25'218		-8'200		64'774	

Compagnies in which the bank has a significant long-term direct or indirect holding

(in CHF thousands)

Company name and headquarters	Main business	Capital (in 1'000)	% of share capital held	% of voting rights held	% of stake held directly	% of stake held indirectly
Investissements Fonciers SA, Lausanne	Fund management	1'000	28,0	28,0	28,0	0
Capital Risque Fribourg SA, Fribourg	Investment company	12'000	31,6	31,6	31,6	0
EdgEvooq Holding SA, Fribourg	Investment company	369	30,7	32,6	30,7	0
BCF SICAV, Fribourg	Real estate funds	500	100,0	100,0	100,0	0

BCF does not prepare consolidated financial statements, as the requirements in this respect are not met.

The theoretical value of the participations in which the bank could nevertheless exercise a significant influence, according to the equity method, amounts to CHF 55,494 million (CHF 52,353 million the previous year). The difference in value of CHF 3,141 million would thus have a positive impact on the bank's result.

Participations of an economic support or sponsoring nature, irrespective of the percentage holding, whose liquidation value is non-material, are valued at CHF 1 on the balance sheet.

Tangible fixed assets

(in CHF thousands)

	Reporting year								
	Acquisition value	Accumulated depreciation and write-offs	Book value at end of previous year	Changes in allocation	Investments	Divestments	Depreciation and write-offs	Repossessions	Book value at year-end
Bank premises	170'280	-115'293	54'987	1'359	3'039		-2'158		57'227
Other real estate	12'676	-9'824	2'852		113		-41		2'923
Computer programs separately acquired or internally developed	18'694	-12'367	6'327		6'302		-6'589		6'040
Other tangible fixed assets	7'902	-3'241	4'661	-1'359	677	-51	-1'370		2'558
Tangible fixed assets	209'553	-140'725	68'827	0	10'129	-51	-10'158		68'747

Other assets and liabilities

(in CHF thousands)

	Other assets		Other liabilities	
	Reporting year	Previous year	Reporting year	Previous year
Offset accounts		89'228	43'313	
Order accounts	3'830	2'248	3'137	3'073
Coupons / coupons and securities due			18	428
Indirect taxes	2'212	2'318	2'041	2'002
Total	6'042	93'794	48'509	5'503

Assets pledged or assigned as collateral for own liabilities*

(in CHF thousands)

	Amount or book value of pledge	Real liability
Total assets pledged or assigned		
Securities deposited as collateral for SNB Lombard loan	59'033	0
Mortgage-backed securities to cover claims pledged to the Pfandbriefzentrale Schweizer Kantonalbanken	5'676'452	4'349'000

* Without securities financing transactions (see separate breakdown of related transactions on page 63).

Commitments relating to own occupation pension funds as well as shares held by own occupation pension funds

(in CHF thousands)

	Reporting year	Previous year
Amounts due in respect of client deposits	45'000	48'978
Cash bonds	3'000	3'000
Total	48'000	51'978

Economic situation of own occupational pension funds

(in CHF thousands)

Economic benefit/liability and pension expenses	Economic share of the bank / financial group		Change in the economic share compared to the previous year (economic benefit / commitment)	Contributions paid for reporting year	Pension costs in personnel expenses	
	Surplus / deficit at reporting year end	Reporting year	Previous year		Reporting year	Previous year
Pension plans with no surplus or shortfall				8'037	8'037	7'022

The assessment is based on the annual financial statements of the pension fund as at 31.12.2021. As of 31.12.2021, the coverage ratio of the Pension Fund is over 100%. Further information is provided on page 56 under «Pension liabilities».

Outstanding bonds

(in CHF thousands)

Year of issue	Rate in %	Reimbursement	Nominal value
2013	1,125	28.03.2023	200'000
2014	1,250	03.06.2024	150'000
2015	0,550	03.02.2025	350'000
2018	0,200	20.02.2026	200'000
2017	0,300	17.02.2027	200'000
2015	0,600	09.04.2027	150'000
2012	1,450	07.06.2027	175'000
2019	0,500	23.02.2028	260'000
2019	0,250	24.05.2029	200'000
2020	0,000	26.02.2030	200'000
2020	0,140	12.06.2030	165'000
2021	0,000	05.02.2031	240'000
2022	0,313	02.02.2032	140'000
2019	0,100	01.11.2044	255'000
Total reporting year			2'885'000
Total previous year			2'945'000

None of the bonds issued by BCF can be called in for redemption before the maturity date.

Bonds and mortgage-backed bonds

(in CHF thousands)

Total reporting year	4'349'000
Total previous year	4'082'000

Provisions, reserves for general banking risks and variation during reporting year

(in CHF thousands)

	Status at end of previous year	Used as allocated	Changes in scope	Currency translation differences	Recoveries, overdue interest	New provisions changed to income statement	Releases credited to income statement	Status at end of reporting year
Provisions for credit risks	2'768					325	-1'102	1'991
Provisions for other operating risks	100							100
Other provisions	4'270	-169				4'000		8'101
Total provisions	7'138	-169				4'325	-1'102	10'192
Reserves for general banking risks	642'000					25'000		667'000
Provisions for credit risk and country risk	176'826	-2'728				6'057	-903	179'251
- Of which provisions for impaired loans	85'496	-2'728				6'057		88'825
- Of which provisions for non-impaired loans	91'329						-903	90'426

Share capital

(in CHF thousands)

	Reporting year	Previous year
Endowment capital	70'000	70'000

The endowment capital is made available in its entirety by the Canton of Fribourg, in accordance with the law on the Banque Cantonale de Fribourg.

Receivables and commitments with respect to related parties

(in CHF thousands)

	Receivable		Commitment	
	Reporting year	Previous year	Reporting year	Previous year
Significant shareholder *		25'000	572'080	713'217
Affiliated companies *	165'533	134'783	126'159	105'182
Governing cases **	20'904	24'541	9'690	10'734
Other related parties *			48'000	51'978

* Transactions were granted on the terms for customers.

** Transactions with members of the Board of Directors and with members of the Executive Board were granted on the standard terms for customers, respectively on those on the standard terms for BCF employees.

Maturity structure of financial instruments

(in CHF thousands)

				Maturity						
		Sight	Callable	up to 3 months	3 to 12 months	12 months to 5 years	Over 5 years	Fixed assets	Total	
Assets / Financial instruments										
Cash and cash equivalents		3'466'794							3'466'794	
Receivables from banks		98'843		383'400		49'965				532'207
Amounts due from securities financing transactions										
Amounts due from customers		4'955	729'521	410'282	338'906	992'667	772'107			3'248'436
Mortgage loans		10'087	1'729'308	917'206	1'606'600	8'356'162	5'701'874			18'321'239
Trading portfolio assets		2'820								2'820
Positive replacement value of derivative financial instruments		106'006								106'006
Financial investments		308'769		11'999	89'614	505'912	535'831	22'349		1'474'473
Total	Reporting year	3'998'273	2'458'829	1'722'886	2'035'119	9'904'706	7'009'812	22'349		27'151'975
Total	Previous year	5'208'628	1'422'200	2'180'179	2'421'121	9'007'159	7'523'206	26'009		27'788'502
Foreign funds / Financial instruments										
Due to banks		41'124		5'000	160'000	687'000	485'000			1'378'124
Repurchase agreements										
Amounts due in respect of client deposits		4'495'337	8'355'590	218'470	198'910	1'692'800	832'247			15'793'355
Negative replacement value of derivative financial instruments		62'693								62'693
Cash bonds				20'444	23'290	176'105	73'724			293'563
Bonds and mortgage-backed bonds				294'000	170'000	2'761'000	4'009'000			7'234'000
Total	Reporting year	4'599'155	8'355'590	537'914	552'200	5'316'905	5'399'971			24'761'735
Total	Previous year	5'548'515	8'298'148	479'146	863'059	4'514'134	5'918'816			25'621'819

Notes to off-balance-sheet transactions and to income statement

Contingent liabilities

(in CHF thousands)

	Reporting year	Previous year
Credit hedging commitments	295	441
Bid guarantees	202'378	193'104
Total contingent liabilities	202'673	193'545

Fiduciary transactions

(in CHF thousands)

	Reporting year	Previous year
Fiduciary investments with third parties	0	207

Net trading income

(in CHF thousands)

	Reporting year	Previous year
Securities transactions / realized and unrealized income	-74	126
Currencies	10'788	9'433
Precious metals	194	148
Net trading income	10'908	9'708

Disclosure of significant refinancing income under interest and discount income and significant negative interest

(in CHF thousands)

	Reporting year	Previous year
Negative interest		
Negative interest on active operations (reduction of interest income)	-2'809	-6'426
Negative interest on passive operations (reduction of interest expenses)	3'818	4'553

Personnel costs

(in CHF thousands)

	Reporting year	Previous year
Fixed and variable compensation	50'178	48'481
Employee benefits / Contribution to staff pension funds	17'726	11'779
Other personnel expenses	2'639	2'184
Total personnel costs	70'543	62'443

Other operating expenses

(in CHF thousands)

	Reporting year	Previous year
Premises	4'465	4'951
IT and communication costs	20'509	19'566
Machinery, furniture and vehicles costs	172	172
Auditor fees	395	377
- Of which for financial and prudential audits	350	375
- Of which for other services	45	2
Other operating expenses	17'408	13'797
Total other operating expenses	42'949	38'863

Comments on significant losses and extraordinary income

(in CHF thousands)

	Reporting year	Previous year
Extraordinary income	0	0
Extraordinary expenses	0	0

Taxes and payments to Fribourg communities

(in CHF thousands)

	Reporting year	Previous year
Payments to Fribourg communities		
Cantonal, municipal and parish taxes	7'604	7'263
Compensation for cantonal guarantee	46'000	44'000
Remuneration of the endowment capital	11'000	11'000
Total	64'604	62'263
Weighted average tax rate *	37,18%	38,12%
Tax payment details		
Cantonal taxes	4'238	4'134
Municipal taxes	3'016	2'800
Parish taxes	350	329
Total paid taxes	7'604	7'263
Weighted average tax rate *	4,38%	4,45%

* Based on operating profit



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To the Grand Council of the Canton of Fribourg

of the Cantonal Bank of Fribourg, Fribourg

Geneva, 23 March 2023

Translation of the statutory auditor's report (French version)

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Fribourg Cantonal Bank (the Company), which comprise the statement of financial position as at 31 December 2022, the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework for banks and comply with the Swiss law and law on the Cantonal Bank of Fribourg.



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.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Valuation of loans and advances to customers and mortgages

Risk Lending operations constitute the Bank's main activity. Advances to customers amounted to CHF 21.5 bn at 31 December 2022, an increase of CHF 818 m or 3.9% compared to 31 December 2021, and represent 79% of the Bank's balance sheet total.

Their assessment is based on an internal control system set up by the Bank to limit and manage credit risks. All credit commitments require prior analysis and definition of a counterparty rating, which allows for an assessment of the credit risk on a scale of 1 to 12 (1 being the best credit rating and 12 the worst).

Subsequently, each receivable is subject to a periodic internal review at a frequency defined in the credit manual. Based on these ratings, overdue and non-performing loans are identified and are subject to a specific procedure.

The identification of risks and the evaluation of the corresponding value adjustments are thus based on ratings and analyses that involve a significant degree of judgment on the part of the General Management. Given the volume of loans granted, the assessment of customer loans and mortgages is considered a key element of the audit.

The procedures for monitoring and handling overdue and non-performing loans are set out on the notes to the financial statements.

The amounts of value adjustments are shown on the notes to the financial statements.

Our audit response Our work consisted in assessing and testing the key controls relating to the granting (compliance with internal directives and validation competencies), recording, release and monitoring of loans, as well as the methodology for identifying default risk and assessing value adjustments.

In addition, we have performed detailed procedures which consisted in particular in:

- verifying, on the basis of a sample of overdue receivables, their correct treatment and recording in the accounts, as well as their validation by the competent authorities;
- verifying the correct treatment and accounting of interest on impaired receivables;
- verifying, based on a sample of impaired receivables, their correct treatment and accounting in the accounts, as well as their validation by the competent authorities;
- verifying the general IT controls relating, in particular, to the Finnova and CreditMaster IT systems;
- verifying, based on a sample of "non-impaired" loans, that there are no indications that the evaluation of the credits was not appropriate, and that the classification of the latter was erroneous.

Finally, we have audited the compliance with the accounting standards applicable to banks with regard to the valuation and presentation of advances to customers and mortgages in the financial statements.



Our audit procedures did not give rise to any reservations regarding the valuation of loans and advances to customers and mortgages.

Assessment of the latent risk of default

Risk

The assessment of the latent risk of default on the non-impaired loan portfolio, respectively on receivables not covered by individual value adjustments, is also considered a key element of the financial audit because of the potential impact on the result and the margin of appreciation in defining the method to be applied.

The calculation corresponds to the provisioning based on an individual loss rate fixed for each of the first nine rating classes. The current rates are justified by the Bank by considering the evolution of its loan portfolio, the volume of new loans granted, the evolution of the real estate market and its risk analysis.

The amounts of these value adjustments are the subject of an internal procedure describe on the notes and the amounts are presented on the notes to the annual accounts.

Our audit response

We have performed the following procedures:

- verification of the determination of the amount of the value adjustments for latent risk;
- review of the loss rates applied to the rating classes and the underlying assumptions.

Our audit procedures did not give rise to any reservations regarding the assessment of the latent risk of default



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, which give a true and fair view in accordance with the applicable financial reporting framework for banks, with the Law on the Cantonal Bank of Fribourg, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using



the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements



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

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Law on the Cantonal Bank of Fribourg. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Didier Müller
Licensed audit expert
(Auditor in charge)

Matthieu Siffert
Licensed audit expert

Equity and liquidity as of 31 December 2022

Key regulatory figures

(in CHF thousands)

	31.12.2022	30.06.2022	31.12.2021
Equity taken into account (CHF)			
1 Common equity tier 1 (CET1)	2'360'650	2'251'504	2'251'504
2 Tier 1 Capital (T1)	2'360'650	2'251'504	2'251'504
3 Total equity	2'362'642	2'254'573	2'254'272
Risk-weighted assets (RWA) (CHF)			
4 RWA	12'765'911	12'483'041	12'225'400
4a Tier 1 Capital (T1)	1'021'273	998'643	978'032
Risk-based capital ratios (as % of RWA)			
5 CET1 Ratio (%)	18.49%	18,04%	18,42%
6 Core capital ratio (%)	18.49%	18,04%	18,42%
7 Total capital ratio (%)	18.51%	18,06%	18,44%
CET1 requirements (as a % of RWA)			
8 Capital adequacy ratio according to the Basel minimum standard	2,50%	2,50%	2,50%
9 Countercyclical capital buffer (Art. 44a OFR) according to the Basel minimum standard	0,00%	0,00%	0,00%
10 Additional capital buffer under international or national systemic risk (%)	0,00%	0,00%	0,00%
11 Total requirements of the Basel minimum standard, in CET1 quality (%)	2,50%	2,50%	2,50%
12 CET1 available to cover buffer requirements according to the Basel minimum standard (after deducting CET1 allocated to cover minimum requirements and, if applicable, to cover TLAC requirements) (%)	10.51%	10,06%	10,44%
Target capital ratios according to Appendix 8 of the OFR (in % of RWA)			
12a Equity ratio according to Appendix 8 OFR (%)	4,00%	4,00%	4,00%
12b Countercyclical capital buffer (Art. 44 and 44a OFR) (%)	1,12%	0,00%	0,00%
12c CET1 target ratio (in %) according to Appendix 8 of the OFR increased by the countercyclical buffers according to Articles 44 and 44a OFR	8.92%	7,80%	7,80%
12d T1 target ratio (in %) according to Appendix 8 of the OFR increased by the countercyclical buffers according to Articles 44 and 44a OFR	10.72%	9,60%	9,60%
12e Overall equity ratio target (in %) according to Appendix 8 of the OFR increased by the countercyclical buffers according to Articles 44 and 44a OFR	13.12%	12,00%	12,00%
Basel III leverage ratio			
13 Global commitment (CHF)	27'721'986	28'290'340	28'434'741
14 Basel III leverage ratio (core capital as % of total commitment)	8.52%	7,96%	7,92%
Liquidity ratio (LCR)			
15 LCR numerator: sum of high quality liquid assets (CHF)	4'390'510	4'629'024	5'780'595
16 LCR denominator: net cash outflow (CHF)	2'311'250	2'185'765	2'730'489
17 Liquidity ratio, LCR (in %)	190%	212%	212%
Funding ratio (NSFR)			
18 Stable available refinancing (in CHF)	24'008'507	24'210'373	23'887'477
19 Stable refinancing required (in CHF)	17'268'498	16'725'835	17'423'145
20 Funding ratio, NSFR (in %)	139%	145%	137%

Overview of risk-weighted assets (RWA)

(in CHF thousands)

	RWA 31.12.2022	RWA 30.06.2022	Minimum equity 31.12.2022
1 Credit risk (without CCR - counterparty credit risk)	11'971'994	11'714'229	957'760
2 Of which determined by the standard approach (SA)	11'971'994	11'714'229	957'760
6 Counterparty credit risk CCR	10'849	7'112	868
7b Of which determined by the market value method	10'849	7'112	868
10 Risk of change in value of derivatives (CVA)	13'429	11'187	1'074
13 Investments in collectively managed investments - mandate-based approach	188'116	190'675	15'049
14 Investments in pooled investments - fallback approach	13'831	7'889	1'106
20 Market risk	8'418	6'720	673
21 Of which determined according to the standard approach	8'418	6'720	673
24 Operational risk	559'274	545'229	44'742
27 Total	12'765'911	12'483'041	1'021'273

Table - statistics

Overview of some balance sheet items and annual results from 2012 to 2022

(in CHF thousands)

	Commitments to customers in the form of savings and investments	Other com- mitments to customers	Cash bonds	Amounts due from customers	Mortgage loans	Profit for the year	General legal reserve	Payment to the State of Fribourg	Payment to municipal- ities and parishes	Balance Sheet sum
2012	5'726'338	5'503'588	286'291	2'901'558	11'070'394	113'346	753'000	45'100	8'890	16'271'192
2013	5'899'583	5'502'905	237'379	3'123'945	12'182'783	118'884	831'000	48'900	8'605	17'664'901
2014	6'017'496	5'584'111	230'746	3'153'753	12'801'440	120'172	911'000	53'000	8'800	18'790'108
2015	6'048'407	6'165'552	248'410	3'068'517	13'433'871	122'690	988'000	55'000	9'000	20'623'237
2016	6'193'006	6'203'723	231'070	3'000'335	14'123'667	123'687	1'066'000	55'800	9'250	21'560'833
2017	6'487'431	6'489'395	213'147	2'912'767	14'666'367	126'365	1'144'000	57'224	9'533	21'996'450
2018	6'868'944	6'944'332	224'576	3'081'746	15'427'864	128'765	1'224'000	58'990	9'964	22'926'714
2019	7'313'619	6'866'847	264'550	3'121'864	16'242'304	131'611	1'305'000	60'033	10'034	24'639'422
2020	8'074'448	7'576'730	295'970	3'187'449	17'045'531	133'344	1'388'000	66'353	3'590	26'714'326
2021	8'367'783	8'161'689	299'226	3'046'747	17'704'392	135'089	1'459'000	59'134	3'129	28'034'820
2022	8'582'650	7'210'705	293'563	3'248'436	18'321'239	141'146	1'539'000	61'238	3'366	27'324'676

Appendix Board of Directors

Professional career

Other activities



Alex Geissbühler is a qualified lawyer. After working in the legal and compliance department of the Berner Kantonalbank, he held various responsibilities as a senior partner at KPMG AG and Capco. He is a founding member and partner of Geissbühler Weber & Partner AG and is currently the Chairman of the Board of Directors, without operational functions. Alex Geissbühler is Chairman of the Foundation Board of the Banque Cantonale de Fribourg Foundation and Chairman of the Compensation Committee of the BCF.

Vice-Chairman of the Board of Directors of the Chamber of Commerce and Industry of the Canton of Fribourg; Director of the DAS Compliance Management course at the University of Lucerne; member of the Board of the Foundation of the University of Fribourg.



Urs Peter Gauch has a degree in economics and has completed the Swiss Banking School. An Advanced Management Program (AMP) at Harvard Business School in Boston and a Breakthrough Program for Senior Executives at IMD in Lausanne complete his curriculum. After starting his career at the Swiss Volksbank in New York, he has been in charge of various departments at Credit Suisse since 1995 and was a member of the Executive Board of the Raiffeisen Group, responsible for commercial clients and branches, thus acquiring key competencies in the banking sector. Urs Peter Gauch is a member of the Foundation Board of the Banque Cantonale de Fribourg Foundation.

Chairman of the Board of Directors of Fundamenta Group Holding AG and its subsidiaries and of Metalcolor AG. Chairman of the Board of esisuisse, member of the Board of Directors of HRS AG, various other mandates.



Dominique Jordan Perrin is an economist and holds a PhD in political economy from the University of Fribourg. Between 1999 and 2008, she held various positions at the Swiss Confederation, within the DEFR and the FDFA, including a position as Embassy Counselor in Hanoi, Vietnam. Currently head of the OECD & G20 sector at SECO, she has recognized expertise in international economics. Dominique Jordan Perrin is a member of the Foundation Board and Chairwoman of the Executive Committee of the Banque Cantonale de Fribourg Foundation, a member of the Pension Fund Committee of the Banque Cantonale de Fribourg and of the Compensation Committee.

Member of the Board of the Service intercantonal d'entretien du réseau autoroutier Genève / Vaud / Fribourg (SIERA).



Thomas Bachmann is a lawyer and holds an MAS in Taxation / LL.M. from the University of Applied Sciences Kalaidos Schweiz. He has worked as a chief clerk in the Seebezirk. In 1999, he joined the Fiduconsult fiduciary company as a lawyer, where he was director and head of the legal and tax department from 2014. Since October 2022, he has been Head of Tax & Legal at the fiduciary CORE Partner AG. Since January 2023 he has been a partner of CORE Partner AG. Thomas Bachmann is Vice-Chairman of the Foundation Board of the Banque Cantonale de Fribourg Foundation.

Chairman of the Board of Directors of EdgEvoq Holding SA and Evoq SA in Fribourg and a member of the Board of the BAY Foundation.

Professional career

Other activities



Yves Riedo is a certified public accountant. He held various positions in fiduciary companies before founding axalta Fiduciaire SA and its affiliated companies. Yves Riedo is Chairman of the Audit and Risk Committee of the Banque Cantonale de Fribourg and member of the Foundation Board of the Banque Cantonale de Fribourg Foundation.

Chairman of the Board of Directors of axalta Fiduciaire SA and its group companies, as well as of various SMEs. Member of the Digitalization Commission of EXPERTsuisse.



Paul Such is a system and network security engineer. After working as a security engineer in various service companies between 1999 and 2002, he founded and managed the company SCRT SA until 2017. He then created Hacknowledge SA in 2016, a company he has been managing since then. He is also involved in several cybersecurity training courses at the HEIG-VD (Yverdon), the HES-SO Valais-Wallis, the EPFL and the University of Geneva. Paul Such is a member of the Foundation Board of the Banque Cantonale de Fribourg Foundation, of the Pension Fund Committee of the Banque Cantonale de Fribourg and of the Compensation Committee.





Founder of Insomnihack, Swiss cybersecurity conference. Member of the organizing committee of several cybersecurity conferences: Blackalps, in Yverdon, Swiss Cyber Hub, in Fribourg, Global Security Days, in Paris. Lead auditor ISO 27001 and project management professional since 2011. Member of the Board of Directors of EdgEvooq Holding SA and Evooq SA, in Fribourg.



Jean-Pierre Siggen holds a law degree and a degree in political economy from the University of Lausanne. Former vice-director of the Swiss Union of Arts and Crafts (USAM), then advisor for economic and social issues to Federal Councillor Flavio Cotti and for Federal Council affairs to Federal Councillor Joseph Deiss, he headed the Employers' Union of the Canton of Fribourg and was deputy secretary general of the Federation of French-Speaking Companies. He was elected to the Grand Council of the Canton of Fribourg in 2013 and is currently in charge of the Finance Department. He represents the Canton of Fribourg on the Board of Directors. Jean-Pierre Siggen is a member of the Foundation Board of the Banque Cantonale de Fribourg Foundation.

As a State Councillor, he is Vice-Chairman of the Committee of the State Personnel Pension Fund and a member of the Confederation of Cantonal Finance Directors, the Latin Conference of Finance Directors and the Latin Conference of Digital Directors.

Appendix Executive Management

Professional career	Other activities
 <p>Daniel Wenger is an ESCEA business economist. Between 1988 and 2020, he held various positions at Credit Suisse, which made him a general banker. Daniel Wenger is Chairman of the Committee of the Staff Pension Fund of the Banque Cantonale de Fribourg and Chairman of the Board of Directors of BCF SICAV.</p>	<p>Member of the Board of Directors of the Union of Swiss Cantonal Banks.</p>
 <p>Denis Galley holds a degree in economics from the University of Fribourg. After holding various positions at Union Bank of Switzerland in Zurich and Bulle, he joined the Banque Cantonale de Fribourg in 1996 as a proxy in a credit team. Denis Galley has been a member of the Executive Board since 15 June 2009, in charge of Corporate Clients. He is also responsible for the Distribution Committee of BCF SICAV.</p>	<p>He is Vice-Chairman of the Société Coopérative du Comptoir Gruérien and a member of the Foundation Board of Big Effects (sustainable development).</p>
 <p>Anne Maillard holds a degree in economics from the University of St. Gallen and has also completed a leadership course at Stanford University. After holding various positions at the Swiss Bank Corporation and the Chamber of Commerce and Industry of the Canton of Fribourg, she joined the Banque Cantonale de Fribourg in 1998. A member of the Executive Board since 1 January 2017, Anne Maillard heads the Products and Services Division.</p>	<p>She is a member of the Foundation Board of the Espace Jean Tinguely - Niki de Saint Phalle, a member of the Foundation Board for the renovation and conservation of the Couvent des Cordeliers, and a member of the Management Commission of the Fonds cantonal de la culture.</p>
 <p>Cédric Yerly is a business economist. He held various positions at Credit Suisse from 1996 to 2000. He joined BCF in 2000 as a credit advisor and has been a member of the Executive Board since 1 January 2017. Cédric Yerly is head of the Management Committee of BCF SICAV.</p>	<p>He is director of the Comptoir Gruérien Organizing Committee and a member of the Société Coopérative du Comptoir Gruérien. He is also a member of the Committee of the Union fribourgeoise du tourisme (UFT) and Chairman of its financial committee.</p>

Professional career

Other activities



A lawyer by training, **Christophe Mettler** was legal counsel at UBS AG from 1999 to 2005. He was head of legal, risk and compliance at Crédit Agricole Financement (Suisse) SA from 2006 to 2014, and became deputy managing director until 2015. Associate lawyer specialized in banking, real estate and economic crime between 2015 and 2017, he joined BCF in 2016 as Head of Compliance and Legal. A member of the Executive Board since 1 April 2021, Christophe Mettler is in charge of the Legal, Risks and Compliance Division. He is a member of the Board of Directors of BCF SICAV.

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Luc Jacquat has a federal diploma in banking economics and has held various positions at BCF since 1982. He has been responsible for risk management, ALM management, financial planning and management. As CFO and member of the Executive Board since 1 January 2023, Luc Jacquat is in charge of the Finance Division.

He is a member of the committee of the Fédération des caisses fribourgeoises de compensation pour allocations familiales, a member of the committee of the Caisse d'allocations familiales (CAFAB), a member of the Swiss Association of Foreign Exchange Dealers (ACI Suisse), and the auditor of the Chambre fribourgeoise de l'immobilier (CFI).

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